



Pennsylvania
**Department of
Labor & Industry**

**Written Testimony of Secretary Nancy A. Walker
Department of Labor & Industry
Before House Appropriations Committee
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Chairman Harris, Chairman Struzzi, members of the Appropriations Committee, thank you for the opportunity to discuss Governor Josh Shapiro's proposed budget for the Department of Labor & Industry (L&I) for fiscal year (FY) 2026-2027.

Since his very first day in office, Governor Shapiro has demonstrated unwavering commitment to the people of this state by working collaboratively with members of the General Assembly to invest millions of dollars into improving the lives of everyday people, crafting policies and initiatives that prioritize the well-being, security, and prosperity of hardworking Pennsylvanians and their families. Over the last three years, Governor Shapiro has consistently placed them at the forefront of his work — dedicating time, energy, and resources to support, empower, and uplift communities across the Commonwealth. The Governor's proposed budget for this year builds on three years of success and is a clear reflection of his dedication to solving the everyday problems Pennsylvanians face and showcases a thoughtful and strategic plan to strengthen the foundations of this Commonwealth.

The 2026-2027 budget proposal increases the state appropriations to the Department by 6.76 percent, or an increase of \$6.542 million from the previous year, for a total state funding request of \$103.3. These funds are essential to creating and supporting initiatives that foster a healthy, thriving economy where students have the freedom to chart their own course and the opportunity to succeed, where labor laws are effectively enforced allowing businesses and workers to operate within a fair and level playing field, and where we invest in all career paths. That is how we are meeting the needs of all Pennsylvanians both today and into the future.

Office of Vocational Rehabilitation

The chaos and confusion coming out of Washington has impacted our work at L&I, specifically surrounding federal funding for the national vocational rehabilitation (VR) program, which underscores the growing importance of state funding. 78.7% of L&I's Office of Vocational Rehabilitation (OVR)'s funding comes from federal grants at the U.S. Department of Education (DOE) -- 21.3% is from the state. When the federal government unexpectedly flat-funded the national VR program in 2024, Pennsylvania lost \$12.8 million in federal funding. For FFY26, the

president again proposed flat funding at FFY24 levels, removing the COLA. The budget that was passed—four months late—restored it in the end.

The consistent threats to revert to FFY24 funding levels combined with the federal administration's threat to eliminate the Department of Education raise serious concerns about the program's stability and future and create unpredictability in planning PA OVR's annual programs. In response to these uncertainties, PA OVR has implemented numerous cost saving protocols, restricted hiring, and has relied on a combination of state funds, federal reallocation funds, Social Security Reimbursement funds, and federal carryover funds to maintain operations. Without tapping into these pools of funding, PA OVR would have had significant financial issues that would have negatively impacted its ability to serve people with disabilities and threatened program continuity.

In SFY 2024-25, OVR helped over 6,400 Pennsylvanians with disabilities find viable pathways to employment. OVR worked with over 15,000 students with disabilities across the five categories of service required by federal law (WIOA) – Job Exploration, Work Based Learning, Counseling on Post Secondary Programs, Work Readiness, and Self-Advocacy. In the summer of 2025, OVR worked in over 57 counties across nearly 100 employers to offer paid work-based learning opportunities for more than 400 students and conducted its annual Summer Academies for students who are deaf or hard of hearing and blind or visually impaired as they made the transition from high school to college at Penn State. PA OVR also worked side by side with First Lady Lori Shapiro who has made advocating for our OVR clients a centerpiece of her work, helping us to connect with numerous employers to build relationships and create more employment opportunities for people with disabilities.

OVR's Commonwealth Technical Institute at the Hiram G. Andrews Center in Johnstown had a 75 percent placement rate in its last graduating cohort and is working to expand externship opportunities for the upcoming year. Our students there learn how to manage their own schedules, develop life skills – all while becoming an expert in a skilled trade. Together with consistent and stable funding, OVR will be able to continue investing in these opportunities for the next generation of workers well into the future.

Industry Partnerships

To continue building a stronger, more resilient workforce, this proposed budget requests an increase of \$3.5 million to support the department's Industry Partnerships (IPs) program, which is a network of regional business leaders within one industry, who work together with public partners to address the shared workforce and broader competitive needs of their industry. Pennsylvania is a national leader in this proven sector strategy, which brings together business, education, workforce development, economic development, and community partners to strengthen the competitiveness of key industries and regional economies. These partnerships thrive because they focus on what matters most to employers—building talent pipelines, improving retention, and addressing barriers to growth. By aligning resources and strategies, IPs

not only support industry competitiveness but also create opportunities for workers, students, and communities.

Schools-to-Work Program

The department is committed to preparing students for life-sustaining careers while building the strong pools of talent that Pennsylvania's employers need. So far under the Shapiro Administration, we have increased funding for vo-tech, CTE and apprenticeship programs by nearly 50% - from \$118 million when the Governor took office to \$183 million. Let's keep building on that progress! The requested increase in this budget for the Schools-to-Work Program is a critical component of that mission. With an additional \$3.5 million in funding, L&I can expand grant opportunities to further develop partnerships between schools, employers, and workforce organizations – literally creating the employment and training pathways a student can follow like a map, starting while they're still in high school with a Registered Pre-Apprenticeship program.

As of December 2025, Schools-to-Work funding has supported over \$13 million in grants for 59 grantees under this Administration. 5,105 participants enrolled in programs that build essential literacy and math skills for employment entry exams, provide industry-recognized credentials or college credits aligned to workforce needs, and prepare individuals for Registered Apprenticeships, post-secondary education, or employment with clear credit transfer pathways. Programs operate in 73 percent of PA counties across a wide variety of industries, including manufacturing, technology, agriculture, skilled trades, and health care.

Unemployment Compensation System Improvements

Enhancing and maintaining the responsiveness of the Unemployment Compensation (UC) system remains a key priority for the Shapiro Administration. We understand that providing timely, efficient and friendly assistance to Pennsylvanians who are unemployed is critical to ensuring government is a force for good in people's lives, helping to stabilize communities during periods of economic uncertainty. Governor Shapiro gave us a directive to improve the UC system, and our team has delivered: call wait times have dropped dramatically since 2023, following the hiring of more than 380 intake interviewers to staff Service Centers and handle calls. Before Governor Shapiro took office in January 2023, UC call wait times often exceeded an hour. In 2025, the wait time averaged below 30 minutes throughout the entire year. Before January 2023, claimants typically had to call, on average, 11.4 times to reach a representative. In 2025, that number improved by 75 percent, to just 2.8 attempts.

In addition to faster phone assistance, we are also helping Pennsylvanians faster in person, online and via email. Most UC-related emails through UCHelp are answered within 24-48 hours, and claimants can connect with a live staff member through UC Chat, the online chat feature, in under two minutes. In 2025, updates to UC Chat introduced several key enhancements, including natural language understanding, whereby claimants can now ask questions in their own words and receive clear, conversational responses. UC Chat's contextual awareness allows the system to reference previous messages to deliver more relevant and accurate information. If a question

is unclear or cannot be answered, the system will ask for clarification and offer to transfer the claimant to a live representative.

Claimants can also schedule in-person appointments with UC staff at all PA CareerLink® locations. In 2025, L&I served more than 28,000 Pennsylvanians through this in-person service, bringing the total number served to 122,544. Most claimants schedule UC Connect appointments because they prefer in-person support.

Service and Infrastructure Improvement Fund

Maintaining current customer service levels and speeds, advancing system improvements, and meeting federal UC program performance goals depends on the reauthorization of the Service and Infrastructure Improvement Fund (SIIF). This budget proposal asks for \$115.6 million in reauthorization of the SIIF. Without this funding, our progress and improvements will stop. The program expenses will exceed revenues, requiring L&I to scale UC programs down to the minimum level supported by federal funding. UC would be forced to cut staffing to pre-pandemic levels, immediately interrupting customer service and program delivery while also leaving the state unprepared for the next unemployment crisis. Critical programs, including UC Connect, UC Chat, and LegWeb, the request system for legislative staff, would have to be discontinued. Phone and email wait times would surge, and constituents would once again be forced to turn to all of you, their legislators, for help with UC claims, as they did in 2020 and 2021. No one wants to go back to that reality.

Inspection Fees and the Bureau of Occupational and Industrial Safety

This budget requests a \$3.5 million increase in augmentations from inspection fees, in addition to a minimal increase of \$1.45 million from the General Appropriation to the Bureau of Occupational and Industrial Safety (BOIS) line item, for a total increase of \$4.95 million. BOIS is responsible for ensuring the safety of Pennsylvanians by enforcing laws and regulations that require compliance with the Uniform Construction Code, making sure that elevators and boilers are installed and inspected in accordance with their respective laws, and overseeing legislative standards involving the composition of children's stuffed toys sold within the Commonwealth, among many other crucial safety-based functions.

These budget requests are also needed to help meet the increased inspection demands expected with the addition of the annual Category 1 elevator testing requirements this Fall. Elevators in Pennsylvania are required to undergo certain testing at varying times. To ensure public safety and to bring Pennsylvania's code in line with other states in the region, the updated code requires that Category 1 testing occur annually, opposed to every 3 or 5 years under the old code. Category 1 testing occurs on all elevators or other lifting devices that transport people. It entails testing and examining multiple safety components, such as fire response systems, brakes, and underground hydraulic jacks. The new regulatory requirements will affect nearly 54,000 pieces of lifting equipment in total, 40,000 from just the new Category 1 testing requirements alone. These inspections necessitate the addition of approximately 12 new inspectors.

Furthermore, the funding will support contractual pay increases, ensure inspectors are outfitted with proper Personal Protective Equipment, and enable BOIS to continue meeting the ever-growing requests for expedited and after-hour inspections in order to keep businesses open and running across the Commonwealth.

BOIS generates revenue for the General Fund by charging for the plan review, inspection, and certification services it provides. In FY 2024-25, BOIS generated almost \$19.7 million in revenue, of which almost \$9.7 million was deposited into the General Fund. This 76 percent increase in fee generation was due in part to improved processes that prioritized overdue inspections, increased application submissions, and focused outreach to customers with outstanding balances.

In addition to adding desperately needed staff in the Elevator Division, additional funding will also permit BOIS to increase needed staff needed in the Boiler Division by adding four boiler inspectors and two boiler clerical support staff. This increase in complement will result in improved processing and inspection times for businesses and citizens, and increase funds generated for the General Fund. BOIS is already seeing the impact of the increased staffing added two years ago with decreased boiler inspection backlogs this year. The Boiler Division backlog has been reduced from 9,904 as of June 30, 2025 to 8,258 as of December 31, 2025, and is on track to be reduced to 7,923 by the end of FY 25-26. Similarly, the Elevator Division backlog has been reduced from 5,416 as of June 30, 2025 to 4,935 as of December 31, 2025, and is on track to be reduced to 4,496 by the end of FY 25-26. Elevator inspector trainees require minimum training periods of 12-18 months, and 8-12 months are needed for boiler inspector trainees. It is imperative that BOIS have the proper complement as soon as possible to be positioned to meet statutory and regulatory requirements.

Raising the Minimum Wage

Governor Shapiro is committed to strengthening our workforce and keeping our state economically competitive by raising the minimum wage. Since 2024, 23 states and Washington D.C. have raised their minimum wage. All of Pennsylvania's neighboring states have a higher minimum wage. This year, this General Assembly should finally pass legislation to raise the minimum wage, which would help hardworking families pay for essentials like food, medicine, housing, and car repairs, and would provide workers with a paycheck that truly reflects the value of their labor that they can invest in their communities.

Raising the minimum wage will directly and indirectly benefit as many as 553,800 Pennsylvania adult workers earning \$15.00 or less. Further, raising the minimum wage to \$15.00 per hour would generate at least \$80 million annually in increased General Fund revenue once fully implemented. Raising the minimum wage puts more money in workers' pockets, boosts local businesses, and strengthens our economy. Raising the minimum wage would also reduce the number of people who rely on public benefit programs like SNAP or Medicaid because they'd be making enough money to get by and would no longer need that monthly assistance. Simply put, better pay makes jobs more attractive and our state stronger. Workers have the leverage to

choose jobs that value their skills. Increasing the minimum wage isn't just fair for families and businesses—it's a smart move that strengthens our entire economy.

The funding requests before you are targeted investments that allow us to maintain core services, improve program delivery, and protect both workers and employers. With the General Assembly's support, we will continue to promote economic mobility, strengthen unemployment compensation services, enforce labor laws, ensure workplace safety, and support the growth of law-abiding businesses in Pennsylvania. These investments help stabilize our workforce, protect consumers, and support a fair and competitive economy.

We are committed to continuously improving how we deliver services and value constructive feedback. This budget request supports the programs and operational improvements needed to effectively serve Pennsylvanians.

Thank you for the opportunity to testify on behalf of this Agency. I am confident that, by continuing to work together, Pennsylvania can create a budget that will support both workers and businesses today and into the future.