

February 13, 2026

Governor Shapiro's 2026/27 Proposed Budget

Governor Shapiro gave his fourth budget address to a joint session of the General Assembly on Tuesday, February 3. The 2026/27 proposal increases spending by 5% to \$53.3 billion.

The Governor, once again, made the call to create new revenue streams by legalizing and regulating both skill games and adult-use cannabis. Legalizing cannabis is estimated to bring in \$200 million annually. Additionally, the proposal includes restorative justice policies and an investment to ensure small and diverse businesses can enter the market.

Under his proposal, skill games would be defined as video gaming terminals and taxed at 52% of gross revenue, with 10% of revenue dedicated to a local share. Each establishment would be allowed to host up to five machines, and the proposal limits the state to 40,000 machines in total. Taxes and licensing of skill games are estimated to bring in \$2 billion annually.

Education is once again the winner in terms of priority funding. To continue to close the adequacy funding gap for poor school districts, the Governor proposes an additional \$565 million. Both basic education and special education would receive \$50 million increases. School districts would also see an annual \$75 million savings with continued cyber charter school reform.

Public transit funding would receive \$300 million annually by transferring an additional 1.75% of Sales and Use Tax revenues to the PA Transportation Trust Fund beginning July 1, 2027. The Pennsylvania Program for Critical Infrastructure Investment would be established to invest in infrastructure projects across energy, housing, and school districts and local governments. The program would be established through the sale of general obligation bonds with proceeds placed in the Capital Facilities Fund.

The budget proposes transferring \$100 million from the Budget Stabilization Reserve Fund to a new Federal Response Fund. This will allow the Commonwealth to be prepared to mitigate actions, or inactions, by the federal government to respond to emergencies and severe weather events to ensure the health, safety, and welfare of Pennsylvanians.

Housing initiatives are highlighted in this budget, including the anticipated release of the Governor's Housing Action Plan in the coming month. Specifically, the budget offers several policy proposals to ease housing access in the state. The Governor called for legislative action to prevent tangled titles and to modernize the Municipalities Planning Code. It proposes the creation of a Deputy Secretary for Housing within DCED, as well as addressing rental housing issues, including application fees, tenant rights, and eviction records.

Under public safety and crime prevention, the budget proposes \$16.2 million to train four new state trooper cadet classes. The budget also calls for the complete elimination of the current statutory cap which limits the number of troopers. The Commission on Crime and Delinquency is set to receive a \$12.5 million investment in its Building Opportunity through Out of School Time (BOOST) program; as well as \$68.3 million for Violence Intervention and Prevention. Fire companies would have access to \$30 million in competitive grants for recruitment, retention, equipment, and operating needs.

The House and Senate Appropriations Committee will hold hearings, starting on February 23, to discuss budget priorities with agency staff. The budget deadline is June 30.

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