

WEEK ONE

BUDGET HEARING WRAP

February 18-21, 2025



General Overview:

The first week of budget hearings concluded on Friday, February 21, and included a comprehensive review of various state agencies. The House Appropriations Committee heard from the Department of Community and Economic Development (DCED) and the Department of Revenue (DOR) on Tuesday; the Department of Transportation (PennDOT) and the State Police (PSP) on Wednesday.

Thursday's hearings focused on higher education, with the Pennsylvania State System of Higher Education (PASSHE), Community Colleges and State-Related Universities appearing before the committee. The week concluded with the Department of Health (DOH), the Department of Drug and Alcohol Programs (DDAP), the Pennsylvania Emergency Management Agency (PEMA) and the State Fire Commissioner (OSFC) taking questions on Friday.

House Republican Appropriations Committee members' unwavering commitment to fiscal responsibility was evident in the questions posed to each executive branch agency head. Members inquired about governor's "REMAP" program which is intended to find savings in state agencies. While only DCED reported being asked to review its agency operations for efficiency, members pressed all agencies to work toward better management of taxpayer resources.

The DOR hearing included an interesting exchange with Secretary Pat Browne, who confirmed that the Commonwealth is not projecting a significant economic downturn in the near future. This is notable because the Rainy Day Fund is statutorily reserved for economic downturns or emergencies.

House Democrats tried several times to bring federal issues into our state budget discussions, including the president's pause on certain federal funds for a closer review by his administration. It is notable that PennDOT Sec. Mike Carroll did not express concern regarding federal funding for Pennsylvania infrastructure projects.

Sec. Carroll also faced tough questions from Rep. Charity Krupa who questioned how the governor's personal use of PennDOT's state aircraft does not cross the line of misuse of state property for state employees.

Committee members also pressed several agency leaders on recreational marijuana legalization and were shocked to discover that neither the State Police nor DDAP were significantly involved in the governor's proposal. Dr. Latika Davis-Jones, the Secretary of DDAP, fell short of endorsing the governor's recreational marijuana proposal when asked.

General Overview: (continued)

Thursday's focus on higher education provided a platform for members to examine how taxpayer funds should be employed in support of state-owned, state-supported, and state-related universities. House Republicans championed the concept of incentivizing higher Thursday's focus on higher education provided a platform for members to examine how taxpayer funds should be employed in support of state-owned, state-supported, and state-related universities. House Republicans championed the concept of incentivizing higher education institutions to focus on preparing students for high-need job areas while also advocating for fiscally responsible spending and a strong focus on savings and efficiency.

On Friday, members addressed questions related to rural healthcare with the Secretary of Health. An increasing number of counties are maternity deserts, which members fear the DOH is not adequately addressing. In the afternoon, members inquired with PEMA leaders regarding why the governor's budget allocates zero dollars for the Urban Search and Rescue line item despite the agency's request for an increase of \$2 million for a total of \$8 million. Agency leaders stated they could not predict the need in the coming year. Members expressed concern that the proposal would lead to inadequate resource allocation, and future supplemental appropriations resulting in cost overruns. Members reaffirmed support for firefighters but questioned the propriety of shifting property tax relief dollars to offset emergency service costs.

In the News:

Wall Street Journal: Josh Shapiro's Pennsylvania Budget Trap

Fox 43: Pa. budget hearings begin, Lawmakers in Harrisburg began the long process of determining this year's state budget on Tuesday. (Rep. Kutz).

ABC 27: Pennsylvania lawmakers grill leaders over spending as budget hearings commence (Reps. Ecker & Lawrence).

Post-Gazette: Big disparity in Pa. financial projections sets off sparks as budget hearings begin (Rep. Krupa).

Center Square: First-time home buyer grants may fall short, says Kutz (Rep. Kutz).

WCCS: House Appropriations Committee Rounds Out Productive First Week (Rep. Struzzi).
Pittsburgh Union Progress: Rural, urban areas square off on transit funding at state budget hearing (Reps. Olsommer, Struzzi).

Center-Square: Shapiro energy policies 'make no sense' says Kail (Rep. Kail).

CHNI: PennDOT head says mass transit investment a must for Pa. (Reps. Barton, Kial, and Mustello).

Post-Gazette: PennDOT secretary says federal funding for Amtrak Harrisburg-Pittsburgh expansion 'in question right now' (Reps. Davanzo and Krupa).

CHNI: PSU pres. on fixing finances: 'All options on the table' (Reps. Barton & Kutz).

ABC 27: Federal funding freeze could impact \$500 million grant to fix I-83 bridge (Rep. Struzzi).

DCED Key Takeaways:

- House Republicans have always supported DCED's overall mission to grow our economy; however, Governor Shapiro's FY 2025-26 budget proposal notably fails to include a strategy to grow Pennsylvania's energy sector.
 - Energy provides Pennsylvania's greatest potential for economic growth. Effectively harnessing these resources can create thousands of jobs in energy production while providing affordable power for residents, businesses and manufacturers, paving the way for a prosperous future.
- The governor's proposal, which includes a minimum wage increase to \$15 per hour, has raised significant concerns among committee members, particularly in relation to its potential impact on small businesses. This proposal, if implemented, could lead to job losses and increased overhead, posing a serious threat to many employers.
- Ensuring broadband access in rural Pennsylvania is a crucial federal, state, and local government initiative. However, members are concerned that the Shapiro Administration's refusal to appropriately classify workers in broadband installation will result in significant delays and cost overruns, potentially denying rural communities access to the critical economic and educational opportunities that broadband provides.

Revenue Key Takeaways:

- Committee members are concerned that state revenues are not keeping pace with state spending. While the Department of Revenue projects that current fiscal year tax collections will fall short of the Official Revenue Estimate, the Independent Fiscal Office's projections show even larger shortfalls than shown in the Governor's numbers.
 - Committee members shared the Republican vision for growing state revenues - growing the economy and our tax base in the energy industry rather than losing jobs to Ohio.
- Governor Shapiro has proposed the legalization of recreational marijuana to increase state revenues. Members of the committee shared concerns with the administration of this tax and the impact of legalization on social services.
- Pennsylvania's Lottery, which primarily funds programs for seniors, is experiencing declining revenues and is on an unsustainable path forward. Shapiro's budget proposal includes taxing and regulating skill games currently operating in Pennsylvania. Committee members asked how to address gaming in Pennsylvania without cannibalizing our current industries.
- Increasing the minimum wage is listed as a revenue generator in the governor's budget. Committee members shared concerns with the Administration's methodology in calculating this. Committee members pointed out that the Administration's own numbers concede that paying a minimum of \$15 per hour will result in job losses and reduced profitability for Pennsylvania small businesses.

PennDOT Key Takeaways:

- Committee members questioned Governor Shapiro's plan to divert a total of \$1.74 billion in Sales and Use Tax (SUT) revenues to Mass Transit, which would be an increase of \$347.2 million over the current year.
 - Committee members noted that under Gov. Shapiro's plan, more than \$1 out of every \$10 in sales tax (10.4%) paid across the Commonwealth would be dedicated to mass transit moving forward, a significant increase from the current 8.6%. While Sec. Carroll claimed that the state has not increased mass transit funding since 2013, committee members highlighted that SUT revenues have increased 56% during that time, resulting in a commensurate increase in state support to mass transit over that timeframe.
 - Committee members expressed concerns that the majority of the \$1.74 billion SUT revenue for Mass Transit would be directed to Philadelphia, seemingly neglecting the needs of other regions of the Commonwealth.
 - Committee members further raised concerns about the varying transit fares imposed by local transit agencies, emphasizing the need for consistency statewide.
- The governor's proposal calls for the continued shift of State Police spending from the Motor License Fund (MLF) to the General Fund, but only \$50 million of the remaining \$250 million in the upcoming fiscal year. This represents a decrease from the two previous budgets, as the governor's proposal continues to fund the State Police with money intended for roads and bridges. Committee members shared concerns that this budget does not move quickly enough to end the State Police's reliance on the MLF.
- Pennsylvania Turnpike tolls continue to increase yearly; at the same time, toll collections are moving to an automated system. The committee examined unpaid toll collection efforts, particularly focusing on the effectiveness of the automated system in reducing unpaid tolls and the potential impact of these unpaid tolls on the Turnpike's financial health.
- Committee members questioned whether Governor Shapiro's use of the state plane for personal purposes is an appropriate use of taxpayer-funded assets.

PSP Key Takeaways:

- House Republican committee members reaffirmed their commitment to funding and supporting the PSP.
 - Part of this commitment is to ensure that there are enough Troopers to maintain public safety across the Commonwealth.
 - Committee members raised crucial questions regarding the current deployment of Troopers in the Commonwealth, emphasizing the need for a more effective allocation strategy considering the host of events slated to occur in the Commonwealth throughout 2026. One potential solution discussed was reassigning Troopers currently working in casinos, where the agency provides support 24/7/365.
- When asked, PSP leaders testified that they have not been involved in any discussions on the Governor's proposal for the legalization of recreational marijuana or the proposed distribution of resulting revenues. As the agency responsible for the enforcement of laws and regulations and the expungement of records, when warranted, Republican committee members believe the PSP should have been among the first agencies consulted and should retain a seat at the table.

PSP Key Takeaways: (continued)

- Members requested an update on the progress of building and updating state laboratories. Committee members support ensuring lab services are effectively provided across the Commonwealth.
- Act 44 of 2018 enables Troopers to provide safety evaluations for schools, non-profit organizations, and places of worship. Committee members asked how the PSP is working through the backlog of assessments requested and how the legislature can help them in this process.

PASSHE & Community Colleges Key Takeaways:

- Pennsylvania's population continues to remain stagnant, creating demographic challenges for all of Pennsylvania's institutions of higher education.
- The Governor's budget proposal does not provide the support requested by PA's Community Colleges.
- While the COVID-19 pandemic is long past, members of the committee heard of the ongoing ramifications of the learning loss experienced by elementary and secondary students during the pandemic. This continues to cause challenges for PASSHE and PA's Community Colleges.
- Committee members inquired and urged PASSHE and PA's Community Colleges to invest in job training programs for our high-need job areas.
 - Members were pleased to hear about efforts for "dual enrollment" programs which allow high school students to earn college credits.
 - Both PASSHE and Community College leaders shared they frequently communicate with industry to ensure education programs are meeting workforce needs.
- PASSHE has consolidated schools and buildings over the past several years. Members were pleased to hear PASSHE has a strong understanding of their space utilization and how to use their properties in a fiscally responsible way.

State-Related Universities Key Takeaways:

- House Republican committee members focused their line of questioning to ensure that state dollars are being used accountably to lower tuition costs for Pennsylvania students.
 - Committee members sought input on how the governor's performance-based funding proposal might work and what impacts it will have on the universities moving forward.
 - Governor Shapiro's budget proposal falls short of the requests made by three of the four State-Related Universities last fall.
- Many Pennsylvania families had problems with the Free Application for Federal Student Aid, commonly referred to as "FAFSA". Committee members were pleased to learn that the State-Related Universities are working to resolve the problem and are addressing any outstanding issues with students directly.
- Penn State, Pitt, and Temple maintain branch campuses throughout the Commonwealth. Members asked if any of the universities had intentions to further consolidate these campuses or even close; while "everything is on the table", no university shared plans to shutter any campuses at the present.

State-Related Universities Key Takeaways: (continued)

- Committee members also pressed the universities to address educating students for high-need jobs.
- Free speech was another topic members drilled down into, with concerns about political events and candidates on campus, with campus groups, and even professors. University leaders articulated their commitment to academic freedom and the open exchange of ideas on campus.

DOH and DDAP Key Takeaways:

- When asked, the DDAP Secretary was unable to answer how the Administration's proposal for the legalization of recreational marijuana, a federal schedule I narcotic, would impact the department's mission in "preventing and reducing drug, alcohol and gambling addiction and to promote recovery."
- Committee members expressed concerns about the governor's proposal to transfer funds from the Medical Marijuana Program Fund to tourism promotion rather than a relevant health-related program.
- Committee members spent a significant amount of time asking how DOH can improve rural healthcare. While DOH seemed aware of these issues, they remain unaddressed. Issues discussed included:
 - Concerns on staffing
 - Regulatory obstacles to the establishment of rural micro-hospitals
 - Hospital and healthcare facility closures
- Committee members pressed DOH on the need to address maternity care deserts in rural Pennsylvania. Soon, seven counties in Pennsylvania will no longer have labor and delivery services for newborns, up from five last year.

PEMA and OSFC Key Takeaways:

- Committee members offered their support for local fire companies – comprised mostly of volunteers – and reaffirmed their commitment to helping them in any way possible.
- There are significant concerns about the recruitment and retention of volunteer firefighters, shared by all Pennsylvanians, including the committee members and the OSFC. Committee members and the OSFC showed a united front in addressing this pressing issue. The Commissioner Cook emphasized that these efforts do not always require more funding but rather community involvement.
- Committee members questioned the PEMA Director regarding the governor's proposal to zero their request for \$8 million in funding for urban search and rescue
 - This line item, which supports assets to respond to building collapse throughout Pennsylvania, would particularly impact the western portion of the state. The potential consequences of this cut were a key concern for the committee members.
- The committee expressed concerns about the 911 Fund administration and the need to ensure that rural Pennsylvania counties are not underfunded for this vital service. This underscores the importance of equitable distribution and the need to incorporate all stakeholders' feedback.

Notable Q&A:



Sec. Browne told Rep. Charity Krupa DOR is not anticipating a recession in the near future. An economic downturn would be required to justify using the Rainy Day Fund to balance the budget.

Rep. Jamie Barton discusses how this budget proposal slows down the process of removing State Police spending from the Motor License Fund to increase MLF support to road and bridge projects.



Rep. Ann Flood examines PennDOT's "motor voter" program, and how citizens are verified as eligible to vote.

Rep. Charity Krupa questions why Governor Shapiro's use of the state-owned plane doesn't fall under PennDOT's policies for inappropriate use.



Rep. Marla Brown asked how involved PSP has been in the recreational marijuana proposal and was shocked to hear the governor has not engaged with them.

Rep. Kristin Marcell asked if there is a backlog of requested PSP safety assessments for schools, non-profits, and houses of worship.



Rep. Eric Davanzo inquired about dual enrollment programs offered by Community Colleges and how they prepare high schoolers for high-need job areas.

Notable Q&A:



Rep. Jeff Olsommer questions both PASSHE and Community Colleges on how the demographic challenges of Pennsylvania are impacting their enrollment.

Rep. Thomas Kutz questions university presidents on whether they support the governor's proposal.



Rep. Josh Kail points out how economic growth is inhibited by the Shapiro Administration's failure to leave the Regional Greenhouse Gas Initiative.



Rep. Eric Nelson discusses support for firefighters and cancer prevention efforts for first responders.



Rep. Marci Mustello discusses the already significant state funding for mass transit and the importance of an equitable formula for the distribution of mass transit monies.



Rep. Zachary Mako questions DCED Sec. Siger on how DCED will ensure economic investment extends beyond Philadelphia and Pittsburgh.



Rep. Torren Ecker discusses State Police staffing levels and how the legislature can ensure we have enough troopers on patrol.

