

PENNSYLVANIA BUDGET 101

2026

PENN POLICY

Budget by the Numbers



- **General Fund total (budget year 2026–27): \$53.262 billion**
- **General Fund total (current year 2025–26): \$50.543 billion**
- **General Fund starting position: adjusted beginning balance of about \$0.6 million (\$628,000)**
- **Transfer from Rainy Day Fund to balance the General Fund: \$4.579 billion**

Rainy Day Fund Update



- **Cash balance, beginning (2026–27): \$7.819 billion**
- **Transfers out in 2026–27:**
 - **To General Fund: \$4.579 billion**
 - **To Federal Response Fund: \$100.0 million**
- **Cash balance, ending (2026–27): \$3.307 billion**

Major Proposed Revenue Changes

- **Skill games** within the Video Gaming Terminal framework: \$765.9 million (\$743.1 million transfer from the Video Gaming Fund + \$22.8 million in license fees)
- **Adult-use cannabis**: \$729.4 million (\$36.9 million cannabis tax + \$32.9 million sales and use on retail cannabis + \$659.6 million license fees)
- **Corporate Net Income Tax** change (uniform filing requirements): \$328.4 million
- **Minimum wage** proposal revenue effect: \$53.5 million for the first half of 2027 (PIT effect \$30.1 million + sales and use effect \$23.4 million) ; \$80 million full-year.



Major Changes in Education

Adequacy + equity investments

- Additional \$565M to continue the adequacy formula and tax equity supplements (delivered through the Ready to Learn block grant's adequacy and tax equity components)

Core formula dollars

- Basic Education Funding: +\$50M to \$8.312B total
- Special Education Funding: +\$50M to \$1.577B total

School buildings and safety supports

- School facilities: \$125M for school facilities and solar projects, with \$25M dedicated to Solar for Schools
- School safety and mental health care: continues an investment of \$111M
- Universal free breakfast and menstrual hygiene product support continued



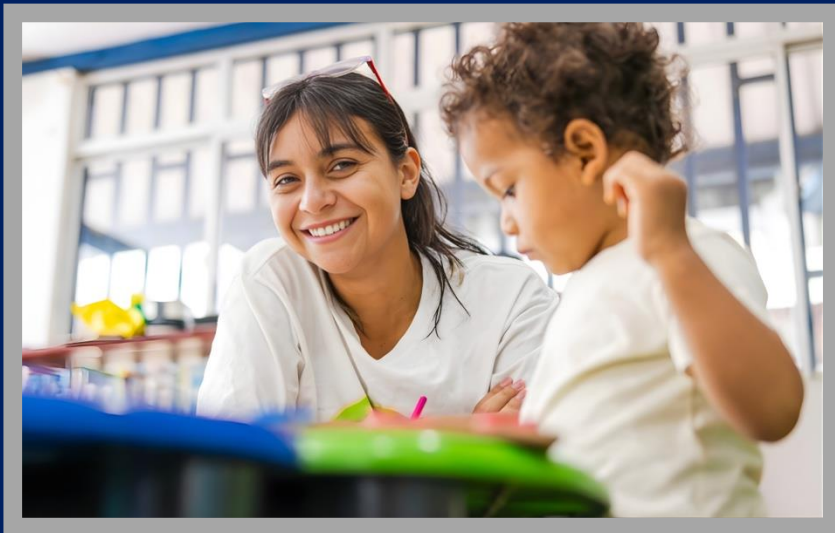
Major Changes in Child Care

Workforce recruitment and retention

The proposal adds \$10M to continue child care recruitment and retention grants, bringing the total to \$35M in the budget year (after a \$25M investment in 2025–26).

Early learning workforce stabilization

- Pre-K Counts: additional \$7.5M (to help raise wages and stabilize the early educator workforce).
- PA Head Start Supplemental Assistance Program: additional \$2M (same purpose: wages/workforce stabilization).



Major Changes in Health Care

- **Community HealthChoices (CHC):** General Fund increase of \$502.734 million to continue the program
- **Medical Assistance – Long-Term Living:** General Fund net decrease of \$24.193 million
- **LIFE program expansion:** Lottery Fund increase of \$3.588 million to serve 300 additional participants





Major Changes in Transportation

Public Transportation Trust Fund (PTTF)

- Total PTTF: \$2.404B in FY 2026–27 (down from \$2.715B available in 2025–26)
- Mass Transit Operating: \$1.184B (up from \$1.134B available)
- Asset Improvement (transit capital): \$840.0M (down from \$1.2149B available)
- Programs of Statewide Significance: \$300.0M (up from \$286.0M available)

Other transit funding streams

- Public Transportation Assistance Fund (Mass Transit): \$285.164M (up from \$277.140M available)
- Lottery Fund transfer to PTTF (Older Pennsylvanians transit): \$95.907M

Policy change

The budget proposes dedicating 1.75% of total sales tax collections to the Public Transportation Trust Fund beginning in FY 2027–28.

Major Changes in Data Centers

- For the Computer Data Center Equipment Exemption (sales and use tax), it's estimated cost would be \$188.4 million in FY 2026–27 (up from \$114.8 million in FY 2025–26 and \$41.1 million in FY 2024–25).
- The out-year growth is steep in the Executive Budget estimates: \$260.3 million (2027–28), \$345.9 million (2028–29), \$431.6 million (2029–30), \$517.2 million (2030–31).
- This is a major and expanding tax expenditure, tied to data centers, that reduces General Fund revenue unless offset elsewhere.



Major Changes in Energy, the Lightning Plan, and the Grid

The Lightning Plan and consumer protections: The budget continues to advance the Governor's Lightning Plan and calls for renewing Chapter 14 utility consumer protections, which lapsed in 2024 to prevent shutoffs without warning and strengthen protections for ill and infirm Pennsylvanians.

Electric Grid Resilience (federal IIJA): Funding remains \$269.25M in FY 2026–27, unchanged from FY 2025–26.

Incentives tied to grid reliability: The budget proposes modifying PA EDGE by converting the Local Resource Manufacturing Tax Credit into a Reliable Energy Investment Tax Credit, allowing up to \$100M per year per facility for three years, with a stated focus on bringing new, reliable energy sources onto the grid.

How the Budget Scores with For Our Common Wealth (FOCW)

Fair Share Tax:

The budget does not advance a Fair Share Tax or other new, progressive personal income tax changes.

FOCW score: There is no new recurring revenue from taxing the ultra-rich to help close the structural gap.

Fair Share Tax potential: It could bring in about \$4.8B per year (2.8% tax on income from work and 7.5% tax on income from wealth).



How the Budget Scores with For Our Common Wealth (FOCW)

Corporate Net Income Tax Filing Change

Budget proposes “modernizing the tax system” by adopting uniform filing requirements for Corporate Net Income Tax for tax years beginning after December 31, 2026

- **Estimated revenue (Executive Budget):** \$328.4M in FY 2026–27
- **Back-of-envelope FY 2027–28 annualized estimate:** roughly \$500M to \$660M

FOCW score: A step toward corporate accountability, but not the same as corporate worldwide reporting

Worldwide combined reporting (FOCW): About \$1.5B per year

How the Budget Scores with For Our Common Wealth (FOCW)

Severance tax:

Budget does not advance a severance tax on natural gas extraction

FOCW score: Leaves a major recurring revenue option on the table, even as the state faces a structural gap and potential cuts

Severance tax potential: \$182M at 5.0% and \$281M at 6.5%

THANKS FOR YOUR ATTENTION!

The logo for Penn Policy, featuring the text "PENN POLICY" in a bold, blue, sans-serif font. The text is set against a yellow, torn-edge rectangular background. A thin blue horizontal line is positioned below the text.

PENN POLICY

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See the chat for links to learn about this year's PA budget and our For Our Common Wealth campaign. And see the form to use for your org to sign on to the campaign!