



## **Governor Shapiro FY 2026 State Budget Proposal**

### **What's it Means for Children**

February 5, 2025

Governor Shapiro delivered his third proposed budget to the PA legislature, outlining what he called commonsense investments to make the lives of Pennsylvanians better. The \$51.5 billion proposed budget wisely increases spending to offset the impact of inflation so that Pennsylvania's children do not suffer the impact of cuts to critical programs. In fact, the lion's share of Shapiro's new spending is laser focused on improving the lives of children.

#### **Children's Health**

##### Avoiding Cuts to the Life-Saving Services of Medicaid

First off, the Governor tackles the inflationary pressures on the largest single cost driver in the state budget: the Medicaid program. This life-saving program offers access to health care to low-income families and children, which account for 11% of Medicaid costs (77% of the program's funds are used to cover senior citizens and people with disabilities) and provides access to health care for 40% of the state's children. The Governor's proposed \$2.5 billion increase to Medicaid is urgently needed to avoid shuttering hospitals and reducing primary and specialty care health care access, especially in Philadelphia and rural Pennsylvania where health systems like St. Christopher's Hospital are a literal lifeline for children. That's why it's especially good news that, in addition to the Medicaid increase, the Governor proposed \$50 million to shore up fragile hospital systems across the state.

##### Still Needing to Close Gaps in Child Health Insurance

Thankfully the Governor did not bow to the conservative tide and propose cuts to Medicaid, making this budget one that champions children. At the same time, the state continues to overlook the benefit of making sure every child has health insurance so they can get their health care needs met, readily and before illnesses become serious or chronic. In the last three years, tens of thousands of children were removed from Medicaid due to changes in enrollment processes. As a result, 147,000 children are estimated to be uninsured – 5% of the Pennsylvania's children. Meanwhile the state is paying \$400 million a year to hospital systems for health care provided to these uninsured children. Even these funds do not fully compensate health care systems for the lifesaving services they provide to uninsured

children. That’s why – in addition to the Medicaid boost – the state must adopt policies to insure every child.

### Improving the Reliability of Health Care Access for Children

Taking a page from his experience as Attorney General, the Governor called out the risks to health care associated with the devastating impact to health care once private equity firms take hold of health care systems the Governor said:

*“Private equity is motivated to make a profit and make it quickly...They buy up hospitals and health care facilities, line their own pockets by stripping money and resources from those facilities and compromising care. Then, in many cases, they skip town, leaving taxpayers holding the bag and communities without the care and services they need. I’m done letting private equity treat Pennsylvania hospitals like a piggybank they can empty out and smash on the floor.”*

With essential health care systems like Crozier Chester gutted by private equity practices, putting the health care of tens of thousands at risk, we applaud the Governor for seeking new policies to protect the health care for children and their families from irresponsible profiteering.

### Investing in the Health Care Workforce

Fortunately, Governor Shapiro’s budget also proposes big investments in the healthcare workforce because healthcare provider shortages make it difficult for children and their parents get the care they need when they need it. These workforce investments include:

- \$10 million to expand the Primary Care Loan Repayment program so that more new certified health professionals choose to work in underserved communities
- \$5 million to incentivize more health care providers to serve rural communities
- \$5 million to support workforce initiatives to educate, train, and recruit nursing professionals

Each of these investments has the promise of boosting the health of children across the Commonwealth.

### Maternal Mental Health Remains A Priority; Kids Mental Health Needs Must Catch Up

Further, the Shapiro Administration continued its prioritization of maternal health by issuing a clear directive to the PA Department of Health to expand postpartum depression (PPD) screening. Babies don’t go to the doctor alone, so timely and equitable mental health interventions for mothers and caregivers keep kids healthy too.

The budget also allocates funds to begin to improve access to mental healthcare. The proposed investments are not children, but they are welcome investments in the mental wellbeing of Pennsylvanians and include:

- \$10 million to sustain and expand the 988-lifeline (mental health hotline)
- \$20 million for county mental health services
- \$5 million to support walk-in centers for those in a mental health crisis, focused on underserved areas

However, with 40% of the state's high school students reporting signs of depression, it's disappointing not to see more progress in delivering ready access to mental health care for children. Pennsylvania lags far behind other states that are proactively increasing access to mental health services for children of all ages. New Medicaid policies that give children access to mental health preventive services and counseling long before a child is diagnosed with a chronic mental illness will boost child wellness and drive down health care costs. We hope that policies like these can be advanced along with the adoption of the state budget with support from key lawmakers.

#### Children Poisoned by Lead Must be Added the Agenda

The budget also failed to include any funds to prevent lead poisoning although a shocking 11,000 children were poisoned by lead in Pennsylvania in 2023. We know that it's likely that many more children are suffering from the horrific lifelong consequences of lead poisoning since only about 25% of the children in the state are actually tested for lead exposure. We will continue to work with champions in the General Assembly to take action to do more to end childhood lead poisoning.

#### **Public Education**

##### Shapiro Puts the Students with the Greatest Needs First

The most historic policy change embodied in the Governor's budget is the ambitious investment in public schools and higher education. The big news is the \$1 billion for public schools that supports the Shapiro policy of prioritizing state funds for schools to the communities with the lowest wealth. Shapiro's proposal represents the second year of the tidal shift where education funding is directed towards the 348 low-wealth school districts that need it the most, including 181 rural school districts. This investment represents a continued serious effort to abide by the Commonwealth Court order to provide a thorough and effective public education to all students in Pennsylvania.

Specifically, \$526 million is targeted for schools found to be underfunded by the state's highest court and confirmed by legislation passed last year that found the funding gap for

these districts to be \$4.5 billion. The proposed increase represents the second major infusion of funds for these districts, bringing the gap down to \$3.5 billion. Although this progress is substantial, at this rate, it may take nearly a decade to afford students in these low-wealth districts access to a top-quality education. Governor Shapiro’s bold proposal sets a clear marker of his commitment to addressing the school funding gap. We hope to persuade House and Senate members to accelerate the pace of closing this gap.

#### Every School District Receives More State Support, Progress on this Front is Needed

Every local school district will also receive increases in funding through a \$75 million increase in Basic Education Funding – state funds distributed to every school district as part of the state’s share of total education costs. In addition, a \$40 million increase was provided for Special Education Funding. These increases appear to be below the rate of inflation which is likely to mean that school districts will likely need to boost property taxes to compensate for weak state investments and rising costs, or worse yet, cuts to services for students. State lawmakers have the power to increase these basic state investments so that both taxpayers and students are protected from the impact of inflation while preserving the quality of their schools.

#### Cutting Wasteful Education Spending Takes Center Stage

In addition to these investments, the Governor proposed adopting a standard cyber charter school tuition rate of \$8,000 per student, saving school districts an estimated \$378 million annually that otherwise would go to cyber schools. This common-sense reform would align the tuition that school districts send to cyber charter schools with the cost of educating students on a computer. Additionally, a statewide standard rate would remove the wild disparities in payments to cyber charter schools based on their home school district funding – some school districts pay under \$8,000 per child while others pay over \$25,000 per child for the same educational service. (This policy reform was recommended three years ago by Children First’s PA Charter Performance Center.)

Other key priorities in the Governor’s education funding plan that we fully endorse are:

- \$125 million more in school repairs
- \$100 million to continue school safety and mental health investments
- \$20 million more to expand student teacher stipends
- \$11 million more to fund school meals including providing universal free breakfast for every student
- \$7 million to continue supporting dual enrollment, giving high school students access to higher education course content
- \$2.5 million more for teacher professional development
- \$5.5 million for Career and Technical Education

## Innovations in Higher Education Funding Are Positioned to Take Hold

With respect to higher education, more than \$114 million is proposed to augment state funds for students attending colleges and universities. In large measure, these funds are intended to boost college access, especially for students who face the greatest financial hardship. These funds are expected to support measures that streamline credit transfers for students as they shift from one college to another and increase the share of students who complete their two- and four-year degrees on time. The newly created State Board of Higher Education will provide new metrics to accompany these investments that increase efficiency in the higher education sector to stem to rising tuitions, shorten the time to complete degrees and increase the focus of higher education institutions on degrees that prepare students for a good job upon graduation.

### **Child Care and Pre-K**

Child care was another big focus of the Governor's address where he made the clear case that the child care sector faces a worker shortage because of low wages.

## Finally Raising the Wages of the Workforce behind the Workforce – Child Care and Pre-K Investments that Work

After years of advocates sounding the alarm on the early childhood education staffing crisis, the Governor proposed investments focused on the recruitment and retention of the early childhood workforce. The Governor's proposal includes a remarkable increase of \$103 million for the early childhood education sector, which includes child care, pre-k, and early intervention. Over 80% of that investment is dedicated to lifting the workforce. In child care alone, since the start of the pandemic, 2,200 child care programs have closed in the Commonwealth. An additional 25,000 children could be served if 3,000 open job positions could be filled.

There was a new line-item for a \$55 million recruitment and retention fund for the 54,000 child care teachers in programs that are willing to accept children whose child care is subsidized by the Commonwealth because of the families' low income. These funds are expected to provide a minimum \$1,000 bonus per early childhood educator to incentivize them to enter careers or stay in their jobs. Additionally, there was a \$17 million increase for Pre-K Counts, of which \$15 million is also for a rate increase to increase wages for pre-k teachers.

## Increasing Access to the Specialist to Help Young Children with Healthy Development

Early intervention (EI) for infants and toddlers (Part C) and for 3- and 4-year-olds (Part B) also saw an increase. Early intervention is a lifeline for families with young children who need developmental services (speech, occupational, or physical therapy). These are the types of services that keep children in child care programs, mitigating the harmful effects of suspension and expulsion of children from programs.

The budget included \$10 million more for early intervention services for infants and toddlers, (EI Part C), exclusively focused on a rate increase so that early intervention providers can raise wages. The administration projects that these funds will serve 3,000 more children, bringing the total number of children served to 54,300.

The proposed budget also included a \$14.6 million increase for early intervention services for 3–4-year-old children (EI Part B) to continue the program. The administration expects to serve 3,500 pre-school-aged children in early intervention, bringing the total number of children served in that program to 76,320.

Unfortunately, the state’s Head Start Supplemental Assistance Program (HSSAP) was flat funded. During these uncertain times, this was a missed opportunity to support low-income families, and our invaluable Head Start providers.

Key priorities in the Governor’s early childhood education funding plan include:

- \$55 million for a child care recruitment and retention fund
- \$17 million for Pre-K Counts, of which \$15 million for a rate increase and \$2 million to continue services
- \$16 million for infant/toddler Early Intervention, of which \$10 million for a rate increase to enable higher wages for providers and \$6 million to continue services.
- \$14.6 million for three- and four-year-old Early Intervention services to continue services.

## **Juvenile Justice**

### More State Leadership to Decrease Youth Detention is Urgently Needed

Unfortunately, Governor Shapiro’s budget does not include increased state investments in diversion or alternatives to detention for youth who encounter the juvenile justice system.

There is an increase, however, of \$4 million to the budgets of the state-run Youth Development Centers and Youth Forestry Centers, where youth can be sent once they are found guilty of a crime. Research shows that incarceration is associated with lower high

school graduation rates and higher likelihood of re-arrest and re-incarceration. In 2023, over 1,500 Pennsylvania children were sent to juvenile justice facilities, an almost 13% increase from the previous year. We will continue to work with lawmakers to add to the state budget funds specifically to fund diversion programs to reduce the number of children and youth every sent to jail.

### A Ray of Hope for Youth Engagement

Despite the lack of investment in alternatives to youth incarceration, there are some bright spots for youth at risk of involvement in the justice system. The Governor's budget proposes a \$20 million increase to Violence Prevention and Intervention programs, including \$10 million in additional funding for gun violence prevention and another \$10 million for the Building Opportunity through Out of School Time (BOOST) after-school programs, both of which keep young people engaged and promote their academic, social, and emotional growth.

### **Workforce Policies**

The Governor once again urged the House and Senate to “stop giving neighboring states a competitive edge,” pointing out that every one of PA's neighbors make sure every employee is paid more than PA's minimum wage of \$7.25, the rate since 2009.

*“In the last session, the House of Representatives passed legislation to increase our minimum wage to \$15/hour. And the Senate sat on its hands. That's hurting workers.”*

The Governor's impassioned call to raise the minimum wage could have also said that there are millions of children whose parents are working and earning the minimum wage. These children are being raised in abject poverty, and for their sake alone, the legislature must act.

Further, many young families are also choosing to move to our bordering states of New York, New Jersey, Delaware, and Maryland where they are guaranteed paid time off after having a baby, based on the state's Paid Family and Medical Leave. Thanks to our hard work and that of key partners, paid leave is increasingly winning bipartisan support in the PA House and Senate, boosting the possibility of passing this business-friendly policy that supports young parents can happen this year.

### **Balances Revenues and Expenses Governor Shapiro Makes Bold and Welcome Proposal**

To balance the budget the Governor proposes enacting new revenue generators like the legalization of cannabis, which he noted that Pennsylvanians are already buying in

bordering states. Other revenue generators include taxing skilled games of chance and closing corporate tax loopholes. Combined, these approaches are expected to generate \$900 million to avoid cuts to essential state services and meet the state's constitutional obligation to fund public schools. At the same time the governor is proposing to while streamline and potentially reducing taxes paid by banks and trusts by millions; while accelerating a reduction in the corporate tax rate will within three years reduce what corporations do by \$1.9 billion. To begin to meet our constitutional obligation to public schools support essential services and avoid inflation-related cuts, while also providing corporate tax reductions, the budget depends on tapping \$1.6 billion of the state's \$7 billion in reserves, known as Rainy Day funds, to be balanced.