

2024 Budget Checklist

SUMMARY

A responsible budget in fiscal year (FY) 2024–25 must address the commonwealth’s educational needs with choice for students in failing schools, control spending to avoid rapid deficit growth and tax hikes, and improve Pennsylvania’s economy through tax and regulatory reform.

FOCUS EDUCATION FUNDING ON KIDS, NOT BUILDINGS

- State support of [public education is up 54 percent](#) over the last decade, reaching an [all-time high](#) of nearly \$15.5 billion in 2023–24.¹ These increases failed to close the achievement gap.
- [Pennsylvania System of School Assessment \(PSSA\) results](#) show overall eighth-grade scores still down from pre-pandemic levels in 2019. In more than two dozen of [the lowest-achieving schools](#), none of the eighth-grade students can do math at grade level.²
 - Clearly, more funding is not enough to ensure the Commonwealth Court February 2023 ruling that [“every student receives a meaningful opportunity to succeed.”](#)³
- A responsible budget will address education inequity by expanding education opportunity, which includes creating the [Lifeline Scholarship Program](#), also known as the Pennsylvania Award for Student Success (PASS), to provide an alternative for students stuck in highly funded, low-achieving schools.
- In recent polling, [64 percent of voters](#) support scholarships for low-income students in the worst-performing schools.⁴

BRINGING SPENDING IN LINE WITH REVENUE TO AVOID RAPID DEFICIT GROWTH

- The FY 2023–24 budget represents a \$1.1 billion [deficit](#).⁵ The [Independent Fiscal Office \(IFO\) estimates](#) spending growth will continue to outpace revenue, resulting in “rapid deficit growth” in the coming years.⁶
 - These budget deficits will **exhaust** the General Fund balance by 2026, requiring tax increases or significant spending cuts.
- Controlling spending growth in FY 2024–25 and coming years to close the structural deficit and avoid subsequent tax hikes will require different approaches to major cost drivers, including education and human services spending.
- According to IFO forecasts, taxpayer-funded long-term care for seniors will grow 33.5 percent, while revenue will grow by only 11.3 percent from FY 2023–24 to FY 2028–29. Overall Medicaid costs are growing more than twice as fast as revenue, despite a decrease in overall Medicaid enrollment reduction of more than [420,000](#) since April 2023.⁷

- **Medicaid reforms** including enhanced eligibility reviews, work and work search expectations, and audits of managed care providers to identify opportunities to move more Pennsylvanians to higher-quality private insurance.
 - In the immediate future, the legislature should block a proposed waiver to use Medicaid for food and housing services, which is duplicative and projected to **cost \$3 billion over five years**.
- Spending on corporate welfare is surging—with tax credits, grants, and loan programs increasing from \$729 million in 2019 to more than \$1.3 billion in 2023, an increase of 78 percent in five years.

TAX AND REGULATORY CHANGES TO MAKE PENNSYLVANIA ‘OPEN TO BUSINESS’

- Accelerating enacted Corporate Net Income Tax (CNIT) rate reductions will spur job creation and economic growth. Gov. Josh Shapiro and senate leaders have called for a faster pace of reduction.
 - Moving Pennsylvania from one of the highest CNIT rates to among the lowest will improve the state’s competitiveness. The state can further improve by enacting net operating loss reforms. Pennsylvania must keep pace as tax reductions occur across the country. In 2024 alone, **six states** lowered the corporate tax rate.⁸
- To help Pennsylvanians compete for jobs and investment the budget needs to address overregulation. Pennsylvania maintains **more than 166,000 regulatory restrictions**, the 12th highest in the nation. Research shows regulation reduction is associated with **growth in state GDP** and jobs.⁹
- Affordable energy is key to economic growth. A responsible budget would include a prohibition against energy taxes like the Regional Greenhouse Gas Initiative (RGGI), estimated to cause a **30 percent increase** in residential electric bills.¹⁰ In addition, Penn researchers estimate national carbon emissions could increase as generation shifts to neighboring West Virginia and Ohio.¹¹

¹ Pennsylvania Department of Education, Education Budget, “2023–24 Enacted Summary of the State Education Appropriations,” December 2023, <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Education%20Budget/Pages/default.aspx>.

² Pennsylvania Department of Education, PSSA Results (2023), accessed November 10, 2023, <https://www.education.pa.gov/DataAndReporting/Assessments/Pages/PSSA-Results.aspx>.

³ William Penn School District et al. v. Pa. Department of Education et al., No. 587 M.D. 2014, (Pennsylvania Commonwealth Court, Feb. 7, 2023), 773–78, [https://www.pacourts.us/Storage/media/pdfs/20230207/214401-587md2014--memorandumopinionfiled\(feb.7\)reduced.pdf](https://www.pacourts.us/Storage/media/pdfs/20230207/214401-587md2014--memorandumopinionfiled(feb.7)reduced.pdf).

⁴ Commonwealth Foundation, “Common Ground in the Commonwealth Q3 Survey,” September 2023, <https://www.commonwealthfoundation.org/wp-content/uploads/2023/09/Common-Ground-in-the-Commonwealth-Q3-Survey-Analysis.pdf>.

⁵ Pennsylvania Office of the Governor, “2023–24 Mid-Year Briefing,” (Harrisburg, PA: Pennsylvania Office of the Budget, December 2023), 5, <https://www.budget.pa.gov/Publications%20and%20Reports/CommonwealthBudget/Documents/2023-24%20Budget%20Documents/2023-24%20Mid-Year%20Briefing%20-%202012.20.2023.pdf>.

⁶ Matthew J. Knittel, “Pennsylvania Economic and Budget Outlook: Fiscal Years 2023–24 to 2028–29,” (Harrisburg, PA: Independent Fiscal Office, November 2023), http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/Five_Year_Outlook_2023.pdf.

⁷ Pennsylvania Department of Human Services, Medical Assistance, Food Stamps, and Cash Assistance Statistic Reports, accessed December 2023, <http://listserv.dhs.pa.gov/ma-food-stamps-and-cash-stats.html>.

⁸ Manish Bhatt and Benjamin Jaros, “State Tax Changes Taking Effect January 1, 2024,” Tax Foundation, December 21, 2023, <https://taxfoundation.org/research/all/state/2024-state-tax-changes/>.

⁹ James Broughel, “Cutting the Red Tape in Pennsylvania,” Commonwealth Foundation, September 18, 2023, <https://www.commonwealthfoundation.org/research/cutting-red-tape-pennsylvania/>.

¹⁰ Power Pa Jobs Alliance, “RGGI Impact on Families,” March 30, 2022, <https://bipac-momentum-media.s3.amazonaws.com/Media/assets/000/034/043/original/RGGI%20IMPACT%20ON%20FAMILIES.pdf>.

¹¹ Dallas Burtraw, Angela Pachon, and Maya Domeshek, “The Prospects for Pennsylvania as a RGGI Member,” (Philadelphia, PA: Kleinman Center for Energy Policy at Penn State, May 2023), 19, <https://kleinmanenergy.upenn.edu/wp-content/uploads/2023/05/Report-23-04.pdf>; see also.