

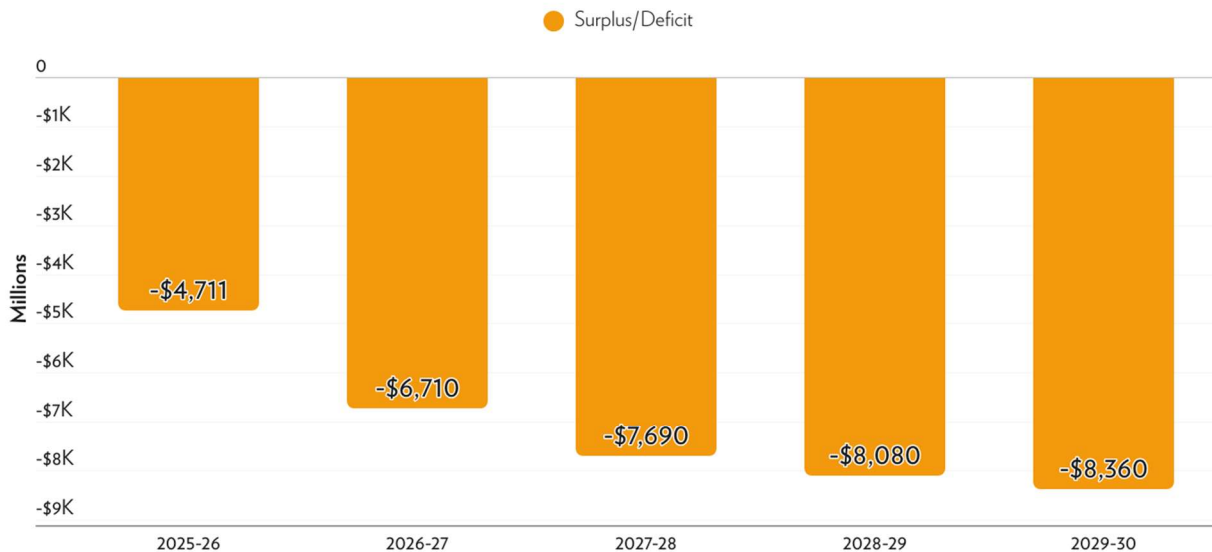
Deficit Watch: March 2026

BACKGROUND

Pennsylvania continues to face serious **fiscal** challenges. The enacted 2025–26 General Fund budget created a **\$4.6 billion** structural deficit. Gov. Josh Shapiro’s 2026–27 budget **proposal** would increase the deficit to **\$6.8 billion**. Under the current policy and spending growth, long-term forecasts indicate daunting deficit increases in future years.

Projected Budget Deficits

Pennsylvania is facing a budget deficit that will grow in future years.



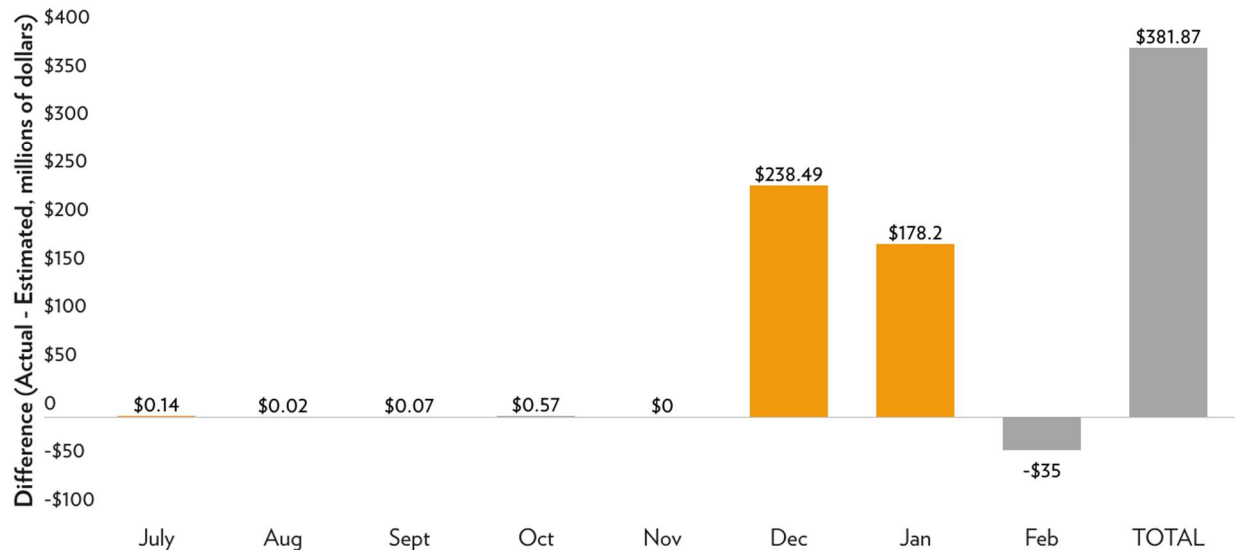
Sources: Pennsylvania Independent Fiscal Office, “Long Term Budget Outlook Update” February 2026, https://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/BB_Long-Term_Budget_Outlook_Update_2026_02.pdf

REVENUE ESTIMATES AND COLLECTIONS

- The \$6.8 billion deficit equals the difference between net revenue (projected revenues minus refunds) and proposed spending (including one-time transfers). For the 2026–27 budget plan, these are \$46.4 billion and \$53.3 billion, respectively.
- In February 2026, Pennsylvania **collected** \$2.96 billion in revenue, \$35 million below the official revenue estimate. While February collections are below estimate—revenue sums exceed the official estimate for fiscal year (FY) 2025–26. In total, FY-to-date collections are \$381.87 million above estimated revenues.

- Shapiro's 2026–27 budget proposal drastically overestimates the impact of his proposed tax increases. A [February analysis](#) by the Pennsylvania Independent Fiscal Office (IFO) calculates Shapiro's revenue estimates for his marijuana, skill games, and combined reporting proposals exceed IFO estimates by \$4.4 billion over the next three fiscal years.

Actual vs. Estimated Revenue Collections, FY 25-26



Independent Fiscal Office, "Monthly Revenue Update," August 2025 through March 2026, <http://www.ifo.state.pa.us/releases/type/1/Revenue-&-Economic-Update/>

RECOMMENDATIONS

- If left unaddressed, the budget deficit will represent a tax increase of \$2,100 per family of four beginning in 2027.
- Lawmakers must act now to reduce the structural deficit to protect working families from tax increases.