

# 2024-2025 State Budget Proposal Position Statement



## Background:

On February 6th, Governor Josh Shapiro shared his second annual budget address, calling the plan “ambitious” and citing his interest in “getting stuff done.” The \$48.3 billion spending plan, a proposed 8.4% increase from the previous year, prioritizes investments in K-12 schools, public transit, and economic development, and recommends an overhaul of the higher education system and an increase to the state’s minimum wage. Other aspects of the plan include legalizing recreational-use marijuana, regulating skill games, and phasing out State Police funding from the Motor License Fund.

## Policy Position:

While this budget funds many important initiatives, it fails to consider Pennsylvania’s ongoing structural budget deficit. According to the Independent Fiscal Office’s (IFO) 5-year outlook, the Commonwealth will deplete cash reserves in the General Fund in 2026 and the rainy-day fund will be depleted in 2028. Relying on reserve and one-time use funds is not sustainable and could lead to tax increases or a reversal of the planned phase down of the Corporate Net Income (CNI) tax rate. **Therefore, the Lancaster Chamber urges lawmakers to develop a sustainable, responsible, transparent, zero-based budget that invests in our communities without leading to a disastrous outcome down the road.**

## The Lancaster Chamber calls on the Legislature and Governor to address the following priorities:

### Make Pennsylvania More Business-Friendly

- As other states continue to reduce their CNI tax rate, Pennsylvania’s incremental phase down should be accelerated to stay competitive and stimulate the economy. At 8.49% in 2024, Pennsylvania still has the 9th highest CNIT in the country, which negatively impacts business attraction and growth.
- Pennsylvania should ease the restrictions on Net Operating Loss (NOL) provisions to achieve parity with other states and enable more start-up businesses.
- Ultimately, businesses provide jobs, boost economic activity, and generate tax revenue that Pennsylvania cannot afford to lose, especially as the budget deficit persists.

### Invest in Talent & Workforce

- Meeting constitutionally mandated adequacy standards for K-12 public schools is of critical importance to the integrity of Pennsylvania’s school funding system and to student success across the state. Funding should be targeted towards resourcing school districts, particularly to increase the number of teachers in the workforce and expand career-readiness programs for students.
- To cultivate a strong workforce pipeline and recruit and retain skilled talent in Pennsylvania, higher education institutions need to meet the needs of today’s students and employers. In alignment with the recently introduced “Grow PA” legislation, students need access to affordable post-secondary degrees and certificates, especially in high priority occupations, as well as incentives that enable them to stay and work here after graduation.
- Adult literacy programs assist thousands of individuals with basic skills and fluency attainment, equipping them to enter the workforce and reclaim their careers. Supporting these programs is essential to combat the labor shortage and ensure all Pennsylvanians have access to family-sustaining jobs.

### Support for New Statewide Economic Development Strategy

- Sound economic planning and policies ensure Pennsylvania has a flourishing network of public-private partnerships, a financially solvent government, and a strong labor force. A new statewide economic development strategy is needed to enable Pennsylvania to have a resilient and diversified economy that can compete on a global scale, so investment and implementation should be of utmost priority.
- Permitting reform is needed to address issues with inadequate staffing, long delays, and unpredictability that inhibit infrastructure development and hurt businesses of all sizes.
- Lawmakers should invest in efforts to support small-businesses and entrepreneurs by providing streamlined access to capital, technical assistance, and mentorship programs to enhance the emphasis on downtowns, main streets, small businesses, tourism, and site development for economic growth.

### Commitment to a Two-Year Budget Cycle:

Businesses, educational institutions, and agencies rely on secure funding streams to function, and the yearly budget cycle creates uncertainty and variance in what their allocation will be. The state government should prioritize and adopt a two-year budget cycle that will increase efficiency, sustainability, and productivity.