

Minimum Wage in the 2026–27 Proposed Pennsylvania Budget:

What Changes, What is Assumed, and What is Left Unresolved

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Key Takeaways

- The proposal would raise Pennsylvania’s minimum wage from \$7.25 to \$15.00 per hour for non-tipped workers and to \$9.00 per hour for tipped workers, effective January 1, 2027.
- For FY 2026–27, the budget estimates this change would bring in \$53.5 million in additional General Fund revenue (about \$30.1 million from the Personal Income Tax (PIT) and \$23.4 million from sales and use tax associated with higher wages). This \$53.5 million reflects only a partial-year impact because the wage increase would take effect on January 1, 2027 – halfway through the state’s fiscal year (which runs July 1 to June 30).
- Once fully implemented for a full year, the administration estimates the policy would add more than \$80 million annually in increased revenue to the Commonwealth.
- The budget narrative also suggests the minimum wage increase could generate over \$300 million in annual savings due to reduced reliance on DHS safety-net programs, including transitions off Medicaid. But it is unclear what is driving those projected “savings”: whether families are genuinely better off and no longer need assistance, or whether higher earnings push people over eligibility thresholds (a benefits cliff) even if their overall financial situation remains tight. This uncertainty matters even more given ongoing federal reductions to Medicaid, SNAP, and other social supports, alongside tariff policies that raise consumer prices and shift more costs onto families.
- The proposal sets the wage at \$15 per hour, but it does not say what happens after that. It does not include a rule that would automatically adjust the minimum wage in future years to keep up with inflation or rising costs. It also does not provide additional enforcement-related resources (such as staffing or capacity to investigate wage theft).

Raising the Minimum Wage

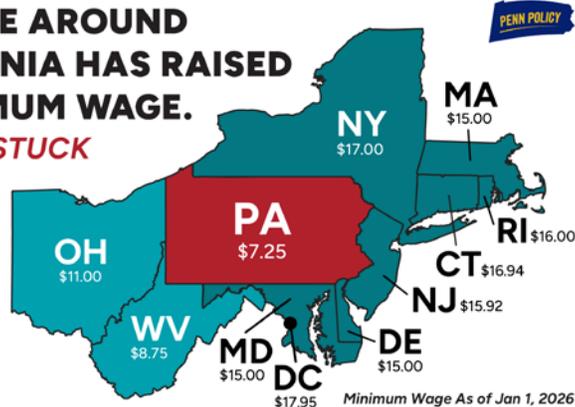
The last time Pennsylvania raised its minimum wage through standalone state legislation was in 2006, when Act 112 increased the wage in two steps to \$7.15 by July 1, 2007.¹ After that, the state’s only increase came on July 24, 2009, when the wage moved from \$7.15 to \$7.25 to match the final phase of the federal minimum wage increase. It has remained at \$7.25 ever since.²

Compared to surrounding states (Figure 1), the Commonwealth is an outlier. As of January 1, 2026, New Jersey’s statewide minimum wage is \$15.92;

Figure 1: Every State Around Pennsylvania Has Raised Their Minimum Wage

EVERY STATE AROUND PENNSYLVANIA HAS RAISED THEIR MINIMUM WAGE.

PA HAS BEEN STUCK AT \$7.25 FOR OVER 16 YEARS.



New York's is \$17.00 in New York City, Long Island, and Westchester and \$16.00 elsewhere; Delaware's is \$15.00; Maryland's statewide minimum wage is at least \$15.00 (with higher county rates in some places); and Ohio's is \$11.00. Even West Virginia, which is closer to Pennsylvania's level than other neighboring states, sets a higher floor at \$8.75.

This stagnant minimum wage has been a long-standing issue for many workers, advocates, and legislators. Since at least the launch of the national Fight for \$15 movement in 2012, advocates have pushed for a \$15 minimum wage, including in Pennsylvania.³ Governor Shapiro has also repeatedly included a \$15 minimum wage in his Executive Budget priorities, from FY 2023–24 through FY 2026–27.⁴

Who Would be Impacted by This Change?

While a minimum wage increase does not reach every kind of work arrangement equally, independent estimates consistently find that a statewide \$15 minimum wage would raise pay for a substantial share of Pennsylvania workers. Keystone Research Center estimates that 865,600 Pennsylvania workers would see their wages rise if lawmakers raised the minimum wage for all non-tipped hourly workers to \$15 per hour. This includes about 460,000 workers directly affected (earning less than \$15) and about 405,600 indirectly affected (earning slightly above \$15 but expected to receive a spillover increase as pay scales adjust).⁵

In particular, the report finds that those who would benefit from a \$15 minimum wage are:

- Not primarily teenagers: About 81 percent of affected workers are over age 20, meaning nearly 700,000 adult workers would receive a raise.
- Disproportionately women: Women make up 61 percent of affected workers.
- Disproportionately workers of color: Workers of color represent 34 percent of affected workers, including about 135,000 Black non-Hispanic workers and about 111,000 Hispanic workers.
- A significant share is working parents: More than 178,000 affected workers are parents of children under 18, including about 102,000 single parents.

At the same time, while moving to a \$15 minimum wage would make a meaningful difference for many families, it is still not a living wage, meaning a wage high enough for a full-time worker to cover basic expenses like housing, food, transportation, health care,



and taxes. In Pennsylvania, the MIT Living Wage Calculator estimates that the statewide average living wage for a single adult working full time is \$22.91 per hour.⁶

Estimated Fiscal Impacts (as Described in the Budget Narrative)

The budget estimates that raising the minimum wage (effective January 1, 2027) would increase General Fund revenue by \$53.5 million in FY 2026–27 (a half-year effect), including \$30.1 million from the Personal Income Tax and \$23.4 million from sales and use tax, as higher wages would translate into more taxable earnings and consumer spending. Once fully implemented for an entire year, the administration estimates the policy would increase annual Commonwealth revenue by more than \$80 million.

In addition to increased revenue, the budget proposal also projects over \$300 million in annual savings due to reduced reliance on DHS safety-net programs, including Medicaid-related transitions.

However, both estimates rely on assumptions about labor market responses (including employment and hours worked), consumer spending, and benefit eligibility transitions, and may not materialize exactly as projected.

While higher wages can translate into more taxable earnings and consumer spending, those gains may be smaller given the changing federal landscape. The tariffs implemented under the Trump administration are widely expected to raise consumer prices.⁷ In addition, labor market conditions appear to be deteriorating, with job-finding prospects down and job-loss expectations up, which could weaken hiring and hours and reduce the size of the projected revenue gains.⁸

Similarly, while a higher minimum wage can lift many families, it can also push some workers just over eligibility thresholds for programs like Medicaid or SNAP (a benefits cliff), potentially reducing assistance even if overall household finances remain tight. This may add to household financial stress, as families are already dealing with cost-shifting due to the federal One Big Beautiful Bill Act (OBBBA), which include stricter work requirements and other eligibility and administrative changes affecting Medicaid and SNAP.⁹

What is Not Addressed in the Proposal?

Beyond the headline wage increase, the proposal leaves several implementation questions unresolved.

- The budget does not increase funding for labor standards enforcement or wage theft prevention tied to the higher minimum wage. The Labor and Industry performance measure for “Wages collected by the Bureau of Labor Law Compliance under the Minimum Wage Act, Wage Payment and Collection Law, and Prevailing Wage Act” is reduced from the 5.1 million allocated in the 2025-2026 budget to 5.0 million in this proposed budget.

- The proposal does not include an automatic adjustment after the wage reaches \$15. Because prices typically rise over time, this means that over time this win will lose purchasing power. The proposal does not directly address the benefits cliff. There is no mechanism included to smooth transitions for individuals whose earnings increase but who may lose eligibility for programs such as Medicaid or SNAP.

Next Steps

Unfortunately, even though a \$15 minimum wage has appeared repeatedly in the Governor’s proposed Executive Budgets, it has not been enacted because Pennsylvania’s minimum wage can only change through standalone legislation amending the Minimum Wage Act.

While legislation to raise the minimum wage has advanced in the House in recent sessions, it has repeatedly stalled in the Senate, where it has not received final consideration. In the 2023–2024 session, House Bill 1500 passed the House and was then referred to the Senate Labor and Industry Committee, where it did not advance.¹⁰ More recently, in the 2025–2026 session, House Bill 1549 passed the House and was then referred to the Senate Labor and Industry Committee, where it has remained pending.¹¹

Footnotes

- 1 Pennsylvania General Assembly, Act 112 of 2006 (H.B. 2137), amending the Pennsylvania Minimum Wage Act to set the rate at \$6.25 effective January 1, 2007, and \$7.15 effective July 1, 2007, enacted July 7, 2006, PDF, <https://palrb.gov/getfile.cfm?file=resources%2Fpreservation-project%2Fplifttopdf%2F20002099%2F2006%2Fo%2Fact%2Fo112.pdf&view=true> (accessed February 13, 2026)
- 2 Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis, Minimum Wage Report 2024, noting that “On July 24, 2009, Pennsylvania raised the minimum wage to \$7.25 as provided by the amended Fair Labor Standards Act (FLSA),” PDF, <https://www.pa.gov/content/dam/copapwp-pagov/en/dli/documents/cwia/products/minimum-wage-reports/minimum-wage-report-2024.pdf> (accessed February 13, 2026).
- 3 City of Philadelphia, Office of the Mayor, “Higher Minimum Wage for Pennsylvania,” January 31, 2019, <https://www.phila.gov/2019-01-31-higher-minimum-wage-for-pennsylvania/> (accessed February 13, 2026).
- 4 Commonwealth of Pennsylvania, Office of the Budget, “Commonwealth Budget,” which provides the official Executive Budget and Budget in Brief documents by fiscal year (including FY 2023–24 through FY 2026–27), <https://www.pa.gov/agencies/budget/publications-and-reports/commonwealth-budget> (accessed February 13, 2026).
- 5 Keystone Research Center, Who Benefits? The Demographic Impact of a Minimum Wage Increase in Pennsylvania, July 17, 2025, PDF, <https://kestoneresearch.org/wp-content/uploads/WhoBenefits2025-1-1.pdf> (accessed February 13, 2026).
- 6 MIT Living Wage Calculator, “Living Wage Calculation for Pennsylvania,” accessed February 13, 2026, <https://livingwage.mit.edu/states/42>
- 7 Michael S. Derby, “NY Fed Report Says Americans Pay for Almost All of Trump’s Tariffs,” Reuters, February 12, 2026, <https://www.reuters.com/world/us/ny-fed-report-says-americans-pay-almost-all-trumps-tariffs-2026-02-12/>
- 8 Federal Reserve Bank of New York, “Survey of Consumer Expectations: January 2026,” January 8, 2026, Federal Reserve Bank of New York, <https://www.newyorkfed.org/newsevents/news/research/2026/20260108>
- 9 Pennsylvania Department of Human Services, “Federal Cuts,” Commonwealth of Pennsylvania, accessed February 12, 2026, <https://www.pa.gov/agencies/dhs/resources/federal-cuts>
- 10 Pennsylvania General Assembly, House Bill 1500 (2023–2024), bill history showing House passage and Senate referral to Labor and Industry (last action: “Referred to Labor & Industry, July 5, 2023”), <https://www.palegis.us/legislation/bills/2023/hb1500> (accessed February 13, 2026).
- 11 Pennsylvania General Assembly, House Bill 1549 (2025–2026), bill history showing House passage and Senate referral to Labor and Industry (last action: “Referred to Labor & Industry, June 18, 2025”), <https://www.palegis.us/legislation/bills/2025/hb1549> (accessed February 13, 2026).