

# GOVERNOR'S BUDGET OFFICE

## BUDGET HEARING WRAP

### Thursday, March 12, 2026



#### **General Overview:**

Governor's Budget Office Secretary Zachary Reber testified before the House Appropriations Committee today. House Republicans focused their questions on the overall budget proposal, including the accuracy of out-year projections, growing our energy industry, the proposed "Federal Response Fund," and proposed changes to the EITC program.

#### **Key Takeaways:**

- Governor Shapiro's proposed budget of \$53.26 billion increases spending by \$2.72 billion, or 5.4%, over the current fiscal year.
  - To balance his FY 2026-27 spending proposal, Governor Shapiro needs \$6.46 billion in new revenue. To accomplish this, he proposed the following transfers and tax revenue modifications:
    - Transferring \$4.58 billion out of the Rainy Day Fund to the General Fund.
    - Enactment of new taxes and changes to the current tax structure and tax credits totaling \$1.88 billion in new revenue, primarily by taxing skill games, recreational marijuana, and a minimum wage increase.
- House Republicans expressed frustration that the budget proposal does not adequately account for future spending. The Governor's budget unrealistically projects that future budgets will grow by only 0.78%, despite the fact that the average increase under his first three enacted budgets was 5.6%.
  - Secretary Reber claimed these projections are based on future mandated costs, but Republican members shared their skepticism, as many foreseeable expenditures are not included in projections.
  - Including foreseeable expenditures in the Governor's projections would reveal that the Governor's spending threatens to rapidly drain the Rainy Day Fund and force tax increases on Pennsylvanians.
  - House Republicans criticized the budget secretary for his unwillingness to directly answer questions about the future tax implications of this spending proposal.
- Maintaining the Rainy Day Fund (RDF) has been championed by House Republicans for many years. The benefits of a healthy RDF have been cited as a positive impact on the Commonwealth's bond rating. Draining \$4.58 billion from the RDF will likely increase the Commonwealth's borrowing costs.
  - It is important to note, the Governor is seeking to bond \$1 billion for Housing projects in his proposal.
- It is a fact that the Regional Greenhouse Gas Initiative (RGGI) stopped natural gas investment in Pennsylvania and shuttered coal-fired plants. Ending the threat of RGGI was an important step to unleashing our energy industry, but Members noted the Governor's "Lightning Plan" for energy still includes a similar carbon tax. We must stop threats to punish carbon-based energy to reach our full energy potential so that we can guarantee plentiful and affordable baseload energy.
- The FY 2025-26 Budget included historic permitting reform, for which both House and Senate Republicans advocated. Committee members learned that the yet-to-be-deployed permit tracker is being funded through DEP's General Government Operations (GGO) line, but developed by the Governor's Office of Transformation and Opportunity (OTO), which receives its funds through DCED. Secretary Reber further clarified that funding for this project is included in CODE PA, which is an umbrella term given by the Administration for efforts to coordinate IT upgrades in state agencies.

**Key Takeaways (continued):**

- The Governor’s budget includes a proposal to transfer \$100 million from the Rainy Day Fund to a newly created “Federal Response Fund.” The purpose of the proposed fund is to “mitigate actions, or inactions, by the federal government that cause disruptions to critical services or create situations that threaten the health, safety, or welfare of Pennsylvanians.” Members expressed concern that this proposal could be used by the Governor to subvert federal agencies, such as Immigration and Customs Enforcement (ICE).
  - Secretary Reber said the use of the fund would be determined by the General Assembly, and that the Administration follows all Federal Laws.
- The Governor’s Housing Action Plan proposes borrowing \$1 billion for housing development. House Republicans challenged Secretary Reber on the inclusion of any local municipal zoning policies as a prerequisite of funding. This is ironic, considering the Governor frequently complains that federal funding imposes too many requirements that should be left to the state.
- The Department of State (DOS) requested \$598,000 for Voter Registration and Education; the Governor’s budget funded that line item at \$2 million, a \$1.4 million increase from the DOS request. Members expressed concern that this additional funding was not requested by the Department, and such a large increase is concerning, given that this line has remained nearly unchanged for twelve years, there is no precedent for such an increase in a year in which no changes to voting procedures have been enacted, and the Governor is running for re-election.
- Members expressed concern about the Administration's proposal to shift Educational Improvement Tax Credits away from scholarship organizations toward programs that do not provide school choice scholarships. Secretary Reber stated that the Administration seeks to address the waiting list for businesses seeking to donate to EIOs, while House Republicans maintain that the most important waiting list to address is the more than 60,000 students waiting for scholarships so they can attend a school of their choice.

**Notable Q&A:**



Chairman Jim Struzzi questions the fiscal stability of the Governor’s proposed revenue sources and out-year projections.

Rep. Josh Kail asked why the Governor’s budget proposal unrealistically projects extremely low spending growth in future years, creating the illusion of balanced budgets.



Rep. Marla Brown discusses how draining the Rainy Day Fund, as the Governor proposes, will affect the Commonwealth’s credit rating.

Rep. Charity Krupa questions why the Governor is taking \$100 million from the Rainy Day Fund for a “Federal Response Fund”.



**Notable Q&A:**



Rep. Jeff Olsommer expresses concerns over the Governor's proposal to shift tax credit caps within the Education Improvement Tax Credit program.

Rep. Eric Davanzo questioned Secretary Reber about the Governor's Housing Action Plan and any requirements it would impose on municipalities to be eligible for grants.



Rep. Jamie Barton celebrates the end of the Regional Greenhouse Gas Initiative carbon tax, but notes that keeping the Governor's PRESS and PACER plans on the table will harm energy investment.

Rep. Chad Reichard asks what this budget would do to help average Pennsylvanians.



Rep. Jim Rigby questions why the Governor's budget proposal included an additional \$1.4 million more than the Department of State requested for Voter Registration and Education.

Rep. Zach Mako inquires about the functions of various IT initiatives, including CODE PA, Enhanced Enterprise Security, and QA IT.



Rep. Marci Mustello receives information on how the Governor's Office of Transformation and Opportunity works with CODE PA.

Rep. Eric Nelson asks for an update on the implementation of permitting reform included in the current budget, specifically the permit tracker.

