

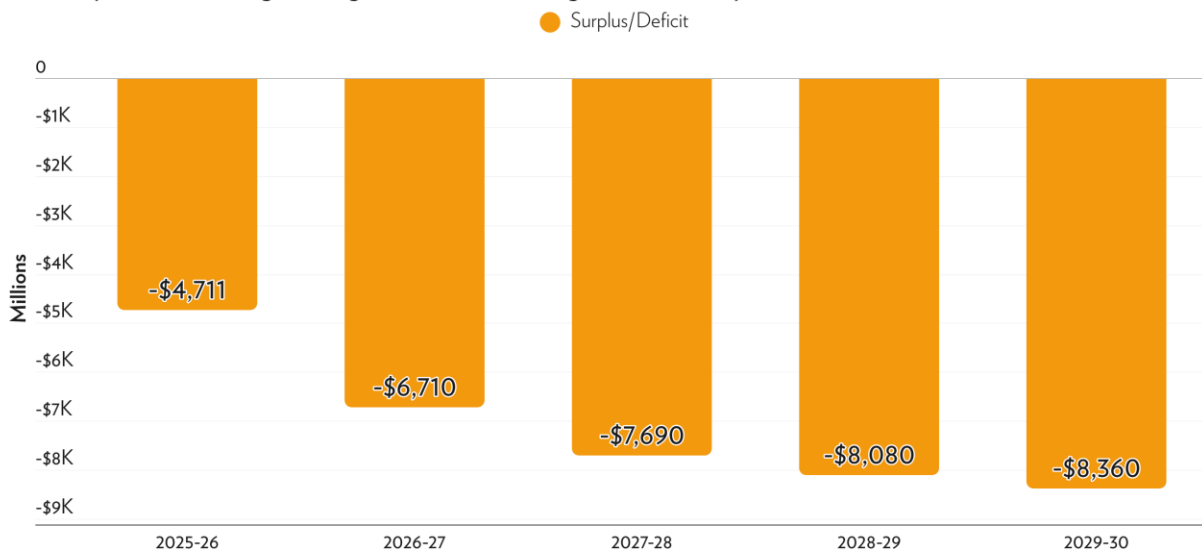
## Deficit Watch: April 2026

### 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.



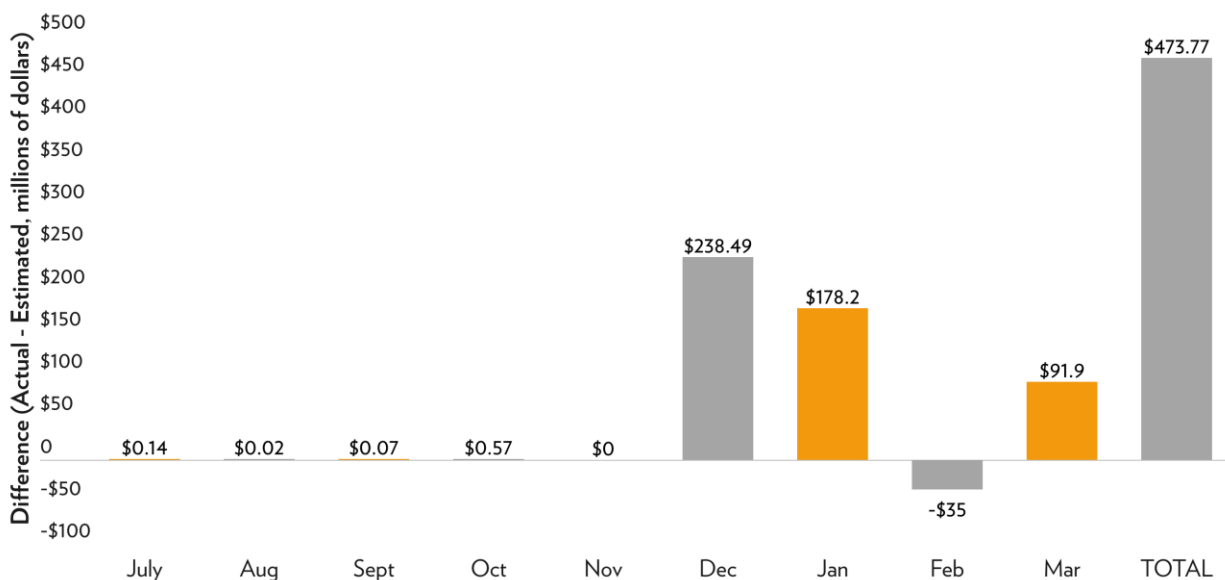
Sources: Pennsylvania Independent Fiscal Office, “Long Term Budget Outlook Update” February 2026, [https://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/BB\\_Long-Term\\_Budget\\_Outlook\\_Update\\_2026\\_02.pdf](https://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/BB_Long-Term_Budget_Outlook_Update_2026_02.pdf)

### 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 March 2026, Pennsylvania **collected** \$6.52 billion in revenue, \$91.9 million above the official revenue estimate. In total, fiscal year (FY) 2025–26 collections are \$473.8 million above estimated revenues. When enacted, the 2025–26 budget included an estimated \$4.6 billion structural deficit. Revenue collections above the estimate would reduce this to \$4.1 billion. But Shapiro has also asked for \$450 million in “supplemental appropriations,” or overspending, which wipes out revenue windfalls and puts the deficit back at \$4.6 billion.

- 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



Pennsylvania Department of Revenue, monthly collections news releases August 2025 through April 2026. <https://www.pa.gov/agencies/revenue/newsroom>

## 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. Other legislative actions that would reduce the deficit and wasteful spending include:
  - Implementing [welfare reforms](#) to frequently verify eligibility and strengthen work requirements to reduce waste and fraud.
  - Opting in to the [Federal Scholarship Tax Credit](#) and passing other education reforms to ensure funding that follows children, such as expanding [tax credit scholarships](#) and [Lifeline Scholarships](#).
  - Supporting the [Taxpayer Protection Act \(TPA\)](#), a fiscal guardrail that limits state spending growth to the average rate of inflation plus population growth or personal income growth.
  - Eliminate [corporate welfare](#), or economic development spending, and use the cost savings to lower tax rates for all Pennsylvanians.
  - Pass the [Regulations from the Executive in Need of Scrutiny \(REINS\) Act](#), requiring a formal cost verification process through the IFO, followed by a mandatory vote in the Pennsylvania General Assembly for regulations with an annual financial impact of \$1 million or more.