

# Regional Policy Advisory Committee

December 15<sup>th</sup>, 2025



# State Budget Presentation

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## **Agenda Item 2**





**Buchanan  
Ingersoll &  
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# Buchanan PA State Government Relations

## 2025-2026 Budget & Election Overview

December 15, 2025



# Topics:

- Economic Development and Workforce
- Tax Policy
- Permitting Reform
- Regional Greenhouse Gas Initiative (RGGI)
- Transportation Funding
- Human Services
- 2026 Budget: What to Expect
- 2025 Election: Highlights
- 2026 Election: What to Expect

# Economic Development and Workforce

# Economic Development and Workforce

- Funds new [BusinessPA](#) line item to support unification of the Governor's Action Team (GAT), Foreign Direct Investment (FDI), and Trade & Exports teams within the Department of Community and Economic Development (DCED).
- Provides \$25 million for Child Care Worker Retention and Recruitment.
- Includes \$50 million transfer from the State Gaming Fund to the Tourism Promotion Fund, \$10 million of which will support the NFL Draft in Pittsburgh in 2026, and the remainder for the planning, operation, safety, security, or execution of events occurring in the Commonwealth in 2026, including the celebration of the 250th anniversary of the United States of America.

# Economic Development and Workforce (con't)

Following is a listing of some key Economic Development related items which may be of interest to the SPC included in the final version of the state budget:

## Manufacturing Pa:

2024-2025 Final Budget: \$13,000,000  
2025-2026 Proposed Budget: \$13,000,000  
2025-2026 Final Budget: \$13,000,000

## Main Street Matters:

2024-2025 Final Budget: \$20,000,000  
2025-2026 Proposed Budget: \$20,000,000  
2025-2026 Final Budget: \$20,000,000

## Keystone Communities:

2024-2025 Final Budget: \$45,343,000  
2025-2026 Proposed Budget: \$0  
2025-2026 Final Budget: \$34,343,000

## Pennsylvania First:

2024-2025 Final Budget: \$38,000,000  
2025-2026 Proposed Budget: \$33,000,000  
2025-2026 Final Budget: \$38,000,000

## Partnerships for Regional Economic Performance:

2024-2025 Final Budget: \$10,880,000  
2025-2026 Proposed Budget: \$10,880,000  
2025-2026 Final Budget: \$10,880,000

## Local Municipal Emergency Relief:

2024-2025 Final Budget: \$50,650,000  
2025-2026 Proposed Budget: 0  
2025-2026 Final Budget: \$55,645,000

## Community and Economic Assistance:

2024-2025 Final Budget: \$86,510,000  
2025-2026 Proposed Budget: 0  
2025-2026 Final Budget: \$112,975,000

# Economic Development and Workforce (con't)

- Included in the State Fiscal Code were the following:

## **Article XVI-W.1. Affordable Housing Tax Credit**

Establishes the Affordable Housing Tax Credit Program (program) within the Pennsylvania Housing Finance Agency (PHFA). Allows a taxpayer to apply to PHFA for program funding for an eligible project. An eligible project includes a building or buildings to be constructed, rehabilitated or preserved in a qualified low-income housing project.

## **Article XVI-X.1. Additional Extensions of Keystone Opportunity Zones**

Requires DCED to approve an application to grant an additional extension for a parcel located within a Keystone Opportunity Zone (KOZ), KOEZ, or Keystone Opportunity Improvement Zone (KOIZ) if:

- The parcel was already granted an extension.
- The parcel, at the date the application is submitted:
  - o Is located within a City of the First Class;
  - o Is no more than 20 acres in the aggregate; and,
  - o Is entirely owned by the applicant.

The extension shall be for an additional 10 years of state tax exemptions, deductions, abatements and credits authorized under the KOZ law. An application for an extension shall be submitted no later than three months prior to the expiration of the existing zone and shall be reviewed and acted on by DCED within three months of receipt of the application. The extension shall be for an additional 10 years.



# Economic Development and Workforce (con't)

## State Economic Development Funding Opportunities

The speculation is that Redevelopment Assistance Capital Program awards could soon be publicly announced with the completion of the 2025-2026 state budget. The same is the case for Commonwealth Financing Authority awards related to LSA, Greenways, Multimodal, etc. as well as the Governor's Housing Initiative.

In addition, Act 48 of 2025 signed by the Governor on November 19 establishes the maximum bond indebtedness the Commonwealth may incur during the fiscal year for capital projects specifically itemized in a capital budget project itemization act for the following:

- Public Improvement Projects: \$1,100,000,000
- Furniture and Equipment Projects: \$ 20,000,000
- Transportation Assistance Projects: \$100,000,000
- Redevelopment Assistance Projects: \$350,000,000
- Flood Control Projects: \$ 0

Total: \$1,570,000,000

# Tax Policy

# Tax Policy

- Creates the Working Pennsylvanians Tax Credit, a new, refundable state-level tax credit linked to the federal Earned Income Tax Credit (EITC). Anyone qualifying for the federal EITC will also qualify for the state-level credit equaling 10% of the federal credit.
- Maintains the current phase-down schedule of the Corporate Net Income Tax (CNIT), from 7.99 percent to 7.49 percent in 2026, which will culminate in a 4.99% CNIT effective January 1, 2031.
- Continues Net Operating Loss (NOL) carryover limit increase (10% yearly) from the previous cap of 40% until the limit reaches 80% in 2029.
- Decouples from certain federal tax provisions enacted by Congress earlier this year for state CNIT purposes.
- Creates a new \$10 million Affordable Housing Tax Credit Program to be administered by the Pennsylvania Housing Finance Agency (PHFA).

# Permitting Reform

# Permitting Reform

- Expands the Streamlining Permits for Economic Expansion and Development Program (SPEED) to include three additional permits.
- Requires all Air Quality Permits and specific renewals of National Pollutant Discharge Elimination System (NPDES) general permits to be “deemed approved” within set timeframes after application submissions.
- Requires state agencies to maintain a permit tracking system to provide applicants with the status of their permit application in real time.

# Regional Greenhouse Gas Initiative (RGGI)

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- Removes Pennsylvania from the Regional Greenhouse Gas Initiative (RGGI), a multi-state compact which former Governor Tom Wolf attempted to enter Pennsylvania into via executive order in 2019, prompting years of litigation culminating in an appeal currently pending before the Pennsylvania Supreme Court.

# Transportation Funding



# Transportation Funding

The 2025-2026 Pennsylvania state budget includes funding for transportation through an increase to PennDOT's budget, focusing on highway and bridge maintenance, and continues the phased reduction of the State Police's reliance on the Motor License Fund to free up more money for road projects. The final budget does not include the governor's proposal for a significant increase in direct mass transit funding through sales tax revenue, which was a point of contention in the delayed budget negotiations.

## PennDOT and infrastructure funding

- **PennDOT funding increase:** The budget increases PennDOT's overall funding by about 1.3% (\$145.7 million), bringing the total to \$11.58 billion.
- **Highway and bridge funds:** This includes an increase of 1.9% for state highways and bridges, with a dedicated \$1.6 billion for highway maintenance.
- **Motor License Fund shift:** The budget continues a multi-year plan to shift funds away from the Motor License Fund (MLF) to the State Police, freeing up an additional \$750 million for PennDOT over five years for road and bridge projects.

## Mass transit

- **No additional sales tax funding:** The final budget does not include Governor Shapiro's proposal to increase the percentage of sales tax revenue directed to the [Public Transportation Trust Fund](#).
- **Disappointing outcome:** Mass transit agencies expressed disappointment with the lack of dedicated new operating funds.
- **Alternative funding solutions:** Some transit agencies have opted to use money from their reserve funds, which are typically meant for capital projects, to cover operating costs.

# Transportation Funding (con't)

## Other transportation-related funding

- **State Police funding:** The budget provides funding to the State Police to strengthen operations, including enhancements to traffic enforcement, with the goal of preventing crashes and saving lives.
- **Capital budget:** Legislation has been enacted for the 2025-2026 capital budget, which will detail funding for public improvement, transportation assistance, and other projects.
- **Legislative actions:** Other transportation-related bills are being considered in the legislature, such as proposals to modernize E85 fuel standards and provide flexibility for counties to use certain funds for municipal bridges.

# Human Services

# Human Services Funding

The 2025-2026 Pennsylvania state budget includes significant funding increases for human services, particularly for early intervention, aging programs, and home and community-based services for older adults. Key provisions include a \$41.7 million increase for early intervention programs, a \$10 million boost for services for older Pennsylvanians, and \$55 million for childcare worker recruitment and retention bonuses. The budget also adds \$747 million in funding for Medicaid managed care programs to support rates and direct care workers, and \$40 million for food security initiatives.

## Programs for older Pennsylvanians and seniors

- **Aging Our Way, PA:** A \$20 million investment through the PENNCARE appropriation to support Area Agencies on Aging.
- **Aging services:** An \$11 million increase for State Food Purchase Program and Farmers' Market Coupons, with an additional \$10 million increase for home and community-based services for older adults.

## Childcare and workforce development

- **Childcare:** A \$55 million investment in recruitment and retention bonuses, with a goal of \$1,000 for childcare workers.
- **Direct care workers:** An \$21 million increase for direct care workers.
- **Office of Vocational Rehabilitation:** An additional \$5 million for services to help people with disabilities find employment.
- **Early Intervention:** An increase of \$41.7 million for early intervention programs, including \$13.2 million for the Part C (infants and toddlers) program with \$10 million dedicated to increasing provider rates.

# Human Services Funding (con't)

## Other human services

- **Food security**: \$40 million allocated for Farmers' Market Coupons, the State Food Purchase Program, and the PA Agricultural Surplus System.
- **Medicaid**: A \$747 million increase for Medicaid Managed Care programs, including funds for rate increases and direct care workers.
- **Intellectual and developmental disabilities**: A 6.1% increase for the Community Waiver Program for the intellectually disabled.
- **Domestic Violence and Rape Crisis Programs**: A 2.1% increase for both programs.
- **Reentry supports**: The budget includes new initiatives for reentry supports for individuals leaving incarceration.
- **Behavioral health**: Increased funding for behavioral health services and walk-in mental health crisis centers.
- **Weight loss medications**: The budget includes a plan to restrict Medicaid coverage for weight loss medications for obesity to reduce costs.

# NOTABLE ABSENCES

The following are not contained in the fiscal year 2025-2026 budget:

- Additional funding for mass transit
- Taxation and regulation of skill games
- An increase in the minimum wage
- Legalization of cannabis for adult recreational use
- PASS scholarships or other school voucher program

# 2026 Budget: What to Expect

# 2026 Budget Cycle Timeline





# Key Policy & Funding Priorities (First Half of 2026)



Identifying New Revenue Sources



Transportation Infrastructure: Highways, Bridges, Mass Transit



Education Funding: K-12 & Higher Education



Human Services



Economic Development

# 2025 Election: Highlights

# 2025 Election Recap

- Supreme & Commonwealth Court Retention
- Superior & Commonwealth Court Races
- Philadelphia District Attorney
- Pittsburgh, Erie, Harrisburg Mayors
- Erie County Executive
- Local Offices: City Council, School Boards, Courts

# 2026 Election: What to Expect

# 2026 Election Year Preview

- Gubernatorial & Legislative Races
- Legislative Retirements & Committee Changes
- Four PA House Special Elections
- House Composition & Potential Races
- Primary Election: May 19

# Presenters:



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# Data Center Impact Study

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# ADJOURN

