



GRAHAM DIES AT 71

SEN. LINDSEY GRAHAM, A CLOSE ALLY OF PRESIDENT DONALD TRUMP, DIED SATURDAY NIGHT AFTER A BRIEF ILLNESS. THE SOUTH CAROLINA REPUBLICAN WAS 71. **B1**

STATE CAPITOL

Shapiro signs budget deal that goes big on education, punts on other issues



Gov. Josh Shapiro signs the state’s 2026-27 budget package at the state Capitol on Sunday. Photos by Megan Lavey-Heaton, PennLive

Pennsylvania’s 2026-27 budget is in place, 12 days after the deadline.

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Pennsylvania’s budget drama has concluded its final act and critics’ reviews are mixed.

Gov. Josh Shapiro signed the state’s 2026-27 budget into law about 6:15 p.m. Sunday following several hours of votes in the state House and Senate, delivering what Shapiro and most of his fellow Democrats described as a crucial continuation of state investments in education, affordability and economic development.

This year’s budget deal, as PennLive reported late Saturday night, is somewhat unusual given that it relies on shifting the timing of Medicaid payments in order to reduce the general appropriations total to \$50.8 billion on paper, even though roughly \$52.2 billion costs will actually be incurred.

The accounting trick — combined with the transfer of unused money stashed away in special-purpose funds — will allow lawmakers to skate through another year without creating new revenue streams or dipping into the state’s “rainy day” reserve, which has been a red line for Republican fiscal hawks.

Such compromises tend to engender support from party leadership and the mainstream on both sides of the aisle, while drawing criticism from Democrats’ left flank and Republicans’ right.

The new budget deal is no exception, but “it’s very difficult when there are two diametrically opposed visions for how to move the commonwealth forward,” said House Minority Leader Jesse Topper, R-Bedford County.

Republicans hold a majority in the state Senate, while Democrats have the advantage in the House. The new budget is only 12 days late, with the 2025-26 appropriations having lapsed at the end of the fiscal year on June 30 — a relatively short impasse, given that last year’s budget didn’t get done until November.

While the deal is admittedly imperfect,



Rep. Mike Schlossberg, D-Lehigh County, takes a selfie with a group of legislators before Gov. Josh Shapiro signs the state’s 2026-27 budget package.

“at the end of the day, I still believe it’s the best product that this makeup of the General Assembly could come up with at this time,” Topper continued.

Although it hinges on technicalities, the new budget isn’t entirely a nothing-burger. It pushes \$900 million more into education, including \$565 million in the adequacy supplement for underserved K-12 school districts, the result of the 2023 state court decision on education inequity,

The deal also includes \$125 million for new economic development grants funded by the sale of long-term tax credits, a \$12 million increase for the state’s rape crisis centers that struggled without funding during last year’s budget logjam, multi-million dollar increases in student-teacher stipends and retention pay for child care workers, and a myriad of other small increases.

The budget also funds a transition to chip-type cards for Supplemental Nutrition Assistance Program (SNAP) benefits, finally addressing the growing issue of food stamp

theft. It also fully funds a cost-of-living adjustment for 59,000 public-sector workers — mostly teachers — who retired prior to the 2001 pension reform and have not seen an increase in their benefits since.

The thrust of the budget deal is that “we see the folks who are dealing with issues around affordability and income that’s been locked in and not able to deal with the inflation that they’re confronted with,” and are making incremental improvements to help them, said Sen. Vincent Hughes, D-Philadelphia, the ranking Democrat on the Senate Appropriations Committee.

For Republicans, victory comes in pulling about \$1.5 billion into the general fund through “monies that have been approved in the past that have never been spent and been squirreled away in various appropriation line items and special funds,” as Senate Appropriations Chairman Scott Martin, R-Lancaster County, described it.

Combined with the change to the Medicaid payment schedule, this will allow the state to not use money from the rainy day

fund, which “means we’re not all gathering here next year and deciding what major tax we need to implement to fill the gap,” Martin said.

The budget compromise “allows the commonwealth to fight another day” when it comes to the underlying structural deficit, which has been reduced but not eliminated, Martin said.

Not everyone agreed that these were upsides. In the House, 35 members — all of them Republicans — voted against the appropriations bill. Many pointed specifically to the Medicaid maneuver as being a disingenuous way to paper over problems.

The budget legislation will delay two months of payments to the Managed Care Organizations (MCOs) that administer Medicaid claims, shifting about \$1.3 billion in costs onto future fiscal years. This has been done before when the commonwealth is tight on cash, and major MCOs affiliated with commercial insurers likely have the cash to spot.

“We’re still spending the money, we’re just not spending it in the next year,” said Rep. Marc Anderson, R-York County. “To say we’re spending \$50.8 billion is a lie. It’s not true.”

On the opposite end of the political spectrum, some Democrats were critical of a deal that doesn’t include any new revenues, despite bipartisan interest in repealing the tax exemption for data center equipment and taxing big tech’s online ad platforms.

The commonwealth has also gone 20 years without raising the minimum wage, which would increase income tax revenues. Shapiro has further supported a crackdown on corporations shifting profits out of state, legalizing and taxing recreational marijuana, and creating a new framework and tax for the slot-machine-like “skill games” that are slated to become illegal in October as the result of a recent Supreme Court ruling.

None of these ideas have made it across the finish line.

The budget deal “defers a serious revenue conversation on how we increase revenues for things we want to invest in in this commonwealth,” said Sen. Nikil Saval, D-Philadelphia, noting that the budget makes no progress on funding transit or addressing housing and energy affordability.