



INVESTOR Insider

Exclusively for Pennsylvania Chamber Investor Members

On February 3rd Gov. Josh Shapiro delivered his fourth Budget Address, outlining key public policy priorities and summarizing his proposed budget for the fiscal year beginning July 1, 2026. The following are highlights of particular relevance to the PA Chamber and broader employer community based on our initial read:

Total Spend

- Total proposed spending of \$53.3 billion for Fiscal Year 2025-26, representing a \$2.7 billion, or 5.4 percent increase in state spending over last year.
- The budget proposal would use \$4.6 billion of the nearly \$8 billion in the state's Rainy Day Fund to balance.

Tax and Other Revenue Proposals

- Maintains the current phase-down schedule of the Corporate Net Income Tax (CNI), from 7.49 percent to 6.99 percent in 2027.
- Maintains the scheduled increase in net operating loss deductions to 60% in 2027 for losses incurred after 2024.
- Would require mandatory unitary combined reporting for corporate tax filers, which is projected to increase tax collections by \$4.9 billion over five years.
- The Governor proposes legalizing adult use cannabis and includes a 20% wholesale tax that is projected to generate nearly \$730 million in the first year.
- Would tax and regulate skill games at a rate of 52 percent, which is projected to generate \$765 million in the first year and grow to about \$2 billion annually.

Energy and Infrastructure

- The Governor proposes creating a new Program for Critical Infrastructure Investment that would be funded by issuing \$250 million a year of general obligation bonds beginning in 2028-29. The program would fund large infrastructure projects, including bringing more energy generation onto the grid; building, preserving or remediating housing; and upgrading school or municipal facilities.

- Urged adoption of his “Lightning Plan” and additional permitting reforms
 - Create the Pennsylvania Reliable Energy Siting and Electric Transition (RESET) Board to speed up permitting, reduce red tape, and support the next generation of energy projects in the state. RESET Board
 - Expand EDGE Tax Credit: The Pennsylvania Economic Development for a Growing Economy (PA EDGE) Tax Credit Program, established in 2022, hasn’t been used to its potential, leaving potential economic development funds untapped.
 - Pennsylvania Climate Emissions Reduction Act (PACER), establishes a cap-and-invest program similar to RGGI, but Pennsylvania-specific.
 - Pennsylvania Reliable Energy Sustainability Standard (PRESS), updates Pennsylvania’s Alternative Energy Portfolio Standards Act (AEPS), requiring electric distribution companies (EDCs) to purchase a specific amount of energy sources, primarily renewable energy sources, when purchasing energy for default service.
 - “Community Energy,” a proposal that is aimed at helping rural communities, farmers, and low-income Pennsylvanians jointly share energy resources to lower costs.
 - Act 129/Energy Efficiency Reforms, updates energy efficiency standards provided for in Act 129. This law provides rebates and incentives to buy new energy efficient appliances and other ways to reduce electricity needs over time.
- Governor’s Responsible Infrastructure Development (GRID) standards— creates “standards” for data center developers to get government support, including speed, permitting, and available tax credits. Standards include:
 - Commit to bring own generation.
 - Commit to strict transparency standards and direct community engagement.
 - Hire and train local workers.
 - Commit to the “highest standards” of environmental protections.
- Pushing Electric Utilities to make the following changes:
 - Eliminate “blackbox” settlements.
 - Work to enact protections for customers in the retail shopping market (prohibit “deceptive contracts”).
 - Eliminate “junk fees” charged to low-income customers (reconnection fees).
 - Extend and expand Chapter 14 provisions.
- Three additional steps for electric distribution companies (EDCs):
 - Direct the PUC to scrutinize utility spend and "ensure that each customer dollar is being well spent".
 - Creating a Special Counsel for Energy Affordability --Gov watchdog on Customer Affordability.

- Give PUC set of benchmarks to follow when determining how much profit utilities can make.
- Reform and modernize the Municipalities Planning Code (MPC).

Economic Development and Tax Credits

- The Governor proposes several modifications to the EDGE tax credits, including reducing investment and job creation thresholds and creating a new Reliable Energy Investment Tax Credit.
- The proposal would establish a \$100 million Innovate in PA 2.0 program to provide capital for early-stage tech, life sciences and biotech industries. The program would be funded by the sale of tax credits against the Insurance Premiums Tax in future fiscal years.
- A new tax credit, AdvancePA, would allow DCED to award credits to companies bringing jobs to Pennsylvania by providing credits based on taxable wages paid. The credit would have an annual cap of \$10 million.
- The proposal would eliminate the Manufacturing, Local Resource Manufacturing, Video Game Development, and Waterfront Development tax credits.

K-12 Education

- The Governor proposes a total net increase of \$925 million in K-12 Education Funding. Of which:
 - \$50 Million will be distributed through the Basic Education Funding Formula.
 - \$565 Million through the Ready-to-Learn Block Grant which is an identical request from last year's proposal.
 - \$50 million for Special Education.
- Educational Improvement Tax Credit (EITC) total allocation will remain the same but proposes to provide more tax credits to Education Improvement Organizations (EIOs).
- Proposes a further reduction in cyber charter school funding by \$75 million.
- \$14.3 million (9.9%) increase in Career & Technical Education; \$10 million of which will be spent on STEM and computer science learning programs.
- \$2.9 (17.6%) increase for Adult and Family Literacy.

Higher Education

- Proposes level funding for the State System of Higher Education, Penn College, Thaddeus Stevens, and Community Colleges.
- An additional \$30 Million for Pitt, Penn State, & Temple distributed through the State-Related Performance- Based Funding Model.
- \$1.1 million (5%) increase for Lincoln University.

- \$5.9 million (1.4%) increase for PHEAA Grants for Students.
 - Level funding for Ready to Succeed and Grow PA Scholarships.
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Workforce

- Proposes an additional \$10 Million in Child Care Recruitment & Retention bonuses.
 - \$2.5 million for incumbent worker training and \$2 million to support internships.
 - \$3.5 million in Industry Partnership to invest in PA's workforce and \$3.5 million in School-to-Work to grow partnerships between CTE students & employers.
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Transportation

- \$2.8 billion from the Motor License Fund is proposed for transportation, which is a decrease of \$168.1 million from the previous year.
 - Proposes a \$250 million transfer from the Motor License Fund for the purposes of funding the PA State Police in FY 2026-27 and in subsequent budgets. This would discontinue the phase-out of PSP from the Motor License Fund for a second fiscal year.
 - Total mass transit funding proposed is \$2.9 billion through existing mechanisms – the Public Transportation Trust Fund, Public Transportation Assistance Fund, and the Lottery Fund.
 - No new funding sources for public transit are proposed for FY 26-27. However, the proposal includes an increase in the amount of Sales & Use Tax revenue that is directed toward public transit by an additional \$320 million annually (7.68% to 9.43%) beginning in FY 2027-28.
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Minumum Wage

- As part of his budget plan, the governor proposes a government mandated wage increase to \$15/hour for non-tipped employees and \$9/hour for tipped employees, effective January 1, 2027, with annual increases thereafter.
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False Claims Act

- The Governor called for the enactment of a False Claims Act in Pennsylvania. The proposal would allow private lawsuits against companies and organizations for alleged fraudulent use of public funds, allowing the whistleblower and their attorneys to keep 30 percent of any recovery or settlements.