

# Governor Shapiro's 2025 Budget Proposal: An Extreme Spending Binge

Shapiro's proposal means higher taxes on Pennsylvanians.

## OVERVIEW

Gov. Josh Shapiro's radical overspending exacerbates what is already a massive budget deficit. His plan imposes new taxes this year and will force extreme tax hikes on working families in the coming years. The governor **proposes nearly \$51.5 billion in general fund spending, an 8.1 percent increase over the 2024–25 enacted budget**. Moreover, Shapiro's long-term plan fails to ever bring the budget into balance. Lawmakers should reject Shapiro's spending binge—as they've moderated from his previous extreme proposals. They must exercise restraint this year to control the growth of government spending and protect working families from tax hikes.

## SHAPIRO'S EXTREME SPENDING BINGE MEANS HIGHER TAXES

- Shapiro's \$51.5 billion budget proposal, an 8.1 percent increase over last year's enacted budget, radically overspends projected revenues and exacerbates what is already a massive budget deficit.
  - The proposal would impose new taxes this year and will force extreme tax hikes on working families in the coming years.
  - While the current budget already includes a budget deficit—spending \$3.6 billion more than revenues—Shapiro's plan balloons the structural deficit, even above the projections of the Independent Fiscal Office.
- Shapiro's budget creates a massive \$4.85 billion deficit and completely exhausts the general fund balance. This reckless overspending includes multiple new taxes, including a significant (and unlikely) increase in corporate taxes through mandatory unitary combined reporting, and would require unaffordable tax hikes on working families in 2026.
  - The cost to cover Shapiro's taxes and \$4.85 billion deficit equals a tax hike of \$1,900 per family of four. This situation is more dire, given Shapiro offers rosy projections of future revenue growth, and near zero increase in future education spending.
- Further, Shapiro proposes transferring \$1.6 billion from the Rainy Day Fund to fuel deficit spending—in defiance of [current state law](#).
  - Pennsylvania's Rainy Day Fund cannot be used for ongoing spending or new programs, but “only when emergencies ... or downturns in the economy resulting in significant unanticipated revenue shortfalls” occur; the law also requires a two-thirds vote to spend Rainy Day Funds.

- The Rainy Day Fund protects taxpayers from future recessions. In fact, rating agencies have warned that [draining the Fund will result in credit downgrades](#).

## SHAPIRO'S ENERGY SCHEME EQUALS HIGHER COSTS ALL AROUND

- Electricity prices are rising in Pennsylvania, thanks, in part, to Shapiro's numerous energy tax proposals and support of the Regional Greenhouse Gas Initiative (RGGI) carbon tax. RGGI alone would raise electricity rates by [at least 30 percent](#).
  - Just the threat of RGGI stopped construction of new natural gas power plants, even as energy demand is rising.
- The budget proposal rehashes [Shapiro's plan](#) to tax energy, the Pennsylvania Climate Emissions Reduction Act (PACER), or RGGI by a different name. Likewise, his Pennsylvania Reliable Energy Sustainability Standard (PRESS) mandate would drive up costs and result in less reliable energy, resulting in blackouts and shortages.
  - Oblivious to economics, the governor argues that higher taxes and more regulations would lower energy costs. Yet, Shapiro's "Lightening" plan would increase energy costs, reduce production, and subsidize special interest groups and political donors.
  - Moreover, Shapiro should [drop his lawsuit](#) on RGGI—which is unconstitutional—and focus on broader permitting reform and comprehensive regulatory relief, which have bipartisan support.
- If Shapiro is serious about protecting consumers from high energy prices, he should champion policies prioritizing affordability and reliability. This includes prioritizing reliable generation over unreliable weather-based sources.
  - The governor should work with state lawmakers to place energy-source-neutral reliability standards into law. And he should expedite state-level approvals for energy projects, particularly coal, natural gas, hydro, and nuclear.

## MORE OF THE SAME IN EDUCATION—DENIES OPPORTUNITY AND ACCOUNTABILITY

- Shapiro's proposal adds another \$824 million to state support of public schools, to \$17.7 billion—on top of the \$4.1 billion in increases over just the past four years.
  - Pennsylvania currently spends [more than \\$22,000 per student](#) on public schools, the seventh highest among states. These dramatic funding increases haven't resulted in better results for our students.
- The National Assessment of Educational Progress (NAEP), or [Nation's Report Card](#), released [last week](#) by the U.S. Department of Education, showed that 69 percent of Pennsylvania eighth-grade students aren't proficient at math, and an equal 69 percent cannot read at grade level.
  - In [Philadelphia](#), 85 percent of eighth graders weren't proficient in math, and 82 were below proficient in reading. These NAEP scores represent a significant decline from already-low pre-pandemic performance levels.
- Shapiro should deliver on his campaign promise to provide more educational options to families, so that, in his own words, "every student, no matter their zip code, has access to high-quality and safe schools."

- Shapiro and lawmakers should offer a Lifeline for students assigned to low-achieving schools. About [200,000 children](#) attend persistently low-achieving schools. Compared to the \$22,000 spent per student, the Lifeline Scholarship Program would provide opportunities for kids with scholarships of \$5,000 to \$10,000.
  - Creating Lifeline Scholarships would allow funding to follow these students to a school of their choice, reduce education expenditures, and empower families.
- Instead, the governor proposes taking options away from parents. Shapiro's proposal slashes funding to cyber charter students to just \$8,000 per student—or 36 percent of what school districts spend per student. Shapiro is telling cyber parents their kids are only worth one-third of what students in district schools are. This disinvestment in kids exacerbates inequity and treats some students as second-class citizens.
- Lawmakers should reject Shapiro's misguided plans that limit choice and accountability and instead prioritize funding students and the opportunity to succeed.

## LAWMAKERS MUST FOCUS ON GROWING THE ECONOMY

- Over the past 15 years, Pennsylvania has [lost](#) a net 315,716 residents to other states through migration.
  - Shapiro's budget does nothing to remedy Pennsylvania's outmigration problem or make Pennsylvania open for business. Instead, he proposes copying the states that are losing population instead of states whose economies are growing.
  - Data shows that Americans consistently [move](#) to low-tax, economically competitive states such as Florida, North Carolina, and South Carolina. Further, Pennsylvania continues to lose out on major economic development opportunities due to its uncompetitive tax and regulatory environment.
- Shapiro's budget [includes](#) \$1.6 billion in corporate welfare spending and proposes five new corporate welfare programs. These programs and tax credits have a [poor](#) return on investment and benefit some of the country's largest corporations including [Netflix, Google, and Amazon](#).
- Shapiro's plan to accelerate the scheduled Corporate Net Income Tax (CNIT) reduction is offset by his inclusion of combined reporting.
  - Combined reporting will [increase](#) the costs of filing taxes in Pennsylvania, increase tax litigation, and deter multi-state businesses from operating in Pennsylvania, severely [limiting](#) the benefits of the rate reductions.
  - Rather than offsetting rate reductions with combined reporting, lawmakers should cut corporate welfare.
- In his budget address, the governor touted past targeted regulatory relief programs with an unproven track record. Yet, Pennsylvanians need broad relief and a serious effort to review [over 164,000 regulatory restrictions](#).

## MORE TAXPAYER DOLLARS TO BAIL OUT FAILING MASS TRANSIT SYSTEMS

- Shapiro proposed diverting an additional 1.75 percent of sales and use tax revenue—officially the “Tax for Education”—equivalent to \$292.5 million, to bail out failing transit agencies like the Southeastern Pennsylvania Transportation Authority (SEPTA) and Pittsburgh Regional Transit (PRT).
  - According to the most recent data, [SEPTA's](#) daily ridership is 30 percent below pre-pandemic levels, while [PRT's](#) is more than 40 percent of pre-pandemic levels. This decline makes the case for agencies to cut costs.
  - Despite ridership decline, these agencies have failed to increase fares, [optimize](#) services and routes, or address [quality-of-life](#) issues in their systems. Instead, they are looking for a state bailout. SEPTA and PRT are [already](#) more reliant on state funding, and less reliant on fares and local funding than most transit systems around the country.
- Mass transit agencies already receive more than \$2.47 billion from sales tax revenue and driver charges—charging drivers fees, fines, tolls, and taxes to fund the transit systems they avoid.
- Instead of more bailouts, lawmakers should reprioritize transportation funding so that users pay for the transportation they use—roads and bridges, buses, or rail—and limit taxpayer funding to help low-income riders. Transit agencies should become more reliant on riders paying for the transportation they want, instead of lobbying the state for higher taxes.

## CONCLUSION

The 2025 proposal is an extreme spending binge that will force increased taxes on working families and regressive mandates on business exacerbating Pennsylvania’s economic woes. Pennsylvanians need a multi-pronged approach that controls the growth of government spending, reforms [costly and ineffective state programs](#), offers families educational opportunity, and adopts economic policies that make Pennsylvania a more attractive place to live and work.