



POSITION STATEMENT ON 2026-2027 STATE BUDGET PROPOSAL

Background

On February 3, 2026, Governor Josh Shapiro delivered his 2026-27 budget address before the Pennsylvania General Assembly. The Governor's proposed budget totals approximately \$53.3 billion, an increase of roughly \$2.7 billion over the current year. The proposal continues scheduled Corporate Net Income Tax reductions already enacted in law, calls for closing the "Delaware Loophole," and includes major investments in education, workforce development, childcare, housing, public transit, and energy affordability. The proposal also again relies on policy changes such as legalizing adult-use cannabis, regulating skill games, and raising the minimum wage, all of which face political headwinds in a divided state government.

As part of the budget process, the House and Senate Appropriations Committees held hearings throughout late February and March 2026. Those hearings made clear that lawmakers remain concerned about Pennsylvania's long-term structural deficit, the sustainability of recurring spending, and whether proposed new revenue sources are realistic. At the same time, hearings also reinforced broad recognition that Pennsylvania must remain competitive, address workforce shortages, invest in education, and reduce barriers to business growth.

Policy Position:

The Lancaster Chamber supports a final state budget that strengthens Pennsylvania's economic competitiveness, grows the workforce, addresses housing and infrastructure constraints, and protects long-term fiscal stability. The Commonwealth cannot afford to fall behind competitor states on business climate, workforce readiness, or affordability. At the same time, lawmakers should avoid relying on uncertain revenue assumptions or unsustainable one-time fixes that create greater instability in future years.

The Lancaster Chamber urges the Legislature and Governor to prioritize the following:

- **Make Pennsylvania More Business-Friendly:**
 - Maintain the scheduled reduction of the Corporate Net Income Tax already in law and continue reforms that improve Pennsylvania's tax competitiveness.
 - Advance practical business-climate reforms with bipartisan potential, including faster permitting, predictable licensing timelines, transparent agency processing, and site-readiness investments that help employers expand and invest here.
 - Carefully evaluate any business tax base changes, including combined reporting or "Delaware Loophole" proposals, to ensure Pennsylvania-based employers are not placed at a disadvantage and that reforms are implemented in a way that promotes fairness and predictability.
- **Address Critical Workforce Needs & Invest in the Next Generation**
 - Continue investing in workforce development programs tied directly to employer demand, including apprenticeships, career and technical education partnerships, nursing and health care pipelines, and school-to-work initiatives.
 - Recognize childcare as a workforce issue. Support targeted investments that help stabilize the childcare workforce and expand access for working families so employers can improve retention, reduce absenteeism, and strengthen labor-force participation.
 - Continue making progress toward a constitutionally sound and economically effective school funding system, while ensuring new dollars are tied to student outcomes, workforce readiness, and classroom impact.
 - Support investments in career readiness, CTE, apprenticeships, higher education, and other postsecondary pathways that align with Pennsylvania's economic development strategy and labor market needs.
- **Implement Economic Development Strategies**
 - Support practical housing measures that increase supply, reduce barriers to development, and help communities plan for growth. Technical assistance, model ordinances, and coordinated state housing leadership are constructive steps if they help local communities deliver workforce housing.

- Continue investments in downtowns, main streets, small businesses, and site development so Pennsylvania communities remain attractive places to live, work, and invest.
- Advance energy affordability and reliability policies that lower costs for employers and households, strengthen grid capacity, and support business attraction, especially in manufacturing, technology, and other energy-intensive sectors.
- **Maintain Fiscal Responsibility and Budget Certainty**
 - Enact a final budget that is honest about recurring revenues and recurring expenditures. Pennsylvania's competitiveness depends not only on strategic investment, but also on long-term fiscal credibility.
 - Avoid overreliance on speculative revenues or one-time reserves to support permanent spending commitments.
 - Continue exploring reforms that give employers, schools, and service providers more predictability in state budgeting and funding decisions.