

# WEEK THREE

# BUDGET HEARING WRAP

## March 9-12, 2026



### **General Overview:**

This week, the House Appropriations Committee concluded our budget hearings for Fiscal Year 2026-27 with the Governor's Budget Office Secretary Zachary Reber. House Republicans focused questions on the Governor's overall budget proposal, including questions about the accuracy of future spending projections, policies to grow our energy industry, the proposed "Federal Response Fund," and the administration's proposed changes to the EITC program. Secretary Reber, in his first budget hearing, proved to be a deft testifier with a calm temperament and strong understanding of the Commonwealth's finances. While our caucus certainly has some differences of opinion in budgeting, Secretary Reber came across as an honest broker, giving us hope as we work toward a finalized, and hopefully on-time, Fiscal Year 2026-27 budget.

The first hearing of the week was with PennDOT. House Republicans focused on how PennDOT's various funding streams are being used and on their long-term sustainability. Members also asked for an update on REAL ID, CDL testing, and mass transit funding.

Committee members next heard from Secretary Pat Browne of the Department of Revenue, and asked about the Governor's new tax proposals, including recreational marijuana and skill games, as well as future revenue growth projections. House Democrats asked Secretary Browne about the merits of a so-called "Millionaire Tax," which Secretary Browne said is unconstitutional.

The Department of Aging hearing proved more challenging, as our members focused on recent issues related to elder abuse reports and the department's response. Secretary Kavulich contradicted himself by claiming that Aging does review the cause of death in cases of elder abuse resulting in death. He later walked back his claim when pressed. It is important to note that Kavulich has spent three years claiming that the Department of Aging does not have the authority to investigate deaths. When asked about accountability for AAAs who fail to investigate elder abuse appropriately, Secretary Kavulich was adamant that no AAA-in-violation would lose baseline funding, but that they may not be eligible for certain grants.

Wednesday's focus was primarily on Higher Education, with two hearings: one with the state-related universities and another with the Pennsylvania State System of Higher Education (PASSHE) and the Commission for Community Colleges. With the state-related universities, committee members focused our questions on measures to ensure state funding appropriately supports Pennsylvania students and on how universities are preparing students for high-need jobs. There was also discussion about the planned closures of seven Penn State branch campuses. Similar questions were posed to PASSHE and the community colleges, including whether PASSHE schools and community colleges are working together and how both systems can meet Pennsylvania's workforce needs while keeping tuition costs low.

The committee also heard from the Pennsylvania State Police. The hearing began with condolences and prayers for the family of Corporal Tim O'Connor who lost his life in the line of duty. Members focused questions on whether the Governor's proposal adequately funds law enforcement needs, the Trooper complement, the statewide radio system, human trafficking enforcement, and gun background checks.

With the 2026 budget hearings now concluded, our committee will spend the next few weeks reviewing the information from the hearings and working to bring our thoughts to the table to help craft a responsible, on-time budget for Fiscal Year 2026-27.

**In the News:**

[ABC 27: Weeks of budget hearings end in Harrisburg with little agreement \(Reps. Kail & Struzzi\)](#)

[Indiana Gazette: Revenue officials are grilled by House Appropriations Committee \(Rep. Struzzi\)](#)

[Spotlight PA: Pennsylvania elections chief answers lawmaker questions as midterm approaches \(Reps. Barton & Flood\)](#)

[Center Square: Proposed 52% tax on skill games praised and slammed at hearing \(Rep. Barton\)](#)

[ABC 27: University leaders ask for more cash during trip to Harrisburg \(Reps. Brown, Krupa, & Reichard\)](#)

[Center Square: Partisan sniping underway as Pennsylvania confronts \\$5B deficit \(Reps. Kail & Struzzi\)](#)

[ABC 27: Secretary of aging faces tough questions at Pennsylvania budget hearing \(Reps. Flood & Nelson\)](#)

[Spotlight PA: Lawmakers press Shapiro admin on oversight, accountability measures for elder abuse agencies \(Reps. Flood & Nelson\)](#)

[Center Square: Pennsylvania power load buckling under neighboring renewable energy goals \(Rep. Kail\)](#)

[Williamsport Sun-Gazette: State-run colleges disappointed with flat funding proposal \(Reps. Krupa & Rigby\)](#)

[Centre Daily Times: Pa. lawmakers question Penn State funding request after campus closure decision \(Reps. Brown, Krupa, Mako, Reichard, & Struzzi\)](#)

[StateCollege.com: Penn State President Bendapudi Questioned on Campus Closures at State House Budget Hearing \(Reps. Krupa & Reichard\)](#)

[KYW: Pa. budget secretary defends Shapiro's \\$53 billion-plus proposal as state Legislature prepares for negotiations \(Rep. Struzzi\)](#)

[Capiot Wire: Penn State to announce Succession plans for closing campuses \(Reps. Krupa & Reichard\)](#)

**Budget Office 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.

**Budget Office Key Takeaways (continued):**

- 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.
- 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.

**PennDOT Key Takeaways:**

- The Governor's FY 2026-27 budget proposal for PennDOT totals \$11.40 billion in total spending. PennDOT's major revenue sources include: Federal grants (\$3.31 billion), the Motor License Fund (\$2.77 billion), the Lottery Fund (\$170.9 million), the Public Transportation Trust Fund (\$2.50 billion), the Public Transportation Assistance Fund (\$285.2 million), and the General Fund (\$3.31 million).
  - The Governor's proposed overall spend for PennDOT is \$513.3 million or 4.3% below FY 2025-26.

**PennDOT Key Takeaways (continued):**

- Republicans challenged Secretary Carroll to review the funding mechanisms for our transportation infrastructure and think outside the box from what we have seen in the last several budget proposals.
- The Motor License Fund (MLF) is primarily funded by a 57.6-cent-per-gallon tax and vehicle fees. Gas tax revenues are estimated to stagnate over the next several years. Members learned:
  - Roughly 70% of the MLF is funded through liquid fuels taxes and 30% from fees.
  - The availability of more fuel-efficient and electric vehicles accounts for some of the decline. Act 85 imposes fees of \$250 for electric vehicles and \$63 for plug-in hybrids, bringing in about \$13 million.
- Secretary Carroll confirmed the Governor is no longer seeking to eliminate the State Police's \$250 million line-item from the Motor License Fund.
- The Governor is once again proposing to increase the Mass Transit Sales Tax carve-out to 10.38%, effective in Fiscal Year 2027-28. This 1.75% increase would send transit \$320 million more per year.
  - For Fiscal Year 2026-27, Mass Transit spending is proposed at \$2.86 billion.
- There have been recent high-profile cases of non-citizens obtaining a Pennsylvania CDL. Members of the committee pressed PennDOT on the processes that permit a non-citizen to obtain a CDL.
  - Members were informed that most CDL skills and written tests are only offered in English and follow federal standards.
  - Secretary Carroll said emphatically that there are zero illegal immigrants with PA driver's licenses.
- REAL ID continues to be difficult for many Pennsylvanians to obtain, while the federal deadline requiring REAL ID to board domestic flights or access federal buildings passed in May of 2025.
  - Members learned that around 36% of Pennsylvania driver's licenses are REAL IDs.

**Department of Revenue Key Takeaways:**

- The Governor's budget proposes spending \$232.1 million from the General Fund for DOR in Fiscal Year 2026-27, an overall increase of \$14.1 million, or 6.5%.
  - The Department of Revenue also operates the Pennsylvania Lottery. The Lottery Fund is expected to expend \$2.30 billion according to the Governor's budget, an increase of \$48 million, or 2.2%, over the current fiscal year. The Lottery Fund supports programs in the departments of Aging, Human Services, Revenue, and PennDOT.
- The Property Tax Relief Fund is projected to end FY 2026-27 with a balance of \$2.01 billion. Members pressed Secretary Browne to provide additional property tax relief to homeowners with these funds.
- The Governor is once again proposing a 52% tax on "Skill Games," which are operating most commonly in bars, restaurants, and private clubs - small businesses in communities across Pennsylvania.
  - Secretary Browne informed the committee that there has been no economic study of the potential impact of the Governor's proposed 52% tax on current Skill Games locations.
- Secretary Browne confirmed the Governor's proposal does not accelerate the reduction of the Corporate Net Income Tax (CNIT) rate. Governor Shapiro has called for accelerating the CNIT twice in budget addresses, yet has failed to follow through and enact it.
- House Democrats asked Secretary Browne about the merits of a so-called "Millionaire Tax," which Secretary Browne said is unconstitutional.
- House Republicans asked how certain DOR is in their revenue projections for this year and into the future. Secretary Browne shared he is confident, but there are many variables, including the lack of population growth among working-age people in Pennsylvania.
- Members asked about the Governor's proposal to raise the minimum wage, indicating that the Governor's own numbers show that employers are already increasing wages without government mandates. Secretary Browne acknowledged this but still argued for indexing the wage to inflation.
- House members learned that the PA Lottery is expected to grow this year and that Act 37, which reduced mandated profit margins to 10%, is helping increase sales of non-online games.

**Department of Aging Key Takeaways:**

- The Department of Aging is funded through the Pennsylvania Lottery Fund, not the General Fund.
- This year, the Governor is proposing a total budget of \$505.2 million from the Lottery Fund, an increase of \$12 million, or 2.5%, over the current fiscal year.
- House Members are concerned with the prevalence of elder abuse in Pennsylvania, especially with the growth in our aging population.
- Area Agencies on Aging (AAAs), who receive oversight from the department, are the front line in combating elder abuse.
- Members learned that the department has implemented the Comprehensive Aging Performance Evaluation (CAPE) to provide oversight of AAAs and ensure proper investigations of elder abuse.
- Members learned that at least four counties are entering formal review for poor performance, defined as a compliance score below 75%.
- Secretary Kavulich also contradicted himself by claiming that Aging does review the cause of death in cases of elder abuse resulting in death. He later walked back those claims when pressed by House Republicans. He has spent three years claiming they do not have the authority to investigate deaths.
- When asked about accountability for AAAs who fail to appropriately investigate elder abuse, Secretary Kavulich was adamant that no AAA-in-violation would lose baseline funding.
- Secretary Kavulich eventually said noncompliant AAAs may not be eligible for grants.
- Secretary Kavulich repeatedly claimed his office is unable to complete tasks to the satisfaction of Members' questions because their administrative funding is low compared to other agencies. At no point did the secretary offer a solution or propose a funding stream that could fulfill his needs.

**State Related Universities Key Takeaways:**

- The Governor's budget proposes supporting Penn State with \$277.8 million, Temple University with \$158.2 million, and the University of Pittsburgh with \$155.5 million from the General Fund. These totals are all level funded. Lincoln University is proposed at just below \$23 million, an increase of \$1.1 million, or 5.0%. Altogether, this represents \$614.4 million in General Fund spending.
  - These totals do not include the State-Related University Performance Fund, an additional \$30 million for distribution to Penn State, University of Pittsburgh and Temple based on performance.
- State-related university funding requests submitted to the Governor were as follows: Penn State asked for \$394.4 million, an 11.7% increase; Temple requested \$183.5 million, a 16% increase; the University of Pittsburgh asked for \$161.2 million, a 3.7% increase; and Lincoln requested \$24.1 million, a 10% increase. In total, state-related universities requested \$763.2 million in state funding, \$148.8 million more than the Governor's proposal.
- House Republicans asked whether the Governor's flat-funding proposal would lead to tuition increases for Pennsylvania students. The University of Pittsburgh did not have a finalized rate, but said tuition would increase. Temple stated tuition would rise between 3.6% - 3.9%. Penn State has already approved an increase of 2.0% at University Park, with tuition remaining flat at Commonwealth Campuses.
- Members once again pressed all state-related universities to work closely with Community Colleges to ensure seamless credit transfer.
- The rise of AI presents opportunities and challenges. Members learned that state-related universities have implemented policies for the ethical use of AI and AI education.
- House Republicans once again expressed concerns to Penn State regarding their closure of seven branch campuses. Penn State confirmed it has not yet submitted the closures to the Pennsylvania Department of Education.

**PASSHE & Community Colleges Key Takeaways:**

- The Governor is proposing to level-fund PASSHE with \$625.8 million in appropriations from the General Fund for Fiscal Year 2026-27. The PASSHE Board of Governors requested \$651.8 million, a 5% increase.
- The Governor's budget proposes to level-fund the Community Colleges line item with \$277.3 million in General Fund support for Fiscal Year 2026-27. The Commission requested an increase of \$16.6 million.
- Members of the committee were pleased to hear that both education systems are working to prepare students for high-demand job areas.
- One example provided is a PASSHE school's partnership with a carpenter's union, which benefits college students and provides carpenter trainees with college credits.
- House Republicans learned that community colleges are working with high schools to expand dual enrollment programs. This helps students emerge from high school with college credits, reducing the number of classes they need to take and potentially decreasing students' costs for higher education.
- Members were informed by PASSHE that the consolidation of PennWest and Commonwealth Universities is not yet complete, but the process is moving forward. PASSHE leaders stated the system has already saved more in non-personnel costs from consolidations than projected in the PASSHE Board-approved plan.
- House Republicans were alarmed to learn that community colleges are seeing an increase in the need for remedial courses after high school graduation.
- Community college and PASSHE leaders shared various ways schools in both systems are working to engage with students who have already started a career and are looking to continue their education.

**Pennsylvania State Police Key Takeaways:**

- The Governor is proposing to spend a total of \$1.33 billion from the General Fund for the Pennsylvania State Police for Fiscal Year 2026-27, which is roughly 2.6% of the governor's total spending proposal.
  - This is an overall increase of \$117.0 million, or 9.4% over the current fiscal year.
  - PSP also receives \$250 million from the Motor License Fund.
- House Republicans want to ensure we have enough Troopers to keep Pennsylvanians safe. PSP leadership advocated to remove the complement cap to enable the agency to keep up with training new Troopers while managing upcoming retirements.
- PSP believes it needs to increase the current complement by about 300 to 400 positions.
- PSP shared that they have not taken an official position on the Governor's recreational marijuana proposal.
- Statewide radio connectivity has been an issue for decades. Members learned that PSP has finally connected their radios with 35 county Public Safety Answering Points (PSAPs), commonly called 911 centers, the state of New Jersey, and FEMA region 3. There are 20 county PSAPs currently working to connect to the system, with the goal of connecting all county PSAPs by the end of next year.
- PSP applicants are no longer required to have a college degree. Members learned that recruitment has improved and that PSP continues to maintain high standards in its selection process.
- Pennsylvania requires two background checks to purchase a gun: the National Instant Check System (NICS) and the Pennsylvania Instant Check System (PICS). PSP reported that the PICS system caught over 86 individuals with active warrants trying to buy a firearm for which NICS did not alert last year.
- Members were pleased to learn PSP has plans to combat human trafficking during the many events planned for the America 250 celebration, World Cup, and other high-profile events planned for 2026.

**Department of Health & Department of Drug and Alcohol Programs Key Takeaways:**

- For the Department of Health (DOH), the Governor is proposing General Fund spending of \$260.3 million for Fiscal Year 2026-27, an overall increase of \$740,000, or 0.3%, over the current fiscal year.
- For the Department of Drug and Alcohol Programs (DDAP), the Governor is proposing \$48.3 million in General Fund support, an overall increase of \$30,000, or 0.1%, over the current fiscal year.
- House Republicans focused their questions on how DOH is working to reduce unnecessary hospital regulations. Secretary Bogen agreed that regulations are a problem, especially for rural hospitals, and that updates need to be made.
- Members also expressed concern on the unintended consequences of staffing ratio requirements in long-term care facilities, including challenges with hospital discharges. DOH stated it does not believe this is a problem, but added that legislators should bring concerns to the department.
- Maternal healthcare deserts continue to be a major issue facing rural Pennsylvania. Members stressed the importance of keeping current maternal health departments within hospitals open and, where possible, reopening them.
- Members also asked why DDAP uses name-brand Naloxone rather than generic brands, which are often the most cost-effective option.
- DDAP is responsible for administering the Opioid Settlement Fund. Members asked what role DDAP plays in determining how counties can use the funding, and learned that counties have many options on how to use the funding with little oversight from DDAP.
- When questioned about the Governor's plan to legalize recreational marijuana, Secretary Davis-Jones admitted that they are not tracking any substance use disorder impacts that may be associated with legalization.

**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".



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

**Notable Q&A:**



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. Eric Davanzo received an update on PSP recruitment following the removal of the college graduation requirement.



Rep. Marla Brown asks why more Property Tax Relief is not included with the budget, even with a balance of over \$2 billion in the Property Tax Relief Fund.



Rep. Kristin Marcell cites a study showing that PA has the 4th-highest tax burden, making it harder to attract working families.



Rep. Eric Nelson asks Secretary Kavulich for an update on oversight of AAA's in investigating elder abuse.



Rep. Marci Mustello inquires as to why the Governor is no longer proposing to decrease the State Police's reliance on the Motor License Fund.



Rep. Eric Davanzo asked PennDOT to confirm whether the PA CDL test is offered only in English.



Rep. Jim Rigby discusses the fiscal health of the Motor License Fund and the impact of Act 85's fees on electric vehicles.



Rep. Zach Mako asks how the Governor's flat-funding proposal will affect Pennsylvania resident tuition rates.

