

# GOVERNOR'S BUDGET OFFICE

## BUDGET HEARING WRAP

### Thursday, March 6, 2025



#### **General Overview:**

Secretary Uri Monson of the Governor's Budget Office (GBO) testified before the House Appropriations Committee this afternoon. Secretary Monson said early in the hearing, "Sadly, the government will never work at the speed of business." This stands in contrast to the governor's claims that his administration is "proving that government can move at the speed of business." Committee members focused on the fiscal health of the Commonwealth and the accuracy of budget projections for FY 2025-26 and in the future.

#### **Key Takeaways:**

- The Administrative Code requires the governor to provide five-year spending and revenue projections with each annual budget proposal. The governor's numbers estimate annual budget growth at an average of 1.5% from 2026-27 through 2029-30. In contrast, Shapiro's first two enacted budgets increased spending by 5.8% and 5.4%, respectively, and this proposal calls for a 7.5% increase. Realistic projections of future growth show how this budget threatens our financial stability.
  - The most notable areas in which this budget fails to realistically project are PreK-12 education and human services.
    - The governor estimates zero increase in PreK-12 spending beyond 2026 despite a court case Democrats have said requires increases of nearly \$1 billion annually for seven years.
    - The governor estimates human service spending increases billions of dollars below recent trends.
- The revenue projections contained in the Governor's Executive Budget are eleven times higher than estimates provided by the Independent Fiscal Office (IFO) – a difference of \$800 million. Members expressed concern that such significant variations in projections could potentially lead the Commonwealth into a financial crisis even sooner than the governor's numbers would suggest.
- By law, the Rainy Day Fund - the state's emergency monetary reserves - can only be used when "necessary to meet emergencies involving the health, safety or welfare of the citizens of this Commonwealth or to counterbalance downturns in the economy resulting in significant unanticipated revenue shortfalls." The GBO secretary shared his view that an emergency exists anytime General Fund obligations exceed revenues. Members shared their belief that before raiding the Rainy Day Fund, we should first look to control wasteful spending.
  - The governor's budget proposal not only calls for a \$1.6 billion transfer from the Rainy Day Fund, but it also spends the current \$2.89 billion General Fund surplus to zero.
  - Ironically, the GBO secretary shared that he agreed with the acting PDE secretary that it would be irresponsible (and even illegal) for school districts to spend their reserves to zero.
- Members expressed concerns with several agencies' spending proposals, including:
  - Cuts in agriculture to preparedness and response for emergencies like the current avian influenza outbreak while creating more grant programs for special projects.
  - Members asked the GBO secretary for his thoughts on the recent report from the Auditor General on grant programs at the Department of Conservation and Natural Resources (DCNR) and how he intends to implement the findings.
  - Members are concerned about the long-term cost of the \$500 million PA SITES bond in the Department of Community and Economic Development (DCED). The bond was recently awarded, but GBO will need to follow up to provide information related to the cost of these bonds.

**Key Takeaways:** (continued)

- Secretary Monson confirmed the Department of Human Services (DHS) added \$700 million to capitated program base rates for MCO contracts effective Jan. 1, 2025, resulting in the administration's \$251 million supplemental appropriation request for the current fiscal year.
- While Department of Environmental Protection (DEP) permitting has improved, members pressed the GBO secretary to do more in this area, as many permits still face delays.
- When asked why he has been seemingly under-certifying the amount in the Property Tax Relief Fund, potentially shortchanging the amount of property tax relief distributed to taxpayers, Secretary Monson pointed to the statute requiring him to keep the fund's long-term health in mind.
  - This stands in stark contrast with the administration's approach to the Rainy Day Fund and the General Fund surplus.
- Members expressed concerns with the governor's recreational marijuana program, especially after committee members learned from the State Police that they were not consulted in creating this plan. However, the GBO secretary said he has spoken with the State Police on the proposal, highlighting a significant inconsistency within the administration.
- While this budget proposal contains messaging related to economic development, it lacks an energy plan despite the fact that Pennsylvania has the potential to be a nationwide leader in energy production and jobs.
  - The governor continues to propose an energy tax by attempting to implement RGGI, while simultaneously pushing his PACER and PRESS scheme.
  - The threat of RGGI has already resulted in the closure of Pennsylvania power plants while pushing investments to neighboring states, especially Ohio.

**Notable Q&A:**

Chairman Jim Struzzi shares overall concerns with the governor's proposal including, spending money from the Rainy Day Fund to balance the budget, the wide difference between IFO and GBO revenue projections, and the disastrous energy policy the governor continues to push.

Rep. Josh Kail questions the GBO secretary on the lack of realistic forecasting in the governor's proposal.



Rep. Ann Flood asks the GBO secretary about the governor's commitment to agriculture as his budget seems to focus on new grant programs at the expense of the core function of the agency, helping farmers.

Rep. Jeff Olsommer asks the GBO secretary how the administration will respond to the findings of the Auditor General's DCNR grant audit.



**Notable Q&A:** (continued)

Rep. Eric Davanzo asks about the "REMAP" program, especially as it relates to workforce performance and savings.



Rep. Zachary Mako asks the GBO secretary why he has seemingly under-certified the amount available to provide property tax relief to all Pennsylvanians.



Rep. Eric Nelson asks the GBO secretary to defend the large difference between the administration's revenue projections and the IFO.



Rep. Marci Mustello asks why the GBO secretary finds it appropriate to use the Rainy Day Fund to balance this budget.



Rep. Marla Brown presses the GBO secretary on why this budget's projections show no increase in state education funding beyond 2026, yet advocates and the governor have said increases are necessary in future years.



Rep. Jamie Barton asks the GBO secretary about the threat of the governor's RGGI tax and the harm it is doing to Pennsylvania's economy.



Rep. Chairty Krupa shares concerns with the recreational marijuana proposal.



Rep. Torren Ecker asks the GBO secretary to explain the large increase in Human Services spending.

Rep. Kristin Marcell shares concerns on the interest payments for the \$500 million PA SITES bond.



Rep. Thomas Kutz asks the GBO secretary how the administration plans to save taxpayer dollars by spending money on a new space utilization plan.