

WEEK THREE

BUDGET HEARING WRAP

March 3-6, 2025



General Overview:

Week three of Budget Hearings with the House Appropriations Committee started with the Department of Corrections (DOC), a department that accounts for 6.4% of the governor's \$51.47 billion General Fund budget. As part of this budget, the DOC proposes to close two facilities, SCI Rockview and the Quehanna Boot Camp. House Republican Appropriations Committee members expressed concerns with this plan, including the potential for prison overcrowding, a lack of transparency in announcing the closures, the costs associated with keeping vacant properties, and the blight that other communities have experienced after prison closures. It was also discovered that the DOC will realize no cost savings from the legalization of recreational marijuana, and the number of prisoners with marijuana only crimes is estimated at 10.

The Public Utility Commission (PUC) fielded mostly energy-related questions from House Republican members. One PUC Commissioner confirmed that energy taxes like RGGI (Regional Greenhouse Gas Initiative), PACER (Pennsylvania Climate Emissions Reduction Act), and PRESS (Pennsylvania Reliable Energy Sustainability Standard) will raise rates for consumers. The Commission also opined that the \$1.16 billion in federal broadband funding will likely not be enough to connect every Pennsylvania community. This stands in contrast to Governor Shapiro's claim that the funding will "bring reliable internet at high speeds and for affordable prices to every corner and every community in the Commonwealth." In prior hearing weeks, committee members heard a lack of concern from DCED and L&I leadership regarding management of these funds that is driving up costs of deployment. Committee members have expressed their concerns that the administration's management of these funds will leave many communities behind.

The Department of Human Services (DHS), which represents 41.1% of the General Fund spending in the governor's proposal, testified on Tuesday. The DHS budget is proposed to increase 10.2% over the prior year, or \$1.96 billion. Bizarrely, the Governor's Executive Budget estimates cost increases in future years at only 1.5% annually for 2026-27 through 2029-30. Since costs are based on formulas and eligibility provided in statute, actual future cost increases will likely be significantly higher, resembling those seen in recent years.

Within these spending increases, the budget notably includes significant increases in the Medical Assistance - Capitation and Medical Assistance - Community HealthChoices line items, which in total are proposed to increase by \$1.6 billion. Members shared concerns with Pennsylvania's policy on the provision of GLP-1 drugs, driving up annual costs in Pennsylvania's Medical Assistance Program by over \$1 billion. Pennsylvania is one of only 14 states that cover GLP-1 drugs for obesity. In response to our questioning, Secretary Arkoosh indicated that DHS is looking closer at this costly coverage.

Mitigating waste, fraud, and abuse was a key topic for Republican members, particularly with the recent troubling trend of stolen SNAP benefits. Members pressed DHS on what more they can do to safeguard SNAP benefits against theft. This week, the Office of the State Inspector General announced felony charges against an individual for stealing thousands of dollars in Supplemental Nutrition Assistance Program (SNAP) benefits from 17 Pennsylvanians. The individual in this case purchased bulk quantities of Red Bull, candy, and baby formula with stolen benefit funds, which were then resold.

General Overview: (continued)

Treasurer Stacy Garrity was the second of the three statewide row officers to testify before the committee. Treasurer Garrity shared the successes of some key programs her department provides, including the 529 education savings plan, PA ABLE savings accounts, and returning unclaimed property to Pennsylvanians. In addition to performing the core functions of the office, the Treasurer has also stepped up transparency and created the Pennsylvania Treasury Transparency Portal which gives citizens the ability to view state financial information in real time. Treasurer Garrity was also one of the first Pennsylvania elected officials to ban the use of "DeepSeek AI," a Chinese-owned software company.

The Pennsylvania Insurance Department (PID) and the Pennsylvania Insurance Exchange (Pennie) testified before the committee even though PID is a self-funded agency. Members shared concerns about rising insurance costs, from home and auto insurance to healthcare. The committee shared that it wants tangible results from the governor's \$4 million proposal to the Pennsylvania Healthcare Cost Containment Council (PHC4) to develop a database to study insurance rates.

The final day of budget hearings kicked off with Auditor General Tim DeFoor. Committee members lauded his recent work in uncovering serious issues with grant awards at the Department of Conservation and Natural Resources (DCNR). Many members shared other areas of state government they believe should be audited. Auditor General DeFoor promised to consider all potential audits requested by members; his only request is that they be sent in the form of a letter to his office.

The final testifier for the 2025 Budget Hearings was Secretary Uri Monson from the Governor's Budget Office (GBO). 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." The committee's inquiries were centered on the fiscal health of the Commonwealth and the accuracy of budget projections for FY 2025-26 and in the future.

Republican Appropriations Committee members addressed their overall concerns with the governor's 2025-26 spending proposal and the trajectory of the Commonwealth's finances. Members pointed out how the projections contained in the budget proposal are unrealistic; with future growth in education spending shown at zero and future growth in human services spending predicted billions of dollars below recent trends. The governor's estimates show a near-depletion of the Rainy Day Fund in the 2029-30 fiscal year, but realistic projections would show the exhaustion of these funds by 2026-27.

With the conclusion of three weeks of budget hearings, the House Republican Appropriations Committee members will shift their focus toward the next steps of the budget process, working to prioritize the interests of taxpayers, working families and the small businesses that are the backbone of the Commonwealth's economy. House Republicans will continue to advocate for budgetary principles that prioritize improved efficiency in government, a quality student-centered education for every child, and unleashing Pennsylvania's energy economy to secure our future.

In the News:

[Indiana Gazette: State watchdog says Shapiro budget overestimates revenues from some proposals \(Rep. Struzzi\)](#)

[ABC 27: Pennsylvania lawmakers discuss future of SNAP benefits \(Reps. Krupa & Struzzi\)](#)

[Post-Gazette: Former SCI Pittsburgh has second career in films but will cost up to \\$50 million to demolish \(Rep. Brown\)](#)

In the News: (continued)

ABC 27: Pennsylvania lawmakers examine impact of potential prison closures (Reps. Benninghoff Krupa, & Nelson).

CHNI: Proposed prison closures focus of Pa. DOC budget hearing (Reps. Brown, Krupa, & Mustello).

CHNI: Pa. DHS head: Proposed federal spending cuts would devastate Medicaid, food benefits (Reps. Brown & Kutz).

CHNI: Legal weed frequently discussed during Pa. budget hearings (Reps. Brown, Davanzo, Ecker, Mustello, & Olsommer).

Center Square: House wary of unavoidable, unpredictable Medicaid costs (Rep. Struzzi).

Center Square: WATCH: Will a \$2B carbon tax raise utility bills? It's likely, says PUC (Rep. Barton).

Center Square: Treasurer talks long-term fiscal outlook (Rep. Kutz).

WCCS: STRUZZI COMMENTS ON FINAL DAY OF BUDGET NEGOTIATION HEARINGS (Rep. Struzzi).

WNEY: Budget Hearings Wrap in Hburg; Long March to June 30 Begins (Rep. Struzzi).

PA Capital-Star: House Republicans' budget threatens Medicaid for millions of Pennsylvanians, advocates say (Rep. Olsommer).

GBO 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.

GBO Key Takeaways: (continued)

- 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.
 - Secretary Monson confirmed the Department of Human Services (DHS) is using \$700 million in prior years' funds to round out this year's budget, in addition to the \$251 million in supplemental appropriations requested 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.

DOC Key Takeaways:

- The governor's proposal for the DOC totals \$3.3 billion, representing 6.4% of the \$51.47 billion General Fund budget, and underscoring the significant role the department plays in the state's finances.
 - DOC has proposed cost-cutting measures in the 2025-26 fiscal year budget. Committee members are supportive of cutting costs but expressed concerns regarding the strategies proposed. Potential impacts on public safety and communities must be the primary considerations in any cost-cutting measures and overall budgeting for the DOC.
- Members of the committee shared concerns about the recently proposed closure of SCI Rockview and Quehanna Boot Camp and asked pointed questions, including:
 - Composition and activities of the DOC steering committee on closures: DOC leadership shared that the committee has met at least three times and is composed entirely of internal DOC staff.
 - Cost of maintenance for closed facilities and impacts on surrounding community: The Commonwealth is still paying to maintain prisons that closed well over a decade ago, and surrounding communities have experienced blight in the wake of these previous closures.

DOC Key Takeaways:

- Members questioned DOC leadership regarding the impact of the governor's recreational marijuana proposal and the plan to expunge the records of individuals with only possession of marijuana offenses.
 - As with the State Police, the DOC was not consulted in the development of the governor's recreational marijuana proposal.
 - The DOC shared that the plan would result in the release of approximately 10 individuals currently incarcerated, so this plan would not result in significant cost savings to the DOC.
 - Corrections Officers (COs) and other staff will be drug tested and not permitted to use marijuana.
- Lowering the age of eligibility to be a CO from 21 to 18 years old has positively affected recruitment and retention of COs.

PUC Key Takeaways:

- Committee members primarily focused on energy costs, specifically the impact of RGGI (Regional Greenhouse Gas Initiative)/PACER (PA Climate Emissions Reduction Act)/PRESS (PA Reliable Energy Sustainability Standard) on our energy market.
 - These proposals by Governor Shapiro will result in increased costs for consumers by forcing the closure of more power plants and by driving up the cost of energy production.
- PUC Chairman DeFrank stated fees will result in higher rates for consumers, not savings. The RGGI/PACER/PRESS regime relies on fees placed on energy generators who do not qualify as so-called "green" energy.
- Committee members expressed concerns regarding the reliability of the PJM grid. PJM may face electricity shortages by 2026 with power plants closing and "renewable" energy unable to produce enough wattage to backfill the demand.
- PUC Chairman DeFrank said he believes the \$1.16 billion in federal funds for broadband will not be enough to connect all of Pennsylvania to reliable broadband.
 - In June 2023, Governor Shapiro promised this funding would "bring reliable internet at high speeds and for affordable prices to every corner and every community in the Commonwealth."
 - During prior hearings, committee members detailed their concerns that the Shapiro Administration has caused delays and increased costs in the deployment of these funds.
- PFAS in drinking water has been recognized as a major problem in parts of Pennsylvania. PUC commissioners told committee members that the cost to mitigate PFAS is being borne by rate payers and is considered when approving rate increases.

DHS Key Takeaways:

- Committee members expressed concern regarding the Administration's unrealistic projections for the cost of Human Services over the next several years. General Fund Human Service cost increases in the current year are 6.3% over the prior year. The proposed DHS budget of \$21.17 billion is a substantial increase of \$1.96 billion, or 10.2%, over the current fiscal year.
 - However, the Governor's Executive Budget estimates cost increases in future years at only 1.5% annually for 2026-27 through 2029-30. Since costs are based on formulas and eligibility provided in statute, actual future cost increases are likely to resemble those seen in recent years.
 - While the Governor claims that his budget will not exhaust the Rainy Day Fund before the end of the decade, realistic projections of cost drivers in DHS show that the governor's spending will deplete the state's budgetary reserves in less than two years.
 - When asked if the Department would likely publish additional bulletins adding providers and services with additional costs in the coming fiscal year, the DHS secretary responded affirmatively. The secretary did not commit to seeking legislative approval for such changes.

DHS Key Takeaways: (continued)

- Included in the governor's budget, is a proposed supplemental appropriation of \$250 million for the current fiscal year.
- The budget notably includes large increases in the Medical Assistance - Capitation and Medical Assistance - Community HealthChoices line items, which in total are proposed to increase by \$1.6 billion.
- Members shared concerns with the use of GLP-1 drugs for diabetes and obesity, driving up annual costs in the Pennsylvania's Medical Assistance Program by over \$1 billion.
 - Pennsylvania is one of 14 states who cover GLP-1 drugs for obesity. In response to our questioning, Secretary Arkoosh indicated that DHS is taking a closer look at this costly coverage.
- Mitigating waste, fraud, and abuse was a key topic for Republican members, particularly with the recent troubling trend of stolen SNAP benefits. Members pressed DHS on what more they can do to safeguard SNAP benefits against theft.
 - This morning, the Office of the State Inspector General announced felony charges against an individual for stealing \$8,237.09 in Supplemental Nutrition Assistance Program (SNAP) benefits from 17 Pennsylvanians. The individual in this case purchased bulk quantities of Red Bull, candy, and baby formula, which were then resold.
- When asked about the department's rate setting process for seniors and individuals receiving services under the Office of Long-Term Living, the department acknowledged the fact that they do not utilize their actuary to determine appropriate rates for these services on an annual basis.
- Secretary Arkoosh repeatedly said the number of individuals with intellectual disabilities being served by DHS is increasing; however, the governor's budget book does not reflect an increase in the number of individuals served for FY 2025-26. The secretary later acknowledged this as an error when called out by a Republican committee member.
- The department submitted a waiver, and received approval, to suspend the SNAP benefit work requirements. This unilateral action, in effect, waives the work requirement for over 150,000 adults without dependents. DHS shared that many of these individuals face employment barriers, but that number encompasses roughly 35% of recipients. Members expressed a need to get these individuals back into the workforce.

PID Key Takeaways:

- PID's funding is separate from the General Fund. The agency is funded through the collection of fees from insurance providers deposited into the Insurance Regulation and Oversight Fund (IROF).
 - While the IROF provides funding for PID's operations, it also provides annual transfers to the General Fund. Members raised concerns that increased spending at PID will result in a reduction in General Fund revenues from IROF.
 - The department's budget trajectory is outpacing fees collected. Members raised concerns that PID fees are already higher than most surrounding states. Fees on insurance companies are ultimately passed on to consumers in the form of higher premiums.
- Members shared concerns about increasing premiums for auto, home, and health insurance. While inflation certainly plays a role, there are other factors the insurance department should be investigating such as, Tort reform, billing transparency, and reducing theft.
- Members questioned the governor's request for \$4 million to the Pennsylvania Healthcare Cost Containment Council (PHC4). Members also pressed the commissioner on how they will gauge the success of this proposed spending.
- Flood insurance is a substantial cost for many Pennsylvanians. Committee members asked PID to be vigilant in protecting consumers from unnecessary rate increases.

PID Key Takeaways:

- Committee members raised concerns with medical malpractice lawsuits driving up insurance and healthcare costs. Recent actions from the Supreme Court will make venue shopping more common, where plaintiff's attorneys can choose to bring malpractice lawsuits in counties with higher verdict awards rather than being required to bring the lawsuit in the county where malpractice took place.
 - PID predicted this new rule will increase the costs of the Mcare Fund which provides secondary medical malpractice insurance for healthcare providers.

Treasury Key Takeaways:

- Treasurer Garrity expressed concerns about the future fiscal health of the Commonwealth. The General Fund surplus will soon be depleted, and the Rainy Day Fund will not be far behind. The Treasurer stated that Pennsylvania is headed toward a "fiscal cliff" as spending outpaces revenues.
 - Treasurer Garrity shared her concerns that spending the Commonwealth's reserve funds will eventually lead to a downgrade in Pennsylvania's credit rating.
- Under Treasurer Garrity's leadership, the department has undertaken 87 initiatives, saving taxpayers millions of dollars.
 - The Treasurer also created a new [Treasury Transparency Portal](#), which provides accurate real-time information about the Commonwealth's finances to the general public.
- The Treasury is responsible for returning unclaimed property to its rightful owners. Oftentimes, this property is in the form of uncashed checks and, on occasion, physical property. Treasurer Garrity has taken major strides in increasing outreach with the public to return property to Pennsylvania citizens.
- The Pennsylvania 529 plan is an education savings account that is open to all Pennsylvania students and allows savings to grow without incurring state tax liability. Treasurer Garrity is working with the legislature to update the program.
- Treasurer Garrity is leading on cyber security and took an essential step in banning the Chinese government-owned AI program DeepSeek from Treasury devices and computers.
- PA ABLE is a savings program that was passed by the legislature in 2016. It offers people with qualifying disabilities a way to save that does not affect their means-tested benefits.
 - This program, a testament to the Treasury's successful initiatives, now has 10,200 accounts, a clear sign of its success and the positive impact it has on the lives of people with qualifying disabilities.

Auditor General Key Takeaways:

- Members shared concerns about the fairness of the many grants the state government issues. The Auditor General reassured the committee of his commitment to fairness and transparency, and his willingness to conduct more audits like the recent DCNR report to ensure the integrity of the process.
- The Auditor General released a Performance Audit last month highlighting that DCNR ignored policies when awarding grants and did not award all grants competitively and transparently.
- Auditor General DeFoor continues to be deeply concerned about the fiscal health of many pension systems across the Commonwealth. While the Pennsylvania State Employees' Retirement System (SERS) and the Public School Employees' Retirement System (PSERS) are showing signs of stability, many municipal funds are still grappling with underfunding.
- Since taking office, Auditor General DeFoor has consolidated the education auditing process, saving taxpayer money while providing high quality audits.
- In terms of employee recruitment to the Auditor General's office, they have increased outreach with Pennsylvania State System of Higher Education (PASSHE) universities.
- Committee members asked Auditor General DeFoor if his office can perform cross-agency audits on specific issues. One example given was auditing workforce development programs across agencies to look for duplicative services and efficiencies. The Auditor General expressed his openness to this possibility and his readiness to delve into the specifics.