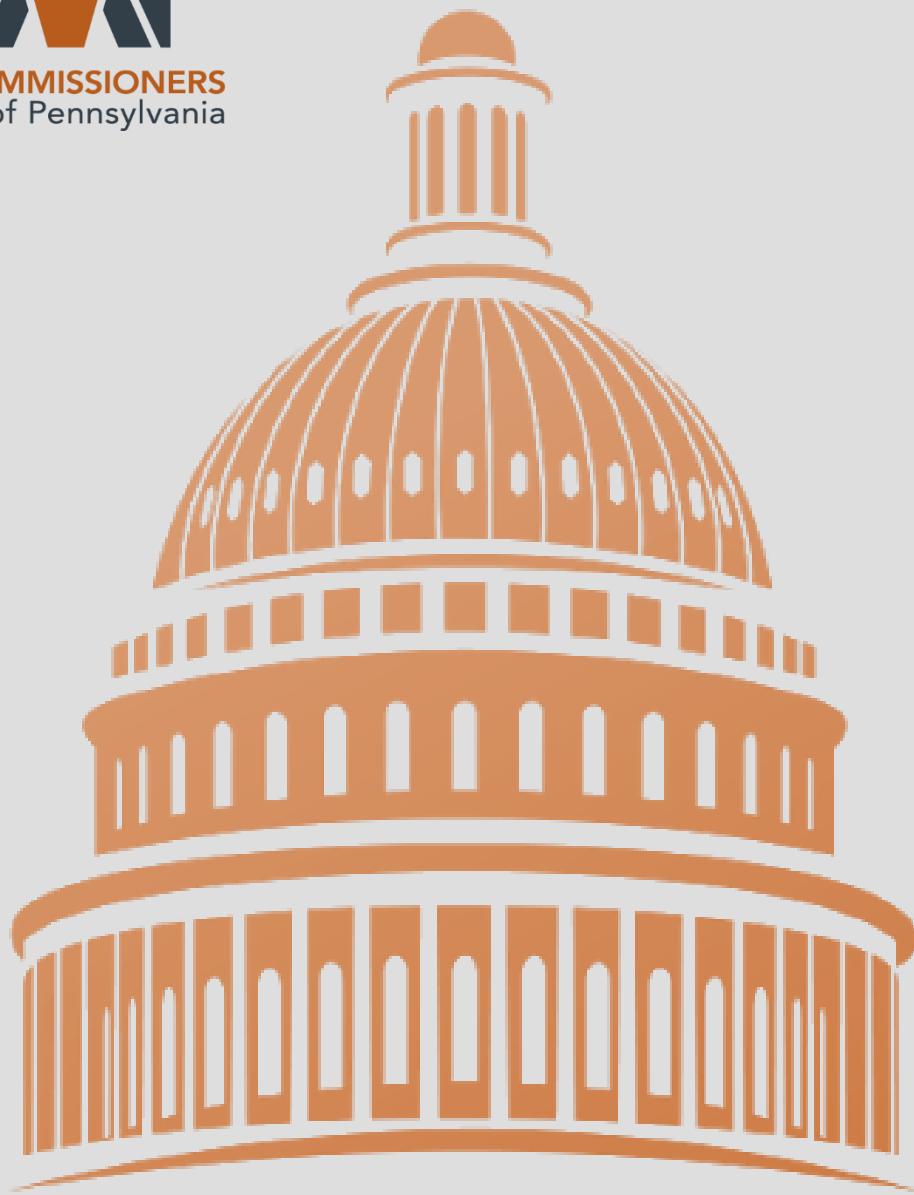




COUNTY COMMISSIONERS
Association of Pennsylvania



FY 2026 – 2027 Governor's Proposed Commonwealth Budget Guide for Counties

FY 2026-2027 Governor's Proposed Commonwealth Budget – Guide for Counties

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OVERVIEW

On Tuesday, February 3, Gov. Shapiro delivered his fourth budget address, **announcing his \$53.3 billion budget proposal for FY 2026-2027** in a joint session of the House and Senate.

The proposal represents an increase of approximately \$2.7 billion, or 5.4%, over the FY 2025-2026 enacted plan of \$50.5 billion, after adjusting for net upward supplemental appropriations of \$230.4 million. Governor Shapiro's budget proposal maintains current personal income and sales tax rates, the state's two largest revenue sources. However, the proposed budget relies on approximately \$4.7 billion in Rainy Day funds to balance the budget —marking the third consecutive year of multibillion-dollar deficits.

Despite a projected \$2.3 billion (5%) increase in tax collections, bringing the total estimated revenues to \$50.8 billion, a significant portion depends on legislative approval of Governor Shapiro's proposals. These include generating nearly \$2 billion through the legalization of adult-use marijuana and introducing taxes on skill games.

Much of the proposal reflects priorities Governor Shapiro has emphasized throughout his first three years in office, including more than \$565 million in new investments in basic education. In unveiling the FY2026–27 budget, Gov. Shapiro underscored his continued focus on growing Pennsylvania's economy, attracting private investment, and creating jobs, saying the budget "builds on the progress we've made by making smart, responsible investments that strengthen our schools, keep communities safe, and grow our economy."

The budget also proposes transferring \$100 million from the Rainy Day Fund to establish a new Federal Response Fund to help mitigate potential federal funding cuts to Pennsylvania. On mass transit, the Governor proposes increasing the share of Sales and Use Tax revenues dedicated to the Pennsylvania Transportation Trust Fund to 6.15 percent beginning July 1, 2027, providing an additional \$319 million annually for public transportation services. Additionally, the plan advances the Resource Evaluation and Mission Alignment Project (REMAP), a data-driven pilot initiative to evaluate program effectiveness and alignment with strategic goals. Finally, the budget includes a proposal to raise the state minimum wage to \$15 per hour effective January 1, 2027.

Notably for counties, the Governor's FY 2026–2027 budget proposal includes no increase in county mental health base funding, a key priority for 2026. After two years of increases totaling \$40 million, counties did not receive any additional funding for this critical line item in FY 2025–2026. The absence of new funding this year would further strain already overburdened county mental health resources and hinder efforts to rebuild a sustainable, community-based continuum of care. In response, Pennsylvania counties are advocating for a \$40 million increase in county mental health base funding to sustain and build upon the progress made under the Shapiro administration, ensuring continued development of the essential infrastructure and broader safety net needed to provide access to critical mental health services for Pennsylvania's most vulnerable populations.

Governor Shapiro's budget continues investments in mental health services in schools,

proposing another \$100 million investment to continue mental health and safety grants. This would bring the overall investment in school-based mental health and safety to \$400 million since the beginning of Governor Shapiro's term in 2023. Counties recognize the value of school-based services for children; however, counties also provide mental health services to individuals of all ages, year-round, through community-based systems of care. Counties continue to encourage greater coordination between schools and county mental health systems so that investments are aligned and support children and families both inside and outside the classroom, with resources on an equitable footing across the full continuum of care.

Overall, from the county perspective, Governor Shapiro's FY 2026–2027 budget proposal reflects the broader fiscal challenges facing the Commonwealth. As this proposal represents the first step in the annual budget process, counties look forward to continued engagement with the administration and the General Assembly to shape a final FY 2026–2027 budget that recognizes counties' critical role and ensures they are well positioned to serve residents effectively, responsibly, and as trusted partners in government.

More information on the priorities can be found on CCAP's [**Priorities page**](#). CCAP has also assembled a number of budget resources on its [**Budget News web page**](#) and highlights of specific lines of interest for counties to follow.

HUMAN SERVICES

Child Welfare – *Flat funded*

- State funding for child welfare is flat funded at \$1.49 billion
- Flat funding is concerning as it will create shortfalls due to dramatically increased placement costs and staffing vacancies getting filled.
- Represents the reconciliation of the fourth quarter FY 2025-2026 expenses, and further rolls forward a substantial portion of the determined needs for FY 2026-2027 to be paid in FY 2027-2028.
- The proposed child welfare budget for FY 2026-2027 would include a dramatic increase in funding for ChildLine, but it is unclear where these funds would come from, as the proposed budget is flat funded for the 4th year in a row.
- The underspending previously seen from staffing shortages continues to reduce dramatically and is being rapidly offset by substantial increases in placement provider costs. With the proposed budget being flat funded for a fourth year, there should be significant concerns with shortfalls when the carried over underspending from prior years is exhausted, which will likely occur in 2026.

Human Services Block Grant – *See related sections*

- Established for the purpose of allowing participating counties to allocate a portion of certain human services funds across program areas and thereby increasing their ability to match available dollars to local needs.
- There are currently 44 counties participating in the block grant program and funding continues to be provided from individual appropriations.

- The following funds are included in the block grant and further analysis is provided in this narrative: Mental health community base funded services, Behavioral Health Services Initiative (BHSI), Intellectual disabilities community base funded services, Act 152 drug and alcohol services, Homeless Assistance Program, Human Services Development Funds.

Homeless Assistance Program (HAP) – *Flat funded*

- Through HAP, counties provide case management, emergency shelter, bridge housing, innovative supportive housing, and rental assistance to those in immediate danger of becoming homeless.
- Despite Governor Shapiro's [Executive Order 2024-03](#) which describes the depth of need in this area, and his increased focus on other housing initiatives, his proposed budget does not include any increased funding for this program.
- The proposed budget would flat fund at less than \$23.5 million. By FY2021-2022, Counties were already spending \$31.8 million for this program, and both the community needs and costs have risen since that time.

Human Services Development Fund (HSDF) – *Flat funded*

- Proposed funding for the HSDF remains flat at \$13.5 million in FY2026-2027 for the fifteenth straight year, despite counties needing to reallocate an estimated \$17.7 million from other programs to support HSDF initiatives.
- The HSDF allows counties to be flexible in the design and provision of programs and services for low-income adults, older adults, dependent and delinquent children, persons experiencing or at risk of homelessness, and individuals with substance use disorders, mental health conditions, or intellectual disabilities. In FY2021-22, HSDF served nearly 300,000 individuals across the commonwealth.

Long-term Care – *Flat Funded*

- Proposed funding for MA reimbursement rates remain mostly flat.
- Yet, with the increased costs of goods and services in the long-term care setting like additional cost for agency staffing, this ultimately results in a decrease in overall funding.
- There is no discussion for funding or additional resources related to new federal restrictions in Medicaid application approval for the long-term care setting.
- There were increases in funding for workforce development to help address the long-term care staffing shortages, but these increases are not sufficient without meaningful change to the certification and licensing processes for health care staff such as the passage of S.B. 114.
- Additional legislative and regulatory work is needed to reform the reimbursement model, which no longer supports the evolving nature of the long-term care sector such as the increase of floor setting for the Budget Adjustment Factor.

Medical Assistance Transportation Program (MATP) – *\$1.77 million increase*

- The budget proposal includes recommended increases to reflect changes in caseload and utilization, as well as adjustments down due to revision of federal financial participation and cash flow adjustments.
- The proposed increase would raise the total program allocation to \$70.1 million.

Mental Health Services- Overall Line Increased; No Increase for County Base Funding

- The Mental Health Services line shows an increase of nearly \$65 million—a 7% increase.
- This line includes the following initiatives:
 - \$5 million to maintain mental health crisis stabilization centers
 - \$3.2 million to support Community Hospital Integration Projects Program (CHIPP) for 40 individuals who will be diverted from state hospital bed placements into community-based supports
 - \$10 million to build capacity for 988 crisis hotline operations
 - \$7.3 million to expand diversion and discharge programs for individuals with mental illness currently in the criminal justice system
- Schools receive a separate \$100 million for physical safety and mental health supports.

Intellectual Disabilities, Autism and Early Intervention- Mix of Increases and Decreases

- The Intellectual Disabilities Community Base Program is slated to receive \$175 million in state funding—an increase of nearly 5%.
- Intermediate Care Facilities see a state appropriation of \$179 million—an increase of 3%.
- The Community Intellectual Disability Waiver Program receives \$2.8 billion— an increase of nearly 3%
- Autism Intervention and Services receive \$35.3 million— a 5.6% decrease.
- The budget funds Early Intervention Services (birth to three) at \$193.2 million— a 2.6% decrease.

Substance Use Prevention and Treatment Services – Nominally increased

- The proposed budget contains a very minimal increase in general government operations funding for Department of Drug and Alcohol Programs (DDAP). Increasing these funds will not result in any increased allocations to county programs.
- There is a small decrease forecast in federal funding for substance use disorder services
- Behavioral Health Services Initiative (BHSI) fundings remains the same
- Act 152 funds are unknown until a more detailed budget is available from the Department of Human Services.
- It appears that County Intermediate Punishment funds have once again have been consolidated into a line with other County Probation and Reentry Services. We are seeking additional details and will confirm the amount that is available for Intermediate Punishment Treatment Services.
- The governor is once again proposing legalization of adult use cannabis and projecting \$200 Million in revenue. His proposal does not provide any funding for increased prevention, intervention or treatment programs.

AGING

Area Agencies on Aging (PENN CARE) – *\$707,000 increase*

- Pennsylvania's 52 Areas Agencies on Aging serve all 67 counties, including 33 administered directly by the county.
- The Governor's FY2026-2027 budget proposal includes a \$707,000 increase to PENNCARE. Per an analysis conducted by the [Pennsylvania Association of Area Agencies on Aging](#) (PAA), a \$107 million investment, through PENNCARE, is needed to fully sustain the programs and services of AAAs.

CRIMINAL JUSTICE

Courts – *Mostly Flat funded, slight decrease*

- The proposed budget maintains level funding from the enacted FY 2025-2026 budget for all judicial line items that reimburse county costs, the fourth year of level funding.
- Fails to restore the 33% decrease for court cost reimbursement that occurred in the FY 2016-2017 budget, keeping funding at the current year level.
- District attorney salary reimbursement, funded through court document surcharge revenues deposited into the Criminal Justice Enhancement Account, is proposed to decrease from \$10,509,000 to \$9,892,000 – a 9.4% decrease.

Indigent Defense – *Flat funded*

- The grant fund was created in FY 2023-2024 within the Pennsylvania Commission for Crime and Delinquency (PCCD) to address current inadequacies of the indigent criminal defense system.
- The proposed budget continues the same \$7.5M investment as the past three budgets.
- No discussion of legislation to change language related to supplementing current funding, not replacing existing investments.

Commission on Crime and Delinquency – “*County Probation and Reentry Services*”

- The proposed budget creates a new line item titled “County Probation and Reentry Services” which would consolidate the following previous line items:
 - Improvement of Adult Probation Services (\$16.2 million)
 - Intermediate Punishment Treatment Programs (\$18.2 million)
 - Justice Reinvestment funds transfer (\$23.2 million)
- CCAP and PACDAA have been in discussion about this possible consolidation since the FY25-26 budget proposal, and will continue to engage actively with PCCD and the Governor's Office

AGRICULTURE AND THE ENVIRONMENT

Conservation Districts – *Flat funded*

- Provides level funding for conservation districts, maintaining \$10.2 million in total General Fund dollars from the departments of Agriculture and Environmental Protection.
- The PUC will determine Act 13 distributions for conservation districts following the April 1 collection deadline.

Agriculture – *Funding changes across the board*

- Increase for agricultural preparedness response, which partially provides funding to monitor and respond to invasive species, by \$2 million for a total appropriation of \$11 million.
- Zeros-out funding previously provided for county fairs, which received \$4 million in 2025-26.
- Includes separate federal funding for spotted lanternfly management, to be funded at \$5 million, a \$7 million decrease from the last year.
- The State Food Purchase Program receives flat funding, remaining at \$30.7 million.
- The Agriculture College Land Script Fund, which includes revenue for the Penn State Extension program, receives flat funding of \$57.7 million.
- The State Farmland Preservation Board will set the state funding threshold for farmland preservation for 2026, which is required by March 1 annually.

Environment – *Moderately increased*

- Funding for gypsy moth control is wrapped into the overall appropriation for state forest operations within the Department of Conservation and Natural Resources (DCNR); the budget proposes a program appropriation of \$55.7 million, an estimated increase of \$23 million.
- Black fly control receives a slight increase of \$227,000 million, totaling slightly over \$9.4 million for FY 2025-2026
- West Nile Virus and other mosquito-borne viruses funding received a slight increase of \$181,000 over the prior year, totaling \$7.6 million.
- Provides for a nominal increase of \$850,000 million in environmental protection operations, totaling funds at \$32 million.

ELECTIONS – *Nominal Changes*

- There is a slight decrease of \$87,000 for the Statewide Uniform Registry of Electors (SURE) for a total appropriation of about \$20.6 million.
- Minor decrease of \$473,000 for General Government Operations at Department of State, which may include funding for operations, election security, and voter integrity, in addition to other department costs.
- Funding for voter registration and education sees a significant boost, with \$2 million allocated, representing a \$1 million increase from FY 2025–2026.
- Budget assumes the \$45 million set aside annually by **Act 88 of 2022** for the Election Integrity Grant Program (DCED).

COMMUNITY AND ECONOMIC DEVELOPMENT

Pennsylvania Program for Critical Infrastructure Investment – *Newly Proposed, initial \$1 billion*

- During his budget address, Governor Shapiro proposed \$1 billion to create the Pennsylvania Program for Critical Infrastructure Investment through the issuance of general obligation bonds and deposited into the Capital Facilities Fund.

- This proposal would provide funding for transformative infrastructure projects including new energy generation, building and preserving housing, and upgrading school and municipal facilities.

Local Government Services (DCED) – *Nominally Changes*

- Provides for slight increase in the funding for Center for Local Government Services for a total proposed allocation of \$6 million.
- Flat funds the Municipal Assistance Program, which funds shared services, community planning and flood plain management activities for local governments, at \$2 million.

Marketing, Training and Tourism – *Nominal Changes*

- The Pennsylvania First program, focused on investment and job creation in Pennsylvania, receives flat funding at \$38 million. The majority of this funding is earmarked to provide financial assistance to facilitate increased economic investment as part of the Governors State Economic Development 10-year Strategy (SEDS).
- Funding for marketing to attract tourism is decreased by \$34 million, totaling \$19 million.
- Marketing to attract historically disadvantaged businesses receives a nominal increase, totaling \$20 million.
- The Office of Open Records receives a slight increase, totaling \$5 million.
- The Main Street Matters Program receives a nominal increase, totaling \$20.2 million.

MISCELLANEOUS

Broadband – *No state funding at this time*

- No state funding at this time.
- Over \$1 billion has been allocated to the Commonwealth through the Broadband Equity Access, and Deployment (BEAD) program
- Nearly \$50 million in IIJA federal funding for State Digital Equity Capacity available.

Cybersecurity - *No state funding at this time*

Libraries – *Flat funded*

- The public library improvement subsidy maintains flat funding at \$70.4 million for FY 2026-2027 (PDE budget)

TRANSPORTATION – *Funding shifts*

- Reflects ongoing funding for roads, bridges, transit systems and other infrastructure under Act 89 of 2013.
- Proposes to dedicate 1.75 percent of total sales tax collections to the public transportation trust fund to support mass transit statewide, in addition to the current allocations to the fund.

HIGHER EDUCATION – *Flat funding*

- Community colleges receive flat funding, remaining at \$277 million.