

More Money Needed to Deliver on Pennsylvania's Top Budget Priorities:

Analysis of Governor Shapiro's First Executive Budget (2023-24)



By Diana Polson and Stephen Herzenberg
Edited by Erica Freeman

Designed by Stephanie Frank and Adrienne Standley

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KEYSTONE RESEARCH CENTER
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Introduction

In early March, Governor Shapiro released his first executive budget proposal. That budget included many of the right priorities: increases in funding for mental health care for students and communities and to address racial disparities in maternal health; more generous property tax rebates for senior homeowners and renters; a proposed state minimum wage hike to \$15 per hour; tax credits to address shortages in teaching, nursing, and policing; and more funding for apprenticeships and other workforce programs. Governor Shapiro also proposed support for businesses including historically disadvantaged businesses; and additional investments in environmental protection and conservation. The Governor's proposed budget, and his budget address to the legislature and the public also highlighted that Pennsylvania has a historic opportunity to adequately and equitably fund education given the recent Commonwealth Court finding that Pennsylvania's funding system for K-12 education is unconstitutional. The Governor further acknowledged that Pennsylvania's current system of higher education—woefully underfunded for decades—is not working.

While we agree with many of the priorities in Governor Shapiro's budget proposal, we show below that the level of new spending in many of these areas is too low, especially in education. The level of new investment proposed in some critical areas is low even though the state is currently flush with cash—with a budget surplus that the Governor's proposal expects will reach \$7.8 billion by the end of this fiscal year, June 30, 2023 (which is similar to our own recent projection), and with \$5 billion-plus in our Rainy Day Fund. While we always take the seven-year financial statement that accompanies the executive budget with a grain of salt, we are concerned that it presents a plan to cover projected operating deficits in the next five years with the temporary surplus in the General Fund and the Rainy Day Fund. Spending over those years is projected to grow only with inflation. If this plan is followed, the state risks missing the chance to make historic investments in the future, especially in education at all levels from pre-K to higher education and workforce development.

The evidence suggests that Governor Shapiro knows that his proposed funding levels in some areas are not adequate. With a new Democratic majority in the Pennsylvania House and with significant bipartisan concern about education funding at all levels, the Governor wants legislators to share responsibility for increasing funding. To make a down payment on a transition to fairly funded K-12 schools that the courts would deem constitutional, the General Assembly should enhance the Governor's K-12 funding proposal, including with \$300 million in additional funds for the most underfunded school districts through "Level Up." The General Assembly should also increase funding for the state's community colleges and four-year universities, the Pennsylvania State System of Higher Education.¹

Overview of Pennsylvania's Budget

Components of the Combined Operating Budget

This budget analysis is primarily focused on the state's General Fund, which provides the bulk of state funding. But the state operating budget is bigger than just the General Fund—it includes a variety of special funds, such as the motor license fund and the lottery fund, as well as federal funds. Table 1 below shows fiscal year 2022–23 and Governor Shapiro's proposed 2023–24 budget. Governor Shapiro's

¹ This introduction draws from the following Pennsylvania Budget and Policy Center piece: Marc Stier, "Governor Josh Shapiro's First Budget: The Right Priorities but Inadequate Funding," PBPC, <https://krc-pbpc.org/wp-content/uploads/budget-response.pdf>

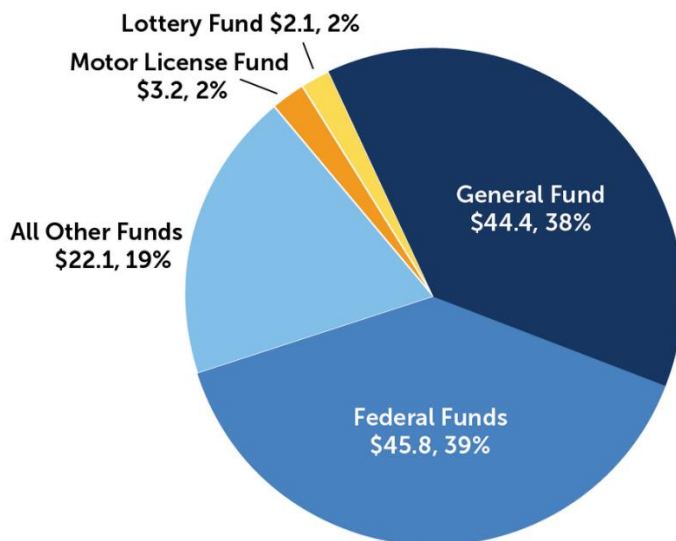
proposed total operating budget is \$118 billion for the upcoming year. The General Fund makes up 38% of the budget (\$44.4 billion), federal funds make up 39% (\$45.8 billion), and special funds make up 24% (\$27.4 billion). There is an increase in this year’s combined operating budget (\$118 billion) compared to last year’s (\$114 billion). Federal funds are decreasing slightly (from \$46.9 to \$45.8 billion) and the General Fund and some of the special funds are proposed to increase, although the two largest special funds—the motor license fund and the lottery fund—are expected to remain relatively flat.

Table 1

| Components of 2023-24 Proposed Combined Pennsylvania Operating Budget in Billions | | | | |
|---|------------|---------------------|--|--|
| | FY 2022-23 | FY 2023-24 Proposed | FY 2023-24 Percent of Total Operating Budget | FY 2023-24 Percent of Total State Budget |
| General Fund | \$41.1 | \$44.4 | 38% | 62% |
| Motor License Fund | \$3.2 | \$3.2 | 3% | 4% |
| Lottery Fund | \$2.1 | \$2.1 | 2% | 3% |
| All Other Funds | \$20.7 | \$22.1 | 19% | 31% |
| Federal Funds | \$46.9 | \$45.8 | 39% | |
| Total State Funds | \$67.0 | \$71.8 | | |
| Total Motor License, Lottery, and Other Funds | \$25.9 | \$27.4 | | |
| Total Combined Operating Budget | \$113.9 | \$117.6 | | |

Source: Pennsylvania Budget and Policy Center analysis of Governor Shapiro's 2023-24 budget (March 2023) <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>, p. B7.

Figure 1



Components of Pennsylvania's Proposed 2023-24 Combined Operating Budget in Billions

Source: Pennsylvania Budget and Policy Center from Governor Shapiro's 2023-24 Executive Budget (March 2023)

The Impact of the COVID-19 Pandemic and Federal Support on Our Structurally Imbalanced Budget

For more than a decade, we have started our budget analysis discussing the “structural deficit” that has been standing in the way of Pennsylvania’s adoption of bold new initiatives. But last year and this year, our state’s financial picture was different due to an influx of federal funding in response to the COVID-19 pandemic, as well as higher-than-expected revenue generation.

Table 2 below shows the accumulated state surplus expected by the end of this fiscal year—a total of more than \$13 billion. In June 2022, a budget surplus of \$5.3 billion was projected for fiscal year 2022–23 (row 1). But revenues in the first half of the fiscal year have come in above original projections (row 2) by \$1.15 billion. Furthermore, the federal government extended a pandemic-related increase in the federal reimbursement share for Medicaid (this share increased 6.2 percentage points in Pennsylvania) for three more months than expected (until March 2023), generating \$1.2 billion in savings. And the federal government did not eliminate this increase but only phased it down to 5 percentage points between April and June,² generating a savings of an additional \$936 million (row 4).

The Department of Human Services also has a projected savings of \$722 million, shown in row 5, and additional savings of \$581 million, shown in row 6. As row 3 shows, by the end of fiscal year 2022-23, all American Rescue Plan funds will be allocated, so ARP money will no longer be part of our state’s surplus.

All together, we estimate that the total projected state surplus will be approximately \$8.66 billion by the end of the 22/23 fiscal year. When you consider this on top of the state’s Rainy Day Fund, now totaling more than \$5 billion, you can see Pennsylvania’s financial outlook is strong.

Table 2

| Projected Accumulated State Surplus by the End of June 2023 in Billions | |
|--|-----------------|
| | Estimate |
| 1) Budget surplus projected in June 2022 | \$5.27 |
| 2) Additional revenues from July through March 2023 on top of original 2022-23 estimate | \$1.15 |
| 3) Remaining American Rescue Plan funds | \$0.00 |
| 4) Reduction in expenditures due to FMAP* expected extension between January and March 2023 and phase down in April | \$0.94 |
| 5) Other savings related to the Department of Human Services | \$0.72 |
| 6) Additional savings | \$0.58 |
| TOTAL | \$8.66 |
| 7) Rainy Day Fund | \$5.12 |
| TOTAL, including Rainy Day Fund | \$13.19 |
| <p>*FMAP is Federal Medicaid Assistance Percentage—due to the pandemic the federal government has been providing an additional 6.2% to states on many eligible Medicaid costs. The extended FMAP was in the original budget for half of 2022/23 (and is reflected in the estimate in line item #1). FMAP has been extended for the first quarter of 2023 (through March 2023) and will begin to phase down in April 2023, adding additional funds (shown in line item #4 above).</p> <p>Source: 1 and 2) From data provided by the PA Senate Democratic Appropriations Committee. NOTE: Revenues for the rest of FY 2022/23 are expected to be at estimate. 3) House Democratic Appropriations Committee report: https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_21. Final ARP funds (\$2.16 billion) are planning to be used in 2022/23. 4 and 5) From data provided by the PA Senate Democratic Appropriations Committee and https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_21_6 This includes adjustments to refunds and prior-year lapses. 7) Update provided by PA Senate Democratic Appropriations Committee.</p> | |

²Independent Fiscal Office, *Expiration of the Enhanced FMAP*, Research Brief, March 2023, http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/RB_2023_03_Expiration_of_the_Enhanced_FMAP.pdf.

While our financial picture this year is strong, looking at the IFO projections for the following four fiscal years shows this picture won't last.³ Over the next four years, the IFO projects that Pennsylvania will run a deficit totaling nearly \$13 billion.

Table 3

| Projected ending balance for Pennsylvania's General Fund, FY 2023-24 to 2027-28 (in millions) | |
|---|--------------------------|
| Fiscal year | Projected ending balance |
| 2023-24 | -\$1,532 |
| 2024-25 | -\$2,291 |
| 2025-26 | -\$3,015 |
| 2026-27 | -\$2,995 |
| 2027-28 | -\$3,121 |
| Total | -\$12,954 |
| Source: See page 41 of the Independent Fiscal Office Economic and Budget Outlook for fiscal years 2022-23 to 2027-28, http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/Five_Year_Outlook_2022.pdf . | |

The General Fund budget projection shows a striking turnaround from the substantial current surpluses to future deficits. There are a few reasons why. (We expand upon this [here](#)).⁴ First, the current year surplus is partially a product of a large influx of federal COVID-19 relief funding. This includes the transfer of \$3.8 billion of the federal American Rescue Plan State Recovery Funds into the General Fund last fiscal year (2021-2022), which led to a large surplus that carried over to this year. The state also received increased federal support for Medical Assistance and Long-Term Care.

Second, the increase in recurring General Fund expenditures was held down by the flat funding of much of the budget outside of human services, pension costs, and debt service in fiscal year 2020-21. Flat funding a budget for one year tends to have the effect of reducing future expenditures for another year or two as the base for calculating increases in spending is reduced.

And third, future revenues are reduced because of the corporate tax cut enacted in June 2022. The corporate tax base was slightly expanded due to changes in how much of a business's income is apportioned to Pennsylvania and because of a clarification of economic nexus rules that determine whether a corporation must pay corporate taxes in our state. (While we understand the rationale for these changes was Pennsylvania's high corporate income tax rate, as discussed in more detail below, that tax cut should have been enacted with combined reporting," which would have gotten rid of existing loopholes for corporations to avoid paying taxes.) But as of January 1, 2023, the corporate tax rate was reduced from 9.99% to 8.99% and will be reduced by half a percentage point each year until it

³ Independent Fiscal Office, "Pennsylvania Economic and Budget Outlook: Fiscal Years 2022-23 to 2027-28," November 2022, P. 41, http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/Five_Year_Outlook_2022.pdf.

⁴ For more information, see: Marc Stier and Diana Polson, "Pennsylvania Budget Outlook: Short-Term and Long-Term," Keystone Research Center, February 14, 2023, <https://krc-pbpc.org/wp-content/uploads/budget-outlook.pdf>

reaches 4.99% in 2031. The IFO estimates that the combined effect of these corporate tax changes will cost the state \$853 million by fiscal year 2025-26 and \$1.3 billion by fiscal year 2027-28. These corporate tax cuts come on top of the more than \$4 billion in corporate tax cuts that were put in place under Governors Rendell and Corbett.⁵

So, essentially, while Pennsylvania faces a substantial budget surplus this year, projections into the future show this year's surplus (including the Rainy Day Fund) would just fund deficits going through 2027-28, assuming spending just keeps pace with inflation. This does not allow us to make the substantial investments in K-12 education needed to adequately and equitably fund education in a constitutionally sound manner, nor does it allow us much wiggle room to expand spending to meet the needs of Pennsylvanians in the areas of health, human services, workforce development, etc. This brings us back to the same point: Pennsylvania must come up with reliable and recurring sources of revenue that allow us to make the investments we need to build a secure and prosperous state where all of us can thrive.

Infrastructure Investment and Jobs Act funding to Pennsylvania

While pandemic-related federal funding is winding down, Pennsylvania will get additional federal funding in the next 5-15 years (the length of funding varies by program) through two historic pieces of legislation: the bipartisan infrastructure law (BIL) signed by President Biden November 15, 2021; and the Inflation Reduction Act (IRA) signed by the president August 16, 2022, which includes unprecedented investments in reducing carbon emissions and helping energy communities and workers transition to a sustainable economy. These bills do not, for the most part, cover programs built into the state budget and so will not alleviate the anticipated structural deficits discussed in the previous section. These bills, however, will help sustain a strong Pennsylvania economy and create tens of thousands of jobs, many in construction trades employed on both traditional and climate infrastructure projects.

The table below, pulled from the House Appropriations Committee budget briefing ([here](#)), shows the federal funding from the Infrastructure Investment and Jobs Act (IIJA) (the formal name of the BIL) coming to Pennsylvania. The IIJA is one of the largest and most comprehensive federal infrastructure packages in our nation's history. As you can see, in 2023-24, an estimated \$2.5 billion will come to Pennsylvania via the IIJA, up from \$1.4 billion in fiscal year 2022-23. Most of these funds will be funneled through PennDOT, the Department of Environmental Protection, PennVEST, the Department of Community and Economic Development (DCED) and other state agencies – but then distributed to private contractors performing long-overdue infrastructure improvements or critical new investments in clean energy or environmental remediation. The largest dollar amounts will go towards funding highways, abandoned mine reclamation, broadband, and drinking water projects.

⁵ Ibid, <https://krc-pbpc.org/wp-content/uploads/budget-outlook.pdf>.

Table 4

| 2023/24 Executive Budget | | |
|--|-----------------|-----------------|
| Infrastructure Investment & Jobs Act (IIJA) Federal Funding Utilization | | |
| <i>(Amounts in millions)</i> | | |
| Environmental Protection (DEP) | 2022/23 | 2023/24 |
| IIJA - Solid Waste Infrastructure for Recycling | \$ - | \$ 1.1 |
| IIJA - Assistance for Small & Disadvantaged Communities | \$ 28.1 | \$ 103.2 |
| IIJA - Orphan Well Plugging | \$ 105.0 | \$ 105.0 |
| IIJA - DOE Energy Programs | \$ 22.3 | \$ 22.3 |
| IIJA - Electric Grid Resilience | \$ 13.2 | \$ 16.3 |
| IIJA - Energy Efficiency & Conservation | \$ 4.0 | \$ 4.0 |
| IIJA - Chesapeake Bay | \$ 1.8 | \$ 1.8 |
| IIJA - Brownfields | \$ 2.0 | \$ 4.0 |
| IIJA - Water Quality Management Planning Grants | \$ 1.0 | \$ 1.0 |
| IIJA - USDA Good Neighbor Authority | \$ 0.7 | \$ 2.0 |
| IIJA - National Dam Safety Program | \$ 0.1 | \$ 0.1 |
| IIJA - NFWF America the Beautiful Challenge | \$ 7.5 | \$ 7.5 |
| IIJA - Coastal Zone Management | \$ 8.2 | \$ 8.5 |
| IIJA - Resilient and Efficient Codes Implementation | \$ - | \$ 3.0 |
| IIJA - Energy Auditor Training Grant | \$ - | \$ 2.0 |
| IIJA - Energy Efficiency Revolving Loan Fund | \$ - | \$ 3.7 |
| IIJA - Abandoned Mine Reclamation | \$ 19.9 | \$ 469.9 |
| Transportation (PennDOT) | 2022/23 | 2023/24 |
| IIJA - Hwy & Safety Capital Projects | \$ 1,013.2 | \$ 792.4 |
| State Police (PSP) | 2022/23 | 2023/24 |
| IIJA - Motor Carrier Safety - General Fund | \$ 8.1 | \$ - |
| IIJA - Motor Carrier Safety - Public Safety and Protection Fund | \$ - | \$ 8.5 |
| Emergency Management Agency (PEMA) | 2022/23 | 2023/24 |
| IIJA - State and Local Cybersecurity | \$ 5.2 | \$ 10.7 |
| Community and Economic Development (DCED) | | |
| IIJA - DOE - Weatherization Administration | \$ 2.8 | \$ 5.5 |
| IIJA - DOE - Weatherization Program | \$ 47.2 | \$ 80.0 |
| IIJA - Broadband Equity, Access, and Deployment | \$ 100.0 | \$ 330.0 |
| IIJA - State Digital Equity Capacity | \$ 1.6 | \$ 14.4 |
| Infrastructure Investment Authority (PennVEST) | 2022/23 | 2023/24 |
| IIJA - Drinking Water Projects Revolving Fund | \$ - | \$ 318.8 |
| IIJA - Loan Program Administration | \$ 6.6 | \$ 7.1 |
| IIJA - Technical Assistance to Small Systems | \$ 3.3 | \$ 3.5 |
| IIJA - Assistance to State Programs | \$ 1.0 | \$ 1.2 |
| IIJA - Local Assistance & Source Water Pollution | \$ - | \$ 1.0 |
| IIJA - Sewage Projects Revolving Loan Fund | \$ - | \$ 166.8 |
| Fish and Boat Commission | 2022/23 | 2023/24 |
| IIJA - Delaware River Basin Conservation | \$ 0.8 | \$ - |
| Conservation and Natural Resources (DCNR) | 2022/23 | 2023/24 |
| IIJA - Community Wildfire Defense Program | \$ 0.4 | \$ 0.4 |
| TOTAL IIJA | \$ 1,404 | \$ 2,496 |

Source: Table from the House Democratic Appropriations Committee budget briefing regarding Governor Shapiro’s 2023-24 Executive Budget, https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_21.

By contrast, only small amounts of IRA funding will be funneled through state government. A substantial portion of IRA funding is in the form of tax credits for private businesses, families, or, in some cases, non-profits and local government (because “refundable” so the credits can go to entities that have no profits and/or pay no tax). Nonetheless, the federal funding in IRA, like that in BIL, does provide great opportunities for Pennsylvania, even more so than some other states because “energy communities” and “coal country” are priorities for funding. (One striking example: Pennsylvania will receive nearly one third of \$11.3 billion in funding nationwide to clean up abandoned mine lands over the next 15 years, far more than any other state.)

How Large Is the State Budget?

An expanding population and increasing costs require increased funding from year to year to maintain the same level of state services. One measure of the size of our government that takes costs and population into account is revenues and expenditures as a percentage of gross state product (GSP), which is the size of the state’s economy. Table 5 and figure 2 show Pennsylvania revenues and expenditures as a share of our gross state product. Between 1997 and 2010, General Fund expenditures were about 4.7% of the GSP but dropped to 4.18% during Governor Corbett’s tenure. Under Governor Wolf, expenditures rose slightly to 4.29% but were still well below the 1997–2011 period. Governor Shapiro’s proposal would raise expenditures as a share of GSP to 4.52%, still below the 1997–2010 average. Projections show that expenditures and revenues as a share of GSP will, once again, trend downward after 2024-27.

Table 5

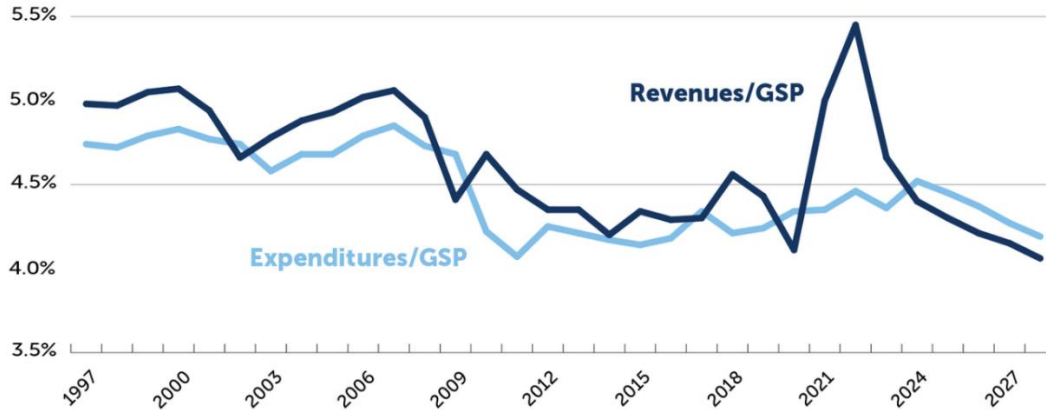
| Pennsylvania General Fund Expenditures and Revenues as a Percent of Gross State Product (GSP) | | | |
|--|---------------------------|-----------------------|--|
| Fiscal year ending | Expenditures / GSP | Revenues / GSP | Reduction in Spending Compared to 1997-2011 |
| Average 1997 to 2010 | 4.70% | 4.88% | |
| Average 2011 to 2014 | 4.18% | 4.34% | -11% |
| Average 2015 to 2023 | 4.29% | 4.57% | -9% |
| Governor Shapiro's proposed budget | 4.52% | 4.40% | -4% |
| Projections 2024 to 2027* | 4.32% | 4.18% | -8% |

*Years 2025 to 2028 are budget numbers and projections from Governor Shapiro's 2023-24 executive budget. Prior years are from the IFO.
Sources: Pennsylvania Budget and Policy Center based on Independent Fiscal Office report, "Economic and Budget Outlook, Fiscal Years 2022-23 to 2026-27," November 2021; and 2023-24 Executive Budget (March 2023).

Figure 2

Overall, General Fund Expenditures and Revenues Have Become a Smaller Share of the Economy Since the Late 1990s and Early 2000s.

The years ending 2021 and 2022 were outliers with Pennsylvania bringing in significant revenues compared to previous years; forecasts predict revenues and expenditures, as a share of GSP, will again decrease.



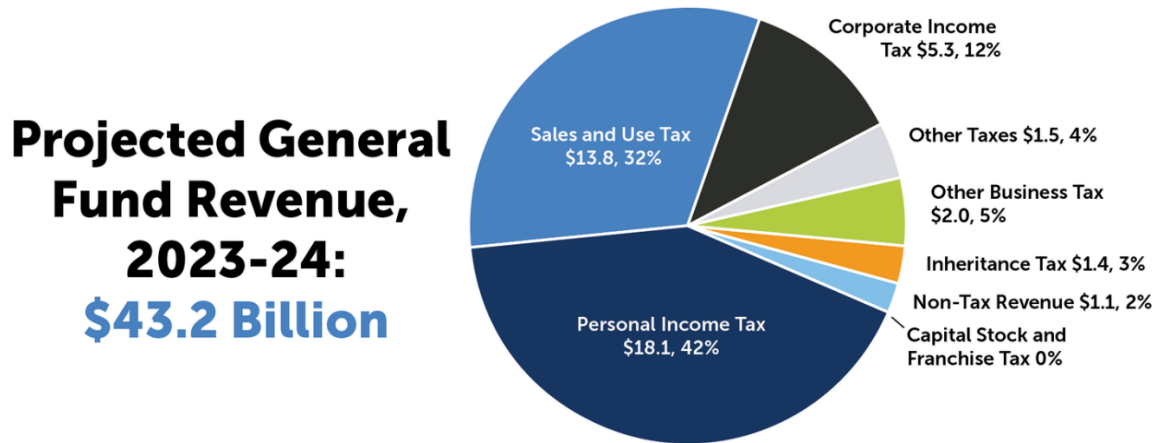
Source: Pennsylvania Budget and Policy Center based on Independent Fiscal Office report, "Economic and Budget Outlook, Fiscal Years 2022-23 to 2027-28," November 2022, http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/Five_Year_Outlook_2022.pdf

General Fund Revenues and Taxation

Sources of General Fund Revenues

Figure 3 shows the sources of the projected General Fund revenue, which is expected to be a total of \$43.2 billion in 2023–24. The vast majority of our state’s revenue comes from taxes. The personal income tax brings in 42% of the state’s revenue followed by sales and use tax (32%) and the corporate net income tax (12%). Non-tax revenue brings in just 2% of the state’s revenues.

Figure 3

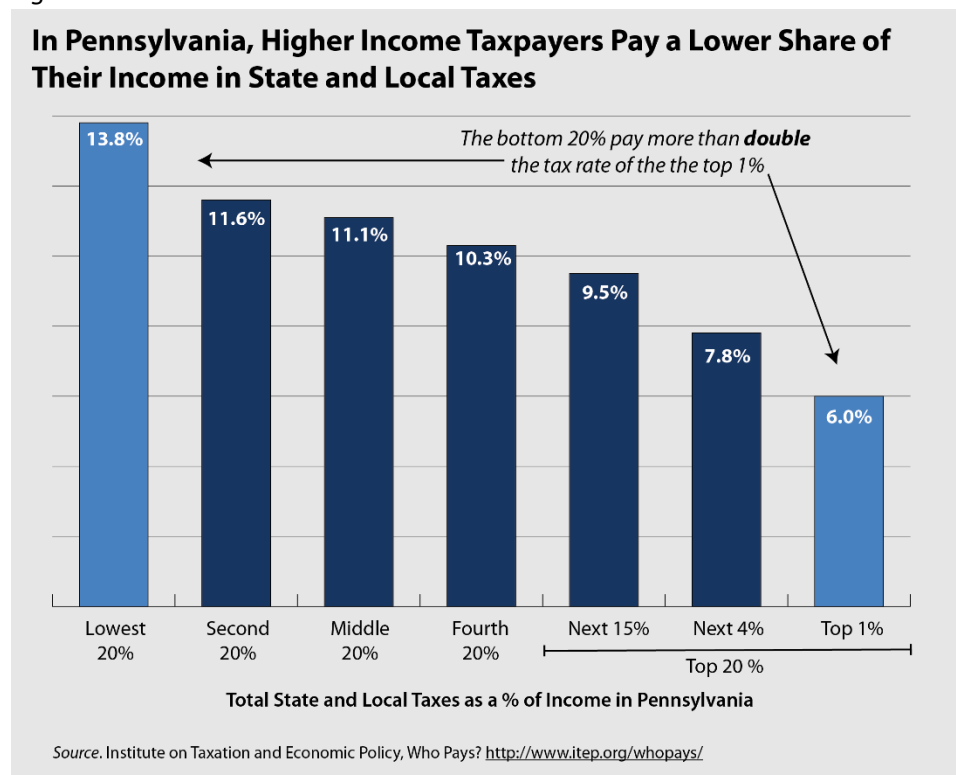


Source: Pennsylvania Budget and Policy Center from Governor Shapiro’s 2023-24 Executive Budget (March 2023)

Pennsylvania does not raise enough revenue from those who can afford it: the wealthy and large corporations

Pennsylvania ranks among the “terrible ten” states with the most regressive tax systems. As figure 4 below shows, Pennsylvania’s poorest residents pay a significantly higher portion of their income on state and local taxes—13.8% compared to the top 1% of income earners who pay only 6% of their income in these same taxes. This “upside-down tax system” overly burdens residents with the fewest resources, while those with the most ability to pay are not paying their fair share. Not only is our tax system unfair, but it also limits our state’s ability to raise significant resources from those who can most afford it. This constraint on the state’s ability to raise revenues has become more problematic because the incomes of the richest Pennsylvanians (and Americans) have risen much faster than the incomes of the bottom 90% over the past 45 years.

Figure 4



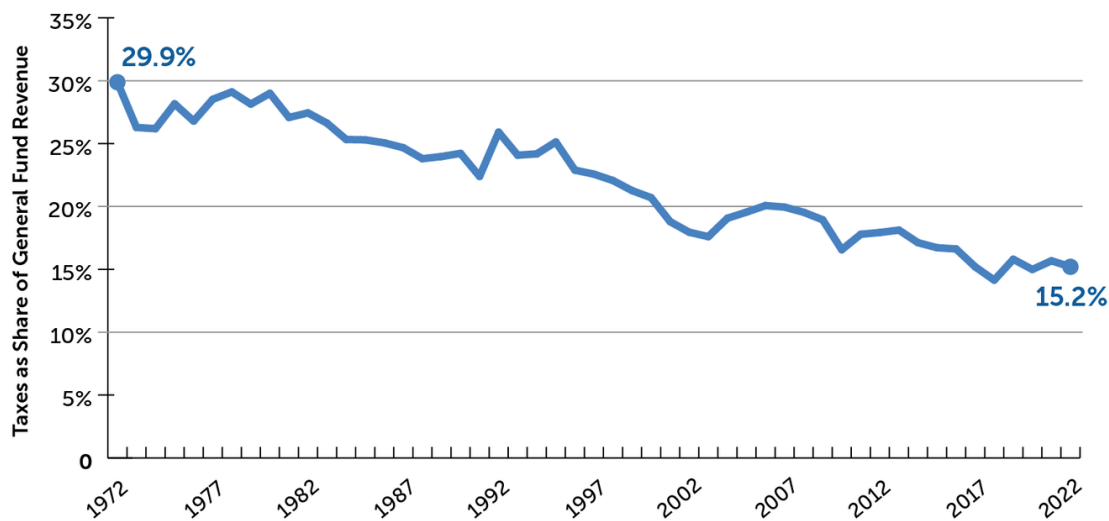
Accentuating Pennsylvania’s revenue problem is our declining reliance on corporate taxes. As Figure 5 below shows, the share corporate taxes make up of our General Fund revenue has been declining since the 1970s. In 1972, corporate taxes made up 30% of our GF revenue but today these taxes only make up half of that (15%). One corporate tax—the capital stock and franchise tax (CSFT)—was once a stable source of revenue for the state, but it was completely eliminated in 2016. The corporate net income tax (CNIT) remains at 8.99% the fifth highest, but this corporate tax generates less revenue due to gaping tax loopholes. These loopholes allow multistate and multinational corporations to manipulate their reported Pennsylvania-taxable income so that they pay less or no corporate income tax.

As noted above, as part of last year’s budget, the legislature approved a CNIT rate cut from 9.99% to 4.99% in 2031. This change will lead to less revenue collected from corporations. In fact, in 2022–23, our state will lose out on approximately \$200 million. By 2027–28, we will be collecting \$1.37 billion less from corporations, which will further accentuate our revenue problems.⁶ Despite years of Governor Wolf proposing combined reporting alongside a corporate tax rate cut, the tax cut was passed without combined reporting, which would have closed loopholes that allow corporations to avoid paying the state CNIT.⁷ Combined reporting is a common-sense reform that 28 other states have implemented to make sure corporations are paying their fair share in taxes. Last year, Governor Wolf had proposed the CNIT rate cut with a series of add-backs, which would have captured some tax from additional corporations but is a weaker solution than combined reporting. However, even the add-backs were rebuffed, so the CNIT cut was passed with neither combined reporting nor add-backs.

Figure 5

Corporate Taxes Are Providing a Smaller Share of General Fund Revenue Over Time

Corporate taxes, as a share of General Fund revenue, account for half (15%) today of what it did in 1972 (30%)



Source: Pennsylvania Budget and Policy Center based on Pennsylvania Department of Revenue, Bureau of Research, the Statistical Supplement to the Tax Compendium, various years.

Proposed Revenue and Tax Changes:

Cell phone tax cut: Pennsylvania has some of the highest taxes on cell phones in the country. Governor Shapiro proposes an elimination of two cell phone taxes—the sales and use tax and the gross receipts

⁶ Independent Fiscal Office, “Pennsylvania Economic and Budget Outlook: Fiscal Years 2022–23 to 2027–28,” November 2022,

http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/Five_Year_Outlook_2022.pdf.

⁷ Marc Stier, “Corporate Tax Cuts without Combined Reporting is Not Worth the Cost,” Pennsylvania Budget and Policy Center, June 13, 2022, <https://krc-pbpc.org/wp-content/uploads/Not-the-time-for-corporate-tax-cuts-copy.pdf>

tax on cell services, reducing revenue in the state by an estimated \$41 million starting in January 2024 for eliminating the gross receipts tax and an estimated \$20.9 million for eliminating the sales and use tax on cell phones. This would give families a small, but much needed, break on bills, as many have been strained by high inflation this past year. This is coupled with the next item, a plan to increase the monthly fee, tied to inflation, that phone users have to pay to fund 911 services in Pennsylvania.⁸

Increasing the surcharge for 911 calls: Governor Shapiro calls for a surcharge increase from a \$1.65 surcharge on telephone lines to \$2.03 for emergency services calls and to increase with inflation after that one-time increase. The costs to operate the 9-1-1 system have grown, but revenues have remained flat. The proposal is expected to bring in approximately \$54 million for emergency services.

Adult-use marijuana legalization and taxation: Embedded in the Governor’s budget for 2023–24 is the legalization of adult-use cannabis. The Governor proposes a 20% tax on the wholesale price of products that would be sold through the regulated framework once it is legalized. Such a system would take some time to establish, so this wouldn’t produce new revenues for the state for 2023–24. But expectations are that if passed, revenue could be generated by January 1, 2025.⁹

Table 6

| Expected revenue from legalizing adult-use cannabis with a 20% tax | | | |
|--|----------------|-----------------|-----------------|
| 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| \$15.9 million | \$64.1 million | \$132.6 million | \$188.8 million |
| Data from Governor Shapiro’ 2023-24 Executive Budget (March 2023), p. C1-13 and C1-9, https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf | | | |

Tax credit for teachers, nurses, and police officers: In an effort to retain talent in and attract talent to Pennsylvania, Governor Shapiro proposes a \$2,500 tax credit, called the Individual Recruitment and Retention Tax Credit, for teachers, nurses, and police officers. Individuals that either acquire a license or certification in these fields after January 2023 or that move into Pennsylvania with a Pennsylvania-recognized credential in these fields will be eligible for a refundable tax credit up to \$2,500 per year for three years.. Estimates are this program would reduce General Fund revenues by \$24.7 million next year.

Eliminating a Special Fund—Enhanced Revenue Collections Account (ERCA)—to bring additional money into the General Fund: Governor Shapiro proposes to eliminate the ERCA, which was established in 2010 to fund expanded tax return reviews and tax collections. The proceeds would move to the General Fund and would result in a total of \$21.1 million in General Fund revenue.¹⁰

⁸ Kate Huangpu, “Breaking down Shapiro’s plan to eliminate two of Pa.’s cell phone taxes,” Spotlight PA, March 15, 2023, <https://www.spotlightpa.org/news/2023/03/pa-cell-phone-taxes-josh-shapiro-budget/>.

⁹ Governor Josh Shapiro, “Governor Josh Shapiro’s Executive Budget, 2023–2024,” March 7, 2023, C1-13 and C1-9, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

¹⁰ PA House Appropriations Committee, “2023/24 Executive Budget Briefing,” March 2023, https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_21.

Expanding the Property Tax and Rent Rebate programs: Governor Shapiro has proposed expanding a program that helps Pennsylvania’s seniors and people with disabilities stay in their homes by providing rebates to eligible homeowners and renters. Currently eligibility for rebates are as follows: homeowners with a household income of \$35,000 or less qualify for \$250–\$650 in rebates; homeowners with a lower income (\$30,000) may receive \$975 in rebates; renters only qualify for \$500–\$650 in rebates if they earn less than \$15,000 per year. The problem is that the number of rebates that have been paid each year has dropped by more than 25% over the last decade because the legislature has not updated income limits. Many people who receive this benefit also receive Social Security payments, which are adjusted for inflation each year. With stagnant eligibility criteria, fewer people are eligible over time and the problem is slated to be worse this year since the federal government approved a 5.9% increase in Social Security benefits this year to keep up with inflation, pushing more older Pennsylvanians above the income eligibility cutoff for property tax or rent rebates.¹¹

To avoid these problems, the Governor proposes to both increase the income eligibility threshold for renters and homeowners to \$45,000 or less per year and increase the rebates to a range of \$380–\$1,000. He also proposes tying the eligibility criteria to inflation.¹² Seniors would see the maximum rebate amount nearly double. This program wouldn’t start until 2024–25, but the 2023–24 Executive Budget estimates that the program will see a jump in participants due to expanded eligibility, from 207,600 in 2023–24 to 337,800 in 2024–25. Estimates also show the program take-up will continue to rise through 2027–28 with an expected participation number of 362,700.¹³

Raising the state minimum wage: Pennsylvania’s minimum wage remains at \$7.25 per hour, a wage that amounts to only \$15,080 for full time work per year. The state minimum wage has been the same since 2009. The wage of \$7.25 is inadequate for a single adult, much less for a family. MIT researchers have identified \$16.41, an hourly wage more than 2.25 times our current minimum wage, as Pennsylvania’s average living hourly wage, for a single adult.¹⁴ This living wage is high enough to keep a one-person household afloat without anti-poverty program support, but not high enough to allow that worker to purchase any prepared foods, eat outside the home, or have a single dollar for entertainment or savings.¹⁵

As figure 6 below shows, all of Pennsylvania’s surrounding states have increased their minimum wage to above the federal minimum. Several states in our region are above \$15 per hour or are scheduled to be soon.

¹¹ Charlotte Keith, “Budget negotiations will determine fate of shrinking rebate program for older Pennsylvanians,” WHYY, March 7, 2023, <https://whyy.org/articles/pa-rent-property-tax-rebate-program-shapiro-general-assembly/>

¹² Ibid.

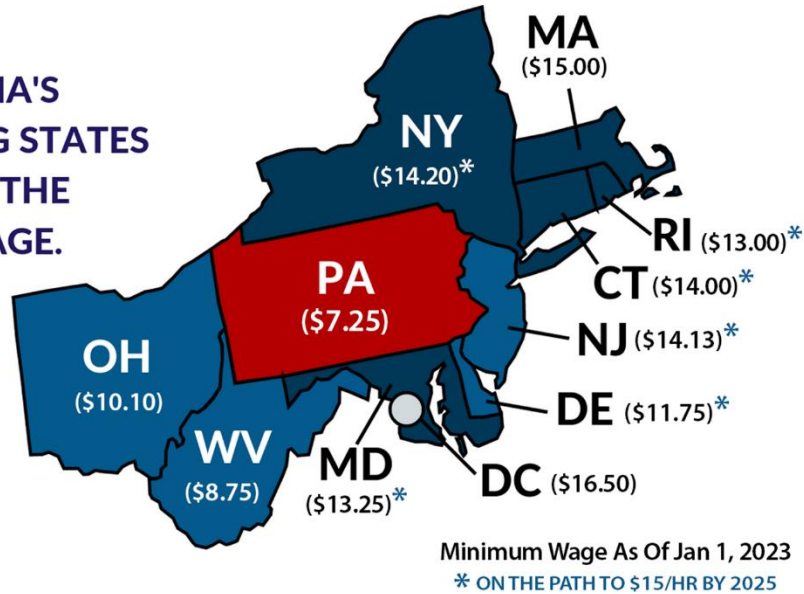
¹³ Governor Josh Shapiro, “Governor Josh Shapiro’s Executive Budget, 2023–2024,” March 7, 2023, E37-9, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

¹⁴ See MIT’s living wage calculator for Pennsylvania: <https://livingwage.mit.edu/states/42>

¹⁵ Claire Kovach, “It’s Long Past Time to Answer the Call for a \$15 Minimum Wage,” KRC–PBPC, 4/19/2023, https://krc-pbpc.org/research_publication/its-long-past-time-to-answer-the-call-for-a-15-minimum-wage/

Figure 6

**ALL OF
PENNSYLVANIA'S
NEIGHBORING STATES
HAVE RAISED THE
MINIMUM WAGE.**



As part of the 2023–24 executive budget, Governor Shapiro has proposed an increase in the Pennsylvania minimum wage to \$15 hour per hour by January 1, 2024. Other than that, details on the plan have not yet been released, including the revenue impact of such a change.

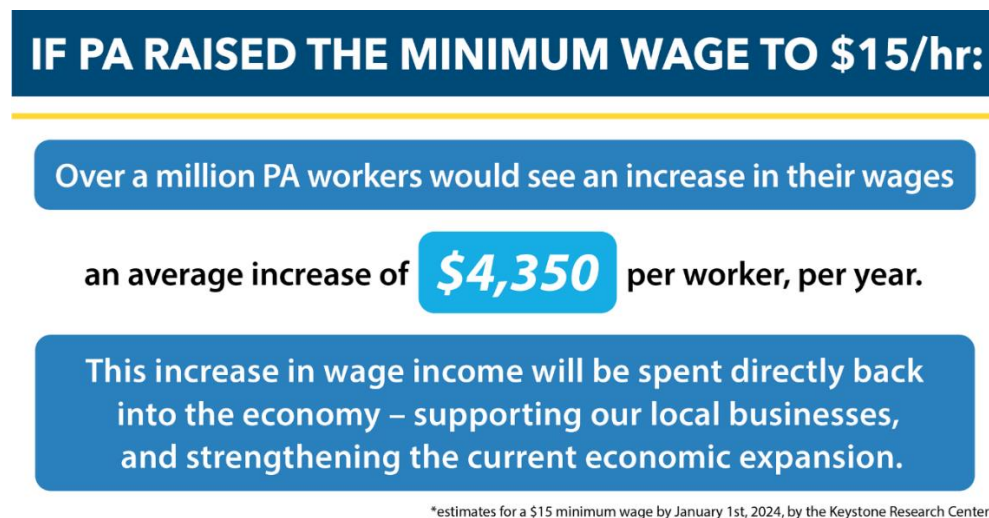
If we assume a minimum wage increase by the first of next year, including the elimination of the lower tipped minimum (so tipped workers would also see a \$15 per hour minimum wage), our calculations show that more than 1.5 million workers would see a wage increase. This includes workers who are earning less than \$15 per hour and workers who make slightly above the proposed new minimum, but who would likely see their wages increase as the minimum wage increases and employers adjust their pay scales. Of those who would see a wage increase, 61% are women, 31% are people of color, and 29% are parents living with their child. Contrary to popular belief, the majority of those who would be impacted are adults—only 14% of those who would be affected are teenagers, aged 19 and under.

Figure 7



The vast majority of workers come from industries that shouldered (and continue to shoulder) a disproportionate share of burdens because of the pandemic – i.e., in-person service industries that experienced sharp dips in employment and/or in which continuing to work (or returning to work) brings with it a heightened risk of infection. Twenty-four percent of affected workers work in wholesale trade/retail trade sector; 24% work in educational services, healthcare, and social assistance; and 22% work in arts, entertainment, and recreational services and accommodation and food services. That makes up a total of 70% of workers who would see a raise—these are the workers who staff stores, move our food and goods, cook, and prepare our food, and care for our loved ones. Workers who would benefit from a \$15 minimum wage by January 1, 2024, would see an average income bump of \$4,350 per year, which would go directly back into the economy as people spend their money on food, housing, and other necessities.

Figure 8



State Police: The Pennsylvania State Police (PSP) is currently funded in part (\$500 million) from the Motor License Fund. Governor Shapiro has proposed the creation of the Public Safety and Protection Fund to sustainably fund the PA State Police, while also reducing reliance on the Motor License Fund. The proposal is to transfer \$400 million from the Motor License Fund to the Public Safety and Protection Fund, and to add \$100 million from other sources (liquor tax, other tobacco products tax, a portion of the motor vehicle sales and use tax). The plan would then increase the money from other sources by \$100 million each year until reliance on the Motor License Fund is eliminated. This will result in \$1.5 billion being freed up for bridge and road repairs as well as allow the state to access additional federal infrastructure money that requires a state match. The Governor also proposes an investment of \$16.4 million for four new trooper cadet classes through the Public Safety and Protection Fund, which would hire and train nearly 400 new troopers.¹⁶

General Fund Expenditures

In his first executive budget, Governor Shapiro proposes a \$44.4 billion General Fund budget, which would be an 8% increase from 2022 to 2023.

Figure 9



Source: Pennsylvania Budget and Policy Center analysis of Governor Shapiro's Executive Budget (March 2023) and previous budgets.

Figure 10 shows how Pennsylvania spends its General Fund dollars. The majority of the General Fund (79%) is used to fund education and human services. In Governor Shapiro's proposed budget, preK-12 education funding makes up 36% of the total General Fund. Human Services make up 43% and includes both Medical Assistance and Long-Term Living (27%) and other human services (16%). Corrections make up 7% of the budget and Higher Education makes up 4%.

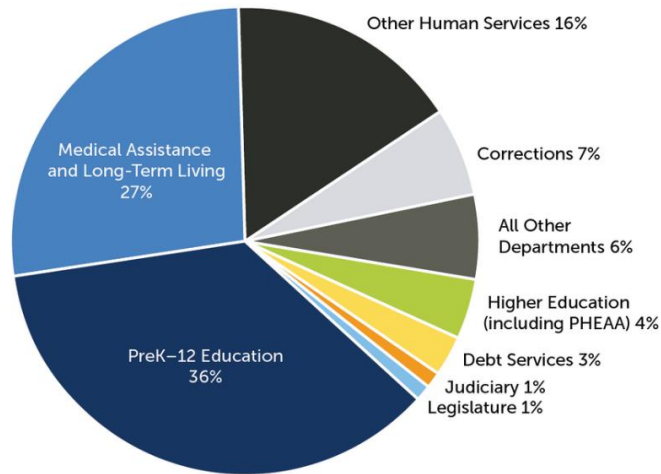
¹⁶ Governor Josh Shapiro, "Governor Josh Shapiro's Executive Budget, 2023–2024," March 7, 2023, A1-3, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

Figure 10

2023-24 Proposed General Fund Expenditures

Share of the total state expenditures
by major category in the Governor's
proposed 2023-24 budget

**Total Budget:
\$44.4 Billion**



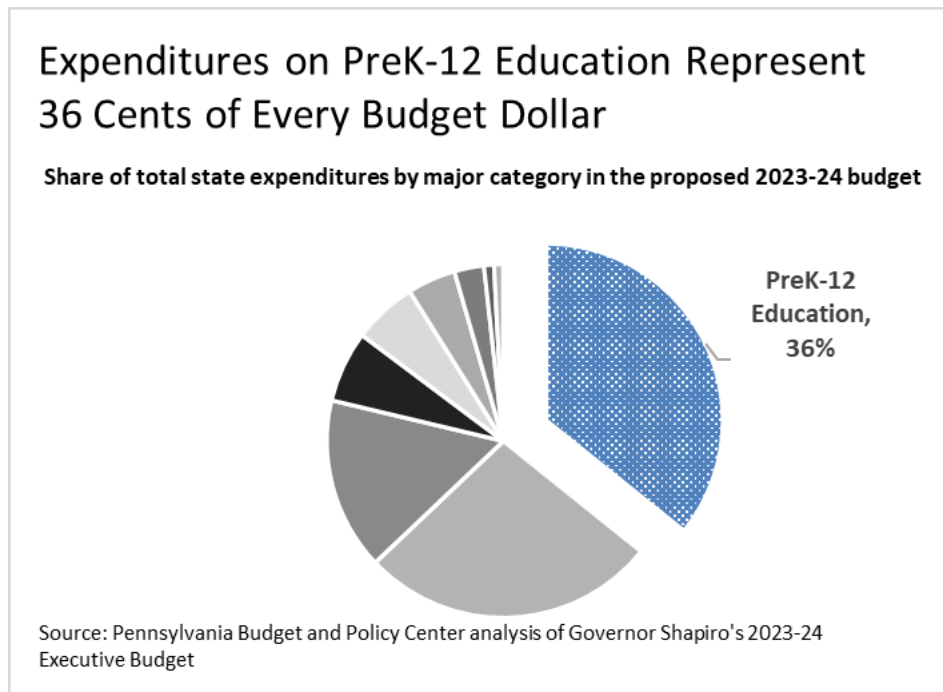
Source: Pennsylvania Budget and Policy Center from Governor Shapiro's 2023-24 Executive Budget (March 2023)

Education

This budget proposal comes on the heels of a critical court decision by President Judge Renee Cohn Jubelirer of the Commonwealth Court, who ruled that Pennsylvania's system for funding public education is unconstitutional. PreK-12 education funding makes up a large part of our General Fund spending, representing \$0.36 of every General Fund budget dollar proposed to be spent next year. Given the centrality of education funding in our Commonwealth, this ruling could, and should, significantly impact the Commonwealth budget moving forward as the Governor and the Legislature wrestle with how to make our public education system "thorough and efficient" and to fund education equitably and adequately.¹⁷

¹⁷ William Penn School District et al. v. Pennsylvania Department of Education, "Memorandum Opinion by President Judge Cohn Jubelirer," February 7, 2023, <https://www.elc-pa.org/wp-content/uploads/2023/02/Memorandum-Opinion-Filed-2.pdf>.

Figure 11



In his budget address, Governor Shapiro acknowledged the ruling as “a call to action,” challenging lawmakers to work with him to “come up with a better system, one that passes constitutional muster” and that does “right by our kids.”¹⁸ While the Governor makes strides towards addressing many of the school funding issues Pennsylvania faces, his executive budget on education, as is, falls short of what is needed this year to rise to this challenge. The Governor proposes

- a 7.8% increase (\$567 million) in basic education funding (BEF), which is only slightly above the (6%) rate of inflation in the last 12 months.¹⁹
- no new allocation of Level Up funding, which is the only effective mechanism we currently have to increase funding to the school districts with the greatest need, consistent with the spirit of the Commonwealth Court decision.
- an increase of 7.8% in special education funding with a proposal to tie this funding to the overall inflation rate in the future, which is insufficient because the costs of special education tend to rise faster than inflation. Moreover, this proposal does not redress the fact that the state share of special education costs has decreased over time—from 32% in 2008–09 to just 22% in 2019–20. This decline puts additional financial strain on school districts to cover special education costs, especially burdening (again) the districts with low levels of income and property wealth.
- a career and technical education budget that has some innovative components, including to expand CTE programs in high-demand careers and boost connections between schools and

¹⁸ Governor Josh Shapiro, “Governor Shapiro’s First Budget Address,” March 7, 2023,

<https://www.governor.pa.gov/wp-content/uploads/2023/03/ACTUAL-FINAL-2023-Budget-Address.pdf>.

¹⁹Bureau of Labor Statistics, U.S. Department of Labor, “News Release: Consumer Price Index – February 2023,” March 14, 2023, <https://www.bls.gov/news.release/pdf/cpi.pdf>.

industry. The core CTE subsidy, however—the additional funding districts receive based on student enrollment in CTE—does not increase. This state subsidy will remain less than 10% of total spending on career-related training in Pennsylvania schools, which is the major obstacle to districts encouraging enrollment in CTE above the current paltry level that is one-third of enrollment levels in surrounding states.

- \$100 million in new mental health investments for schools via a new line item called the School-Based Mental Health Supports Block Grant, which would meaningfully address the mental health crisis among our students.
- a \$2,500 tax credit for new teachers to address the teacher shortage; universal free breakfast for K-12 students (\$38.5 million); and funds for remediating environmental hazards in schools (\$100 million this year, \$500 million over five years).
- no charter school reform in this year’s budget—such reform would make our funding system fairer while also saving the Commonwealth hundreds of millions of dollars.

It is now up to the Legislature to build on Governor Shapiro’s funding proposals and begin to address the historic inequity recognized by the Commonwealth Court. Education advocates have put forward a [proposal](#)²⁰ that includes \$300 million in Level Up funding and should be a guide for the Legislature as it seeks to enact a budget that would be a substantial down-payment on the \$4.6 billion public schools need in state funding to adequately and equitably meet the needs of all students across the Commonwealth.²¹

Below, we take a more in-depth look at Governor Shapiro’s proposal for education funding in Pennsylvania.

PreK-12 Education

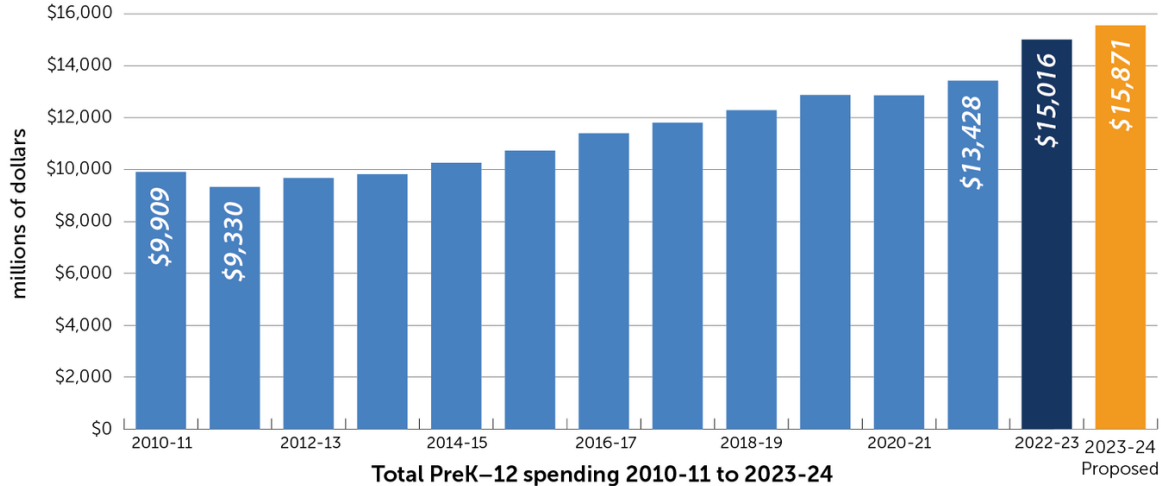
Governor Shapiro proposes a 5.7% increase in preK-12 education spending for a total budget of \$15.9 billion.

²⁰ PA Schools Work, *The Roadmap to Adequate and Equitable Funding for PA Public Schools: 2023 Priorities and Recommendations of the PA Schools Work Campaign*, https://paschoolswork.org/wp-content/uploads/PASW_roadmap_JAN_2023.pdf.

²¹ Fletcher McClellan and Kory Trout, “The trial is done. What’s next for school funding in Pennsylvania?” *Pennsylvania Capital-Star*, March 15, 2022, <https://www.penncapital-star.com/commentary/the-trial-is-done-whats-next-for-school-funding-in-pennsylvania-opinion/#:~:text=A%20Penn%20State%20professor%20testified%20that%20%244.6%20billion,%E2%80%9Cthorough%20and%20efficient%E2%80%9D%20requirement%20while%20respecting%20local%20control.>

Figure 12

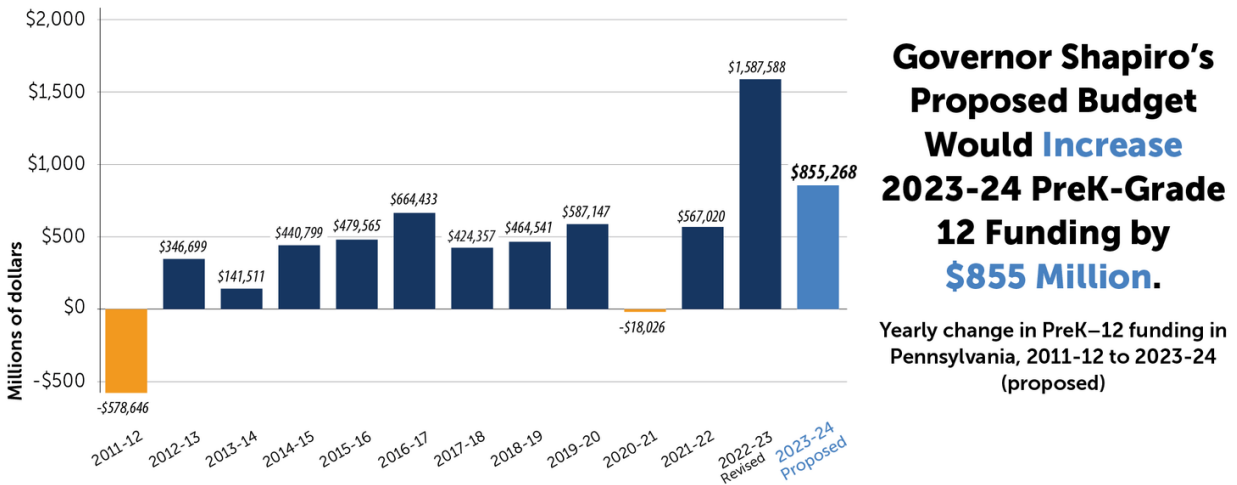
Governor Shapiro’s Proposed Budget Would Increase 2023-24 Spending on PreK–Grade 12 Education by 5.7%



Source: Pennsylvania Budget and Policy Center analysis of Governor Wolf’s 2022-23 Executive Budget (February 2022), the 2022-23 enacted budget (July 2022) and previous budgets

Figure 13 shows the yearly change in preK-12 funding going back to the large education cuts made under then Governor Corbett in 2011–12. The \$855 million increase Governor Shapiro is proposing exceeds that in most other years in the previous decade. But this year’s proposal is only about half of last year’s (2022–23) \$1.6 million increase.

Figure 13



Source: Pennsylvania Budget and Policy Center analysis of Governor Shapiro’s 2023-24 Executive Budget (March 2023), and previous budgets

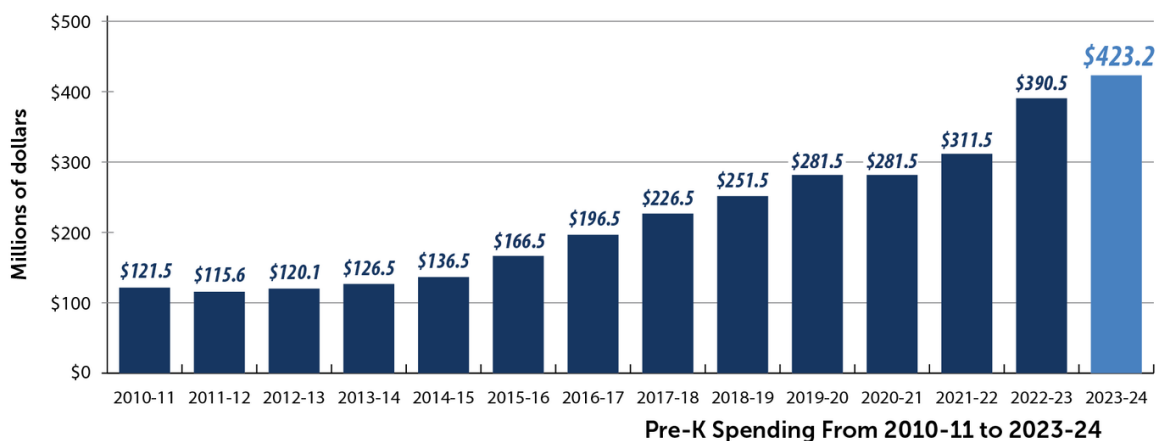
Early Childhood Education

Quality pre-K programs come with proven results: increased school performance for kids in kindergarten through grade 12; increased social and emotional growth; reduced need for special education and remedial learning; higher high school graduation and college enrollment rates; increased earnings; long-term taxpayer savings; and reduced crime.²² The list of short-term and long-term benefits is long.

Governor Shapiro proposes \$32.7 million in additional pre-K funding: \$30 million for Pre-K Counts and \$2.7 million for the Head Start Supplemental Assistance Program. This proposal would be an 8.4% increase in pre-K funding from last year. In Governor Wolf's last year in office, the Legislature increased pre-K funding by 25%.

Figure 14

Governor Shapiro Proposes to Increase Pre-K Funding by **\$33 Million**, an Increase of 8.4% From the Previous Year



Data is for Pre-K spending only (Pre-K Counts and Head Start Supplemental Assistance).
Source: Pennsylvania Budget and Policy Center analysis of Governor Shapiro's 2023-24 Executive Budget (March 2023) and previous budgets.

There are more than 29,600 children, aged 3 and 4, in Pre-K Counts programs across the state that make quality pre-K programs free to eligible families. The increase of \$30 million would increase state reimbursement for providers in Pre-K Counts. State reimbursement for full-time slots would rise from \$10,000 to \$11,000 and from \$5,000 to \$5,500 for part-time slots. These increased subsidies would help increase early childhood education teachers' pay and address the increasing costs providers face.²³ The

²² Pennsylvania Partnership for Children, "The Case for Pre-K in PA: Smart Investment in Kids, Communities and the Commonwealth," January 2016, https://www.prekforpa.org/wp-content/uploads/2016/01/Case_for_Pre-k_inPA.pdf; Pre-K for PA, "The Case for Pre-K," https://www.prekforpa.org/case_for_pre-k/.

²³ Governor Josh Shapiro, *Executive Budget 2023–24*, March 7, 2023, A1-5, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

pandemic exacerbated a staffing crisis in early childhood education, where pay remains low. A recent study in Pennsylvania found that 85% of providers face staffing shortages.²⁴

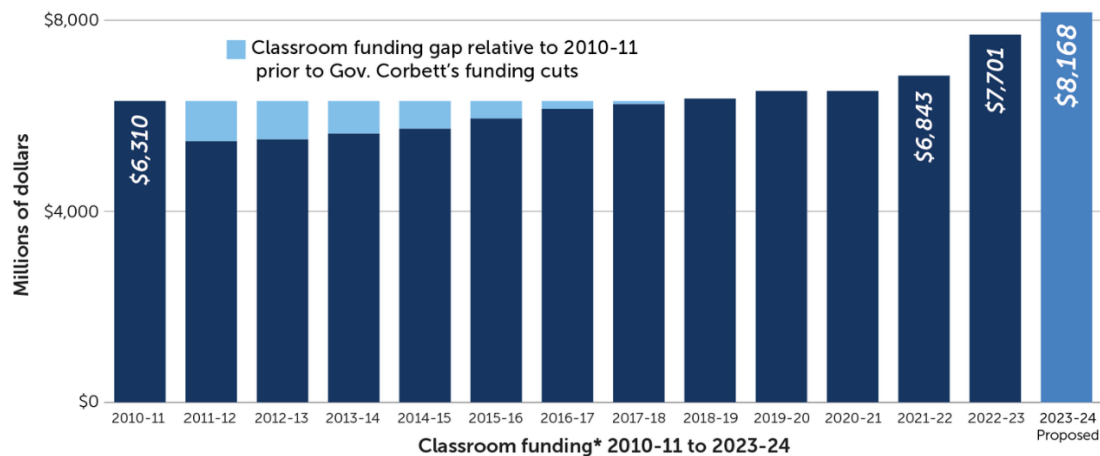
There is no funding included for increasing the number of slots for pre-K. Currently, 57% of eligible children in Pennsylvania do not have access to high-quality, publicly funded pre-K.²⁵

K-12 Education

While above we showed figures that include the *total* preK-12 education funding over time, we’d also like to look specifically at what we call *classroom funding*,²⁶ or the funding that goes directly to the classroom. Classroom funding excludes line items like pensions and transportation. Governor Shapiro’s first budget proposes an increase of 6% in classroom funding.

Figure 15

Governor Shapiro Proposes an Increase of 6% in Classroom Funding in the 2023-24 Budget



*Classroom funding includes the Basic Education Funding subsidy plus formula enhancements, charter reimbursements, Ready to Learn block grants, Level Up funding, and American Recovery and Reinvestment Act (ARRA) funding.
 **In 2019-20 through 2023-24 (proposed) the General Assembly combined the Teacher Social Security line item with Basic Education funding, increasing the BEF. We have reduced the enacted BEF total by that amount in order to make year-to-year accurate comparisons in state support for K-12 classroom spending possible.
 Source: Pennsylvania Budget and Policy Center from Governor Shapiro’s 2023-24 Executive Budget (March 2023)

²⁴ John L. Micek, “Ahead of Shapiro’s budget, poll stresses funding for early child care,” *Pennsylvania Capital-Star*, March 2, 2023, <https://www.penncapital-star.com/education/ahead-of-shapiros-budget-poll-stresses-funding-for-early-child-care-thursday-morning-coffee/#:~:text=Eighty-five%20percent%20of%20provider%20respondents%20to%20the%20poll,one%20classroom%20in%20response%20to%20the%20staffing%20gap>.

²⁵ Of the 282,228 children, aged 3 and 4, living in Pennsylvania, 153,210 are eligible; 87,288 eligible children do not have access to high-quality, publicly funded pre-K in Pennsylvania. Data from Pre-K for PA.

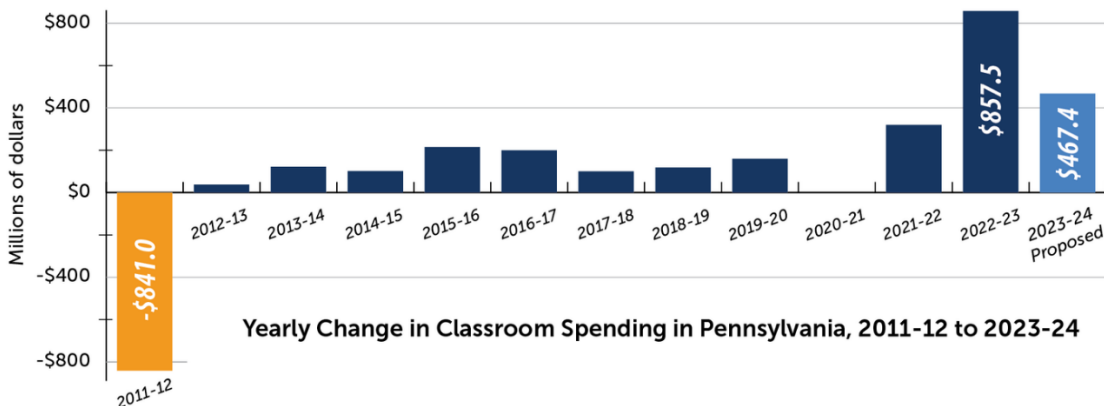
²⁶ Classroom funding includes basic education funding (plus formula enhancements), school improvement grants, PA accountability block grant, hybrid learning, charter reimbursements, Ready to Learn block grants, and American Recovery and Reinvestment Act (ARRA) funding. (Many of these items had funding in the past 13 years but no longer do.) Level Up funding has been included since its inception in 2021–22. This year’s mental health block grant and the recent safety and security line item are not included, although students would surely benefit from these investments.

Figure 16 shows the yearly change in classroom spending starting with 2011–12. Governor Shapiro is proposing an increase of \$467 million.²⁷

Figure 16

Governor Shapiro Is Proposing \$467 Million in New Classroom Funding

This increase is more than much of the previous decade but just over half of what was invested last year.



*Classroom funding includes the Basic Education Funding subsidy plus formula enhancements, charter reimbursements, Ready to Learn block grants, Level Up funding, and American Recovery and Reinvestment Act (ARRA) funding.
 **In 2019-20 through 2023-24 (proposed) the General Assembly combined the Teacher Social Security line item with Basic Education funding, increasing the BEF. We have reduced the enacted BEF total by that amount in order to make year-to-year accurate comparisons in state support for K-12 classroom spending possible.
 Source: Pennsylvania Budget and Policy Center from Governor Shapiro's 2023-24 Executive Budget (March 2023)

Funding Inequities Exposed in the Education Funding Lawsuit

Pennsylvania’s constitution states that the General Assembly is required to “provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth.” Judge Cohn Jubelirer of the PA Commonwealth Court ruled in favor of the plaintiffs early this year (2023) in the case William Penn School District et al. v. Pennsylvania Department of Education et al., ruling that the state has failed to provide a “thorough and efficient” system of public education.

The court order highlighted that the Education Clause (Article III, Section 14) of the Pennsylvania Constitution requires that “**every** student receives a **meaningful opportunity** to succeed academically, socially, and civically, which requires that **all** students have access to a comprehensive, effective, and contemporary system of public education” but that all Pennsylvania students do not have access to such a system.²⁸ The court also found that, regarding Article III, Section 32 of the Pennsylvania Constitution, the state is not providing a system of public education that “does not discriminate against students

²⁷ The BEF appropriation includes Social Security reimbursement payments. When you subtract that amount, there is a \$792 million increase from last year to this year in BEF funding. If you subtract the \$225 million in Level Up funding that is no longer allocated this year, the total change from last year is \$567 million. There is also a decrease in Ready to Learn block grants of \$100 million, resulting in a proposed total classroom funding increase of \$467 million from 2022–23 to 2023–24.

²⁸ William Penn School District et. al v. Pennsylvania Department of Education, “Memorandum Opinion by President Judge Cohn Jubelirer,” February 7, 2023, <https://www.elc-pa.org/wp-content/uploads/2023/02/Memorandum-Opinion-Filed-2.pdf>.

based on the level of income and value of taxable property in their school districts.”²⁹ Instead, students who live in school districts with low incomes and low property values are deprived of the same opportunities and resources and are therefore deprived of equal protection under the law compared to students in districts with high incomes and property values. The court calls on the “Legislature, Executive Branch and educators, to make the constitutional promise a reality in the Commonwealth.”³⁰ The Public Interest Law Center shows that the state would need to invest an additional \$4.6 billion in school funding to adequately educate all of our students.³¹

In figure 17 below, we show the problem identified in the school funding lawsuit clearly. We divide Pennsylvania’s 500 school districts into four groups (each with nearly equal numbers of students) by the share of students living in poverty. The bar on the left, the 1st quartile, includes school districts with the highest share of students in poverty. The bar on the right, the 4th quartile, includes school districts with the lowest share of students in poverty. Here, we measure for each quartile, the per-student state funding gap that exists to adequately fund our schools—what is referred to as the *adequacy gap*.³² As you can see, high-poverty school districts have the largest funding gap—\$3,542 per student. The funding gap decreases as the share of students in poverty decrease. It’s important to note, however, that on average, even low-poverty school districts in the Commonwealth have a funding gap of \$854 per student. Only 14% of our state’s school districts are adequately funded.³³

²⁹ Ibid.

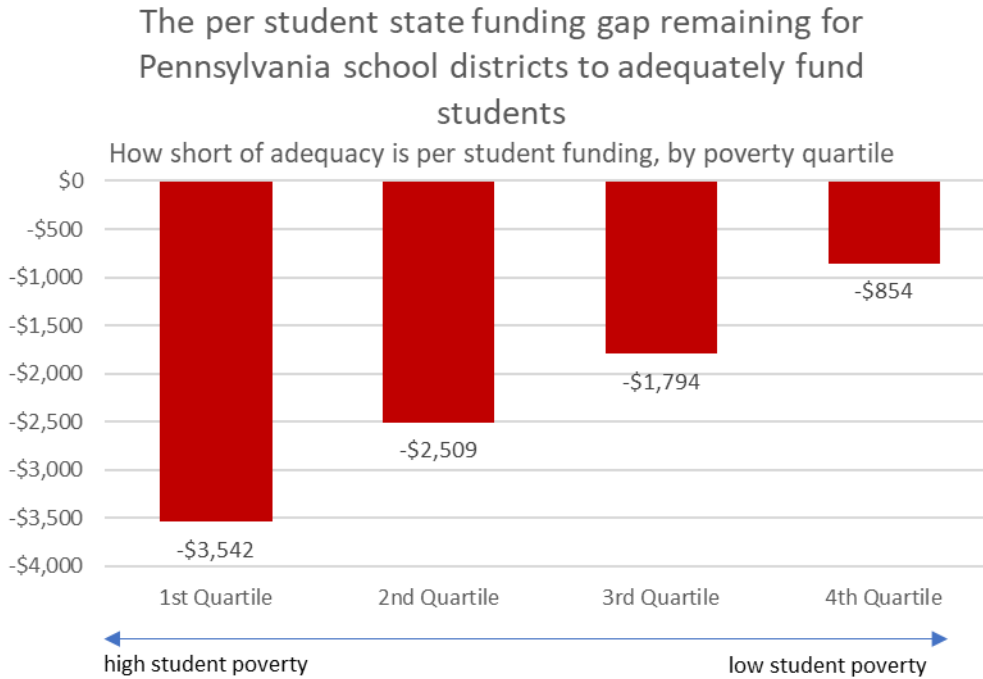
³⁰ Ibid; The Public Interest Law Center, “School Funding Lawsuit,” <https://pubintlaw.org/cases-and-projects/pennsylvanias-school-funding-system-declared-unconstitutional-in-historic-victory-for-students/>.

³¹ Maddie Hanna, Kristen A. Graham, and Gillian McGoldrick, “Landmark Pa. school funding case decided: The state’s system is unconstitutional,” *Philadelphia Inquirer*, February 7, 2023, <https://www.inquirer.com/news/school-funding-lawsuit-pennsylvania-result-20230207.html#:~:text=An%20analysis%20presented%20at%20trial%20by%20a%20Penn,figure%20challenged%20by%20lawyers%20for%20Republicans%20during%20trial.>

³² In 2008, Pennsylvania state law set a benchmark for calculating the resources schools need to reach state academic standards—i.e., what constitutes an “adequate” level of funding. This target for adequate funding was developed in a bipartisan way. The target is weighted to take into account student need just like the Basic Education Funding (BEF) does. The adequacy numbers we use in this paper were updated in October 2022 and use detailed 2020–21 spending data by school district. Statewide, state and school districts need to invest an additional \$4.6 billion to adequately educate our children. For more information see the summary of Matthew Kelly’s (Penn State College of Education) updated expert analysis at <https://www.fundourschoolspa.org/expert-reports> and the overview of adequacy, including a map showing the gap by school district at <https://www.fundourschoolspa.org/findyourdistrict>.

³³ Marc Stier, *Alternative Approaches to Making a Down Payment on Education Equity*, Pennsylvania Budget and Policy Center, March 22, 2023, <https://krc-pbpc.org/wp-content/uploads/Comparing-Education-Proposals.pdf>.

Figure 17



Source: Pennsylvania Budget and Policy Center analysis of updated costing-out study provided by the Public Interest Law Center and data provided by the State Board of Education.

The Fair Funding Formula and Level Up

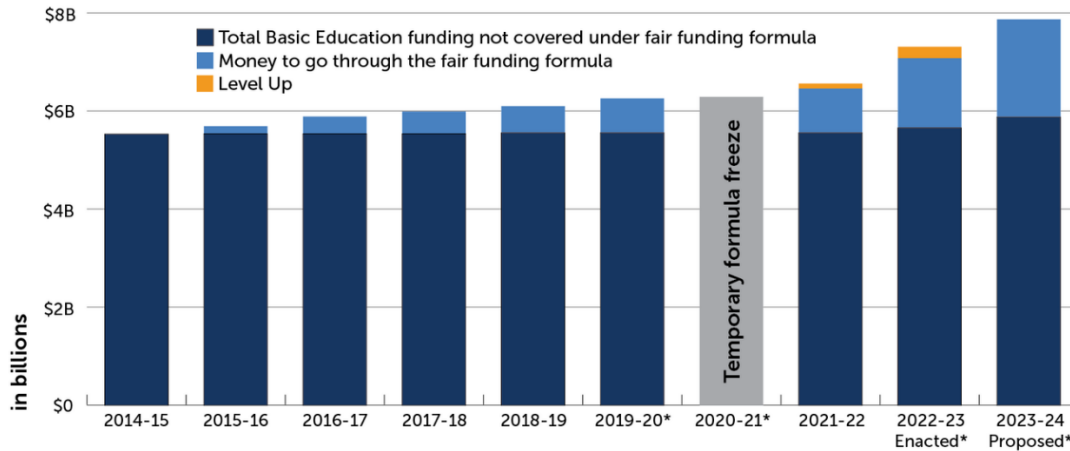
Pennsylvania has attempted to solve its school funding problem but, as we show above, the problem still remains. To address existing funding inequities in Pennsylvania’s schools, the Legislature in 2015–16 enacted a new method of distributing state aid to school districts known as the “Fair Funding Formula.” The method requires all new basic education funding since 2014–15 to go through a formula that takes into account each district’s distinct needs, including the number of students, the number of children living in poverty, the number of English-language learners, the overall wealth and income of district residents, and the “tax effort” made by each district—that is the share of local resources spent on education. Under what is called the “hold-harmless” rule, however, only increases in Basic Education Funding that began in 2015–16 go through the formula, while the rest of BEF is distributed as it was as of 2014–15.

Figure 18, below, shows basic education funding from 2014–15 until today, including the amount of basic education funding (BEF) that is going through the Fair Funding Formula (in light blue). BEF funding has historic inequities baked into it, but with every increase in basic education funding since 2014–15, more money goes through the Fair Funding Formula. This year Governor Shapiro is proposing a 7.8% increase in basic education funding (\$567 million), which would result in a total of 25% of basic education funding now going through the Fair Funding Formula.

Figure 18

Governor Shapiro Proposes a 7.8% Increase in Basic Education Funding; With This Proposal, 25% Would Go Through The Fair Funding Formula This Year

Share of BEF that flows through the Fair Funding Formula



Note: The base amount (pre-formula money) changed slightly in 2015-16 and 2017-18 due to changes in the base allocation for certain school districts. For more information see the Pennsylvania Democratic House Appropriations Committee's report "Governor Wolf's 2019/20 Executive Budget Briefing." Also see <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Education%20Budget/Pages/default.aspx>
 *From the year 2019-20 on, the General Assembly combined the Teacher Social Security line item with Basic Education funding, increasing the BEF. We have reduced the enacted BEF total by that amount in order to make year-to-year accurate comparisons in state support for K-12 classroom spending possible.
 Source: Pennsylvania Budget and Policy Center analysis of Governor Shapiro's 2023-24 Executive Budget (March 2023) and the 2022-23 enacted budget (July 2022); data downloaded on basic education funding from: <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Education%20Budget/Pages/default.aspx>; and https://houseappropriations.com/Topic/2022-2023/696#TOC_13

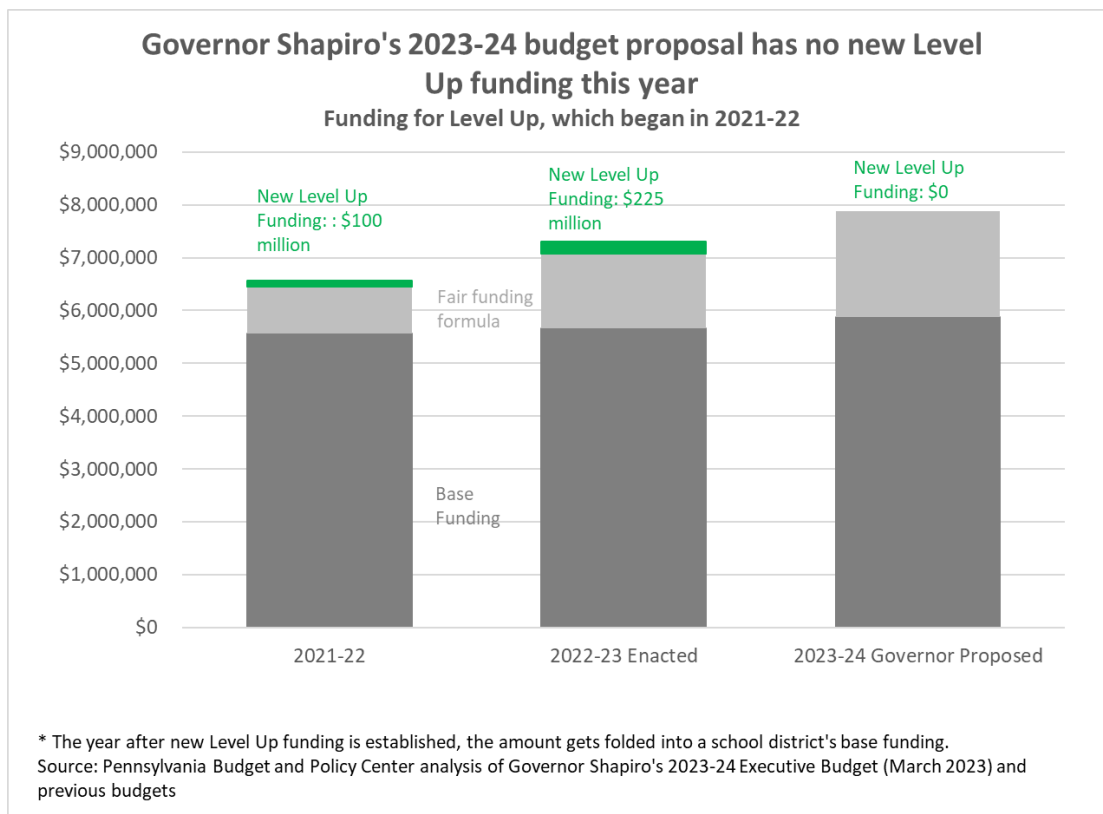
In 2021–22, with bipartisan support, the Legislature funded a new mechanism called Level Up to combat historic school funding inequities. The Level Up concept is simple and sensible: target a portion of new state education funding to the districts with the greatest need and guarantee that it will be recurring. This new distribution mechanism provides funding to the 100 Pennsylvania school districts furthest from the funding level adequate for the students of the districts to meet state achievement standards. In 2021–22, \$100 million of new funding was distributed through Level Up. An additional \$225 million is being funneled through this funding mechanism this year. Each year's Level Up funding becomes part of a school district's base funding for the following years.³⁴ As figure 19 shows, Governor Shapiro, in his 2023–24 Executive Budget, allocated **no new Level Up funding** to school districts. Level Up is not a comprehensive solution to the school funding problem and one must be devised in the next few years. But in the meantime, Level Up is the only mechanism we have to deal with the worst inequities in school

³⁴ See Section 2502.55 of the Public-School Code, which establishes the Level Up Supplement and how it is allocated. In 2502.55(3) it states, "Payments made under this section shall be deemed to be part of the school district's allocation amount under section 2502.53 (b)(1) for the 2022–2023 school year and each school year thereafter."

<https://www.legis.state.pa.us/cfdocs/Legis/LI/uconsCheck.cfm?txtType=HTM&yr=2022&sessInd=0&smthLwInd=0&act=55>.

funding. The Pennsylvania Budget and Policy Center and other education advocates have called on the General Assembly to distribute another \$300 million through Level Up this year.³⁵

Figure 19



Below, in figures 20, 21, and 22, we examine how Governor Shapiro’s proposal would impact the adequacy gap by poverty, race, and ethnicity quartiles. Let’s look first at school districts divided into quartiles by share of students living in poverty (figure 20). The red bars mirror figure 17 above—that is the adequacy gap as it stands with current levels of funding. The dark blue bars represent the adequacy gap by poverty quartile if Governor Shapiro’s plan is adopted as is (\$567 million in additional basic education funding). You can see the additional BEF funding proposed by Governor Shapiro and going through the Fair Funding Formula will reduce the adequacy funding gap for all quartiles of school districts—high poverty, low poverty, and those in between.

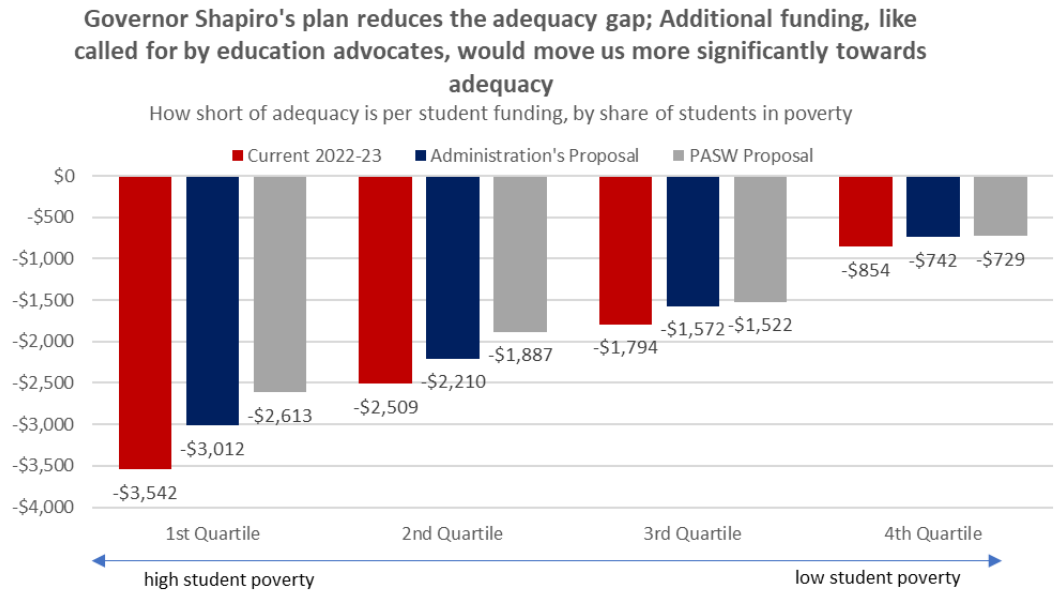
But, given the recent court order directing Pennsylvania to address its inadequate and inequitable school system, more can, and should, be done in the 2023–24 budget year, especially given the \$13 billion surplus the state is projected to see this year.³⁶ Pennsylvania Schools Work—a coalition of education advocates, including the Pennsylvania Budget and Policy Center—has called on the Governor

³⁵ Keystone Research Center and PA Budget and Policy Center, “Level Up: Funding to Combat Historic Education Inequities Should be Included in the 2023–24 Budget,” https://krc-pbpc.org/wp-content/uploads/PBPC_LevelUp_March2023.pdf.

³⁶ Marc Stier and Diana Polson, *Pennsylvania Budget Outlook: Short-Term and Long-Term*, PA Budget and Policy Center, February 14, 2023, <https://krc-pbpc.org/wp-content/uploads/budget-outlook.pdf>.

and the Legislature to enact a budget that includes a \$700 million increase for Basic Education Funding and \$300 million in Level Up funding that would go to the 100 least-funded schools in the Commonwealth. We modeled this proposal, which is shown below as the grey bars in figure 20. As you can see, implementing this proposal would lessen the disparities and shrink the gap significantly in districts with higher shares of students in poverty. This would signal real progress towards the court-ordered mandate to fix our school funding problem.

Figure 20

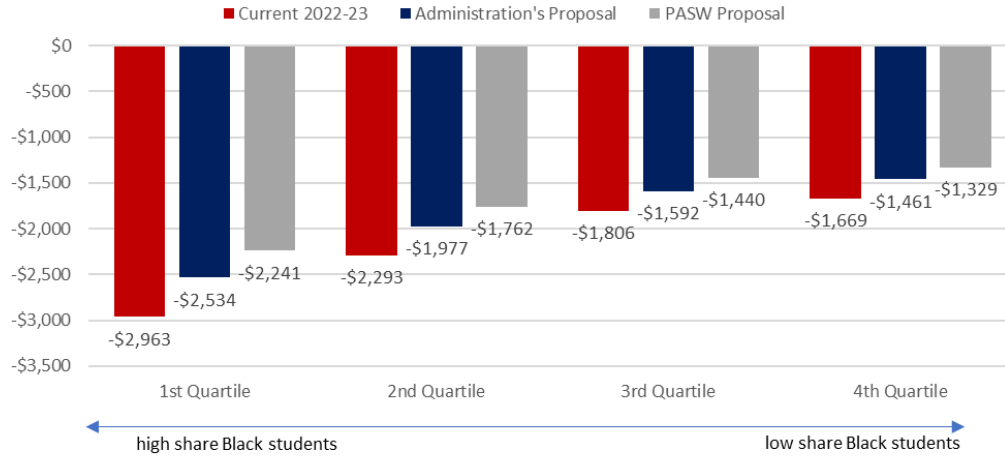


Source: Pennsylvania Budget and Policy Center analysis of updated costing-out study provided by the Public Interest Law Center and data provided by the State Board of Education.

Figure 21 shows the same information but organized by quartile based on the share of Black students in school districts. You can see the difference Governor Shapiro’s proposed education funding would make in racial disparities. As proposed by PA Schools Work, more funding would get us closer to adequacy.

Figure 21

How short of adequacy is per student funding, by share of Black students

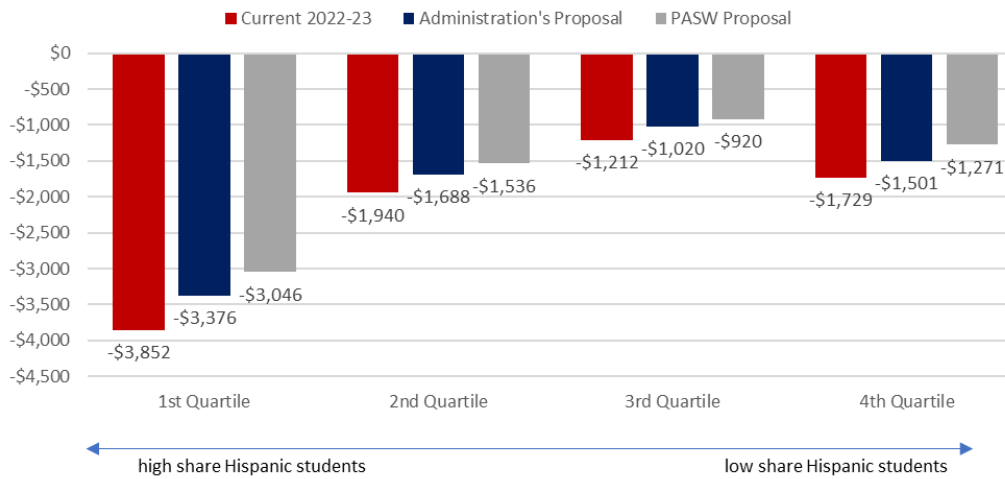


Source: Pennsylvania Budget and Policy Center analysis of updated costing-out study provided by the Public Interest Law Center and data provided by the State Board of Education.

The figure below shows how far we are from adequacy in quartiles organized by share of Hispanic students. For more information, see our paper [here](#).

Figure 22

How short of adequacy is per student funding, by share of Hispanic students



Source: Pennsylvania Budget and Policy Center analysis of updated costing-out study provided by the Public Interest Law Center and data provided by the State Board of Education.

Special Education

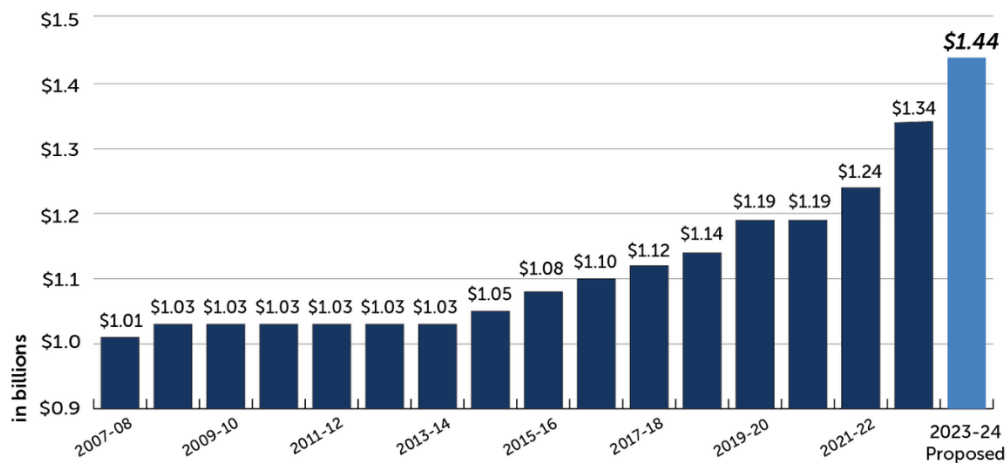
State and federal law mandate that school districts cover the costs of special education for students who need it. The need for special education services has grown, as have costs, but state funding has not kept up, putting enormous strain on local school districts to cover the costs. In 2008–09, Pennsylvania paid 32% of school districts’ special education costs, but by 2019–20 this state share dropped to just 22%.³⁷ To cover these growing costs, school districts need to either raise property taxes or cut other programs that are not mandatory.

Governor Shapiro proposes an additional \$103.8 million investment, a 7.8% increase, in special education. The Governor also proposes to tie special education funding to the overall level of inflation in the future.³⁸ Since special education costs—and K-12 education costs more generally—tend to increase faster than the overall price level, tying special education funding increases to inflation would be likely to further decrease the state share of this funding over time.³⁹

Figure 23

Governor Shapiro Proposes an Increase of 7.8% in Special Education Funding This Year

Special Education Funding 2007-08 to 2023-24



Source: Pennsylvania Budget and Policy Center from Governor Shapiro’s 2023-24 Executive Budget (March 2023) and previous budgets

³⁷ Education Law Center – Pennsylvania, *Fixing the Special Education Funding Gap*, May 2022, https://www.elc-pa.org/wp-content/uploads/2022/05/Special_Ed_Report_PASWEDU_Law_Center_2022-5-24.pdf.

³⁸ Governor Josh Shapiro, *Executive Budget 2023–24*, March 7, 2023, A1-6, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

³⁹ Between 1978 and 2022, inflation of elementary and high school tuition and fees rose 3.84 faster than the overall price level—by 1540% instead of 413% (estimated based on elementary and high school tuition and fees price index data extracted at https://data.bls.gov/timeseries/CUUR0000SEEB02?output_view=data and CPI-U-RS data extracted at <https://www.bls.gov/cpi/research-series/r-cpi-u-rs-home.htm>). While this index is based on the cost of private school tuition and fees (since public education is free), it still indicates—dramatically—that you can’t use the overall price level as a proxy for the increase in the costs of special or other K-12 education.

Career and Technical Education (CTE)

Pennsylvania’s career-related education system has great potential but is fragmented and underfunded. Only 6.4% of our state’s public school high school students are engaged in substantial career and technical education programs. Our enrollment lags that of surrounding states, where the average enrollment in CTE programs hovers around 19%. West Virginia and Delaware each have more than 30% of their students enrolled in CTE programs.⁴⁰

Governor Shapiro’s campaign plan when he ran for governor highlighted the importance of workforce development, including a goal of “drastically increasing career and technical education.”⁴¹ CTE programs arm students with marketable skills and credentials so they are ready to succeed in career or in college—and to enter the workforce if they choose—right after high school, including via apprenticeship.⁴²

The Governor’s proposed investments include more than \$12 million for three programs that directly support Career and Technical Education (CTE) in schools:

- \$3.3 million in new funding to ensure educational facilities and schools with Career and Technical Education programs can purchase and upgrade technology and equipment.
- \$4 million for career and technical centers to support employment and expand program offerings in high-demand areas of health care, STEM, energy, and infrastructure trades. This is especially important given the huge influx of federal infrastructure and climate funds coming to Pennsylvania over the next ten years, as well as the staffing shortages in health care.
- \$5 million in secondary career and technical education for increasing computer science and STEM programs statewide.

It also includes \$8.5 million for two programs that would strengthen CTE’s connections to industry, increasing students’ career prospects and meeting industry skill needs.

- \$2 million to establish a state-level “industry in the school” program that would allow for industry professionals to teach and build interest among students in the classroom.

⁴⁰ Donna Cooper and Stephen Herzenberg, *Meeting the Demand for New Workers—Investing in Career Related Learning for High School Students*, Children First, Keystone Research Center/PA Budget and Policy Center, and PA Schools Work, March 2023, <https://krc-pbpc.org/wp-content/uploads/CF-KRC-PaSW-CTE-Final-3-3-23-with-Cover.pdf>.

⁴¹ Shapiro for Governor website, “Josh Shapiro Releases New Plan to Expand Pennsylvania’s Workforce, Address Labor Shortages, & Invest in Pennsylvania Workers,” press release, April 21, 2022, https://joshshapiro.org/news/pennsylvanians-are-hearing-about-josh-shapiros-plan-to-cut-taxes-and-lower-costs-all-across-the-commonwealth-2/?link_id=5&can_id=654f9c650a72c77b122c7b0d269de0af&source=email-advisory-2pm-tomorrow-pa-budget-and-policy-center-to-hold-press-briefing-breaking-down-gov-shapiros-first-budget-proposal-2&email_referrer=email_1838558&email_subject=release-governor-shapiros-first-budget-right-priorities-but-inadequate-funding.

⁴² Governor Josh Shapiro, *Executive Budget 2023–24*, March 7, 2023, E15–11 and A1–8, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

- \$3.5 million for a new PA Schools to Work program, which supports workforce development partnerships between schools and employers, organizations, and associations that would create robust training and career pathways.

The Governor’s CTE (and his apprenticeship/pre-apprenticeship proposals, discussed later) point(s) toward some of the systemic reforms of adult workforce development and high-school CTE that Keystone Research Center has proposed.⁴³ The Governor’s proposal, however, does not include an increase in the core subsidy for CTE.⁴⁴ The current and paltry state subsidy of 8.5% of CTE costs is the major bottleneck to more Pennsylvania students enrolling in career-related learning.⁴⁵ This subsidy makes school districts reluctant to encourage more students to enroll in CTE. For that reason, it is insufficient to move Pennsylvania’s enrollment in CTE up from its current level of one-third of the average in our surrounding states or to increase Governor Shapiro’s own goal of drastically increasing CTE opportunities. Given strong, bipartisan support for CTE, the Legislature has an opportunity to enhance Governor Shapiro’s strategic investments in industry-aligned education and training with a substantial bump in the state CTE subsidy.

Tax Credits for New Teachers and Teacher Professional Development

Pennsylvania faces a school staffing crisis. In the last decade, the number of teacher certificates issued in Pennsylvania have fallen dramatically, falling from 20,000 to 6,100 last year.⁴⁶ To incentivize Pennsylvanians to get their teaching certificate, Governor Shapiro has proposed a \$2,500 tax credit for three years for new teachers after earning their teaching certificate or for teachers who move into the state with certification Pennsylvania recognizes. (The same tax credit applies to nurses and police, as explained in a previous section.)

⁴³ Stephen Herzenberg, “Shapiro Budget Proposes Intriguing Investments in a PA Learning and Career Infrastructure,” KRC/PBPC Blog, March 17, 2023, https://krc-pbpc.org/research_publication/shapiro-budget-proposes-intriguing-investments-in-a-pa-learning-and-career-infrastructure/.

⁴⁴ The Governor’s budget book shows a proposed \$14 million increase in CTE funding (Governor Josh Shapiro, *Executive Budget 2023–24*, March 7, 2023, E15–3 and E 15–11, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>), plus another \$3.33 million for CTE equipment. These increases, however, appear to be separate from, not folded into, the CTE subsidy. Consistent with this interpretation, online Excel files show the same “Total SCTES [State Career and Technical Education Subsidy]” in 2022–23 and projected for 2023–24 – \$80.3 million. These Excel sheets also show funding for each CTC and school district and can be downloaded from <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Education%20Budget/Pages/Secondary-Career-and-Technical-Education-Subsidy.aspx>.

⁴⁵ For an elaboration of why the low CTE subsidy reduces CTE enrollment and examples of states with much higher CTE subsidies, see <https://krc-pbpc.org/wp-content/uploads/CF-KRC-PaSW-CTE-Final-3-3-23-with-Cover.pdf>.

⁴⁶ Chris Hoffman, “Governor Josh Shapiro wants to take steps to address teacher shortage,” *CBS Pittsburgh*, March 21, 2023, <https://www.msn.com/en-us/news/us/governor-josh-shapiro-wants-to-take-steps-to-address-teacher-shortage/ar-AA18USKC>.

Governor Shapiro also proposes an additional \$2 million investment in teacher professional development through local education agencies. This training would support teachers in creating new curriculum that would align with changing educational standards and support students.⁴⁷

One reason for the collapse in the number of young people in teacher certification programs is low pay. Teachers in Pennsylvania make weekly wages 15.2% less than other college-educated workers.⁴⁸ Budgets proposed by Governor Wolf requested an increase in the minimum teacher salaries to \$45,000, as they are still set statewide at a measly \$18,500. These proposals, however, were continually rebuffed by the legislature. New calls by teachers' unions ask for the minimum to be raised to \$60,000.⁴⁹ Governor Shapiro did not propose increasing the minimum salary for teachers for the 2023–24 budget year.

Mental Health for Students and Staff

The pandemic took a toll on many people's mental health, which has been especially felt in schools over the last few years. Governor Shapiro has made increasing support for mental health a pillar of his budget this year, proposing a new line item—\$100 million to fund the School-Based Mental Health Supports Block Grant—to boost mental health support for both students and school staff. The budget describes this funding as “a flexible funding stream” to address students' various mental health needs. Each school district would receive \$100,000 as a base grant; charter school entities would receive \$70,000. This funding would help build a trained pipeline of mental health professionals in the school setting and ensure more students and staff have access to quality mental health care. Grants could be used for hiring / maintaining mental health staff (social workers, school counselors and psychologists), contracting services to community or nonprofit groups, and/or providing telemedicine mental health services. Grants could also support internships for those pursuing state certifications in the field, which would help to build a pipeline of school mental health staff.⁵⁰ This would be a five-year investment of \$500 million total.

Universal Free School Breakfast

Governor Shapiro has proposed to continue a pandemic-era policy that made the free school breakfast program universal. Federal pandemic guidelines made free breakfast and lunch at school available to every student in public schools without having to apply for the program. These federal programs,

⁴⁷ Governor Josh Shapiro, *Executive Budget 2023–24*, March 7, 2023, A1–9, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

⁴⁸ Nationally, the pay gap is even larger – 23.5%. See Sylvia Allegretto, “The teacher pay penalty has hit a new high: Trends in teacher wages and compensation through 2021,” Economic Policy Institute, August 16, 2022; [https://www.epi.org/publication/teacher-pay-penalty-2022/#:~:text=In%20earlier%20work%20\(Allegretto%2C%20Corcoran,had%20a%2017.1%25%20wage%20penalty](https://www.epi.org/publication/teacher-pay-penalty-2022/#:~:text=In%20earlier%20work%20(Allegretto%2C%20Corcoran,had%20a%2017.1%25%20wage%20penalty).

⁴⁹ Alejandro A. Alvarez, “Teachers should make at least \$60K annually, education official tells Pa. Senate committee,” *Philadelphia Inquirer*, March 1, 2023, <https://www.inquirer.com/news/pennsylvania-teachers-salary-minimum-shortage-20230301.html>.

⁵⁰ Governor Josh Shapiro, *Executive Budget 2023–24*, March 7, 2023, A1–13, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

however, ended in 2022. The Governor has proposed to spend \$38.5 million to continue the free breakfast program, available to all students.

Remediating Environmental Hazards in Schools

Our state’s school infrastructure is aging, and there are a number of hazards that must be addressed in order for our kids to learn in a safe environment. Hazards include, but are not limited to, lead paint, asbestos, mold, polychlorinated biphenyls in school materials, lead in drinking water, radon, crumbling walls and structures.⁵¹ One recent study found that out of 65 districts statewide, seven-tenths have lead in their drinking water; one-third reported high levels of radon in their schools; two-thirds had mold in their buildings; and half reported “lead in dust and paint exceedances.”⁵² Making our public school buildings safe for our kids is so important, but will take significant funding. The Governor is proposing \$100 million for school environmental repairs and improvement via a new line item in the budget. He vows to make this a five-year program with the \$100 million to be allocated annually for that time period.⁵³

Reducing Financial Barriers to Getting a GED

Governor Shapiro proposes a \$1 million investment to eliminate the cost for adult students taking the high-school equivalency tests (GED and HiSET). The cost of these exams is a financial barrier for low-income individuals across the state.

Charter School Reform Not in the Budget

For several years, Governor Wolf proposed charter school reform, including changes to the way Special Education funding is calculated for charter schools and the establishment of a statewide cyber charter tuition rate.⁵⁴ Despite years of proposals, these changes have never been implemented, and Governor Shapiro proposes neither of these changes in the 2023–24 executive budget.

Higher Education

Pennsylvania underfunds higher education, which has led to high tuition and fees at our public universities and high levels of student debt for those attending. As figure 24 shows, state per capita

⁵¹ Kara Holsopple, “The everyday environmental hazards lurking in PA’s schools,” *The Allegheny Front*, May 13, 2016, <https://www.alleghenyfront.org/the-everyday-environmental-hazards-lurking-in-pas-schools/>.

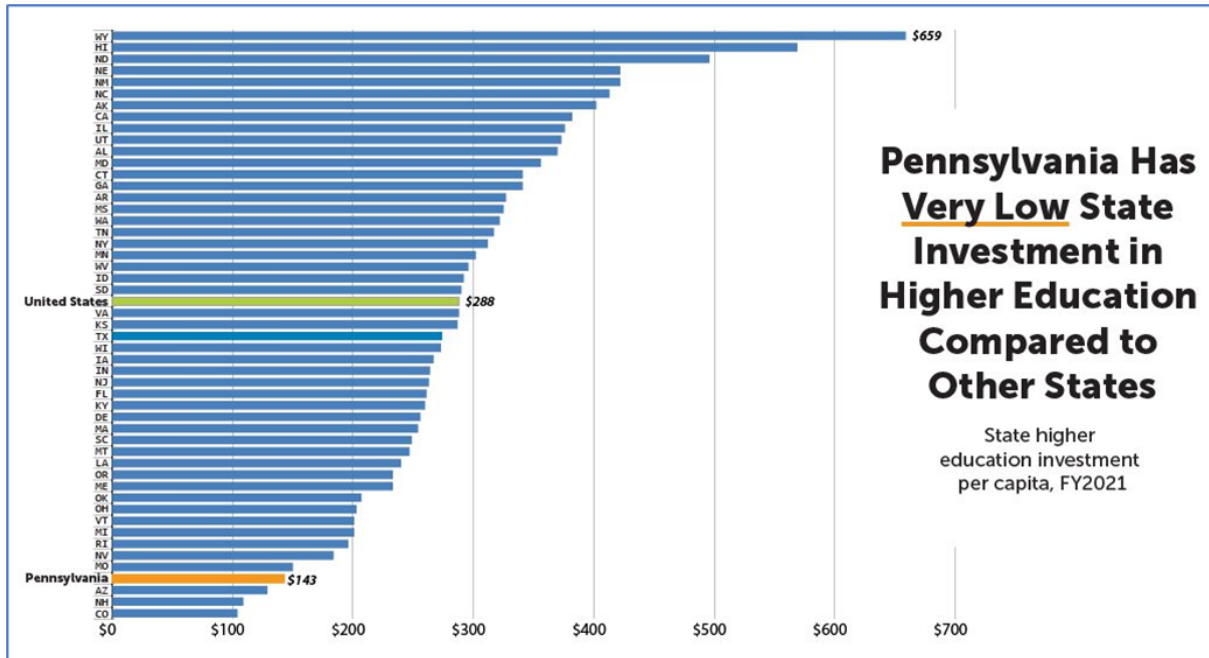
⁵² John L. Micek, “Report: Aging Pa. schools ‘uniquely vulnerable’ to environmental health hazards,” *Pennsylvania Capital-Star*, August 18, 2021, <https://www.penncapital-star.com/commentary/report-aging-pa-schools-uniquely-vulnerable-to-environmental-health-hazards-wednesday-morning-coffee/>.

⁵³ Maddie Hanna, “What you need to know about education funding proposed in Gov. Shapiro’s budget,” *Philadelphia Inquirer*, March 7, 2023, <https://www.inquirer.com/news/school-funding-education-pennsylvania-budget-shapiro-2023-20230307.html>.

⁵⁴ Diana Polson and Marc Stier, *Flush with Cash: Will Pennsylvania Invest in Our Kids’ Future? Analysis of Governor Wolf’s 2022–23 Education Budget Proposal*, Pennsylvania Budget and Policy Center, <https://krc-pbpc.org/wp-content/uploads/Education-section-of-budget-5-10-22.pdf>; Maddie Hanna, “Wolf revives push to change charter school funding,” *Philadelphia Inquirer*, February 26, 2021, <https://www.inquirer.com/education/gov-wolf-cyber-charter-schools-funding-pennsylvania-20210226.html>.

funding for higher education in Pennsylvania ranks 47th in the nation, and at \$143 spending per capita is about half the national average of \$288.

Figure 24

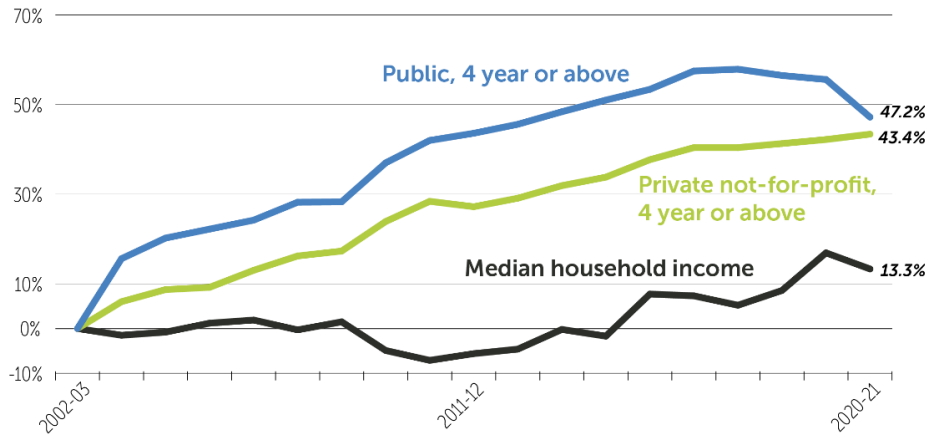


As the figure below shows, low state investment in public higher education has led to public 4-year colleges getting more expensive over time (blue line). Compare that to the change in the median household income in Pennsylvania (the black line) and you'll see the price of public college has outpaced incomes, leading to higher education costs even more out of reach for families.

Figure 25

The Price of College Has Outpaced the Change in Median Income in Pennsylvania

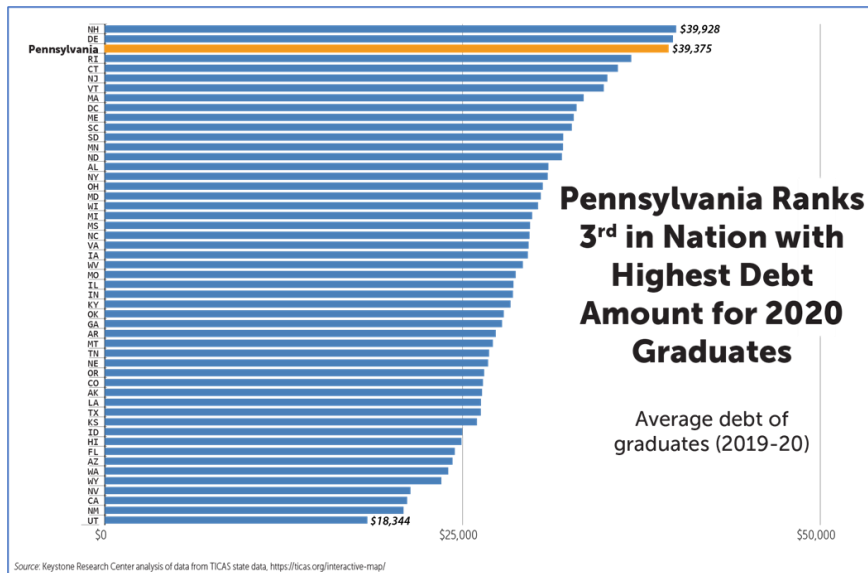
Relative change in price of college* by institution type compared to median household income (inflation adjusted 2021 dollars), 2002-2020



*This is the price of college for in-state students living on campus, which includes in-state tuition and fees, books and supplies, on campus room and board, and other on-campus expenses.
 Source: Keystone Research Center analysis of NCEES, IPEDS data, <https://nces.ed.gov/ipeds/datacenter/Data.aspx>, and FRED economic data and inflation adjusted to 2021\$, <https://fred.stlouisfed.org/series/MEHOINUSPAA646N>

High tuition leads to high levels of student debt as students borrow money to attend college. Pennsylvania 2020 graduates had the third-highest debt in the country, leaving school with an average of \$39,375 as they start out on their career path.

Figure 26

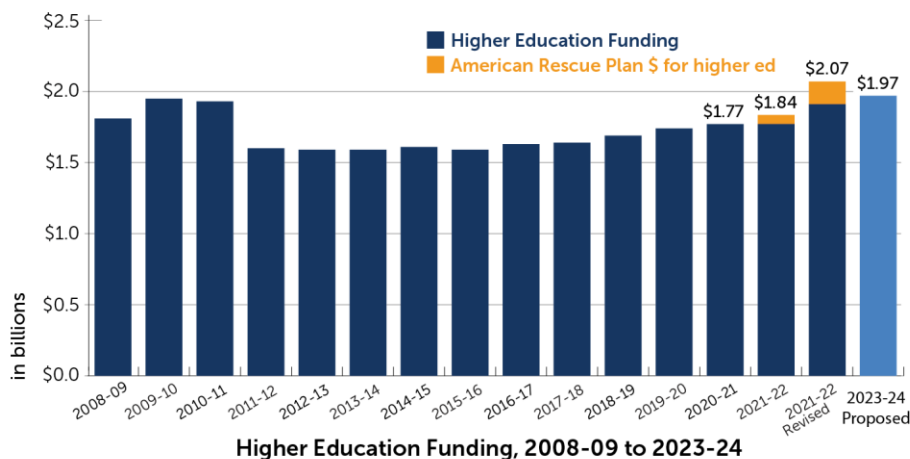


As you can see in figure 27 below, funding for higher education plummeted with the Corbett budget cuts in 2011–12. Last year, with American Rescue Plan dollars, funding finally surpassed the pre-Corbett

budget cut years. Note, this data is not adjusted for inflation, so even though the funding has caught up nominally, funding in real terms is much lower than 2010–11. Governor Shapiro proposes a total higher education budget of \$1.97 billion for 2023–24. Including American Rescue Plan dollars allocated to the State System of Higher Education last year, this year’s budget allocation is a decrease of 5% from last year—if you don’t include ARP dollars, it is an increase of 3.1% (\$60 million).

Figure 27

Not Considering American Rescue Plan Dollars, Higher Education Funding Would See an Increase of 3.1% This Year



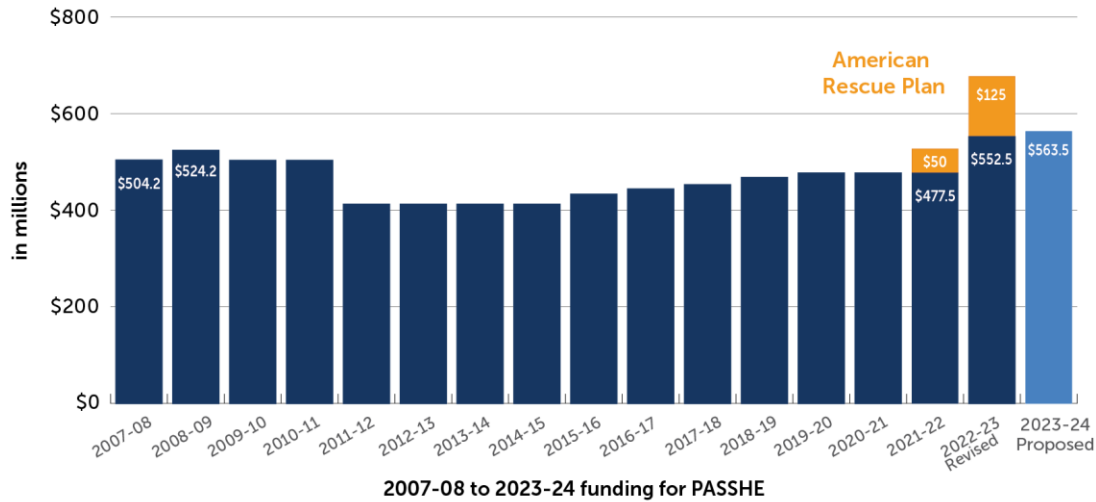
Not included in this higher education spending is the higher education costs embedded in the Department of Education, the State System of Higher Education, state-related schools, Thaddeus Stevens and the PHEAA.
 Source: Pennsylvania Budget and Policy Center from Governor Shapiro’s 2023-24 Executive Budget (March 2023) and previous budgets. For ARP breakdown, see https://houseappropriations.com/Topic/2022-2023/696#TOC_7.

The chancellor of the Pennsylvania State System of Higher Education advocated for more funding this year – a budget of \$573.5 million, plus an additional \$112 million for student aid. The chancellor said during House Appropriations budget hearings that lowering tuition costs is key to expanding their programs that train students for high priority occupations.⁵⁵ The Governor, however, proposed a more modest increase for PASSHE this year of \$563.5 million, which is an \$11 million increase from last year (not including ARP dollars) – a 2% increase, far below current inflation.

⁵⁵ Bill Schackner, “Advocacy group says higher ed funding in Shapiro’s proposed budget shows ‘appalling neglect,’” TribLive, March 8, 2023, <https://triblive.com/news/pennsylvania/advocacy-group-says-higher-ed-funding-in-shapiros-proposed-budget-shows-appalling-neglect/>; Eric Scicchitano, “Public universities could enact 5th straight tuition freeze with greater state support,” The Daily Item, March 24, 2023, <https://www.yahoo.com/lifestyle/public-universities-could-enact-5th-172600230.html>

Figure 28

Not Considering American Rescue Plan Dollars, the Proposed 2023-24 Budget for the PA State System of Higher Education (PASSHE) Would See An Increase of 2%



Source: Pennsylvania Budget and Policy Center analysis of Governor Shapiro’s Executive Budget (March 2023) and previous budgets.

Community colleges would see a \$5.1 million increase (2%) if Governor Shapiro’s plan is adopted as is. The 15 community colleges in the state were asking for an increase of \$64 million, to upgrade facilities and increase support for tutoring and mental health, where there is a growing need post-pandemic. State and local support for community colleges has eroded over time. Tuition, while lower than public four-year colleges, still remains out of reach for many students at \$5,300. In addition, students not in a sponsoring County or school district, have to pay “double tuition” to compensate for the fact that localities where they live make no contribution. Community college enrollment in Pennsylvania has dropped by nearly a third in the last decade.⁵⁶

The Governor proposes a 7.1% increase for the state-related universities: an increase of \$17.2 million for Penn State; \$10.8 million for University of Pittsburgh; \$11.2 million for Temple University; and \$1.1 million for Lincoln University.

Governor Shapiro is well aware that higher education in Pennsylvania is underfunded. In fact, he stated bluntly in his budget address, “...it’s on us to rethink our system of higher education – because what we’re doing isn’t working.”⁵⁷ The governor then went on to say, “I’ve tasked Acting Education Secretary Mumin to immediately convene our college and university presidents to pick up on the conversation I’ve

⁵⁶ Jan Murphy, “Community colleges ask for more money, welcome authority to offer four-year degrees,” PennLive, March 21, 2023, <https://www.pennlive.com/education/2023/03/community-colleges-ask-for-more-money-welcome-authority-to-offer-four-year-degrees.html>.

⁵⁷ “Governor Shapiro’s 2023 Budget Address as Prepared,” March 7, 2023, <https://www.governor.pa.gov/newsroom/governor-shapiros-2023-budget-address-as-prepared/>.

already started with them. They've agreed to engage in a constructive, time-limited working group so that when I stand before you next year, I can present a comprehensive and meaningful reform plan for higher education." As in the area of K-12 education, the governor's framing of the challenge in higher education is on target. But, also analogous to K-12 education, our struggling students and colleges can't wait for a systemic solution – they need more help this year. For this reason, the legislature should seek to increase funding for the State System of Higher Education and community colleges. Funding could be increased by matching the 7.1% increase proposed for state-related institutions or by combining a 7.1% increase for community colleges with the proposals of the Chancellor of the State System of Higher Education. One form of increased support for students targeting in-demand high-priority occupations could come in the form of a proposal from Representative Mark Rozzi to establish the "Pennsylvania Teach Scholarship Program" – up to \$8,000 for year for four years for students enrolled at one of the State System of Higher Education schools in a primary or secondary education program or a student teaching role.⁵⁸

To support parents who are in the process of earning their degree, the Governor proposes an additional investment of \$1.6 million in a program called Parent Pathways, aimed at removing barriers for parents pursuing higher education.

Workforce and Economic Development

Governor Shapiro has a variety of proposals that support both workers and businesses.

In the area of workforce development, as a candidate, Governor Shapiro outlined an ambitious plan to "[Expand Pennsylvania's Workforce, Address Labor Shortages, & Invest in Pennsylvania Workers](#)" including by

- Tripling the amount of funding available for apprenticeship programs.
- Drastically increasing career and technical training to give high school students access to workforce opportunities.
- Expanding industry partnership grants to improve recruiting and workforce development.

As we have seen above, in the area of CTE, the governor made some innovative proposals but did not increase the core CTE subsidy, a key bottleneck to raising the woefully low share of PA students that concentrate (two courses or more) in CTE.

In the area of apprenticeship, the state in recent budgets has allocated \$7 million per year to the Apprenticeship and Training (ATO) office in the Department of Labor and Industry (increased to \$7.5 million in 2022-23), much of which is used for grants to expand apprenticeship. The governor did not propose tripling that \$7 million to \$21 million but he did propose increases in funding for apprenticeship of \$5.5 million. This \$5.5 includes an increase in the line item for apprenticeship allocated to the ATO within Labor and Industry to \$10 million, a portion of which will be used develop a Registered Apprenticeship program that leads to certification as a CTE teacher. It also includes \$3 million to DCED

⁵⁸ The Rozzi bill can be found at

<https://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2021&ind=0&body=H&type=B&bn=2389>. See also Rep. Mark Rozzi, "Rozzi authors bill to encourage Pennsylvanians to pursue education degrees," March 6, 2023; <https://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2021&ind=0&body=H&type=B&bn=2389>.

for a new “Foundations in Industry” program “to start the program and cover costs related to in classroom instruction that complements on-the-job learning required through Registered Apprenticeships and Pre- Apprenticeships. This funding for the Commonwealth’s registered apprenticeship and pre-apprenticeship ecosystem will grow the number of apprentices and pre-apprentices earning and learning and help employers find, hire, and retain the skilled workforce they need to thrive in Pennsylvania.”⁵⁹

Co-funding of apprenticeship by government and industry is a proven approach globally: every country that deploys apprenticeship at much higher levels than the United States does it via the public sector paying for the classroom training through the education system and businesses shouldering the cost of supervision and mentoring on the job plus, in some occupations, the cost of any required equipment and specialized training centers. Moreover, the countries that use co-funding approaches include not just Germany and northern Europe but countries like England which 20 years ago deployed apprenticeship at levels like the United States (as a share of the workforce) but now deploys it at levels like northern Europe. The recognition that \$3 million will allow the state to “start” the “Foundations in Industry” signals that the Shapiro Administration plans to use the funding to drive test the idea of shared funding as a way of much more deeply integrating education and training with the needs of industry and with high-paying career paths for students.

The governor also proposed \$3.5 million for PA Schools-to-Work program that supports workforce development partnerships between schools and employers and industry associations. This proposal could be a down payment on the governor’s campaign commitment to invest more in industry partnerships. Moreover, it would be targeted to one of the age groups where Pennsylvania – like other states – especially needs to establish the “missing links” between education and training and the economy. In conjunction with an increase in the CTE subsidy, this funding could also contribute to “drastically increasing” CTE enrollment. Already in some areas of the state, career pathways partnerships with industry are already well integrated with CTE.⁶⁰ Funding for partnerships with industry could help spread best CTE and career pathway practices to more of the state. The governor further proposed \$2 million to establish an Industry in the Schools Program. Some CTE experts believe that the governor may not appreciate how much CTE teachers already come from industry and are required to possess industry-recognized credentials. They suggest that this \$2 million could be a small portion of the missing increase in the CTE subsidy..

Another important investment Governor Shapiro has proposed that related to the workforce is a \$1.3 million increase for labor law compliance investigators. This would allow the number of investigators to increase by one-third, which would increase the speed of investigations and allow for a more strategic

⁵⁹ Governor Josh Shapiro, *Executive Budget 2023–24*, March 7, 2023, A1–9, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

⁶⁰ A recent overview of career pathway activity in Pennsylvania, linked with high schools and with education and training for adults, found that there are many exemplary career pathways programs at the secondary and post-secondary levels but that these remain the exception, not the rule, and the state has not yet developed mechanisms to move model programs beyond pockets within the state. See Keystone Research Center, “Towards an Industry-Driven and Student- and Worker-Centered Vision of Career Pathways in Pennsylvania,” October 2020, <https://www.dli.pa.gov/Businesses/Workforce-Development/wdb/Documents/PA-WDB-KRC-Career-Pathways.pdf>.

approach to ensure employers abide by existing labor laws. This is a much-needed and strategic budget proposal.

Governor Shapiro has proposed a variety of investments that will support businesses in Pennsylvania:

- An increase of \$12 million for the Pennsylvania First Program, a program aimed at helping businesses with costs associated with workforce training, machinery, and equipment, or land/building costs.
- An additional \$2 million is proposed to be invested in the Workforce and Economic Development Network of PA (WEDnetPA) for workforce training.
- A \$20 million investment to replace \$20 million used to provide relief during the pandemic to historically disadvantaged businesses.
- And \$1 million investment for the Manufacturing Innovation Program (MIP), which would allow additional manufacturers to partner with universities to adopt new technologies and move forward new innovations.

In addition, the Governor signed an executive order in his first couple weeks in office establishing a new office called the Pennsylvania Office of Transformation and Opportunity, focused on stimulating economic development in the state. He includes \$2.9 million funding for this new office.⁶¹

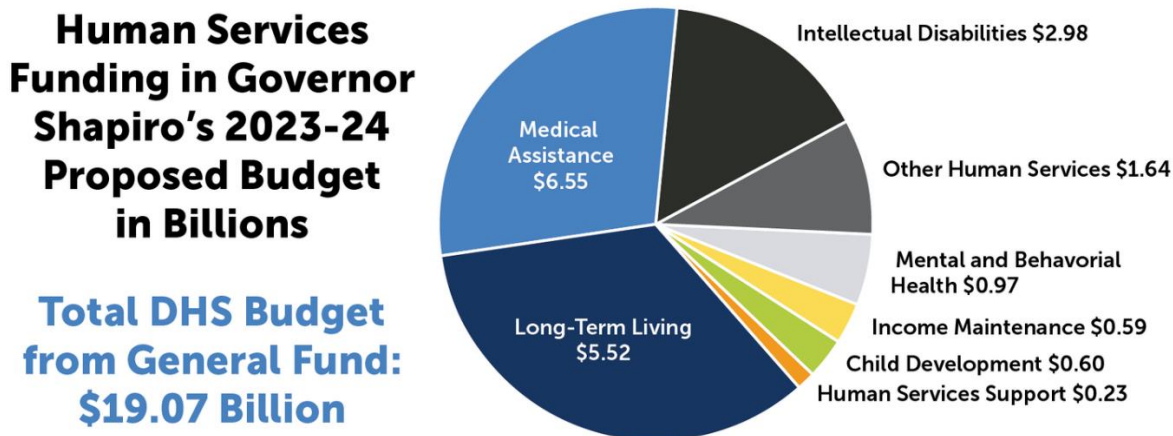
Human Services

Largely because the enhanced federal match rate for Medicaid provided by the Families First Coronavirus Response Act (**FFCRA**) remained in place until March 31, 2023, state spending for the Human Services Department for 2022-23 is anticipated to be \$1.67 billion less than the \$18.05 billion

⁶¹ PA House Appropriations Committee, “2023/24 Executive Budget Briefing,” March 2023, https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_9.

appropriated. For 2023–24, Governor Shapiro submitted a \$19.07 billion Human Services budget which makes up 43% of the proposed General Fund budget.

Figure 29



Source: Pennsylvania Budget and Policy Center from Governor Shapiro's 2023-24 Executive Budget (March 2023)

Table 7 shows a breakdown of Human Services spending from 2022–23 (revised) and Governor Shapiro's 2023–24 proposal. Overall, the Department of Human Services would see an increase in the budget by 16.5% or \$2.7 billion. The largest increase in spending can be seen in Medical Assistance (increasing by 23%) and Long-Term Living (increasing by 19%). DHS reports that the department's budget increase from our current year to 2022–23 is due largely to decreasing COVID-19 enhanced federal Medicaid match funding and related impacts, costing the state \$1.71 billion. The rest of the total \$2.7 billion in additional spending for 2023–24 comes from changes in costs, program utilization, and Pennsylvanians served by DHS programs (\$853 million) and DHS initiatives (\$137 million).⁶²

⁶² Valerie Arkoosh, MD, MPH, Acting Secretary of PA Department of Human Services, "2023–24 Governor Shapiro's Commonwealth Budget: Department of Human Services Budget Briefing," Pennsylvania Department of Human Services, <https://www.pa-hcbs.org/wp-content/uploads/2023/03/23-24-DHS-Budget-Stakeholder-Presentation.pdf>.

Table 7

| Human Services State Funding for 2022-23 budget and 2023-24 proposed, in thousands | | | | |
|--|----------------------|---------------------------------|--------------------------------------|--|
| | 2022-23 Revised | 2023-24 Governor Proposed | Change from 2022-23 to 2023-24 | Percent change between 2022- 23 to 2023-24 |
| Medical Assistance and Long-Term Living | | | | |
| Medical Assistance | \$ 5,339,372 | \$ 6,550,846 | \$ 1,211,474 | 22.7% |
| Long Term Living | \$ 4,640,957 | \$ 5,515,987 | \$ 875,030 | 18.9% |
| Other Human Services | | | | |
| Human Services Support* | \$ 214,460 | \$ 232,254 | \$ 17,794 | 8.3% |
| Income Maintenance | \$ 535,747 | \$ 585,793 | \$ 50,046 | 9.3% |
| Mental and Behavioral Health | \$ 923,242 | \$ 969,159 | \$ 45,917 | 5.0% |
| Intellectual Disabilities | \$ 2,550,845 | \$ 2,977,639 | \$ 426,794 | 16.7% |
| Other Human Services** | \$ 1,657,378 | \$ 1,643,430 | \$ (13,948) | -0.8% |
| Child Development*** | \$ 510,560 | \$ 597,528 | \$ 86,968 | 17.0% |
| Human Services Total | \$ 16,372,561 | \$ 19,072,636 | \$ 2,700,075 | 16.5% |

* Human services support includes general government operations and information systems.

** Other human services include line items such as County Child Welfare, Domestic Violence services and Homeless services.

***Child Development includes Family Centers, Child Care Assistance, Child Care Services, Nurse Family Partnership, and Early Intervention.

Source: Pennsylvania Budget and Policy Center analysis of Governor Shapiro's 2023-24 Executive Budget (March 2023) and previous budgets.

Medical Assistance and Other Health Care Programs

Pennsylvania’s Medical Assistance program provides access to health care services to low-income individuals across the Commonwealth. Increases in the state appropriations for Medical Assistance are due largely to the need to replace enhanced federal funding in 2022–23 for COVID-19 response not available in 2023-24. The enhanced federal Medicaid Assistance Percentage (FMAP) of 6.2% is phasing out starting in April 2023 until it returns to the pre-pandemic matching rate in January, 2024.

As a condition of the pandemic-related enhanced FMAP, states were not permitted to terminate Medical Assistance for individuals or households unless it was due to death, a voluntary withdrawal from the program or a move out of state. As the FMAP phases down, Pennsylvania will redetermine eligibility for all Medical Assistance recipients, but will do so over a 12-month period starting in April 2023. This is estimated to result in fewer people being able to benefit from Medical Assistance and a resulting decrease in cost by \$385 million.⁶³

Pennsylvania’s state-funded dental service is limited, often leaving patients on Medical Assistance without access to this critical care. While West Virginia has a Medicaid reimbursement rate of 87%,

⁶³ PA House Appropriations Committee, “2023/24 Executive Budget Briefing,” March 2023, https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_21.

Pennsylvania's is just 59%. This was fully funded prior to 2011. The Governor has proposed an 8% increase in Medicaid dental fees.⁶⁴

Long-Term Living and Community HealthChoices

Long-Term Living will see one of the largest increases within the Human Services budget due to the increasing costs of continuing the program and decreasing federal funds. The elderly population is growing faster in Pennsylvania than in many other states, which both slows the growth in our tax base and increases the need for long-term care and other services.

Pennsylvania has completed its transition from multiple fee-for-service delivery systems to a consolidated, managed long-term care service system called Community HealthChoices (CHC) for individuals who are eligible for both Medicaid and Medicare or those who have physical disabilities, are older, and require long-term care services. The program helps older individuals age in place.

Child Care and Child Care Works

The child care industry and all its stakeholders—kids, working parents, child care staff and centers—have been hard hit by the pandemic. Without a robust and affordable child care industry, parents are either unable to go to work or must make arrangements that are less than ideal. The Child Care Works program allows children of low-income families and families who receive cash assistance via the Temporary Assistance for Needy Families (TANF) program to access child care. The Governor proposes a \$66.7 million increase to replace federal funding and maintain the Child Care Works base funding so the program can continue to serve up to 75,000 low-income families across Pennsylvania. The federal government recommends a 75% reimbursement rate for child care—with Governor Shapiro's budget, Child Care Works would maintain a reimbursement rate of 60%, which is not, as of yet, as high as the federal standard.

Supporting Individuals with Intellectual Disabilities:

Fifty years ago, all services for individuals with intellectual disabilities were provided in state institutions, but over time there was a national move towards community-based care. In July 2022, there were 570 individuals being served in a state center—by July 2023, that number is expected to decrease to 447⁶⁵ as

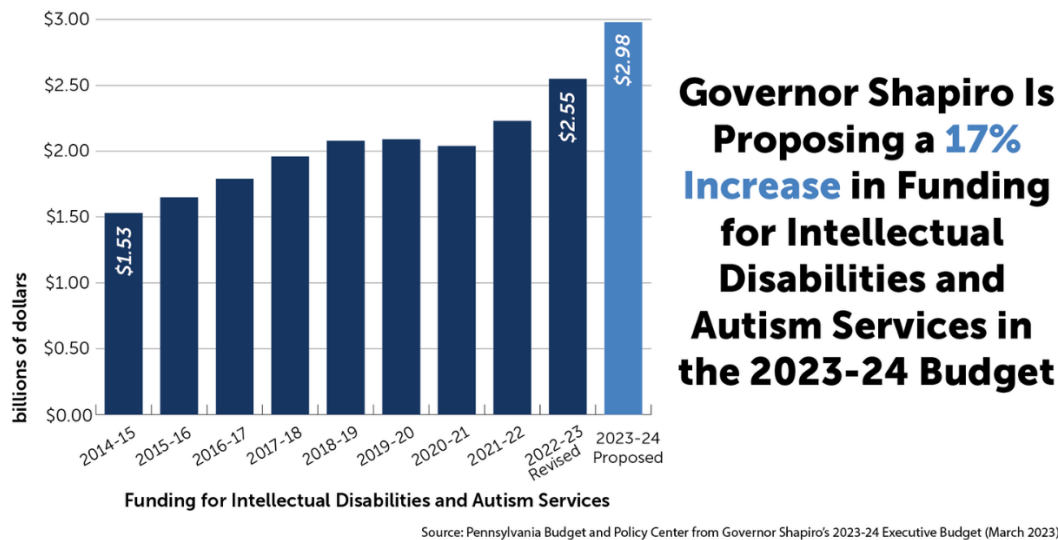
⁶⁴ Peter Hall, "House Appropriations Committee examines \$19B Human Services budget: The proposal includes a \$2.7 billion increase over the 2021–22 budget," *Pennsylvania Capital-Star*, April 11, 2023, <https://www.penncapital-star.com/health-care/house-appropriations-committee-examines-19-billion-human-services-budget/?eType=EmailBlastContent&eld=e6156c5f-2a8a-4814-a8ac-dadf0c49b4c1>.

⁶⁵ Governor Josh Shapiro, "Governor Josh Shapiro's Executive Budget, 2023–2024," March 7, 2023, E27–35, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

the Polk Center in Venango County near Erie and the White Haven Center in Luzerne County close this year.⁶⁶

As the figure below shows, Governor Shapiro is proposing to increase funding for intellectual disability and autism services by 17% for a total budget of \$2.98 billion. The Governor proposes an additional \$17.5 million to be used to reduce the waiting list by 850 individuals in the community living waiver and consolidated waiver programs. These programs help individuals live more independently in their homes and communities. The Governor also proposes a \$1.25 million investment to continue to transition 20 individuals from state hospitals to community services via the Community Hospital Integration Projects Program (CHIPP).

Figure 30



Our state's Lifesharing program within the Intellectual Disabilities Community Waiver Program allows adults with disabilities to live with another qualified adult who can provide support in their home, providing an alternative to a group home setting. The Governor's budget proposes to expand the

⁶⁶ Chelsea Strub, "White Haven Center set to close this month," WNEP, February 14, 2023, <https://www.wnep.com/article/news/local/luzerne-county/white-haven-center-set-to-close-this-month-state-dhs-department-human-services-disabilities/523-4a9a8894-0623-457d-992f-afbbba39cee5>.

Lifesharing service rate to include a day service rate so host families who need help with caring while they are at work can participate. This would be an additional investment of \$3.4 million.

Mental Health

Governor Shapiro has made investments in mental health support a priority in his first executive budget.

- Above we already discussed his proposal for investing \$100 million in a school-based mental health support grant.
- The Governor also proposed to increase base funding for county mental health by \$20 million which would restore one-third of the Corbett base funding cuts from 2012–13.⁶⁷ Counties provide a variety of mental health services to communities, but state funding has not kept up with growing needs. The Governor has also proposed a funding plan that would continue to increase funding for county mental health through 2027–28, reaching a \$60 million increase. However, given the deterioration of county mental health funding over the past ten years, this increase is not adequate. On top of the 10% cut made by the Corbett budget, county funding has been flat funded for most years since; thereby limiting the ability of counties to keep pace with increased demands and costs to deliver care. County funds pay for essential services for individuals not covered by insurance and critical services that are not Medicaid reimbursable such as residential, housing, social rehabilitation, and crisis services.
- Another mental health proposal from the Governor is \$5 million to pay for a one-time buildout of our 988 system, the federal phone code for suicide prevention and mental health crises. This plan would also provide ongoing funding by pulling 2.75% of 911 surcharges on landline and mobile telephone services to support call centers in Pennsylvania. This would amount to about \$2.8 million in 2023–24.
- The Governor proposed \$200,000 for mental health support services for farmers, who face one of the highest rates of suicide of any profession. Funding will be used for a mental health hotline, outreach to those working in the agricultural sector and specialized trainings.
- Also proposed is a \$4 million investment to help community-based programs that help people in the criminal justice system with serious mental illness avoid institutionalization.

Other Human Services proposals for the 2022–23 fiscal year:

- *Early Intervention:* This program works to improve the health outcomes and well-being of infants and their families, focused on helping children, ages 0 to 5, with developmental delays. Governor Shapiro proposes \$1.4 million in additional funding for preschool early intervention (ages 3–5).
- *SNAP:* The Supplemental Nutrition Assistance Program (SNAP) is our nation’s most effective tool to combat hunger. The federal government had boosted SNAP benefits in response to the pandemic, but this increase ended on March 1, 2023. The cut in benefits affects 1,042,614 Pennsylvania households. On average, each SNAP participant is suffering a cut in benefits of \$82 a month. Food prices have also increased, leading to more food insecurity. Advocates have

⁶⁷ PA House Appropriations Committee, “2023/24 Executive Budget Briefing,” March 2023, https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_21.

called this a “hunger cliff.” The steepest cliff will be for many older adults who only qualify for the minimum SNAP benefit — dropping from \$281 a month to \$23.⁶⁸

Governor Shapiro proposes increasing the minimum SNAP benefit for those receiving only the minimum benefit from \$23 a month to \$35 a month,⁶⁹ with a \$16 million investment. The “hunger cliff” will hit all age groups and all parts of Pennsylvania, but only households with a senior or person with a disability will benefit from this increase.⁷⁰ There are more than 105,000 Pennsylvanians who receive the minimum allotment in Pennsylvania and would benefit from the change. Another \$1 million will be invested to improve the IT systems that support these benefits.⁷¹

- *Licensing oversight:* The PA Department of Human Services’ licensing authority is responsible for oversight of programs that protect children, seniors, and people with disabilities and those with behavioral health needs. An additional \$2.2 million would be used to establish new positions in four DHS licensing offices.
- *No proposal to increase TANF grant amounts:* The TANF grant amounts to low-income families have not increased since 1990 and remain at just \$403 a month, which is now below 20% of the federal poverty line. The cost of living has increased by 132% since 1990.⁷² Twenty-two other states have increased their TANF grants over the last two years, but Pennsylvania’s remains at the wholly inadequate 1990 level.⁷³ Pennsylvania spends 11% of its TANF grant amount on basic assistance, which is much less than the national average of 23%. Much more of our TANF block grant goes to child care and pre-K than the national average. Unfortunately, Governor Shapiro provided no increase to the TANF grant, which would help some of Pennsylvania’s poorest families.⁷⁴

DHS savings would come with an increased minimum wage: Increasing the minimum wage would likely decrease costs for programs like Medical Assistance and increase costs to increase wages for certain those in certain occupations like case workers and child care workers. Last year, Governor Wolf’s proposal to increase the minimum wage immediately to \$12 per hour would result in overall savings to

⁶⁸ Food Research and Action Center, “SNAP Emergency Allotments: Pennsylvania,” https://frac.org/wp-content/uploads/SNAP_FRAC_FactSheets_Pennsylvania.pdf

⁶⁹ As a point of comparison, New Jersey has increased the minimum benefit to \$95 a month, which is applicable to every household receiving SNAP. For more information, see here: <https://nj.gov/governor/news/news/562023/approved/20230208b.shtml>.

⁷⁰ Valerie Arkoosh, MD, MPH, Acting Secretary of PA Department of Human Services, “2023–24 Governor Shapiro’s Commonwealth Budget: Department of Human Services Budget Briefing,” Pennsylvania Department of Human Services, <https://www.pa-hcbs.org/wp-content/uploads/2023/03/23-24-DHS-Budget-Stakeholder-Presentation.pdf>; Governor Josh Shapiro, “Governor Josh Shapiro’s Executive Budget, 2023–2024,” March 7, 2023, A1-13, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

⁷¹ PA House Appropriations Committee, “2023/24 Executive Budget Briefing,” March 2023, https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_21.

⁷² CPI Inflation Calculator, <https://www.in2013dollars.com/us/inflation/1990?amount=1>, accessed April 24, 2023

⁷³ Information from Community Legal Services (CLS), Philadelphia, PA.

⁷⁴ <https://www.acf.hhs.gov/ofa/data/tanf-and-moe-spending-and-transfers-activity-fy-2021>.

DHS by \$2.6 million.⁷⁵ Governor Shapiro’s executive budget provided no details about the impact that raising the minimum wage would have on the state’s revenue.

Department of Health

The Governor proposes a Department of Health budget of \$231.8 million, which is a 3.4% increase from last year’s budget (revised). Some initiatives proposed by the Governor include:

Fully funding local health departments: Up to the limits of legislation, the budget would fully fund the state’s county and municipal health departments (CMHDs). CMHDs serve more than 40% of the state’s population, providing direct health services and addressing water pollution and food safety. The Governor proposes a \$6.61 million investment in the local health-environmental appropriation to help local health departments reach full funding. State health care centers would see increased funding by \$2.98 million (12%).⁷⁶

Establish skilled nursing facility registration system: Act 128 of 2022 requires the Pennsylvania Department of Health to register and regulate temporary health care service agencies working in long-term care settings, but the Act did not provide the resources to implement this change. An investment of \$1.9 million would support staff and development of a registration system to make sure that agencies are complying with regulations, including adequate care of long-term care residents.⁷⁷

Expand programming for and study Black maternal health: Governor Shapiro raised the issue of Black maternal health in his budget address, highlighting that rates of maternal mortality are rising, and Black women are three times more likely to die due to a pregnancy-related issue than white women.⁷⁸ The Governor proposes to expand maternal health programming while also studying ways to reduce maternal mortality and morbidity with a \$2.3 million investment.

Department of Corrections and Criminal Justice Reform

Pennsylvania spends significant funding on incarceration. In fact, the Department of Corrections is now the third-largest department in the state budget behind only Human Services and Education. As figure 31 shows, state funding for incarceration surpassed funding for higher education in 2011–12 after the

⁷⁵ House Appropriations Committee staff, “2022/23 Executive Budget Briefing,” House Appropriations Committee, February 8, 2022, https://houseappropriations.com/Topic/2022-2023/696#TOC_13.

⁷⁶ PA House Appropriations Committee, “2023/24 Executive Budget Briefing,” March 2023, https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_21

⁷⁷ Governor Josh Shapiro, “Governor Josh Shapiro’s Executive Budget, 2023–2024,” March 7, 2023, A1–15, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

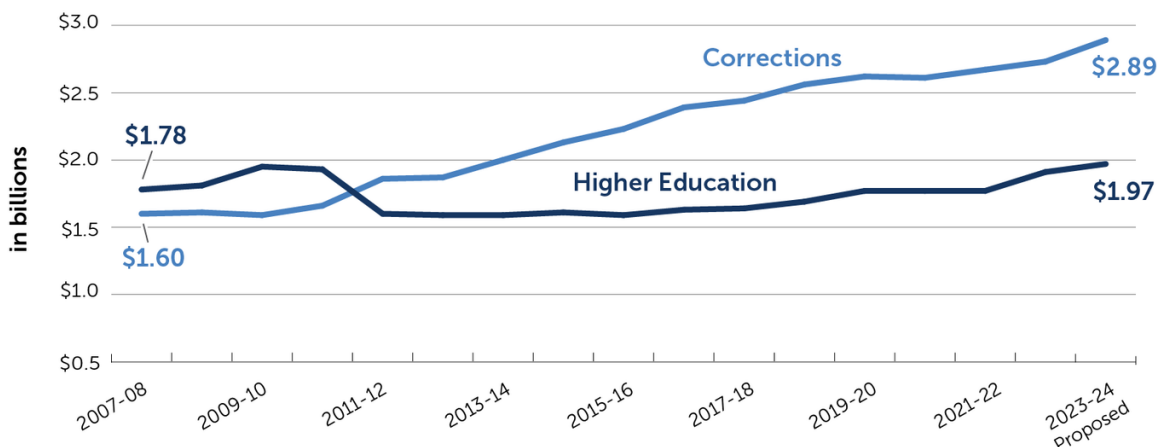
⁷⁸ Governor Shapiro, “Governor Shapiro’s 2023 Budget Address as Prepared,” March 7, 2023, <https://www.governor.pa.gov/newsroom/governor-shapiros-2023-budget-address-as-prepared/>.

Corbett cuts. Since then, funding for higher education has remained relatively flat with slight increases during the Wolf years, while funding for corrections has been increasing.

Governor Shapiro is proposing a \$2.89 billion DOC budget, which is an increase of 5.9%. The two largest costs are state correctional institutions and medical care. State correctional institutions would see a \$121.7 million increase (5.7%) and medical care would see an \$18.3 million increase (5.4%). On the reentry side, the Governor proposes to increase State Field Supervision by \$13.5 million, or 8.5%. Two initiatives by the Governor include \$1.5 million for body worn cameras for parole officers to both enable safety and oversight improvements for parole officers and \$359,000 for an effort to reduce recidivism by connecting parolees to social workers early on in their release.

Figure 31

State Funding for the Criminal Legal System Surpassed Funding for Higher Education in 2011-12 and Has Been Steadily Growing



The Higher Education line does not include ARP \$.
 Note: In 2017-18 the Department of Probation and Parole merged with the Department of Corrections and Rehabilitation to form the Department of Criminal Justice, so in 2017-18, 2018-19, and 2019-20, these numbers include Probation/Parole.
 Source: Pennsylvania Budget and Policy Center from Governor Shapiro's 2023-24 Executive Budget (March 2023)

The Governor's other proposed changes to the criminal justice system fall outside of the Department of Corrections. Governor Shapiro proposes a \$10 million initiative that would fund indigent defense (via the Executive Offices) in the state so those with few resources can still have access to quality representation. Pennsylvania is an outlier here—we are one of only two states that offer no state resources for indigent defense.⁷⁹

The Governor also proposes an additional \$4 million investment in adult probation services via the Pennsylvania Commission on Crime and Delinquency, whose mission is to enhance the planning and quality of Pennsylvania's criminal and juvenile justice systems. This funding would allow adult probation

⁷⁹ PA House Appropriations Committee, "2023/24 Executive Budget Briefing," March 2023, https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_19.

services to hire additional staff, lessen caseloads, and strengthen training which should lead to stronger services and reduced recidivism.⁸⁰

Funding through PCCD would also help to combat violence and discrimination. A \$105 million investment would aim to reduce community violence via the Violence Intervention and Prevention program. A \$5 million investment would provide funds to nonprofit organizations to enhance security, as some non-profits face security issues with hate crimes in the state.⁸¹

Department of Environmental Protection (DEP) and the Department of Conservation and Natural Resources (DCNR)

Protecting the air we breathe, the water we drink, and the natural world around us is critical for our health and well-being and that of future generations. Our constitutional right to clean air and water is outlined in Article 1, Section 27 of the Pennsylvania Constitution which states: “The people have a right to clean air, pure water, and to the preservation of the natural, scenic, historic and esthetic values of the environment. Pennsylvania’s public natural resources are the common property of all the people, including generations yet to come. As trustee of these resources, the Commonwealth shall conserve and maintain them for the benefit of all the people.”⁸²

The Department of Environmental Protection’s (DEP) mission is to “protect Pennsylvania’s air, land and water from pollution and to provide for the health and safety of its citizens through a cleaner environment.”⁸³ As figure 32 shows, the Governor is proposing a \$200 million General Fund budget for the Department of Environmental Protection, a 9% increase from last year. This includes an additional \$1.2 million for General Government Operations, \$2.3 million for Environmental Program Management, and \$11.4 million for Environmental Protection Operations.

Funding for additional staff is very important for DEP, which has seen a nearly 30% reduction in staff over the past 19 years, despite increasing responsibilities and challenges.⁸⁴ Governor Shapiro’s proposed budget highlights a \$5.75 million investment to expand the oversight capacity of the Department of Environmental Protection, allowing for increased efficiency in permitting, dam safety investigations, and

⁸⁰ Governor Josh Shapiro, “Governor Josh Shapiro’s Executive Budget, 2023–2024,” March 7, 2023, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

⁸¹ Governor Josh Shapiro, “Governor Josh Shapiro’s Executive Budget, 2023–2024,” March 7, 2023, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

⁸² The Widener School of Law’s Environmental and Natural Resources Law Clinic, “A Citizen’s Guide to Article 1, Section 27 of the Pennsylvania Constitution,” Widener University, Summer 2010, http://blogs.law.widener.edu/envirolawcenter/files/2010/03/PA_Citizens_Guide_to_Art_I_Sect_27.pdf.

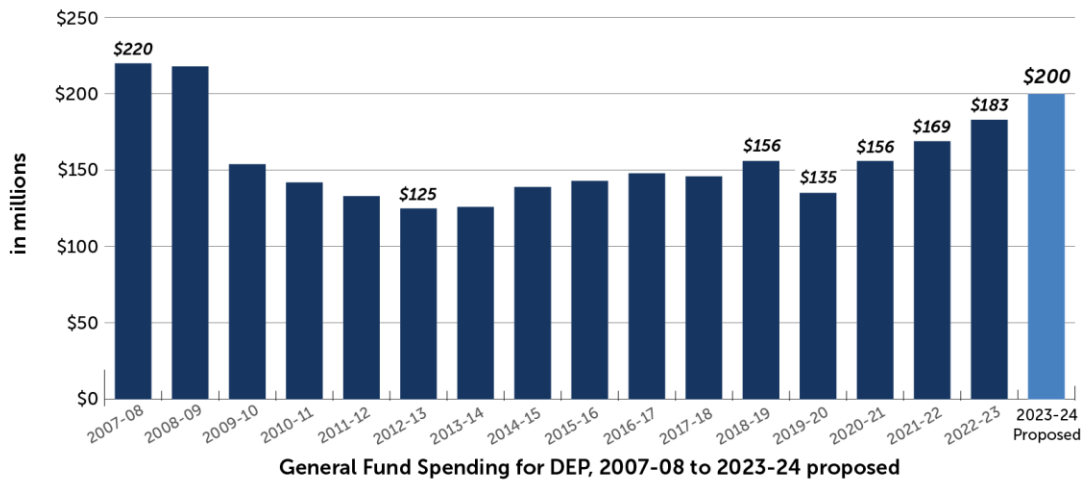
⁸³ Governor Tom Wolf, “Executive Budget, 2022–2023,” E18–1, https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2022-23%20Proposed%20Budget/Budget%20Book%202022-23_Web%20Version.pdf.

⁸⁴ Greg Vitali, “Governor Shapiro must lead on funding Pa. environmental protection,” GoErie, February 9, 2023, <https://www.goerie.com/story/opinion/columns/2023/02/09/shapiro-should-seize-the-chance-to-fully-fund-the-dep-protect-pa/69871402007/>.

improved air quality testing.⁸⁵ This funding would help to fund 30 new staff who would be hired to conduct permitting, do inspections, and engage with the public, with the goal of making the permitting process more streamlined, quick, and easy to navigate.⁸⁶ The Governor also proposes a \$4 million increase for the Clean Water Fund to help safeguard our state’s water resources.

Figure 32

The 2023-24 Budget Increases Funding for the Department of Environmental Protection by 9% From the Previous Year
This year’s proposed funding is still 9% below 2007-08 levels (not inflation adjusted)



Source: Pennsylvania Budget and Policy Center analysis of Governor Shapiro’s Executive Budget (March 2023) and previous budgets.

As figure 33 shows, when you consider the entire DEP budget (including federal funds, special funds, and more), it is proposed to be much larger in 2023–24 than it was the previous year, mostly due to increases in federal funds and other funds. Much of the increase in federal funds is due to funding Pennsylvania is receiving via the Infrastructure Investment and Jobs Act (see table 8), which provides much-needed funding to address many of the environmental problems we face in Pennsylvania. Most notably, assistance for small and disadvantaged communities would increase from \$28.1 million of IIJA funds in 2022–23 (when IIJA was only beginning to be implemented) to \$103.2 million in 2023–24. IIJA funds for abandoned mine reclamation also see a tremendous jump—\$19.9 million to \$469.9 million in 2023–24. Abandoned mine lands and acid mine discharge—spanning both the NE Pennsylvania anthracite coal region and the SW Pennsylvania bituminous coal region—affect Pennsylvania’s environment more than any other states, especially our streams and rivers. IIJA funds would provide \$244.9 million per year for 15 years to clean up AML sites and treat our waterways. This large investment would also create new jobs. Last year and this year, another \$105 million in IIJA investment

⁸⁵ Governor Josh Shapiro, “Governor Josh Shapiro’s Executive Budget, 2023–2024,” March 7, 2023, A1-16, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

⁸⁶ Cassie Miller, “Permitting reform, carbon compact take center stage at DEP’s budget hearing,” Pennsylvania Capital-Star, March 22, 2023, <https://www.penncapital-star.com/government-politics/permitting-reform-carbon-compact-take-center-stage-at-deps-budget-hearing/?eType=EmailBlastContent&eld=1093bd07-5f71-4578-b1a9-482aa1578fce>.

come to Pennsylvania to plug uncapped orphaned wells. These wells leak methane into the air, accounting for 8% of our methane emissions, which contribute to global warming. Orphaned wells also pollute the groundwater. Before receiving this federal funding, Pennsylvania had been unable to address this issue in a comprehensive way.⁸⁷

In table 8, the increase in the “Other Funds” category is mostly driven by a huge increase in the Clean Air Fund, which could see an increase from \$30 million to \$697 million with the addition of proceeds from the Regional Greenhouse Gas Initiative (RGGI), if that gets implemented. In April of 2022, Pennsylvania joined the Regional Greenhouse Gas Initiative (RGGI) but a court challenge in July has kept the state from joining.⁸⁸ RGGI is a cooperative, multi-state, market-based program in the U.S. that aims to reduce greenhouse gas emissions, while also generating economic growth, by establishing a regional cap on CO2 emissions. Many New England and Mid-Atlantic states already participate, including Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont, and Virginia.⁸⁹ Participating states generate proceeds by selling carbon dioxide “allowances” (i.e. rights to generate emissions) at quarterly regional auctions. States can then invest these proceeds in several areas: energy efficiency, renewable energy, greenhouse gas abatement, advancement of green technologies, and bill assistance.⁹⁰

Governor Shapiro proposes to deposit RGGI proceeds, an estimated \$663 million based on state modeling projections,⁹¹ into the Clean Air Fund. Funding would be used for 15 new, full-time staff positions to monitor air quality and 17 full-time positions to implement the CO2 Budget Training Program.⁹² Pennsylvania has not yet participated in any of RGGI’s quarterly carbon credit auctions⁹³ because of the pending litigation arguing that Pennsylvania’s entrance into RGGI needed to be decided by the Legislature, and that Governor Wolf exceeded his authority in seeking to enter RGGI through regulation.⁹⁴

⁸⁷ DEP Acting Secretary Richard Negrin, “Shapiro’s Budget Supports Pennsylvania’s Environment,” PA DEP, April 5, 2023, <https://www.dep.pa.gov/OurCommonWealth/pages/Article.aspx?post=105>.

⁸⁸ Rachel McDevitt, “Pa. Gov. Josh Shapiro’s budget proposal includes Regional Greenhouse Gas Initiative,” State Impact Pennsylvania, March 7, 2023, <https://stateimpact.npr.org/pennsylvania/2023/03/07/josh-shapiros-budget-proposal-includes-regional-greenhouse-gas-initiative/>

⁸⁹ Website of the Regional Greenhouse Gas Initiative, <https://www.rggi.org/>.

⁹⁰ See DEP’s webpage on RGGI at <https://www.dep.pa.gov/Citizens/climate/Pages/RGGI.aspx>.

⁹¹ Cassie Miller, “Permitting reform, carbon compact take center stage at DEP’s budget hearing,” *Pennsylvania Capital-Star*, March 22, 2023, <https://www.penncapital-star.com/government-politics/permitting-reform-carbon-compact-take-center-stage-at-deps-budget-hearing/?eType=EmailBlastContent&eld=1093bd07-5f71-4578-b1a9-482aa1578fce>.

⁹² Pennsylvania House Appropriations Committee, “2023/24 Executive Budget Briefing,” March 2023, https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_36.

⁹³ Cassie Miller, “Permitting reform, carbon compact take center stage at DEP’s budget hearing.”

⁹⁴ Stephen Caruso, “Opponents of cap-and-trade contemplate legislative, legal options to stop RGGI,” *Pennsylvania Capital-Star*, November 19, 2019, <https://www.penncapital-star.com/energy-environment/opponents-of-cap-and-trade-contemplate-legislative-legal-options-to-stop-rggi/>.

Figure 34

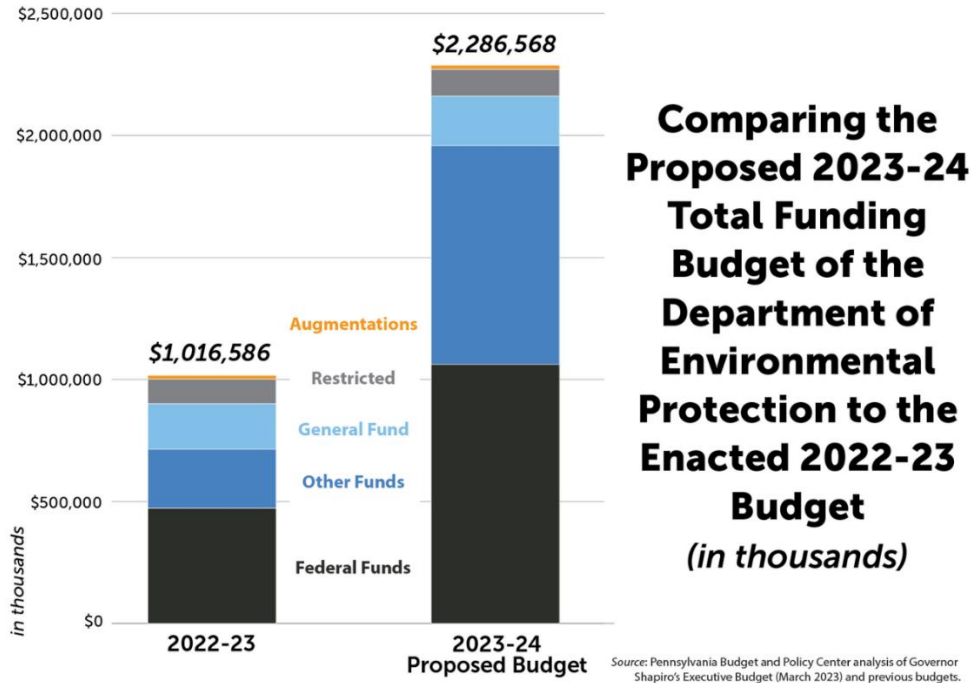


Table 8

| PA Department of Environmental Funding via the Infrastructure Investment and Jobs Act (IIJA) federal funding (in millions) | | |
|--|----------------|----------------|
| | 2022-23 | 2023-24 |
| Solid Waste Infrastructure for Recycling | \$0.0 | \$1.1 |
| Assistance for Small and Disadvantaged Communities | \$28.1 | \$103.2 |
| Orphan Well Plugging | \$105.0 | \$105.0 |
| DOE Energy Programs | \$22.3 | \$22.3 |
| Electric Grid Resilience | \$13.2 | \$16.3 |
| Energy Efficiency and Conservation | \$4.0 | \$4.0 |
| Chesapeake Bay | \$1.8 | \$1.8 |
| Brownfields | \$2.0 | \$4.0 |
| Water Quality Management Planning Grants | \$1.0 | \$1.0 |
| USDA Good Neighbor Authority | \$0.7 | \$2.0 |
| National Dam Safety Program | \$0.1 | \$0.1 |
| NFWF America the Beautiful Challenge | \$7.5 | \$7.5 |
| Coastal Zone Management | \$8.2 | \$8.5 |
| Resilient and Efficient Codes Implementation | \$0.0 | \$3.0 |
| Energy Auditor Training Grant | \$0.0 | \$2.0 |
| Energy Efficiency Revolving Loan Fund | \$0.0 | \$3.7 |
| Abandoned Mine Reclamation | \$19.9 | \$469.9 |
| Total | \$213.8 | \$755.4 |

Source: Information from: https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_21

Governor Shapiro proposes \$2.8 million in additional funding for the Department of Conservation and Natural Resources (DCNR) to strengthen outdoor management and safety, update infrastructure, and

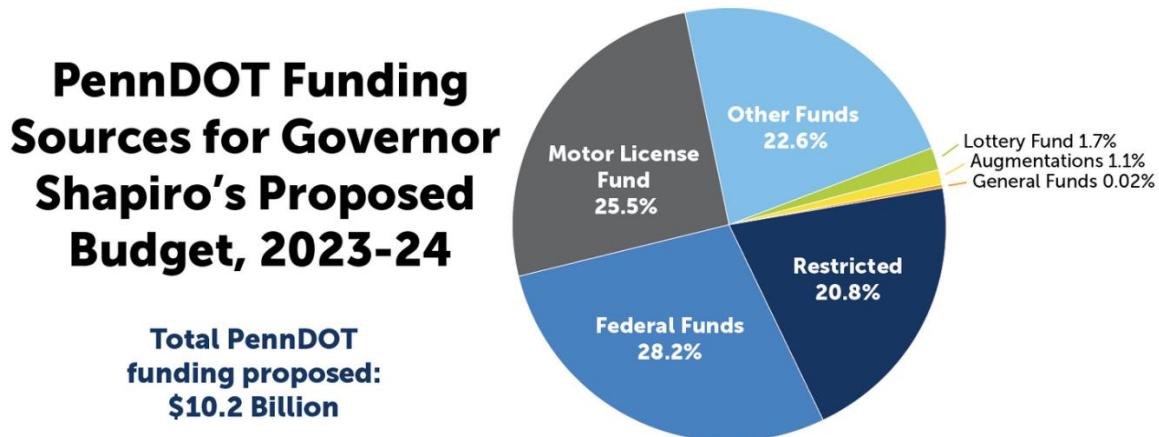
conduct climate resiliency work. This investment would include funding for new, full-time equivalent positions in General Government Operations (10 positions), State Park Operations (5), and State Forests Operations (6).⁹⁵ The Governor also proposes a new Office of Outdoor Recreation, which would act as a connector between DCNR and private outdoor industries and communities seeking outdoor recreation.

Transportation

PennDOT is responsible for almost 40,000 miles of highways and more than 25,000 bridges across the Commonwealth. Pennsylvania currently ranks second in the nation for the number of bridges in poor condition—more than 2,500 bridges across the state. As last year’s collapse of Pittsburgh’s Fern Hollow bridge showed us so clearly, adequately funding our infrastructure and transportation systems is critical to ensuring Pennsylvania’s residents and visitors can travel, and goods can be transported, safely and easily within our cities and across the state. The federal Infrastructure Investment and Jobs Act (IIJA) is providing Pennsylvania with significant funds to better address our infrastructure needs.

Only 0.03% of the Department of Transportation’s funding comes from the General Fund. Instead, three-quarters of the budget is made up of federal funds (28%), Motor License funds (26%), and restricted funds (21%).

Figure 34



Source: Pennsylvania Budget and Policy Center analysis of Governor Shapiro's Executive Budget (March 2023) and previous budgets.

The total proposed PennDOT budget is \$10.2 billion, a decrease of \$221 million, or 2.4%.

⁹⁵ PA House Appropriations Committee, “2023/24 Executive Budget Briefing,” March 2023, https://www.houseappropriations.com/Topic/BudgetYears/746#TOC_35.

Table 9

| PennDOT funding, all sources, 2022-23 and 2023-24 proposed (in thousands) | | | | |
|---|--------------|--------------|--|---|
| | 2022-23 | 2023-24 | \$ change between 2022- 23 and 2023-24 (proposed) | % change between 2022- 23 and 2023-24 (proposed) |
| General Fund | \$3,029 | \$2,735 | -\$294 | -9.9% |
| Motor License Fund | \$2,452,909 | \$2,612,649 | \$159,740 | 8.0% |
| Lottery Fund | \$170,907 | \$170,907 | \$0 | 0.0% |
| Federal Funds | \$2,860,630 | \$2,886,724 | \$26,094 | 1.0% |
| Augmentations | \$101,336 | \$110,300 | \$8,964 | 8.3% |
| Restricted | \$2,179,063 | \$2,131,866 | -\$47,197 | -2.3% |
| Other Funds | \$2,680,820 | \$2,312,087 | -\$368,733 | -14.6% |
| Total Funds | \$10,448,694 | \$10,227,268 | -\$221,426 | -2.4% |
| Total State Funds | \$7,588,064 | \$7,340,544 | -\$247,520 | -3.6% |

Source: Pennsylvania Budget and Policy Center analysis of Governor Shapiro's 2023-24 Executive Budget (March 2023) and previous budgets.

The majority of funding for our roads and bridges come from the state and local gas tax. However, there are several threats to this funding, including people buying less gas due to decreasing travel and fuel-efficient vehicles. Pennsylvania relies too heavily on our gas tax for funding. In fact, in recent years the gas tax made up about 78% of our total transportation funding, which is much higher than Pennsylvania's surrounding states. For instance, New York's gas tax makes up only 18% of the state's total transportation funding.⁹⁶

Also, federal funds have been unpredictable—for example, the federal gas tax hasn't increased for about 30 years, though costs have increased with inflation. The federal Infrastructure Investment and Jobs Act (IIJA) will bring much needed federal resources back into Pennsylvania to help fund road and bridge maintenance and repair and other infrastructure projects. The 2023–24 Executive Budget includes \$792 million in IIJA funds for the Highway and Safety Capital Projects. Based on formula funding alone, Pennsylvania could receive about \$4.1 billion in new federal money in the next five years, but in order to take advantage of full match opportunities via the IIJA, PA will need to come up with an additional \$442 million to cover the state's share. The Governor proposes we get there by instead of funding state police via the Motor License Fund, we fund state police out of the General Fund (\$100 million each year for five years). This would generate approximately \$1.5 billion in extra road funds, which is even more than is needed to access the federal money.⁹⁷

⁹⁶ Transportation Revenue Options Commission (TROC), "Pennsylvania Transportation Revenue Options Commission: Final Report and Strategic Funding Proposal," July 30, 2021, <https://www.penndot.pa.gov/about-us/funding/Documents/TROC-Final-Report.pdf>.

⁹⁷ Ed Blazina, "New PennDOT leadership concentrating on acquiring federal funding, not changing funding formula for now," Pittsburgh Union Progress, April 2, 2023, <https://www.unionprogress.com/2023/04/02/new-penn-dot-leadership-concentrating-on-acquiring-federal-funding-not-changing-funding-formula-for-now/>; Keystone Transportation Funding Coalition (KTFC), "KTFC Policy Issues, Draft," January 2022, https://www.paconstructors.org/wp-content/uploads/2022/01/KTFC-policy-issues-January-2022_Clean.pdf.

Multimodal transportation provides support for the state’s non-highway infrastructure, including public transportation, aviation, bicycle, rail, and ports. The largest funding source for public transportation is the Public Transportation Trust Fund, which is funded by the Pennsylvania Turnpike Commission (PTC) contributions, state lottery funds, sales tax, and taxes on vehicle leases and rentals, among other sources. The Public Transportation Trust Fund budget is decreasing by \$543 million this year from \$3.2 billion to \$2.6 billion.⁹⁸

The long-term status of public transportation funding was in question in Pennsylvania because Act 89 allocated all Act 44 payments to public transit but lowered the annual obligation of the Pennsylvania Turnpike Commission (PTC) for public transportation subsidies from \$420 million in 2021–22 to \$50 million starting in 2022–23. This nearly \$400 million decrease in annual PTC contributions is being made up with the transfer of sales and use tax this year (2022–23), filling the hole left from the PTC decreases.⁹⁹ Federal funds, via the IIJA, will provide a 30% increase to transit agencies going forward, which will help support local transit agencies.¹⁰⁰ Acting Department of Transportation Secretary Mike Carroll testified that the department is focused on making sure it has match money available to take advantage of the huge amount of federal funds that could be available to the state.¹⁰¹

Table 10

| PennDOT funding by program, 2021-22 through 2023-24 proposed (in thousands) | | | | | |
|---|--------------------|---------------------|---------------------|--------------------------|-------------------------|
| | 2021-22 | 2022-23 | 2023-24 Proposed | \$ change from last year | % change from last year |
| Transportation Support Service | \$67,211 | \$79,748 | \$80,925 | \$1,177 | 1.5% |
| Highways and Bridges | \$5,285,594 | \$5,965,877 | \$6,154,916 | \$189,039 | 3.2% |
| Local Highways and Bridges | \$864,373 | \$974,977 | \$925,399 | -\$49,578 | -5.1% |
| Multimodal Transportation | \$2,892,799 | \$3,095,998 | \$2,730,370 | -\$365,628 | -11.8% |
| Driver Vehicle Services | \$311,090 | \$332,094 | \$335,658 | \$3,564 | 1.1% |
| Total Funds | \$9,421,067 | \$10,448,694 | \$10,227,268 | -\$221,426 | -2.1% |

Source: Pennsylvania Budget and Policy Center analysis of Governor Shapiro's 2023-24 Executive Budget (March 2023).

Rainy Day Fund

The Rainy Day Fund has a balance of \$5.12 billion, a record high for Pennsylvania.¹⁰² This is due to the deposit of \$2.6 billion in 2021 and \$2.1 billion in 2022. Governor Shapiro’s budget proposes no new transfer to the Rainy Day Fund for 2022–23. Pennsylvania ranks #27 out of all 50 states for the share of

⁹⁸ Governor Josh Shapiro, “Governor Josh Shapiro’s Executive Budget, 2023–2024,” March 7, 2023, H102, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/Budget%20Book%202023-24%20WEB.pdf>.

⁹⁹ Ibid.

¹⁰⁰ PennDOT budget hearing accessed at <https://pcntv.com/pa-budget/>.

¹⁰¹ Ed Blazina, “New PennDOT leadership concentrating on acquiring federal funding, not changing funding formula for now,” Pittsburgh Union Progress website, April 2, 2023, <https://www.unionprogress.com/2023/04/02/new-penn-dot-leadership-concentrating-on-acquiring-federal-funding-not-changing-funding-formula-for-now/>.

¹⁰² Information from updates provided by the Pennsylvania Senate Democratic Appropriations Committee.

rainy day funds as a share of General Fund expenditures (11.6% for FY 2022–23).¹⁰³ This is a huge increase from just a few years ago when Pennsylvania ranked near the bottom in terms of rainy day funds compared to other states: in FY2021, Pennsylvania had only 0.7% in rainy day funds as a share of spending.¹⁰⁴

Conclusion

Our analysis in this report suggests that Governor Shapiro’s priorities are spot on but that in some critical areas he does not propose sufficient investment. Implicitly, he challenges the legislature to share responsibility for finding the funds Pennsylvania needs to invest in our common future. It is still early yet, but in the context of Pennsylvania’s new political lineup, including a Democratic majority in the state House, there appears to be more openness in the legislature to focusing on the issues that have been shown to matter most to Pennsylvanians: issues like increasing the minimum wage, taking a big step forward on school funding, and readying our workforce for good and growing jobs. Some of this openness among lawmakers spans party lines. The 2023-24 budget will be a test of whether this is just talk, a precursor to extremism aimed at scoring political points and derailing Governor Shapiro’s priorities, or can lead to real progress that makes Pennsylvanians’ lives better and more secure. Two great ways for legislators in both chambers and both parties to demonstrate that they want to focus on the “people’s business” would be to build on Governor Shapiro’s proposed investments in education. By doing that, lawmakers could achieve a budget more equal to the fundamental crises of K-12 and higher education that Governor Shapiro so elegantly framed in his budget proposal.

¹⁰³ Independent Fiscal Office, “State Rainy Day and General Fund Balances,” Research Brief, March 2023, http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/RB_2023_03_Rainy_Day_Fund.pdf.

¹⁰⁴ Pew Trusts, “Fiscal 50: State Trends and Analysis,” PewTrusts.org, November 27, 2013, Updated March 22, 2023, <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2014/fiscal-50#ind5>.