

2025-2026 State Budget Proposal Position Statement



Background:

On February 4th, Governor Josh Shapiro delivered his third budget address before the Pennsylvania General Assembly. The Governor's proposed 2025-26 budget totals \$51.4 billion, a 7.5% increase over the enacted 2024-25 budget. This budget is balanced through a \$1.6 billion draw from the state's "rainy day" emergency fund, alongside projected revenue from two uncertain sources: the legalization of recreational marijuana and the regulation of "skill game" machines. It also would deplete the remaining \$2.9 billion in available general fund reserves. Governor Shapiro's plan prioritizes investments in critical areas such as workforce development, education, housing, and economic development, with the goal of "paving the way for a stronger, more prosperous Pennsylvania."

Policy Position:

To ensure Pennsylvania remains competitive and doesn't fall behind more business-friendly states, we must act decisively. While we've made strides, investments that strengthen our business climate and economic foundation are more important than ever. The proposed accelerated reduction of the Corporate Net Income (CNI) tax rate is a critical first step in signaling that Pennsylvania is open for business. However, we can't afford to wait on initiatives that invest in the future – those that support key industries, housing choice, energy affordability, and reliable infrastructure. **Therefore, the Lancaster Chamber urges lawmakers to prioritize these vital investments, ensuring Pennsylvania's long-term success without compromising on our fiscal sustainability.**

The Lancaster Chamber calls on the Legislature and Governor to address the following priorities:

Make Pennsylvania More Business-Friendly

- Support the Governor's proposal to accelerate CNI tax rate reductions, reducing the current tax rate each year by 0.75% starting in 2026, and reaching 4.99% in 2029, two years ahead of schedule. This could realize \$10.5 billion in savings for businesses, allowing them to invest in employees, innovation, and expansion.
- Prioritize key business-friendly reforms, such as permitting, licensing, and prevailing wage reforms that currently hinder new construction and economic growth.

Address Critical Workforce Needs

- Direct resources toward education and training in sectors critical to Pennsylvania's economic growth, as detailed by the statewide economic development strategy. This will ensure that all individuals have access to family-sustaining jobs and that the state's workforce is equipped to meet the demands of emerging industries.
- Commit to investments that bolster the childcare workforce, ensuring teachers receive competitive wages that help retain them in the classroom. When parents have accessible, reliable childcare, they are more likely to have workforce engagement, reduced absenteeism, and boosted productivity at work.

Invest in the Next Generation

- Ensure adequate state funding to meet constitutional mandates for K-12 public schools, ensuring that students have the resources they need to be successful in the classroom and in their future careers. Funding should be targeted towards resourcing school districts, particularly to increase the number of teachers in the workforce and expand career-readiness programs for students.
- Support investments in diverse post-graduation pathways, including higher education, vocational training, apprenticeships, military service, and direct entry into the workforce. By broadening opportunities, we ensure that every student can pursue a fulfilling career path that aligns with their strengths and aspirations.

Implement Economic Development Strategies

- Establish a dedicated funding mechanism to provide technical assistance to municipalities in navigating zoning reform, cutting through red tape, and developing actionable land-use plans to address the housing shortage. At the same time, continue investments in programs that allow for home rehab and affordable housing construction so that employees have access to workforce housing.
- Boost investments that drive new business development and empower small businesses and entrepreneurs, ensuring Pennsylvania's downtowns, main streets, and communities remain vibrant.
- Foster energy innovation that enhances grid stability and reduces costs, driving growth in key industries such as manufacturing, technology, and life sciences.

Commitment to a Two-Year Budget Cycle

Businesses, educational institutions, and agencies rely on secure funding streams to function, and the yearly budget cycle creates uncertainty and variance in what their allocation will be. The state government should prioritize and adopt a two-year budget cycle that will increase efficiency, sustainability, and productivity.