

**Feb. 14 – 20, 2025**

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## SESSION STATUS

At 1:06 p.m. on Wednesday, February 5, 2025, the House stands adjourned until Monday, March 17, 2025, at 12:00 p.m., unless sooner recalled by the Speaker.

At 12:33 p.m. on Wednesday, February 5, 2025, the Senate recessed until Monday, March 24, 2025, at 1:00 p.m. unless sooner recalled by the President Pro Tempore.

## UPCOMING SESSION DAYS

### House

March 17-19, 24-26  
April 7-9, 22-24  
May 5-7, 12-14  
June 2-4, 9-11, 16-18, 23-27, 30  
Sept. 22-24 (NV), 29-30  
Oct. 1, 6-8, 27-29  
Nov. 17-19  
Dec. 8-10 (NV), 15-17

### Senate

March 24-26, 31  
April 1-2  
May 5-7, 12-13  
June 2-4, 9-11, 23-30

*The Education Recap is a comprehensive weekly report on legislative and executive actions on education-related legislation in Pennsylvania state government, as compiled and edited by PLS. Additional information, including video, transcript and testimony, is available to [PLSGovTrac](https://www.pslgovtrac.com) users. For more information, contact [sales@mypls.com](mailto:sales@mypls.com).*

## Press Conferences

*PLS coverage of Capitol events including press conferences, bill signings and media availabilities*

No press conferences this week.

## Committee News

*Comprehensive coverage of the House & Senate public hearings and voting meetings*

### **Senate Appropriations Committee – Budget Hearing with DOR**

*02/18/25, 9:30 a.m., Hearing Room 1, North Office Building  
Pennsylvania Legislative Services*

The committee held a budget hearing with the Department of Revenue.

The Department of Revenue (DOR) was represented by:

- Patrick Browne, secretary, DOR,
- Adria Zimmerman, deputy secretary for administration, DOR,
- Amy Gill, deputy secretary of tax policy, DOR, and
- Stephanie Weyant, deputy executive director of marketing and products, Pennsylvania Lottery.

Chairman Scott Martin (R-Lancaster) opened the 2025-2026 budget meeting for DOR, stating the state general fund budget request was \$231.7 million. He emphasized the importance of brevity in questions.

Sen. Jarett Coleman (R-Lehigh) asked whether DOR had provided draft language requested in a letter for the release of new tax information, which was due by February 14, 2025. Sec. Browne confirmed the provision of draft language related to Senate proceedings on neighborhood improvements and community revitalization, including auditing provisions while maintaining taxpayer confidentiality. He also mentioned that the requested language had been provided to the Senate back in October.

Sen. Coleman inquired about the impact of the governor's tax reform proposal on the Neighborhood Improvement Zone, specifically regarding the elimination of bank shares and other financial service taxes. Sec. Browne explained the shift from taxing value to taxing cash flow for financial institutions and noted that the effective rate for banks would be revenue-neutral.

Sen. Coleman further asked if this change would result in contract impingement or impairment, to which Sec. Browne responded that the shift would not eliminate funds but change the type of levy, making contract impairment unlikely.

Sen. Nick Pisciotano (D-Allegheny) asked about the number of first-time applicants to the property tax rent rebate program following the expansion of eligibility criteria, noting that around 120,000 new people became eligible. Sec. Browne stated that over 525,000 applications were approved out of 560,000 filed, highlighting the program's significant expansion and effective management.

Sen. Pisciotto then discussed the positive impact of raising the caps for the property tax rent rebate program and inquired about the update on two new tax credits introduced in the 2024 tax code changes, the employer child care contribution tax credit and the five to nine savings account employer matching contribution tax credit, questioning their potential to attract and retain residents in Pennsylvania. Sec. Browne answered they are currently developing guidelines and are uncertain about participation levels. He said that the program is effective this year and that they are prepared to administer it, hoping for a high participation rate. He referenced a past child and dependent care credit that was highly successful, with over 200,000 filers benefiting in one budget cycle. He noted that such a large-scale credit has not been incorporated into the personal income tax system before, but previous performance suggests it could be successful, similar to the property tax rebate expansion.

Sen. Pisciotto asked about DOR's assessment of Pennsylvania's demographic trends and projections, focusing on the state's economic outlook and demographics. Sec. Browne discussed the challenges posed by demographic shifts in Pennsylvania, noting a slower growth in the working-age population and an increase in the retired population. He projected revenue growth at 3% without new proposals and 5% with them, emphasizing the need for initiatives to promote competitiveness and grow the personal income tax base.

Sen. Pisciotto inquired whether Pennsylvania's demographic trends were comparable to those of neighboring states in the Northeast. Sec. Browne explained that Pennsylvania's trends match those of the mature markets in the Northeast but differ significantly from the growth trends of the Southeast, particularly Florida, highlighting the challenges this presents for Pennsylvania's relative growth.

Sen. Pisciotto asked which industries in Pennsylvania have experienced the fastest and slowest wage growth recently. Sec. Browne identified the health care, education and medicine sectors as significant growth drivers, while manufacturing and agriculture have not seen expected growth. He emphasized the importance of focusing on sectors like manufacturing, energy, semiconductors and biotech/biomedical to improve growth, noting the booming logistics sector in the Eastern Region.

Sen. Pisciotto inquired about the distribution of wage growth among different income earners in Pennsylvania. Sec. Browne mentioned that the median household income is around \$55,000 and discussed Gov. Josh Shapiro's budget proposal to increase the minimum wage, which would impact 750,000 people, indicating market adjustments and the need for policy intervention on minimum wage adjustments.

Sen. Pisciotto asked for an overview of updates to combined reporting as outlined in Gov. Shapiro's budget. Sec. Browne explained that Pennsylvania currently uses a separate company filing system but is considering moving towards combined reporting, aligning with the majority of states and reflecting how businesses operate as consolidated groups. He highlighted the shift towards taxing based on market presence and noted recent adjustments to make the corporate income tax rate competitive, supporting the move towards combined reporting. He said that the decision to adopt a consolidated reporting system should be based on business reasons rather than tax benefits, citing Delaware's history as a preferred location for proprietary assets due to business reasons.

Sen. Cris Dush (R-Jefferson) inquired about the governor's tax budget, specifically about repurposing tax credit programs like the Pennsylvania Economic Development for a Growing Economy (PA EDGE) for reliable energy investment and the elimination of several tax credits, and how these changes would affect revenues. Sec. Browne explained that the largest piece of the tax expenditure, up to \$10 million, starts in fiscal year 2027-2028, including \$100 million on the energy side for reconvertng the current energy credit for natural gas.

Sen. Dush asked whether the elimination of certain tax credits was due to their lack of utilization. Sec. Browne responded that reconvertng tax credits to a new platform by the Department of Community and Economic Development (DCED) is seen as a more effective method for creating economic opportunities.

Sen. Dush questioned the lack of budget calculations for increased costs associated with the utilization of tax credits under PA EDGE for fiscal year 2027-2028. Sec. Browne explained that the PA EDGE package has not been utilized yet due to the lack of opportunities, and since the probability of their use has not been deemed high enough, no expenditure for them has been booked.

Sen. Dush criticized DOR for not adhering to the constitutional mandate for a financial plan covering at least the next five fiscal years, pointing out the failure to project increases in operating costs. Sec. Browne specified that tax expenditures cannot be projected until it is probable that the actual investment will occur, focusing on tax credits and revenue, not expenditures, and offered to pass on concerns to the budget secretary.

Sen. Dush emphasized the importance of understanding the destination of proposed revenues before making proposals.

Sen. Patty Kim (D-Dauphin) highlighted the importance of investing in Pennsylvania to attract residents, mentioning the state's loss of a congressional seat due to population decline and expressing concern over the potential impact of fluctuating executive orders in Washington, D.C. Sec. Browne responded that there is significant uncertainty regarding the impact of the minimum wage proposal, particularly on employment and its effects on personal income tax and sales tax revenue. He added that any efforts to promote private activity could be influenced by federal executive orders, which may, in turn, affect the economy. He continued that for DOR since it is primarily state-funded— with only \$100,000 in federal funding— its operations will not be impacted. He noted that Pennsylvania's exports reached a record \$52.9 billion in 2023, driven by chemicals, electronics and machinery.

Sen. Kim asked about the impact of potential tariff wars with Canada and Mexico on Pennsylvania, noting these countries are significant trading partners. Sec. Browne stated that the economic impact of tariffs on Pennsylvania businesses is uncertain and not included in their revenue models. However, he acknowledged that tariffs could significantly affect Pennsylvania companies' revenue capacity if they impact the ability to conduct business.

Sen. Kim asked whether tariffs would ultimately affect consumers. Sec. Browne responded that any taxes on businesses, including tariffs, would likely be passed on to consumers through higher product prices.

Sen. Kim shifted the discussion to the decline in scratch-off lottery revenue, asking about the reasons for this decline and measures to address it. Weyant explained the decline in scratch-off sales over four years and mentioned the governor's proposal to tax and regulate games of skill and eliminate the profit margin mandate for scratch-offs to increase payouts and sales.

Sen. Tracy Pennycuick (R-Montgomery) inquired about the governor's budget, which anticipates significant revenue from skill games. Sec. Browne explained the revenue projections are based on taxing skill games similarly to other gaming machines, with a portion of the tax revenue going to the general fund and the Lottery Fund. He detailed the projections based on expanding the number of games and facilities over five years.

Sen. Pennycuick expressed skepticism about achieving the projected revenue from skill games by July, citing potential legislative and implementation delays. Sec. Browne mentioned the projection assumes half a year of activity and discussed efforts to expand the system to include all Video Gaming Terminals (VGTs) without additional expenses.

Sen. Pennycuick asked about the application costs for facilities like fire companies, social halls and Veterans of Foreign Wars (VFWs) who wish to have a skills game. Sec. Browne specified that the cost for a VGT operator establishment license is \$250 per machine and \$1,000 per application. Sec. Browne specified the costs associated with VGTs, detailing the fees for operator licenses, establishment licenses and application fees for both.

Sen. Pennycuick asked about the classification of VFWs within the current system, to which Sec. Browne responded that VFWs and similar entities would not fit within the establishment license category.

Sen. Pennycuick then mentioned the discussion is focused on approximately 30,000 taxable machines, a figure Sec. Browne said he believed to be accurate but promised to verify.

Sen. Pennycuick inquired about the estimated gross terminal revenue for each machine. Sec. Browne provided an estimate of \$264 per day for up to 29 machines, totaling \$3,286 per day.

Sen. Elder Vogel (R-Beaver) asked Weyant to clarify a statement about eliminating the profit margin requirement for the Pennsylvania Lottery, which Weyant confirmed was part of the governor's proposal.

Sen. Vogel inquired about the cost to the state and the reasons behind the significant disparities in weekly lottery earnings. Weyant explained that fluctuations in weekly deposits into the Pennsylvania Lottery fund are due to sales variations, with sales ranging from \$75 million to \$115 million weekly, influenced by events like the Mega Millions run and holiday sales. She also discussed strategies to attract a younger demographic to the lottery, including the introduction of online sales and efforts to modernize the lottery's brand.

Sen. Vogel asked about what the lottery is doing to get the younger demographic to play. Weyant described the Pennsylvania Lottery's performance since its 2018 online launch, noting initial growth followed by a period of softness due to large multi-state jackpots. Despite this, she acknowledged that the online lottery has been a growth area in recent years.

Chairman Martin asked whether the profit margin elimination was included in the lottery fund revenue estimates. Weyant explained that the current state of the ticket sales line in the lottery fund does not eliminate the profit margin, mentioning a slight decline and then a flat trend in future projections. She noted that high-level estimates over a 10-year period, considering the potential impact of

increasing prize payouts on sales and profits, were included in their annual profit report but not in the current budget book. Weyant mentioned that the profit report released to the legislature in September estimated an incremental \$1.2 billion in profits over 10 years.

Sen. Amanda Cappelletti (D-Montgomery) shifted the discussion towards the budget and staffing levels of the Department of Revenue, expressing concerns about it being understaffed. Sec. Browne described a significant staffing reduction in his department from 2,100 employees in 2011 to 1,700 currently, marking a 20% decrease. He highlighted the challenges in filling vacancies and praised his team for managing the department's responsibilities under these constraints.

Sen. Cappelletti acknowledged DOR's potential and emphasized that the proposed budget increase would aid in expanding staff and improving recruitment efforts. Sec. Browne explained that the total authorized complement is aimed at filling vacancies, especially in customer service areas, and offered assistance for any specific concerns. He also highlighted the department's achievements over the past year, including the expansion of the property tax and rent rebate program and a significant reduction in call wait times.

Sen. Rosemary Brown (R-Monroe) thanked Chairman Martin, Sec. Browne and his team for their collaboration, acknowledging Sec. Browne's extensive public service history and expressing curiosity about his current thoughts on the Independent Fiscal Office (IFO), which tracks state spending. She asked Sec. Browne about potential red flags in the revenue process and his views on the use of the rainy day fund. Sec. Browne emphasized the focus on enhancing Pennsylvania's revenue capacity and tax competitiveness, mentioning efforts to improve the corporate and income tax system. He deferred questions about the Rainy Day Fund to the budget secretary, focusing instead on revenue capacity and tax system competitiveness.

Sen. Brown questioned the accuracy of revenue projections for a gaming proposal mentioned by the Governor, asking if the numbers assumed implementation within the current fiscal cycle. Sec. Browne confirmed that the proposal does assume implementation in the current fiscal cycle.

Sen. Kirsten Phillips-Hill (R-York) contrasted optimistic fiscal projections from DOR with a more pessimistic outlook from the IFO, questioning if the nonpartisan fiscal office should certify official revenue estimates. Sec. Browne stated that the decision is up to the General Assembly and the governor, acknowledging the practice of his department and the governor certifying revenue forecasts.

Sen. Phillips-Hill highlighted a \$5.1 billion discrepancy between DOR's projections and those of IFO over a five-year period. Sec. Browne specified that the discrepancy is a 1% difference over five years against a \$300 billion revenue base, which falls within the national standard for revenue estimate accuracy.

Sen. Phillips-Hill warned that relying on DOR's projections could lead to bankruptcy due to significant disparities with IFO's projections. Sec. Browne reiterated that the \$5 billion disparity is spread over five years, not a single cycle, and emphasized that a 1.2% variance per year is within the standard of accuracy for revenue estimates. He noted the challenges in revenue estimation and the expected fluctuations, suggesting that forecasts extending five years into the future should be expected to have some degree of inaccuracy.

Sen. Joe Picozzi (R-Philadelphia) asked Sec. Browne if it was realistic to expect legislation to legalize and tax recreational cannabis to be passed and implemented in less than a year. Sec. Browne answered that their revenue projections assume that the revenues from this initiative will materialize in the current cycle, which is a matter for the General Assembly and the governor to consider.

Sen. Picozzi then asked about the federal perspective on recreational marijuana and whether administering a tax on a Schedule I controlled substance would be problematic. Sec. Browne responded that they have a platform similar to Ohio's, which uses its medical cannabis system as a foundation, and said they do not foresee issues with federal regulations based on their experience with medical marijuana sales.

Sen. Picozzi inquired if commingling tax revenue from the sale of a Schedule I controlled substance could expose the general fund to legal ramifications. Sec. Browne stated that they do not anticipate problems with federal regulations regarding the sale of recreational marijuana.

Sen. Picozzi asked if the legalization of recreational cannabis could jeopardize any federal funds, to which Sec. Browne replied that administering, collecting and enforcing a tax on a federal Schedule I controlled substance does not present a problem.

Sen. Picozzi inquired about the envisioned framework for recreational marijuana sales in the Commonwealth, asking if it would be similar to Ohio's model. Sec. Browne explained that the sale of recreational marijuana would extend beyond medical dispensaries,

with projections including 90 growers, 106 processors and 267 dispensaries, totaling about 500 active businesses expected to generate the majority of the \$500 million in revenue for the year.

Sen. Picozzi asked about the cost for DOR to implement and administer a new recreational tax and the number of new employees that will need to be hired. Sec. Browne mentioned that the projection includes \$1.5 million from distribution fees for administration and promised to provide the number of employees related to this budgeting.

Sen. Picozzi requested more details on Gov. Shapiro's executive budget which assumes over \$500 million in revenue from fees related to the proposal. Sec. Browne detailed the fee structure for medical marijuana dispensaries, including a license fee of \$25 million, a \$505,000 application fee and various renewal fees, contributing to an estimated \$560 million in fees from 500 active businesses.

Sen. Picozzi asked if the proposal allows for a local option to opt out of marijuana sales, to which Sec. Browne said he couldn't answer at the moment but would get back to him on it.

Sen. Judith Schwank (D-Berks) acknowledged Pennsylvania's demographic challenges, including an aging and declining population, particularly in rural areas. She continued that the legislature has even formed a commission to study rural population issues. She asked how the state's incentives are affecting rural Pennsylvania, especially given the loss of hospitals and essential economic and social infrastructure. She emphasized that if younger people are not moving to or staying in these areas, it will have long-term revenue implications. She also inquired whether DOR is collaborating with other agencies, such as DCED and the Department of Agriculture, to address these challenges. Sec. Browne highlighted the importance of addressing demographic trends in rural areas to enhance the state's revenue capacity, emphasizing the need for reinvestment in these areas and the benefits of discussing broader tax structure investments with commerce officials.

Sen. Schwank stressed the significance of supporting rural areas for the future of the state, mentioning the Redevelopment Assistance Capital Program (RCAP) and the need for legislative changes to address funding disparities between rural and urban areas. Sec. Browne mentioned the expansion of the City Revitalization and Improvement Zone (CRIZ) program to address economic development in both rural and urban areas and highlighted the department's involvement in tax credits and tax incremental financing.

Sen. Schwank expressed satisfaction with the incorporation of the child care tax credit into the tax code and budget, asking about DOR's plans to advertise this to businesses. Sec. Browne responded by emphasizing the success of the child independent care credit among families and the expectation for a similar ramp-up in business participation, noting that initial numbers met projections.

Sen. Schwank expressed her willingness to collaborate on promoting awareness of the child care tax credit among businesses.

Sen. Sharif Street (D-Philadelphia) inquired about the impact of proposed tariffs on Pennsylvania revenue, to which Sec. Browne explained that Pennsylvania's tax system's increasing reliance on total sales means any decrease in sales directly impacts corporate income tax and small businesses' reported receipts.

Sen. Street asked about the revenue implications of adopting a \$15 minimum wage, with Sec. Browne projecting a total of \$102 million in revenue from sales and personal income tax.

Sen. Street also inquired about the revenue implications of legalizing adult use cannabis. Sec. Browne detailed a total of \$536 million, \$509 million from licenses, \$15 million from the 20% wholesale taxes and \$11 million from sales taxes.

Sen. Street asked about the job creation implications of the clean hydrogen hub tax credit. Sec. Browne acknowledged the potential positive impact on jobs and services in Pennsylvania.

Chairman Martin initiated the second round of questions, indicating that Sen. Coleman would begin.

Sen. Coleman questioned Sec. Browne about the rationale behind setting the minimum wage at \$15 an hour, especially given that wages in the Lehigh Valley already exceed this amount. He expressed concerns about the high cost of food and wondered how the extra income from the wage increase would be spent and whether it would lead to additional sales tax revenue, estimating an additional spending capacity of \$60 million. Sec. Browne responded by highlighting the current minimum wage's significant disparity with the Northeast region, suggesting that this puts the state at a competitive disadvantage. He stressed the need to align wages with the regional marketplace.

Sen. Coleman noted that, based on his data, only about one out of 100 people earn the minimum wage, mainly unreported tip

service industry workers. He suggested that taxing these tips could increase actual income figures. Sec. Browne mentioned that their projections expect a total impact on 750,000 people.

Sen. Coleman inquired about the effects of legalizing and taxing marijuana at higher rates on consumer behavior, particularly whether Pennsylvania's proposed tax rates would remain competitive with neighboring states. Sec. Browne discussed the influence of retail taxes on marijuana purchases, comparing Pennsylvania's situation with neighboring states. He noted that high retail taxes might encourage residents to purchase marijuana from other states, similar to past experiences with slot machines.

Sen. Coleman asked about the percentage of Harrisburg-based employees working remotely versus those in the office full time. Sec. Browne detailed the current work arrangements, stating that 2% are teleworking full time, 71% are working part-time, 11% are home-headquartered and 16% are on-site five days a week.

Sen. Dush sought clarification on revenue estimates, particularly whether they include the cost of utilizing the existing edge credit. Sec. Browne explained that the Local Performance Center has not been utilized within the commerce department for the last two years, leading to conservative projections regarding the use of these credits. He mentioned that they would reconsider the job creation requirements and standards for booking revenue and expenditures once there is more certainty about the actual investment against these expenditures.

Sen. Dush expressed skepticism about the feasibility of Gov. Shapiro's energy plan, particularly regarding baseload power generation. He suggested that the plan is unrealistic and questioned why it is not being accounted for, implying that it is based on something that does not currently exist. Sec. Browne explained the department is adjusting credits within their edge portfolio to make them more accessible and to ensure investments materialize, as historical trends suggest they wouldn't without these adjustments.

Sen. Dush questioned Gov. Shapiro's proposal of a 52% tax on skill games, given their importance to VFWs and small businesses, and contrasted this with the allocation of funds to the Southeastern Pennsylvania Transportation Authority (SEPTA). Sec. Browne deferred to the budget secretary on fund allocation but justified the skill games tax as a means to maintain consistency in taxation across different gaming platforms.

Sen. Dush inquired about the impact of proposed tax changes on the lottery, seniors, local governments and nonprofits. Sec. Browne responded that the 52% tax aims to legalize skill games and strengthen their platform, with 5% of the tax revenue going to the lottery. He highlighted a \$200 million loss in profits over five years from consumers shifting from the lottery to skill games, emphasizing the need to adapt to maintain funding for important programs.

Sen. Pennycuick asked if establishments without a liquor license are prohibited from having skill games, to which Sec. Browne promised to provide more information later.

Sen. Pennycuick expressed concern about the financial implications for local businesses of requiring skill machines to pay application and licensing fees. Sec. Browne explained that the current gaming infrastructure, including VGT systems, would simply need to be extended or expanded, utilizing the existing platform. He also mentioned that DOR is projecting \$9 million for enforcement costs to distinguish between legal and illegal skill games.

Minority Chairman Vincent Hughes (D-Philadelphia) asked Sec. Browne to clarify the specific programs funded by lottery funds, highlighting the importance of treating these funds fairly. Sec. Browne detailed that the primary program funded by lottery funds is the property tax and rent rebate program, which supports various services including transportation, prescription drugs, home health care and COVID-19 vaccines. He emphasized the program's impact on property taxes and rent.

Chairman Hughes then stressed the real benefits of lottery funds for Pennsylvanians and the need to maintain the strength of the Lottery Fund amidst the growth of gaming activities. Sec. Browne explained the shift in the lottery's role due to changes in gaming habits and expressed a desire to refocus on traditional funding mechanisms.

Chairman Hughes reiterated the importance of fairness and the Lottery Fund's role in supporting Pennsylvanians.

Sen. Cappelletti expressed support for child care tax credits and inquired about IFO history with deficit estimation. Sec. Browne acknowledged the IFO's tendency to project deficits, reflecting the state's financial position.

Sen. Cappelletti noted the non-materialization of projected deficits but emphasized IFO's role in highlighting structural revenue issues, suggesting new revenue streams like skills games and marijuana legalization. Sec. Browne described IFO's role in providing revenue estimates and the importance of understanding variances in forecasts.

Sen. Cappelletti advocated for viewing revenue forecasts as concerns rather than absolute truths and exploring new revenue sources.

Chairman Martin inquired about the current structural deficit, emphasizing the need for actual figures. Sec. Browne deferred to discuss revenue aspects, while Chairman Martin revealed the structural deficit to be approximately \$3.2 billion, underscoring the issue of expenditures surpassing revenues and the importance of addressing both revenue and spending to tackle the deficit.

Sen. Vogel acknowledged Gov. Shapiro's budget proposal, which includes an increase in revenue transfers to the Public Transportation Trust Fund, raising it by 1.75% to 9.4%, and with the Transportation Assistance Fund, reaching 10%. He asked about the impact this shift will have on general fund revenues and whether it is a prudent decision to allocate more sales and use tax revenue away from the general fund, given budget priorities. Sec. Browne stated that Gov. Shapiro has proposed a 1.75% increase in funding for mass public transportation, projecting an increase to \$292 million for 2025-2026 and \$303 million thereafter. He mentioned that discussions with the General Assembly would determine the final allocation within the overall budget.

Sen. Vogel asked whether the funding increase would be distributed across all transit systems in the state or only applied to SEPTA. Sec. Browne responded that the current mass transit formulas would be used, indicating a positive outlook toward addressing transportation questions.

Sen. Vogel expressed concerns about the impact of diverting more money from the sales and use tax to the public transportation trust fund on the general fund, suggesting further discussion is needed. Sec. Browne explained that while allocating funds to mass transit might limit availability for other expenditures, it could enhance overall revenue capacity in the future due to the long-term benefits of efficient mass transit for the economies of Pittsburgh, Philadelphia and the Lehigh Valley.

Sen. Phillips-Hill discussed the desire of constituents who work in Maryland for the flexibility to work from home without triggering corporate net income tax, asking for a commitment to find a permanent, cost-neutral solution for hybrid work arrangements. Sec. Browne discussed the challenge of aligning a telework standard with current Nexus standards for taxation and expressed willingness to work on modifying this standard.

Sen. Street discussed the impact of investments on revenue, focusing on mass transit in the five southeast counties and Allegheny County, and inquired about the implications of economic disruptions in these areas on the overall revenue to the state. Sec. Browne mentioned that these areas contribute significantly to the state's revenue, with the five counties and another entity accounting for 50%-60% of the overall revenue capacity.

Sen. Street emphasized the importance of considering the revenue contribution of these areas when discussing mass transit funding and referred to the governor's proposal on taxes and VGT as a potential source of funding for programs supporting older Pennsylvanians. Sec. Browne acknowledged that projections from a 5% tax on VGT would result in \$38 million for the fiscal year 2025-2026 and \$160 million for 2026 and 2027 but also highlighted the growing pressure from alternative gaming sources.

Sen. Picozzi asked about the expected number of Pennsylvania residents to use recreational cannabis and the necessary purchase amount to meet revenue estimates. Sec. Browne explained that revenue estimates were based on Colorado's experience, adjusted for Pennsylvania's population, and mentioned significant tax revenues from cannabis in surrounding states.

Sen. Picozzi questioned the accuracy of using Colorado as a benchmark for revenue estimates due to its first-mover advantage and asked how Pennsylvania's proposed 20% wholesale tax compares to similar taxes in peer states. Sec. Browne listed the wholesale tax rates of New York and Maryland at 9% and Colorado at 15%, and said he was unsure about New Jersey's rate.

Sen. Picozzi inquired about the revenue generated by states with established recreational cannabis programs. Sec. Browne stated that New York collected \$149 million, New Jersey \$105 million, Maryland \$82 million and Ohio \$306 million annually from recreational cannabis sales.

Sen. Picozzi asked whether the administration considered the increased costs associated with legalization, including enforcement and health issues. Sec. Browne noted that \$2.5 million would be allocated to the State Police for enforcement and \$1.5 million to the department.

Sen. Picozzi questioned the impact of legalization on Pennsylvania's medical marijuana program, specifically if it's currently taxed and how tax collections might be affected. Sec. Browne explained that medical marijuana involves a prescription process and mentioned Ohio's distinct market approach, noting a 5% tax on medical marijuana.

Sen. Dush mentioned IFO's deficit projections and DOR's request for a \$10 million increase, about 7%, for personnel costs in the fiscal year 2023-2024 budget. He noted the department's \$14 million in budgetary reserve and asked if any would be used to balance this year's budget for non-recurring costs. Sec. Browne answered that DOR is asking for that increase to fund some or all of the vacancies. He added that \$160.7 million will still leave the department underfunded for 100 vacancies and that they are asking for recurring allocations to fund personnel.

Sen. Dush asked about the future use of the \$14 million in budgetary reserves. Sec. Browne stated there are currently no plans to use these reserves for this year's budget but promised to keep the committee informed about any changes.

Sen. Coleman raised concerns about revenue losses from fare evasion in mass transit, particularly in the SEPTA area, and asked for current data on the extent of these losses. Sec. Browne admitted he lacked the specific information but was willing to look into it.

Chairman Hughes requested a detailed analysis of the Lottery Fund's expenditures and specifics on the \$1 billion in property tax relief mentioned in the governor's budget address, emphasizing the need to understand its impact on property owners. Sec. Browne confirmed that the property tax reduction fund would exceed a billion dollars, marking a historic achievement for Pennsylvania, and agreed to provide details on its per-household impact.

Chairman Hughes also expressed concerns about the security of personal information, particularly in relation to the Internal Revenue Service (IRS), and asked about the measures in place to protect state residents' data. Sec. Browne assured that DOR has rigorous protocols to ensure data security, with recent audits showing no issues related to information security.

Chairman Hughes emphasized concerns about data security and the protection of personal information, particularly regarding scholarship and grant recipients, Pell Grants, student loans and interactions with federal agencies like the IRS. He highlighted ongoing threats to personal data, referencing daily hacking attempts and the importance of cybersecurity measures across government entities. He stressed the need for strong and uncompromised security protocols, especially in light of potential vulnerabilities at the federal level. He called for continuous discussions on this issue to ensure Pennsylvanians' private data remains secure and is only accessed with proper authorization.

Chairman Martin inquired about the status of recommended language addressing why the Legislative Budget and Finance Committee (LBFC) could not complete its audit due to information access issues, referencing Senate Majority Leader Sen. Joe Pittman's (R-Armstrong) recent letter. Sec. Browne explained that the Senate proceedings addressed an unexpected but hopeful policy change affecting the local authority's ability to conduct audits under the CRIZ and Neighborhood Improvement Zone (NIZ) laws. He added that since these laws require audits of local funds, DOR's obligation to the Senate was to provide language ensuring the necessary changes to the NIZ law. He stated that this was the main focus of the discussion during the proceedings.

Chairman Martin asked if there would be no further communications from DOR regarding a discussed topic, to which Sec. Browne confirmed they had provided all requested information.

Chairman Martin then raised concerns about delays in processing tax credits for the Educational Improvement Tax Credit Program (EITC) and Opportunity Scholarship Tax Credit Programs (OSTC) programs, noting these delays deter participation. Sec. Browne acknowledged the delays, attributing them to factors beyond their control, including the timing of tax return filings by entities claiming the credit.

Chairman Martin pointed out that some individuals file their taxes outside the typical deadline and Sec. Browne suggested considering a requirement for participants to adhere to the April deadline to receive credits.

Chairman Martin discussed the need to evaluate and possibly adjust the program's processes to improve efficiency and maintain its benefits. Sec. Browne mentioned the program now exceeds \$600 million in investments and emphasized the importance of discussions on making necessary adjustments.

Chairman Martin then addressed issues faced by volunteer fire companies in his district due to burdensome tax filing requirements and enforcement strategies, asking about any changes in audit or enforcement strategies. Sec. Browne suggested examining the specific experiences of these companies to determine if their issues are unique or indicative of broader policy changes.

Chairman Martin also brought up a significant issue involving a large employer in his district being audited for sales tax on transactions with tax-exempt charitable organizations, questioning if there has been a change in the department's philosophy or interpretation of existing law. Gill confirmed there has been no change in the department's approach to sales tax audits for charitable organizations and for-profit businesses and offered to work closely to investigate and address the specific issue raised.

Chairman Martin discussed the implications of not classifying hospital cafeterias as public restaurants, which could affect equipment sellers. Sec. Browne stated that hospitals are not taxed on cafeteria activities due to their tax-exempt status.

Chairman Martin expressed concern over the significant increase in tax refunds, which were nearly \$2 billion for the current fiscal year, and asked for an opinion on the cause of these high refunds. Sec. Browne explained the increase in tax refunds is due to the myPATH system changes, resulting in a 30% increase in corporate tax refunds and a 52% increase in personal income tax refunds, attributing it to a cash flow issue.

Chairman Martin inquired if court decisions favoring taxpayers were impacting refund amounts, noting the budget had booked \$1.3 billion a year ago, now approaching closer to \$2 billion. Sec. Browne specified that the difference in refund amounts is mainly due to processing within their system rather than litigation or policy changes. He assured to inform the senator if any litigation affects this.

Chairman Martin asked if system efficiency improvements have led to a reduction in the interest paid on late payments, specifically referring to interest on overpayments. Sec. Browne mentioned they have not observed any impacts related to the timing of the actual processing of returns.

Chairman Martin asked about the tax refund amount for returns from individuals and businesses participating in the EITC and OSTC programs. Sec. Browne stated they would need to provide the requested information at a later time.

Chairman Martin thanked everyone for their participation, expressed his fascination with the discussions and emphasized the importance of policies that encourage economic growth. He declared the meeting in recess, expressing hope for growth in the state's revenues to address the structural deficit.



### **House Appropriations Committee – Budget Hearing with DCED**

*2/18/25, 10:00 a.m., House Floor, Main Capitol*

Pennsylvania Legislative Services

The committee held a budget hearing with the Department of Community and Economic Development.

The Department of Community and Economic Development (DCED) was represented by:

- Rick Siger, secretary, DCED, and
- Mike Hanna, executive deputy secretary, DCED.

Chairman Jordan Harris (D-Philadelphia) opened the first day of budget hearings, emphasizing the importance of time management and clear communication for a productive session.

Minority Chairman James Struzzi (R-Indiana) expressed concerns over the proposed state budget increase to \$51.4 billion, highlighting the need for fiscal responsibility and mutual respect among committee members.

Sec. Siger discussed the governor's 2025-2026 budget proposal as part of a 10-year economic development strategy, mentioning the achievements of the past year including a \$500 million investment in site development and the doubling of the Neighborhood Assistance Program (NAP) to \$72 million. He outlined the goals of the upcoming budget proposal to enhance Pennsylvania's economic growth.

Rep. Kyle Mullins (D-Lackawanna) highlighted the bipartisan effort in broadband development in Pennsylvania, asking about the progress made and potential legislative support. Sec. Siger emphasized the priority of achieving 100% connectivity in Pennsylvania, mentioning the approval of \$204 million for capital projects and the receipt of 239 applications covering 97% of eligible locations for the broadband fund.

Rep. Torren Ecker (R-Adams) inquired about Sec. Siger's involvement in the governor's directive for a comprehensive review of state programs to eliminate inefficiencies and duplications. Sec. Siger stated that DCED, alongside the Budget Office, is looking at every program they have to find if it's possible to "grow it, shrink it or change it."

Rep. Ecker asked Sec. Siger about the specifics of the programming found to be duplicative or ineffective during the review process, emphasizing the need for reinvention. Sec. Siger discussed the review and evaluation of tax credits and programs to enhance Pennsylvania's economic condition. He mentioned the examination of three specific tax credits: waterfront, video game and manufacturing, noting their underutilization or narrow focus. Sec. Siger highlighted the proposal to introduce a new, more flexible tax credit aimed at attracting high-growth companies to the state. He emphasized the ongoing nature of these evaluations as part of a continuous improvement project and mentioned past successes in overhauling city revitalization efforts and modifying the main streets program. Sec. Siger stressed the importance of identifying and discontinuing ineffective programs to make way for more efficient use of taxpayer dollars and to foster economic development.

Rep. Paul Friel (D-Chester) inquired about the Innovation Fund proposed in the budget, highlighting the \$50 million target for innovation to support business spin-offs from universities and retain businesses in technology and life sciences, with a specific mention of \$30 million targeted for life sciences. He asked for details on how these funds would be allocated and their intended outcomes. Sec. Siger discussed the re-proposal of a \$20 million innovation fund and the new \$30 million one-time investment in life sciences, aimed at enhancing Pennsylvania's research and development assets, commercial activity and startup ecosystem. He outlined four strategies for the Innovation Fund, including challenge grants for tech transfer, a venture studio model for company creation, matching grants for federal Small Business Innovation Research (SBIR) programs and matching funds for critical federal investments. For life sciences, the plan involves de-risking manufacturing, boosting leadership pipelines, creating a network for clinical trials and establishing a competitive challenge grant. Sec. Siger emphasized the statewide impact of these investments, highlighting their potential to support high-paying, long-term jobs across Pennsylvania, not just in Pittsburgh and Philadelphia.

Rep. Thomas Kutz (R-Cumberland) highlighted the importance of infrastructure investment in the mid-state, "the fastest-growing region." He expressed concern over the doubling cost of home ownership since COVID-19 and emphasized the significance of transitioning from renting to buying to prevent wealth loss. Rep. Kutz mentioned a budget proposal including a \$10 million program to assist first-time homebuyers with closing costs, aimed at attracting emergency workers and families to the commonwealth. He inquired about the program's parameters, such as income limits or maximum awards. Sec. Siger responded to Rep. Kutz's inquiry about the budget proposal for a program to assist first-time homebuyers with closing costs. He provided statistics to highlight the increase in first-time homebuyers, noting a 25% national increase and detailing the numbers in Pennsylvania for 2023 and 2024. He mentioned the consideration of a \$5,000 base award per house to help with closing costs, which is approximately two-thirds of the minimum down payment required for a Federal Housing Administration (FHA) loan on an average starter home. Sec. Siger emphasized that this is a new program and that they are open to feedback from the legislature.

Rep. Kutz discussed the limitations of a proposed \$10 million program aimed at assisting 2,000 families with homebuying in the commonwealth, suggesting it might not be sufficient. He proposed exploring alternatives to direct grants, such as tax exemptions on Realty Transfer Tax (RTT) or deductions for Private Mortgage Insurance (PMI) to make homeownership more accessible. He highlighted that these measures could benefit a broader range of potential homebuyers, including those in his district where median home prices are high. He expressed concern that the grant program could inadvertently favor certain regions over others and advocated for market-driven solutions to encourage home buying. Rep. Kutz emphasized the potential long-term economic benefits of his proposed alternatives and expressed interest in further discussions on improving homebuyer assistance programs. Sec. Siger referenced studies DCED is conducting on housing, doing a "deep dive into market dynamics." He said the goal of these studies is to provide more housing for Pennsylvania on a long-term basis.

Rep. Regina Young (D-Philadelphia) asked Sec. Siger about DCED's strategies for allocating funds to ensure safety during regional events leading up to 2026, considering the "limited" security funding in the governor's proposed budget. Sec. Siger highlighted the significance of 2026 for Pennsylvania and outlined the governor's budget allocations for these events, including \$10 million for additional marketing, \$15 million for regional event security and \$36.5 million for supporting marquee events. He emphasized the importance of these investments and mentioned ongoing collaboration with event organizers.

Rep. Young then asked Sec. Siger for recommendations on how legislators can ensure stakeholders in their districts are seen and felt, especially leading up to 2026. Sec. Siger discussed leveraging the \$10 million additional marketing funds to attract visitors to marquee events and encourage them to explore Pennsylvania, aiming for a lasting economic benefit beyond 2026. He expressed interest in engaging with local opportunities to ensure statewide economic benefits from the tourism boost.

Rep. Zachary Mako (R-Northampton) questioned why, despite a \$153 million increase in initiatives, the funding for the Ben Franklin Board remains at \$17 million, unchanged in his four-year tenure. Sec. Siger expressed strong support for the Ben Franklin partners and explained that the \$20 million Innovation Fund and the \$30 million life science one-time fund present opportunities for them to leverage their strengths. He highlighted the expectation for the Ben Franklin partners to engage in venture studios and tech

challenge grants.

Rep. Abigail Salisbury (D-Allegheny) discussed the potential impact of reductions to National Institutes of Health (NIH) funding on Pennsylvania's economy, noting that the University of Pittsburgh (Pitt) and the Pennsylvania State University (Penn State) are among the top recipients of NIH funding. She asked for an analysis of how these potential funding cuts could affect Pennsylvania's economy. Sec. Siger emphasized the importance of innovation for Pennsylvania's economic success and expressed concern over proposed changes to overhead rate calculations on funding, which could disadvantage Pennsylvania and harm the U.S. innovation system.

Rep. Salisbury inquired about the possibility of the state budget covering indirect costs or facilities and administrative (F&A) rates related to tech transfer, mentioning her experience in the field at Pitt. Sec. Siger stated they had to await guidance from federal agencies on that issue.

Rep. Salisbury asked Sec. Siger when information regarding the impact of federal budgets on the state would be available, acknowledging the difficulty in predicting the consequences at this early stage. Sec. Siger mentioned the complexity of handling indirect costs in the state budget due to ongoing litigation, making it difficult to provide a timeline. He also mentioned the department's aggressive monitoring of the situation by engaging with stakeholders to understand the impacts of ongoing actions. Rep. Salisbury stated they are in an "aggressive wait-and-see mode" before reacting to the situation.

Rep. Kristin Marcell (R-Bucks) asked about the Pennsylvania Strategic Investment to Enhance Sites (PA SITES) program's budget allocation for debt service, expressing interest in the terms, interest rates and market plans. Sec. Siger deferred pricing specifics to Sec. Uri Monson from the Office of the Budget (BO), but noted the program received 66 applications totaling \$377 million, significantly higher than the available spend authority of \$125 million. He emphasized the appropriateness of using a bond for this initiative.

Rep. Marcell inquired about the overall total of the bond and the possibility of refinancing bonds when interest rates are lower. She also asked about the DCED marketing plan to attract businesses, with \$3 million allocated for this initiative. Siger detailed the targeted business-to-business marketing strategy and highlighted the goal of co-marketing with regional economic development organizations to promote Pennsylvania.

Rep. Justin Fleming (D-Dauphin) discussed the bipartisan achievement of establishing a \$10 million program for shopping mall redevelopment across the commonwealth, highlighting the importance of addressing the dilapidation of shopping mall sites for public safety and health. He inquired if Sec. Siger believed this initiative would offer long-term value. Sec. Siger mentioned a set of projects that could be completed with the \$10 million. "We can understand what the market looks like, then we can decide together, what makes sense," Sec. Siger continued. Hanna mentioned that guidelines are expected to be released in the first quarter of the year and discussions with the Commonwealth Finance Authority (CFA) would occur in the second to third quarter.

Rep. Fleming expressed satisfaction with the progress of a program managed in partnership with the DCED and the CFA and raised concerns about municipal pensions and public safety in his municipalities. He asked whether DCED had additional capacity or plans to assist, especially with municipal pensions. Sec. Siger discussed the support provided to municipalities through the Municipal Assistance Program (MAP) and the Strategic Management Planning Program (SMPP), highlighting a proposed \$10 million increase to the Act 47 fund to support municipalities facing financial challenges.

Rep. Ann Flood (R-Northampton) asked about the impact of Gov. Josh Shapiro's proposal to increase the minimum wage to \$15 an hour by January 1, 2026, on small businesses and the number of workers affected. Sec. Siger mentioned that 869,900 workers earning between \$7.25 and \$15 would be affected and that 68% of those affected are 20 years or older.

Rep. Flood discussed her proposal for an incremental increase to \$12 an hour and asked if it might be more beneficial. Sec. Siger acknowledged the discussion for a gradual increase and argued for the benefits of the proposed \$15 minimum wage.

Rep. Aerion Abney (D-Allegheny) asked about the PA SITES program's eligibility, specifically if it could cover blight remediation and planning for community-level scatter sites. Sec. Siger stated there is \$5 million available out of \$400 million in PA SITES set aside for planning. He continued, stating the main focus is on commercial and industrial use.

Rep. Abney asked about the benefits of the proposed Advanced PA tax credit and whether it would offer similar benefits to businesses like NAP, which was expanded from \$36 million to \$72 million. Sec. Siger explained that the Advanced PA tax credit, initially funded with \$10 million, focuses on job creation by offering proactive tax credits based on payroll taxes withheld, differing from the NAP and Educational Improvement Tax Credit (EITC) programs. He mentioned that this strategy aims to attract and retain high-quality companies in Pennsylvania by offering a competitive incentive package.

Rep. Abney inquired about the long-term economic impact of investments made for the 2026 NFL Draft in Pittsburgh, including improvements to Point State Park and Market Square. Sec. Siger highlighted the \$600 million Shapiro administration plan aimed at revitalizing downtown Pittsburgh for the draft, expected to attract 700,000 to 800,000 people, and enhancing the city's image for companies, residents and visitors.

Rep. Jeff Olsommer (R-Wayne) expressed concern about the impact of minimum wage increases on small businesses and asked whether a report similar to one from March 2023, which analyzed the financial impact of such increases, has been produced for the governor's proposal this year. Sec. Siger mentioned he would need to follow up on the specific question and emphasized consulting the Department of Revenue (DOR) for expert analysis.

Rep. Olsommer highlighted a report from 2023 that assumed a \$15 per hour minimum wage rate would result in a loss of 12,800 jobs and more than \$2.5 billion in reduced profits for small businesses. He questioned the rationale behind increasing the minimum wage when encouraging able-bodied workers without dependents back into the workforce could potentially generate more revenue for the state. Sec. Siger responded by emphasizing the importance of improving workforce quality and availability, mentioning that the governor's budget aims to address key barriers such as transportation and childcare. He highlighted efforts to create higher-wage jobs through partnerships with companies and suggested that raising the minimum wage could enhance workforce participation and attract new workers.

Rep. Ben Waxman (D-Philadelphia) asked about DCED's efforts to convert empty office spaces into life sciences facilities in Philadelphia's 102nd district and the support for transforming scientific research into successful businesses. Sec. Siger confirmed that DCED supports such conversions through the PA SITES program and highlighted the \$30 million life science fund and the role of Ben Franklin partners in focusing on life science companies. He emphasized the importance of attracting more life science manufacturers and supporting startups to drive economic growth in the sector.

Rep. Jamie Barton (R-Schuylkill) discussed the allocation of \$1.16 billion from the Infrastructure Investment and Jobs Act for broadband deployment in Pennsylvania, expressing concern over worker classification that could increase project costs and delay broadband access for rural communities. Sec. Siger addressed these concerns, mentioning the bipartisan effort behind the broadband initiative and the ongoing discussions to determine worker classifications. He expressed confidence in having sufficient funds to connect all serviceable locations in Pennsylvania to high-speed internet.

Rep. Barton noted the impressive figure of 239 applications with a 97% approval rate for broadband applications and highlighted the significant cost of labor in the broadband expansion project. He questioned what percentage of Pennsylvania's broadband access needs would remain unmet after the allocation of federal funding at the current projected costs. Sec. Siger mentioned he would have his team follow up on the specifics of the rates and differences between them, expressing confidence in achieving complete broadband connectivity.

Rep. Barton provided specific labor cost figures, stating that the cost for fiber optics labor is approximately \$45 an hour, compared to \$94 an hour for electrical work, to illustrate the significant difference in labor costs between the two types of work. Sec. Siger mentioned that DCED's goal is to get "100% of all locations" connectivity by the end of the funding window.

Rep. Steven Malagari (D-Montgomery) asked Sec. Siger about the Business PA program, its role in the administration's economic development strategy and the actions taken since its announcement. Sec. Siger explained that Business PA was created to consolidate various organizations into a single entity within DCED to streamline processes and improve efficiency, including the implementation of a comprehensive consumer relationship management (CRM) system.

Rep. Malagari then inquired about how Sec. Siger's team is addressing permitting issues to support manufacturers. Sec. Siger highlighted the creation of the Office of Transformation and Opportunity (OTO) to improve the speed and certainty of manufacturing projects, which has enhanced Pennsylvania's competitiveness in attracting business, especially in the life sciences sector.

Rep. Charity Grimm Krupa (R-Fayette) sought clarification on the allocation of \$1.16 billion from the Infrastructure Investment and Jobs Act, emphasizing its intention for statewide connectivity, including rural, urban and suburban areas. Sec. Siger confirmed that the funding is intended for all areas, not just rural communities, and that a majority of the funding will likely benefit rural areas.

Rep. Krupa expressed concerns about waste, fraud and abuse related to worker reclassification under Gov. Shapiro's administration and its impact on financial efficiency, particularly in the context of rural broadband technology becoming obsolete in the 151st district. Sec. Siger explained that the reclassification effort is under review and highlighted the federal government's role in expanding technology options for rural connectivity, including fiber, tower-based and satellite systems.

Rep. Krupa asked Sec. Siger about the timeline for a specific process, to which Sec. Siger responded he could not commit to a timeline but offered to follow up after the hearing.

Rep. Krupa then asked whether Sec. Siger understood the opposition to the reclassification of workers and Sec. Siger mentioned he could not comment due to the ongoing legal process. Rep. Krupa argued that it would be appropriate for Sec. Siger to advocate for measures to save money and expedite broadband delivery to rural communities. Sec. Siger stated his primary objective has “always” been to connect Pennsylvania to the global economy through investments, aiming for a 100% success rate.

Rep. La'Tasha Mayes (D-Allegheny) discussed a tragic fire in her district, highlighting issues with housing code enforcement, and asked how increases in the Center for Local Government Services could help prevent such tragedies. Sec. Siger acknowledged the housing challenges and emphasized the need for more housing, rehabilitation and affordability, mentioning that code enforcement and landlord interactions are crucial areas where local government services could assist. He also hinted at an upcoming detailed housing strategy.

Rep. Mayes asked Sec. Siger to discuss the successes of the investment in the Historically Disadvantaged Business Assistance Program and its application to the veteran small businesses program. Sec. Siger discussed the high demand for the first round of funding and the two-part approach for this year, including a review for Small Business Assistance Centers and an upcoming micro-grant program, intending to model the Veterans Small Business Program after this approach.

Rep. Eric Davanzo (R-Westmoreland) questioned Sec. Siger about the unspent funds allocated for historically disadvantaged businesses, asking why an additional \$20 million is requested when there is already \$40 million unspent. Sec. Siger acknowledged the slow progress in disbursing funds but highlighted the success of the initial funding round and the adjustments made to their approach, resulting in a two-tier program. He confirmed that all \$40 million is now available and emphasized the importance of financial support and technical assistance for disadvantaged communities, stating the \$20 million proposed for future programs aims to ensure sustainability and build necessary capabilities within these communities.

Rep. Davanzo inquired about the Foundations for Industry program funding increase from the governor's budget, asking if there was an update on the apprentices who benefitted under that program. Sec. Siger acknowledged a request for data on apprenticeship program performance and included the inclusion of truck drivers, promising to provide the information later. He specified that the \$2 million increase for the Foundations for Industry program is aimed not only at traditional apprenticeships but also at retaining Pennsylvanians through experiential education, such as internships. He said this initiative is inspired by strategies from the Pittsburgh business community and seeks to foster commitments from educational institutions and companies to keep residents working within the state, representing a distinct approach from standard apprenticeships.

Rep. Joseph Webster (D-Montgomery) introduced a question about the vision for the relationship between companies, employees and quality of life in Pennsylvania, referencing a statement made by the acting secretary of DCED about a year ago. Sec. Siger emphasized the importance of supporting existing companies and attracting new ones to Pennsylvania by ensuring the availability of top-quality talent and creating great places to live with strong communities, amenities, schools and transportation infrastructure. He noted Pennsylvania's unique approach to linking community development with economic development, aiming to provide local governments and businesses with the tools needed for success.

Rep. Webster highlighted an issue in Pennsylvania regarding its ranking in higher education spending versus new entrepreneurs and startup density. He asked for an explanation of how these issues are being addressed in Pennsylvania. Sec. Siger addressed the issue of Pennsylvania's innovation and startup ecosystem, highlighting the state's efforts through investments and the Innovation Fund, which focuses on venture studios and tech transfer grants. He emphasized the goal to make Pennsylvania a top ecosystem for life sciences, including initiatives like clinical trial networks, de-risking manufacturing activities and a proposed \$400 million investment in industrial sites to attract life science manufacturers.

Rep. Marci Mustello (R-Butler) inquired about the differences in the workforce development line items and requested information on the returns on investment for these initiatives. Sec. Siger explained the WEBnetPA program, run by Penn College of Technology, which offers on-the-job training grants and serves as an incentive for companies. He detailed a \$200,000 grant for manufacturers to de-risk training budgets, which can be used at qualified Pennsylvania community colleges and technology schools. He highlighted that the program's budget increased by \$2.5 million to \$12.5 million, while the Pennsylvania First line saw a \$5 million decrease due to reallocation, resulting in a net increase of \$7.5 million across both programs for competitive grants to companies. He also touched on supporting apprenticeship programs as part of efforts to address statewide issues. Sec. Siger explained that the workforce development line resulted from one-time initiatives from the budget process, differentiating it from DCED's competitive programs.

Rep. Mustello asked about the \$50 million housing budget's focus and its potential neglect of rural areas, linking workforce development to housing availability. Sec. Siger specified that the housing initiative details are being finalized, with plans to invest in Pennsylvania's existing housing stock through a program called housing stock reservation, aiming to assist about 2,500 households annually with a \$50 million budget.

Rep. Mustello inquired about addressing zoning issues within the housing program. Sec. Siger responded that housing and land use are local matters in Pennsylvania, mentioning a \$1 million budget request to support the state planning board to help municipalities with housing issues while maintaining local control.

Rep. David Madsen (D-Dauphin) asked about the demand for the Solar for Schools program, which had a \$25 million budget last year and is proposed to receive another \$25 million. Sec. Siger noted the program received 88 applications, requesting a total of \$88 million, indicating high demand.

Rep. Madsen questioned the implementation of the proposed \$50 million housing rehabilitation program and if legislation was needed. Sec. Siger discussed plans to grant funds to county and local organizations for sub-granting to households, mentioning the program could serve around 2,500 households annually without requiring new legislation but was open to legislative discussions.

Rep. Marla Brown (R-Lawrence) expressed concerns about businesses in Lawrence County moving to Ohio and asked about the governor's proposed budget, including the Business PA team reorganization. Sec. Siger explained the Business PA initiative aims to retain and expand business by consolidating various teams under a \$9 million budget, focusing on creating a pipeline for project opportunities with Pennsylvania companies globally. Sec. Siger highlighted recent business investments in Pennsylvania and emphasized the importance of continued support for the proposed reorganization to maintain momentum. He also stressed the need for ready industrial sites to remain competitive and mentioned a comprehensive scan of industrial sites over 25 acres across the state.

Rep. Brown asked about lessons learned from recent initiatives. Sec. Siger mentioned that much of what DCED has learned is illustrated through their requests for resources. He also referenced a DCED "scan" of industrial sites within the commonwealth that are 25 acres or larger in order to understand them on a "deep level" as well as discussing intentions on marketing efforts for these industrial sites.

Rep. Joshua Siegel (D-Lehigh) initiated a discussion on the housing crisis in the commonwealth, asking about the strategic direction of the governor's executive order on housing and solutions to the housing shortage. Sec. Siger responded to Rep. Siegel, highlighting the state's budget allocation for addressing old housing stock and the introduction of a housing restoration program. He emphasized the need for technical assistance and model zoning codes for municipalities, as well as the importance of infrastructure and specialized services for at-risk populations and rental assistance. He noted a forthcoming comprehensive study on housing challenges.

Rep. Siegel commended the administration's commitment to permitting reform and inquired about plans to handle the uncertainty of federal funding, specifically mentioning the Low Income Home Energy Assistance Program (LIHEAP), emergency homelessness assistance and the impact on domestic violence nonprofits. He also commended the governor for suing the federal government to release \$1.2 billion in promised funds. Sec. Siger responded to Rep. Siegel, emphasizing the administration's unchanged values despite a new federal administration and mentioned an "aggressive wait and see" approach while monitoring the situation and focusing on their work daily.

Rep. Siegel emphasized the importance of ensuring no region is excluded from programs that help working-class individuals afford their home's heating and cooling.

Rep. Eric Nelson (R-Westmoreland) expressed concern over Pennsylvania's mixed messages regarding economic development and energy policy, highlighting the contradiction between the state's investment in energy sectors and the expenditure of \$2.7 million on the Regional Greenhouse Gas Initiative (RGGI).

He pointed out the negative impact of the RGGI on Pennsylvania, noting the closure of 11 major sites, the cancellation of \$7 billion in projects and the loss of hundreds of thousands of man-hours. He compared this unfavorably to Ohio and West Virginia, which announced \$13 billion and \$4.5 billion in new projects, respectively, and asked whether the governor's carbon trade and RGGI plans were deterring new investment in Pennsylvania. Sec. Siger emphasized the importance of energy to Pennsylvania's economic future, mentioning recent investments in the energy sector as evidence of the state's attractiveness for such investments. He highlighted the state's workforce and natural resources as key factors in attracting energy-related investments.

Rep. Nelson expressed concerns about energy generators in Pennsylvania being hesitant to invest in new energy generation due to uncertainties in environmental policies. He mentioned the accelerated closures of existing facilities and unfavorably compared Pennsylvania's situation with states like Indiana and Kentucky, which are investing in energy projects. Sec. Siger discussed the governor's energy plan, which includes a \$300 million tax credit for new energy generation, focusing on the prioritization of brownfield energy sites like Homer City. He expressed optimism about building new generation capacities to advance the economy and highlighted the appeal of sites like Homer City for significant projects.

Rep. Manuel Guzman (D-Berks) discussed the issue of minimum wage in Pennsylvania, providing statistics about minimum wage

workers and their role in their families' incomes, highlighting the average age of minimum wage workers in the commonwealth is 35 years old. He asked about the impact of addressing the minimum wage on Pennsylvania's workforce shortages, suggesting that increasing the minimum wage could help alleviate these shortages. Sec. Siger responded by emphasizing the importance of ensuring access to a fair wage as part of the overall strategy.

Rep. Guzman asked about the impact of an increased minimum wage on individuals in his community, referencing the experiences of a million people similar to his family and those in the City of Reading. Sec. Siger explained that the primary goal of DCED is to create high-wage jobs and invest in communities to improve quality of life. He mentioned that the department invests alongside companies to secure great jobs and does not subsidize companies that do not pay competitive wages.

Rep. Guzman inquired about the increased allocations for economic development in the governor's budget and how DCED will coordinate initiatives like Business PA and Pennsylvania First to drive sustainable job creation in communities like Reading. Sec. Siger discussed the return on investment for Pennsylvania from programs like PA First, emphasizing their economic impacts, which indicate that these investments induce companies to move to Pennsylvania, thereby improving state and local tax revenues and quality of life.

Rep. Joshua Kail (R-Beaver) criticized Pennsylvania's involvement in RGGI, arguing it limits the state's energy industry's growth and competitiveness. He highlighted the state's natural resources and strategic advantages, questioning the state's energy policy's impact on competitiveness, especially against Ohio and West Virginia. Rep. Kail asked what DCED is doing to maximize the energy industry's potential for workforce development and opportunities across the commonwealth. Sec. Siger explained that Pennsylvania's economic development strategy focuses on five key industries, including energy, due to their potential for growth and ability to provide living wage jobs. He highlighted Pennsylvania's competitive advantages in manufacturing, attributed to access to low-cost, high-quality gas, and mentioned successful efforts in competing with Ohio and West Virginia for manufacturing deals. Siger expressed optimism about increasing the state's competitiveness and securing more business wins in the future.

Rep. Joe Ciresi (D-Montgomery) highlighted the importance of investments in communications and technology, particularly AI, for job growth and leadership in Pennsylvania. He asked about the role of AI in innovation, its use in government and its potential benefits or drawbacks. Sec. Siger discussed the administration's efforts in AI development, highlighting partnerships with leading global AI companies to improve government services and the significant role of AI data centers in Pennsylvania. He emphasized the potential of the AI industry, particularly in Pittsburgh, to foster high-growth companies and create job opportunities.

Rep. Lee James (R-Venango) outlined his focus on tourism and its relationship with the DCED, mentioning the focus for the next two years on special events in Pennsylvania. He asked if there had been any estimates on the tax revenues generated from the approximately 200 million people expected to visit these events. Sec. Siger mentioned that he did not have the specific number regarding the economic impact of tourism and the upcoming events in Pennsylvania but assured it would be significantly more than the usual \$80 billion impact in a normal year.

Rep. James inquired about how the projected \$5 to 6 billion in revenue from upcoming events would be allocated to support tourism. Sec. Siger explained that the state receives \$10 million annually from the hotel tax for the tourism promotion fund, with an additional \$19 million proposed by the legislature, totaling \$29.3 million. He mentioned that 100% of the state funding for the tourism promotion fund is spent on marketing, with the \$19 million being allocated in various ways, including cooperation with local destination marketing organizations. He explained the proposed budget for tourism in Pennsylvania, detailing a flat funding proposal for the next year totaling \$29.3 million, with special allocations for 2026 including \$10 million for marketing, \$15 million for regional event security, and a one-time transfer of \$36.5 million for event support funding.

Rep. Bob Freeman (D-Northampton) inquired about the progress of the Main Street Matters program, noting its \$20 million funding last year and the same amount proposed for the coming fiscal year, and asked for details on the number of communities receiving funding and the focus on residential neighborhoods near downtown areas. Sec. Siger expressed enthusiasm for the Main Street Matters program, mentioning the receipt of 256 applications for \$75 million, indicating high demand, and stated that there are 11 designated communities with ongoing discussions for more designations. Hanna added that there are about 10 communities involved on the Elm Street side but did not provide a detailed breakdown, adding that it could be provided at a later date.

Rep. Freeman highlighted the importance of [Act 128 of 2024](#), which allows for a five-year extension for Main Street designated communities. He inquired if many communities have applied for this extension. Sec. Siger did not have the information readily available but promised to provide it later.

Rep. John Lawrence (R-Chester) referenced a plant closure in Charleroi County and asked about DCED's efforts to keep the plant open. Sec. Siger acknowledged the situation, stating that despite discussions, there seems to be no viable way to keep the plant open, but mentioned that discussions are underway with other firms interested in the site.

Rep. Lawrence expressed concern about a \$2.5 million grant awarded to the plant “a couple of years ago,” asking if the administration plans to reclaim that money. Sec. Siger explained that the grant came from the Redevelopment Assistance Capital Program (RACP) program, which does not have clawback provisions, but highlighted that other programs do include performance metrics and clawbacks. He emphasized the importance of such metrics in attracting and retaining companies.

Rep. Lawrence summarized that no incentives were offered to keep the plant open, and the state will not seek to reclaim the previously granted \$2.5 million. Sec. Siger mentioned that the grant was awarded before his tenure and from a department he does not oversee, suggesting his team would follow up on the matter of clawing back funds.

Rep. Lawrence asked if there are plans to rework existing tax credits to support new dairy processing operations specifically for Pennsylvania milk. Sec. Siger confirmed that the administration is proposing changes to the tax credit system to support economic development in agriculture, technology, and life sciences, aiming to make the credits more effective and usable.

Rep. Mary Jo Daley (D-Montgomery) inquired about the utilization of additional funds for the tourism budget and the success of Pennsylvania, the Great American Getaway. Sec. Siger described the impact of additional funding and the new brand as transformative, detailing the allocation of \$14 million towards media markets and grants for destination marketing organizations. He highlighted significant increases in advertising impressions and a 1% growth in hotel room bookings over the previous year, attributing this success to targeted advertising and new creative campaigns.

Rep. Daley asked if there were any advertisements for the Great American Getaway initiative during the Super Bowl. Sec. Siger mentioned that they did not have a Super Bowl ad but offered to provide further marketing and advertising details at a later date.

Chairman Struzzi questioned the proposed 2025-2026 budget, noting a \$69 million decrease due to cuts in various programs, including workforce development and tourism, and asked about the rationale behind these cuts and the introduction of \$152 million in new initiatives. Sec. Siger explained that Invent Penn State drives innovation across the state and that the other programs were one-time initiatives from budget negotiations, not competitively run programs.

Rep. Struzzi questioned the effectiveness of certain cut programs, asking if they should be reinstated, specifically mentioning the Keystone Communities. Sec. Siger explained the renaming of Keystone Communities to Main Street Matters and refrained from commenting on the specific community grants and their effectiveness.

Rep. Struzzi asked if the budget would increase due to the importance of the discussed programs, to which Sec. Siger responded that adding funds back is up to the legislature's discretion during negotiations.

Rep. Struzzi requested more details on the Advance PA program and tax credit shifts, emphasized the urgency of resolving broadband issues and expressed disappointment over the lack of focus on energy in the budget. Sec. Siger acknowledged the importance of addressing broadband issues and offered a detailed presentation on Advance PA.

Chairman Harris concluded the hearing and thanked Sec. Siger and Hanna for their participation.



## **Senate Appropriations Committee – Budget Hearing with PASSHE and PHEAA**

*02/18/2025, 1:00 p.m., Hearing Room 1, North Office Building*

Pennsylvania Legislative Services

The committee held a budget hearing with the Pennsylvania State System of Higher Education and the Pennsylvania Higher Education Assistance Agency.

The Pennsylvania State System of Higher Education (PASSHE) was represented by:

- Christopher Fiorentino, interim chancellor, PASSHE, and
- Sharon Minnich, vice chancellor for administration and finance, PASSHE.

The Pennsylvania Higher Education Assistance Agency (PHEAA) was represented by:

- James Steeley, president and CEO, PHEAA,
- Elizabeth McCloud, vice president of state grant and special programs, PHEAA and
- Nathan Hench, senior vice president of public affairs, guaranty and strategy, PHEAA.

Chairman Scott Martin (R-Lancaster) welcomed the attendees before swearing in the testifiers. As a reference for the audience, he stated PASSHE's and PHEAA's budgets of \$661.1 million and \$594.1 million, respectively.

Sen. Lindsey Williams (D-Allegheny), minority chairman, Senate Education Committee, praised the proposed 6.5% increase for PASSHE's budget by Governor Josh Shapiro. She noted Pennsylvania's high student debt load and mentioned that the proposed increase might only allow for a freeze in costs. She also highlighted the decline in enrollment among lower-income students and asked what the state system needs from the state to improve affordability. Fiorentino discussed the positive impact of stable tuition on students and mentioned that the schools have contributed \$146 million to provide extra financial aid. He noted the real costs of attending PASSHE's schools have decreased when compared to increases in the Consumer Price Index.

Sen. Williams discussed the 26% drop in transfer enrollments to PASSHE over the last five years, suggesting that affordability issues and stagnant funding for community colleges might be contributing factors. She questioned if these challenges have impacted students' ability to progress to four-year institutions. Fiorentino discussed efforts to streamline the transfer process and noted that over 95% of community college credits successfully transfer. He emphasized the importance of holding tuition levels steady and the availability of financial aid and scholarships for students transferring from community colleges.

Sen. Williams mentioned the impact community colleges have on PASSHE's financial stability. Fiorentino agreed, noting that the least costly path to a four-year degree in Pennsylvania includes two years at a community college and two years at a PASSHE school.

Sen. Williams expressed appreciation for PHEAA's request for additional funding for the student teacher stipend and the PA Helps program but showed disappointment that the governor's budget proposal did not include an appropriation for the PA Student Help Program. She inquired about the barriers to disbursing funds and how to assist PHEAA in providing more financial support to students. Steeley mentioned that there is sufficient funding from past appropriations to cover the upcoming year for the PA Helps program but noted that additional funding will be necessary in subsequent years. McCloud explained the challenges in implementing the PA Helps program, primarily due to the new partnership with local education agencies (LEAs) which required setting up new processes and agreements.

Sen. Williams mentioned the recent vote of no-confidence regarding Commonwealth University President Bashar Hanna and asked if this is something PASSHE takes seriously. Fiorentino confirmed that PASSHE was engaging in an in-depth review of Hanna.

Sen. Tracy Pennycuick (R-Berks) inquired about the number of buildings sold due to declining enrollments. Minnich responded that 34 buildings totaling 230,000 square feet have been sold, with proceeds varying based on ownership.

Sen. Pennycuick asked about efforts to address the excess dormitory capacity. Fiorentino discussed strategies such as repurposing buildings and requiring first and second-year students to live on campus.

Sen. Pennycuick inquired about considerations to consolidate more schools in light of a projected 20% decline in enrollment over the next 15 years. Fiorentino mentioned that Act 50, allowing for consolidation, has expired, but efficiency measures are being explored.

Sen. Pennycuick asked about internal measures for consolidation or saving money. Fiorentino described the ongoing "right-sizing" process in response to significant enrollment loss.

Sen. Judy Schwank (D-Berks) asked about balancing the flexibility needed to adapt to declining enrollments with meeting the commonwealth's workforce needs. Fiorentino highlighted the strategic approach to offering programs in high-demand areas like business and health sciences.

Sen. Schwank asked for an update on Indiana University of Pennsylvania's attempt at expanding their offering of programs. Fiorentino discussed the process of starting a medical school, including obtaining accreditation, hiring staff for curriculum development, and fundraising efforts. He noted the board has not yet decided on proceeding with the program.

Sen. Schwank asked how PASSHE is giving universities the opportunity to carve their own path. Fiorentino explained that university presidents have autonomy on their campuses within the system's general guidance.

Sen. Kristin Phillips-Hill (R-York) asked about the coordination between Pennsylvania's state-related universities and their branch campuses with other public universities. Fiorentino mentioned the lack of coordination with state-related schools and the competition for a shrinking demographic, emphasizing the need for change and the role of the State Board of Higher Education.

Sen. Phillips-Hill expressed concerns about declining student populations and the financial implications for taxpayers, stressing the urgency of demonstrating the value of investments in higher education. Fiorentino highlighted the benefits of the commonwealth's investment in PASSHE institutions, noting the significant number of graduates who remain in Pennsylvania.

Sen. Phillips-Hill acknowledged the positive outcomes but emphasized the need to right-size the higher education sector due to a 31% decrease in enrollment from 2010 to 2024. Fiorentino emphasized that there is "room for all of us," but acknowledged that universities need to be more systematic in their collaboration.

Sen. Elder Vogel (R-Beaver) inquired about strategies to attract out-of-state students to Pennsylvania. Fiorentino explained that Pennsylvania schools are actively recruiting out-of-state students with modern, digital strategies.

Sen. Vogel asked about the efforts being made to address the enrollment decline in western Pennsylvanian universities. Fiorentino mentioned efforts to recruit non-traditional students through online programs and the need to adjust faculty and staff levels.

Sen. Vogel asked about retention and graduation rates for students who receive Pell Grants. Fiorentino responded that the overall system retention rate is 78%, but specific data on Pell Grant student retention was not available at that moment.

Sen. Patty Kim (D-Dauphin) inquired about the best practices from Fiorentino's experience at West Chester University that could be applied to all PASSHE schools. Fiorentino highlighted the importance of collaboration, system redesign activities, and maintaining operational efficiency.

Sen. Kim asked about the future role of artificial intelligence (AI) in higher education. Fiorentino discussed the potential benefits and risks of AI, emphasizing the need for adaptation.

Sen. Kim inquired about PHEAA and PASSHE's response to receiving information late from federal agencies. Steeley detailed the challenges faced due to delays and errors in receiving Free Application for Federal Student Aid (FAFSA) data, praising his team's resilience in distributing the vast majority of state grants despite these issues.

Sen. Chris Dush (R-Jefferson) asked if any universities not involved in the recent mergers have sought to merge. Fiorentino stated that no other school has approached to ask for a merger.

Sen. Dush inquired about the plans for students at Clearfield for Lock Haven University due to the campus's scheduled closure in 2026-2027. Fiorentino explained that a teach-out plan is in place to keep the facility operational until current students can complete their degrees, with Lock Haven having additional capacity to accommodate these students.

Sen. Dush asked if the property at Clearfield was going to be divested. Fiorentino responded that the property was leased, therefore making it easier to divest.

Sen. Dush highlighted the shift from traditional liberal arts to programs that do not equip students with necessary skills and asked whether there were plans to eliminate such programs within the PASSHE system. Fiorentino responded by emphasizing the importance of liberal arts traditions and the development of critical thinking, problem-solving and teamwork skills.

Sen. Dush inquired about the financial aspects of demolishing buildings for operational savings.

Minnich explained that demolitions are part of the Department of General Services' responsibilities, with a cost of \$5 to \$10 per square foot and an estimated additional \$14 to \$15 million needed for remaining demolitions.

Sen. Art Haywood (D-Montgomery) expressed concerns about the "Dear Colleague" letter sent from the U.S. Department of Education. He said the proposed measures could decrease enrollment of underrepresented individuals. Fiorentino emphasized PASSHE's commitment to inclusivity and supporting at-risk and low-income students. Sen. Haywood expressed satisfaction with the progress made by PASSHE.

Sen. Rosemary Brown (R-Lackawanna) asked whether PASSHE students are required to take financial literacy classes. Fiorentino mentioned that financial literacy is not a curricular requirement but highlighted the availability of non-curricular support.

Sen. Brown asked if the budget proposal takes the funding formula into account. Fiorentino discussed the current funding formula for universities, highlighting its composition of 25% fixed components and 75% enrollment-based factors, including performance indicators. He emphasized the need to review the formula every three years to ensure it aligns with its objectives, particularly in supporting smaller or specialized schools.

Sen. Brown for confirmation on whether the budget and allocation of dollars would proceed as currently structured or undergo revision before the budget is finalized. Minnich specified that the budget is based on the current allocation formula.

Sen. Jarret Coleman (R-Lehigh) sought clarification from Fiorentino regarding a discrepancy between Fiorentino's statement about the "Dear Colleague" letter and Sen. Coleman's interpretation that the Supreme Court's holding had broader implications. Fiorentino specified that his statement was focused on admissions and emphasized the need to consult legal counsel for other aspects of the letter.

Sen. Coleman asked Fiorentino PASSHE universities are implementing the Trump administration's executive orders on ending illegal discrimination and restoring merit-based opportunity. Fiorentino stated that PASSHE institutions are inclusive and do not admit students at the expense of others who might be considered more qualified.

Sen. Coleman inquired about the changes from West Chester University's "Office for Diversity, Equity and Inclusion (DEI)" to the "Office of Equal Opportunity and Compliance," questioning if these were merely cosmetic changes. Fiorentino explained that the name change reflects the office's activities more accurately and attempts to dissuade any political connotations.

Sen. Coleman requested a list of staff members and budget details for DEI-related services at PASSHE. Fiorentino said he would be willing to provide that information.

Sen. Sharif Street (D-Philadelphia) emphasized the importance of constitutional protections for minorities and praised PASSHE's efforts to create welcoming environments. He asked about PASSHE's efforts to align course offerings with industry demands. Fiorentino described PASSHE's focus on expanding enrollment in key areas and innovative approaches to meet industry needs, including efforts in nursing education.

Sen. Joe Picozzi (R-Philadelphia) expressed concern about the struggles of his generation and asked about the prices of PASSHE institutions compared to statewide averages. Fiorentino said PASSHE institutions have the lowest cost in the commonwealth.

Sen. Picozzi inquired about the percentage of students receiving Pell Grants. Fiorentino said 33% of PASSHE students receive Pell Grants.

Sen. Picozzi asked about disparities in grant awards for PASSHE students versus students who attend a state-related university. Steeley said the state grant formula is driven by the need levels of individuals who attend institutions, as well as cost tiers.

Sen. Picozzi inquired about how much of PASSHE's budget was dedicated toward helping low-income students. Fiorentino said the amount was \$146 million.

Sen. Picozzi questioned what PASSHE schools are doing to educate students about minimizing student debt. Steeley described various initiatives aimed at educating students, including planning tools, education nights for high school students and an annual student debt notification.

Sen. Picozzi asked about the average amount of student debt incurred by graduates and how it compares to other public universities in the commonwealth. Fiorentino mentioned that the average debt for the past year was \$25,004.38 nationally.

Sen. Picozzi asked if the debt of non-completers is tracked and about the average amount of student debt incurred by non-completers. Fiorentino mentioned that the requested information was not available at the moment but could be provided later.

Chairman Martin began the second round of questioning.

Sen Williams highlighted the importance of diversity and the steady enrollment of adult learners at 20% within PASSHE institutions. She inquired about the programs attracting adult learners and how PASSHE addresses their unique challenges. Fiorentino discussed the potential of adult learners and the need for convenient program offerings, particularly online.

Sen Williams inquired about the Ready to Succeed Scholarship Program. Steeley acknowledged the significance of the program in assisting middle-income families. McCloud explained that with the recent expansion, they believe they can fund all eligible students this year but mentioned the lack of solid data at this point in the year.

Sen. Phillips-Hill expressed her support for [SB 9](#), the Fairness in Women's Sports Act, and asked how universities are complying with a related executive order signed by President Donald Trump. Fiorentino responded that Pennsylvania State Athletic Conference (PSAC) schools follow National Collegiate Athletic Association (NCAA) guidance and would likely continue to do so.

Sen. Schwank inquired about the impact on state functions if the U.S. Department of Education were eliminated or if there were erratic actions in federal funding. Steeley discussed the potential impact on operations, especially concerning the FAFSA form. Sen. Schwank asked about the management of FAFSA and whether it involves federal funds. Steeley confirmed that it did, emphasizing the dependency on federal data for program administration. Fiorentino added that critical programs would likely be transferred elsewhere if changes occur within the U.S. Department of Education.

Sen. Vogel inquired about the significance of the Keystone Student Loan program launched by PHEAA. Steeley said the program has been very successful in generating loans and reaching students in nearby states. Sen. Vogel asked about the performance and scope of the Pennsylvania Targeted Industry Program (PA\_TIP). McCloud detailed its focus areas, the routine of updating eligible studies, and the budget increase from \$8.652 million to \$11.652 million for the 2024-2025 academic year. She noted the program's success in fields like nursing and medical assistance.

Sen. Street asked Fiorentino multiple questions about the desire for growth in student population, the role of schools in community economies, the inclusivity of their system and the impact of programs designed to attract diverse students. Fiorentino confirmed the system's interest in growing its student population, acknowledged the economic role of schools and specified the non-selective nature of their admissions. He agreed that programs aimed at attracting diverse students would likely increase the total number of students and benefit the financial health of the PASSHE System.

Sen. Dush raised questions about the financial impact of the Separations Act and prevailing wage requirements on construction. Minnich responded that she does not have an estimate of the impact as the Department of General Services handles their capital projects. Sen. Dush asked if their contracts require unionized labor. Minnich confirmed that was not the case.

Sen. Dush asked if reaching out to independent contractors could result in savings for university maintenance and capital projects. Fiorentino mentioned that a different bidding process could potentially create a more competitive environment but lacked further information.

Sen. Dush questioned whether the budget requests were prepared by the chancellor or independently by the governor. Minnich explained that they prepare their budget submissions for the Department of Education, which are then included in the governor's budget.

Sen. Dush asked why projection increases for the next five years were not included in the budget submissions. Minnich replied that their system's budget projections extend over a three-year period.

Sen. Dush expressed concern over the absence of projected increases in the budget, emphasizing that it is a constitutional requirement.

Sen. Brown asked about barriers to receiving mental health services for students on Medicaid when they are outside of their home county. Fiorentino mentioned that students are not required to have insurance or Medicaid to receive mental health services on their campuses.

Sen. Pennycuick asked about the possibility of establishing a veterinarian school or vet tech program within the state system. Fiorentino responded that he was not aware of any discussions regarding the establishment of a veterinary school on any of the campuses but committed to inquire further about the matter.

Sen. Coleman expressed concerns about diversity, equity, and inclusion (DEI) programs at Shippensburg and West Chester universities, criticizing the requirement for students to complete a three-credit diversity course without similar mandates for courses on democracy, the U.S. Constitution, or free markets.

Sen. Coleman questioned the request for a 6.5% funding increase from the state for PASSHE schools and suggested reallocating proposed funding increases towards PHEAA. Steeley explained the rationale behind the requested increase for the state grant program, highlighting the need for a \$1,000 increase per grant to keep pace with inflation and support Pennsylvania's neediest students.

Sen. Picozzi noted that the median student loan debt for a PASSHE completer is \$25,438, which is \$740 more than that of a completer at a state-related university. He questioned why PASSHE students carry more debt. Fiorentino explained that the assessment is primarily based on income and age.

Sen. Picozzi asked about measures to enhance student retention and graduation rates. Fiorentino explained efforts to address student success barriers, including adding personnel.

Chairman Martin began the third round of questioning.

Sen. Phillips-Hill discussed the student teacher stipend program's first year, noting its 53% success rate and inquired about potential changes for its second year. Hench detailed the stipend program's implementation, including the decision to pay through LEAs to avoid disrupting students' Title IV aid, and the onboarding of 555 LEAs with 399 actively participating. He also mentioned challenges with communication and the requirement of school board approval for disbursement, which led to delays.

Sen. Dush shared a personal experience regarding his son's challenges with changing majors at Slippery Rock University and inquired about the percentage of students in their fifth or sixth year of study, questioning the effectiveness of counselors in ensuring timely graduation. Fiorentino described such situations as unacceptable, emphasizing efforts to avoid extra semesters for students. He stated that extended degree completion times are often due to personal circumstances rather than institutional shortcomings.

Minority Chairman Vincent Hughes (D-Philadelphia) emphasized the historical discrimination against black people in the U.S. and its impact on education and communities. He highlighted the importance of diversity in universities.

Chairman Hughes thanked Governor Shapiro for proposing to double the funding for the student-teacher stipend program from \$20 million to \$40 million. He inquired about the popularity of the program. Hench reported that the student-teacher stipend program received about 4,299 applications, indicating its popularity, with around 3,000 applications on the first day.

Chairman Hughes asked about the number of cooperating teachers paid in the fall and spring. Hench responded that 683 were paid for the fall semester, with spring payments pending completion of obligations.

Chairman Hughes satisfaction with the program's success and raised concerns about proposals by congressional Republicans to cut \$2 trillion in federal spending, which could impact college affordability by taxing scholarships and repealing deductions for student loan interest. He urged for a response on how these proposals would affect Pennsylvania students and families. Steeley explained that PHEAA does not take a position on federal legislation without unanimous board agreement, but emphasized its mission to promote affordable access to higher education. He mentioned efforts to educate members about the impact of proposed federal changes.

Chairman Hughes argued against proposals such as the elimination of certain Parent Loans for Undergraduate Students (PLUS) loans. Steeley noted that about a third of participants could find cheaper borrowing alternatives, while two-thirds might not be creditworthy for such loans. He highlighted the importance of understanding these proposals to ensure affordable access to higher education.

Chairman Martin highlighted the bipartisan success of Act 89, the Grow PA Scholarship Program, which offers a \$5,000 grant for in-state students in high-demand fields to make college more affordable and encourage students to remain in Pennsylvania. He requested an update on the availability of applications.

Hench expressed enthusiasm for the Grow PA program and mentioned an upcoming meeting to review the methodology. He said he expected the applications to go live sometime in March.

Chairman Martin inquired about efforts to educate students about the Grow PA program. Hench emphasized the importance of school communications and collaboration with stakeholders to increase awareness.

Chairman Martin asked about the experience of working with stakeholders to create the high-demand occupation list and the future direction of this initiative. Hench detailed the process of engaging with stakeholders, including the Department of Agriculture and the independent fiscal office, to address high-demand occupations and ensure investments in areas of critical need.

Chairman Martin inquired about what PASSHE is doing to promote the program. Fiorentino said PASSHE is using modern methods to reach prospective students, such as online advertising.

Chairman Martin asked if there was a plan in place for the Merit Scholarship program. Fiorentino confirmed the plan was ready to execute.

Chairman Martin discussed the importance of marketing strategies and asked about the evolution of these plans, especially in areas with declining enrollments. Fiorentino mentioned successful campaigns at West Chester University and the shift towards digital and social media platforms. He emphasized the cost-effectiveness of marketing investments and the use of geofencing.

Chairman Martin mentioned the decline in high school graduates projected through the 2030s and its potential impact on university enrollments. Fiorentino discussed the challenges in offering degree programs at West Chester University, emphasizing the importance of providing a diverse array of programs despite potential low enrollment in certain majors. He mentioned the university's success in graduating students into high-demand professions and efforts to maintain affordability through a tuition freeze.

Chairman Martin inquired if a student enrolled at one institution could take an online course at another institution to work towards their degree. Fiorentino confirmed that such opportunities were available.

Chairman Martin expressed concerns about the financial sustainability of universities within the system, highlighting a \$7 million annual budget operating deficit at Mansfield and past instances of funds being reallocated from successful schools like West Chester. He questioned the potential need to manipulate the funding formula to address these deficits and emphasized the importance of accountability and effective management. Fiorentino emphasized the need for schools to operate efficiently and make hard choices, acknowledging the possibility of revisiting the allocation model due to financial challenges.

Chairman Martin inquired about the current financial and enrollment status of the Mansfield campus, noting its decline by 118 students or 9%. Fiorentino discussed the consolidation benefits for Mansfield, emphasizing its integration into a larger operation despite being a small, at-risk campus.

Chairman Martin highlighted the importance of seizing educational opportunities and lamented the delay in legislative action. He expressed support for [SB 310](#), which he said was aimed at enhancing such opportunities.



## **House Appropriations Committee – Budget Hearing with DOR**

*02/18/25, 2:00 p.m., House Floor, Main Capitol*

Pennsylvania Legislative Services

The committee held a budget hearing with the Department of Revenue.

The Department of Revenue (DOR) was represented by:

- Patrick Browne, secretary, DOR,
- Adria Zimmerman, deputy secretary for administration, DOR,
- Amy Gill, deputy secretary of tax policy, DOR,
- Allison Morgan, executive deputy secretary of revenue, DOR, and
- Stephanie Weyant, deputy executive director of marketing & products, Pennsylvania Lottery.

Chairman Jordan Harris (D-Philadelphia) welcomed attendees and asked them to be sworn in.

Sec. Browne introduced his team and then highlighted the department's achievements, including the expansion of the Property Tax And Rent Rebate (PTRR) Program to 120,000 new beneficiaries, the implementation of the betting care credit for 220,000 people, the transition to a new tax compliance system resulting in record collections of \$950 million and the success of the voluntary

disclosure program reaching over \$104 million. Sec. Browne also praised the role of the taxpayer advocate in serving taxpayers' needs.

Rep. Emily Kinkead (D-Allegheny) expressed concerns about DOR's lack of communication with Allegheny County members regarding PTRR events and asked about plans for future events and improving communication. Sec. Browne confirmed plans to involve legislative members in future events and committed to better communication and cooperation.

Rep. Kinkead then asked about the governor's cannabis legalization proposal, specifically the lack of focus on licensing for social equity applicants and small or minority-owned businesses. Sec. Browne mentioned the proposal includes a \$1,000 license fee, application fee and annual renewal fee, and expressed interest in addressing concerns. Rep. Kinkead pointed out the absence of specific designations for individuals from communities disproportionately impacted by the war on drugs, to which Sec. Browne said he would confirm the details. Rep. Kinkead also inquired about the rationale behind the fee for permits allowing existing operators to transition from medical to adult use sales, and Sec. Browne explained that the fee is considered reasonable based on potential business volume. Rep. Kinkead asked whether the fee is per dispensary or per permit, highlighting the possibility of multiple dispensaries under one permit. Gill said, "It's assumed to have 22 medical marijuana dispensaries."

Rep. Kinkead asked Sec. Browne about the rationale behind the 20% tax rate on medical marijuana, questioning how this rate was determined in comparison to other states and its effectiveness in keeping the market competitive against the illicit market. Sec. Browne responded that after researching other states' experiences, they concluded that a 20% tax on wholesale and a 6% tax on sales would be reasonable to ensure the industry thrives.

Rep. Zachary Mako (R-Northampton) asked Secretary Browne if he was involved in the governor's budget address directive for a comprehensive review to identify inefficiencies and costs that could be eliminated, and if any inefficiencies were identified. Sec. Browne explained that DOR was not included in the pilot initiative because it mainly handles tax expenditures and lottery programs, which were not the focus of the pilot aimed at gathering information to expand statewide.

Rep. Mako further inquired about any inefficiencies in other agencies that could be addressed collaboratively with the legislature. Sec. Browne discussed his role in overseeing DOR's \$40 billion budget, emphasizing the importance of identifying efficiencies in collections and administration and supporting the budget secretary's comprehensive review process.

Rep. Mako asked about the process and certification of distributing over a billion dollars in property tax relief from the lottery to homeowners. Sec. Browne explained that the billion dollars for property tax relief comes from the gaming fund, specifically facility-based gaming, and is distributed to school districts based on an equity formula and applied against homestead exemptions, with the amount varying by district. Sec. Browne also explained that his department works with the Pennsylvania Gaming Control Board (PGCB) to administer lottery funds, traditionally used to fully fund the property tax and rent rebate program. He highlighted the transition of funding from the gaming fund and emphasized the need to proactively expand the lottery's position in the gaming market.

Rep. Regina Young (D-Philadelphia) asked for any data indicating the success of the child and dependent care enhancement tax credit so far. Sec. Browne mentioned that around 220,000 taxpayers have benefited from the program, which now matches 100% of the Federal Credit, amounting to \$2,100 for two children and \$1,050 for one. He expressed pride in DOR's ability to implement this new program within one filing season. Weyant explained that lottery sales, especially scratch-off sales, have been declining for four years due to a saturated gaming market in Pennsylvania and fewer large multi-state jackpots, with only one occurring this fiscal year.

Rep. Ann Flood (R-Northampton) asked Weyant to describe the lottery's game offerings and how it maintains a diversified portfolio. Weyant detailed the variety of games available, including scratch-offs, draw games, monitor games, fast-play games and online games, aiming to appeal to different players. Rep. Flood inquired about the Lottery Fund's ability to support future needs of the aging population, given declining sales. Sec. Browne stated the lottery's financial position is currently solid but noted the use of other gaming activity receipts to support traditional programs for the first time. He emphasized the need for legislative assistance to enhance the lottery's competitiveness.

Rep. Steve Malagari (D-Montgomery) asked about the benefits of the 2025-26 budget proposal, particularly the reduction of the Corporate Net Income (CNI) tax and the elimination of the Delaware "loophole." Sec. Browne discussed the reduction of the CNI tax rate from 9.99% to 4.99% and other tax structure improvements, arguing these changes would make the state more competitive and benefit businesses, especially in the banking sector. Rep. Malagari then inquired about the impact of accelerating the CNI tax reduction on attracting businesses to Pennsylvania. Sec. Browne highlighted the importance of tax reforms for encouraging economic activity and mentioned the development of data and modeling to assess the reforms' effectiveness.

Rep. Torren Ecker (R-Adams) discussed the state's revenue projections, noting a shortfall but expecting a recovery in the fiscal year, and asked about the source of anticipated revenues. Sec. Browne explained the revenue estimating accuracy is within the acceptable range and emphasized the significance of being within a 1% variance. Rep. Ecker inquired about expectations for revenue increases and the confidence in revenue projections, contrasting with the Independent Fiscal Office's (IFO) estimate. Sec. Browne highlighted the inherent accuracy discounts in forecasting and mentioned their projections align closely with the IFO, considering a 3% growth excluding the governor's proposals for a total of 5% growth.

Rep. Justin Fleming (D-Dauphin) addressed the issue of declining lottery revenues and its impact on supporting older Pennsylvanians and inquired about potential measures to enhance lottery revenues. Sec. Browne discussed the importance of profit margin relief in traditional gaming to compensate for lower margins with high-volume sales. Weyant emphasized the Pennsylvania lottery's unique position in supporting senior programs. She advocated for legislative assistance to tax and regulate games of skill, eliminate the profit margin mandate and enhance the lottery's competitiveness and sales.

Rep. Fleming noted a question he had about maintaining profit numbers without a mandate was answered, referencing Sec. Browne's saying that "the data is there in other states where they're actually doing better without a mandate."

Rep. Charity Grimm Krupa (R-Fayette) asked whether there was an anticipation of an upcoming recession or significant unanticipated revenue shortfalls. Sec. Browne mentioned that current projections anticipate GDP growth in the positive 2.5% to 2% range, with revenue growth forecasted between 2.5% and 3.1%, indicating no expected recessionary period. Rep. Krupa then shifted the discussion to the budgetary implications of legalizing marijuana, expressing concerns about its impact on health, safety and social issues, and referenced Colorado's experience where for every dollar generated from marijuana legalization, it cost citizens \$4.50. Sec. Browne responded that the projected revenue for 2025-2026 from marijuana is approximately \$560.3 million, primarily from license fees, and the decision on the investment of this revenue falls to the Senate and the budget secretary.

Rep. Krupa asked about the impact of potential increases in law enforcement, Department of Human Services (DHS), or health care costs on projected budgets, to which Sec. Browne deferred to the budget secretary. She also raised concerns about workforce shortages and whether legalizing marijuana might affect the workforce and revenue generated. Sec. Browne explained that revenue estimates are based on a static basis to ensure conservatism and accuracy, including license fees for 504 businesses across four categories. Rep. Krupa commented that it would be reckless to invest in legalizing marijuana without understanding the societal costs involved.

Rep. Tim Brennan (D-Bucks) discussed the interrelatedness of a tax on skill games with other revenue sources, mentioning that the budget proposes a 52% tax on skill games, expected to generate 8 billion over five years, and inquired about the cost or lost revenue to the lottery or gaming revenue from not moving forward with this tax in the past year. Sec. Browne explained that the proposal includes a 52% tax on skill games, with 5% going to the Lottery Fund to offset the decline in lottery receipts caused by the expansion of skill games, resulting in a loss of \$200 million in sales and \$40 million in profits, aiming to deposit \$38.5 million into the Lottery Fund in 2025-2026 to accommodate this loss.

Rep. Marla Brown (R-Lawrence) brought up a previous discussion about adult use marijuana, mentioning that \$500 million in permits for 22 dispensaries would generate \$36 million for the state. Sec. Browne provided projections for the years 2023 to 2029, indicating an increase in numbers. Rep. Brown acknowledged an error, and Morgan specified that \$25 million would be required from the 22 medical marijuana dispensaries. Sec. Browne added that the \$500 million in permits would apply if the dispensaries decide to engage in the recreational marijuana business.

Rep. Brown inquired about the anticipated consumption of recreational marijuana and the discussions between the Department of Agriculture (PDA) and other departments regarding the implementation and oversight of cannabis legalization set to begin on January 1, 2026. Sec. Browne explained his department's role in tax collection and the advantage of leveraging the existing medical marijuana platform. Rep. Brown asked if there is sufficient time for full implementation by the start date and when legislation would need to be enacted for the new tax laws. Sec. Browne mentioned that the proposal for new tax laws is part of the current budget, and legislative action should occur within the current budget cycle. Rep. Brown asked if draft language for the potential legislation was available, and Browne said the Assembly would be informed once the final product is complete. Rep. Brown also raised concerns about financial institutions' reluctance to provide services to state-authorized marijuana businesses, to which Sec. Browne responded that they have successfully implemented a platform for financial transactions within the medical marijuana system. He acknowledged Pennsylvania's financial challenges and emphasized the importance of bipartisan efforts to find solutions.

Rep. Josh Siegel (D-Lehigh) discussed the need to address increasing expenditures in human services and supported the governor's proposal to close the Delaware "loophole" to encourage fair business practices. Sec. Browne highlighted the shift towards a consolidated tax system and the reduction of the corporate tax rate from 9.9% to 4.99% as part of closing the Delaware "loophole."

Rep. Kristin Marcell (R-Bucks) asked about the impact of a 20% wholesale tax and a 6% sales tax on adult use cannabis products on consumers, to which Sec. Browne explained the tax points and expected discussions. Rep. Marcell inquired about changes to the 5% gross receipt tax on medicinal marijuana with the introduction of adult use cannabis, and Sec. Browne said there were no expected changes to the medicinal marijuana program's budget. Rep. Marcell raised concerns about transferring \$30 million from the property tax relief fund to support fire and emergency medical services (EMS) companies, and Sec. Browne assured that the fund could support both the \$1 billion property tax relief and the \$30 million for fire companies.

Rep. Anthony Bellmon (D-Philadelphia) inquired about the employer child care tax credit program's status, and Gill mentioned they are developing guidelines and starting to market the program, expressing hope for good participation.

Rep. Thomas Kutz (R-Cumberland) asked about the proposed 52% tax rate on games of skill, asking if it is a new tax. Sec. Browne explained the tax aims to achieve parity across non-facility based settings in the commonwealth. Rep. Kutz then inquired about the impact of reforms to bank shares, mutual thrift tax and others within the governor's CNI phase-down plan, questioning whether the anticipated tax increase for financial institutions was intentional. Sec. Browne discussed the transition to a CNI tax platform at 4.99%, aiming to make the banking sector more competitive despite a projected short-term decrease in tax revenue from banks. Rep. Kutz expressed concerns about the potential for banks to pass on the costs of higher taxes to consumers. Sec. Browne described the tax system update as a necessary, albeit short, transition period. Rep. Kutz agreed on the need for tax modernization and looked forward to working towards simplifying business operations in Pennsylvania.

Rep. Manuel Guzman (D-Berks) inquired about the \$37 million shortfall in lottery revenue expected by July 2024. Sec. Browne explained that identifying a specific cause for the shortfall is challenging within the context of the overall \$47 billion budget, considering the variance as not significant. Rep. Guzman sought clarification on what "right on target" meant regarding revenue estimates, to which Sec. Browne responded that a variance of \$37 million is relatively minor in the scale of the Commonwealth's budget.

Rep. Guzman questioned if criticisms of the budget spending beyond its means were "much ado about nothing." Sec. Browne expressed confidence in meeting the total revenue projection and directed questions about spending to the budget itself. Rep. Guzman also asked about the projected decline in lottery funds from \$1.94 billion in 2024 to \$1.67 billion in 2025-2026, seeking insight into factors like consumer behavior and increased competition. Weyant explained that the lottery is projected to deliver over a billion dollars in profit for the 14th consecutive year, despite declines in sales, particularly in scratch-off sales which have declined for four straight years. She attributed the decline to a saturated gaming market and noted that draw games are influenced by multi-state jackpots, with fewer large jackpots recently.

Rep. Guzman asked whether the department was aware of the declining lottery sales and if there were initiatives to reverse this trend. Weyant discussed proposals in the governor's budget to support the lottery, including taxing and regulating games of skill, requiring licensing for lottery retailers and eliminating the profit margin requirement to increase prize payouts. Rep. Guzman emphasized the importance of the lottery for aging Pennsylvanians and expressed concerns about the 52% tax rate on skill games proposed in the budget, asking whether the department has studied the impact of this tax rate on business owners. Sec. Browne explained that the 52% tax rate for skill games is intended to ensure parity with other games and address competition and profit margin issues by creating a level playing field. Rep. Guzman asked whether there was openness to negotiation regarding the concerns discussed, to which Sec. Browne mentioned that negotiation is part of the process.

Rep. Eric Davanzo (R-Westmoreland) discussed a constituent's issue with the property tax rent rebate program and asked if Browne is open to a legislative fix to allow checks to be deposited within 30 days of application. Sec. Browne discussed adjusting the timeline for the property tax rent rebate distribution to allow for earlier cash flow and mentioned the need for coordination with the treasurer and adjustments to administrative processes.

Rep. Davanzo expressed concern about the need for seniors to receive their property tax rent rebate more promptly and criticized the allocation of funds from gaming and the lottery, suggesting exploring alternative funding sources for EMS to avoid diverting funds meant for seniors. Sec. Browne discussed the allocation of funds from the gaming acts passed in 2003, highlighting that property tax relief was a major focus but 52% of the total tax also covered other areas, emphasizing that the use of these funds for various purposes has been consistent with the intentions of the assembly.

Rep. Joe Webster (D-Montgomery) highlighted the expansion of the rent rebate and property tax rebate program with Act 7 and asked for data on its successes and revenue impact. Gill described the program's success, processing 525,000 recipients, including 120,000 new recipients. Sec. Browne expressed concerns about staffing challenges but noted the successful integration of new recipients and a significant reduction in suspensions. Rep. Webster inquired whether the 120,000 new recipients were over the 2023-2024 years and inquired about trends in recipient numbers. Sec. Browne mentioned the program's expansion to a new population and the significant impact of adjusting for inflation, expecting stabilization in program numbers.

Rep. Eric Nelson (R-Westmoreland) discussed the potential revenue loss from waiving a 20-hour work requirement for 170,000 able-bodied workers without dependents and questioned the impact on tax revenue. Sec. Browne could not forecast the impact of lost tax revenue. Gill mentioned the influence of the tax forgiveness program on lower-income earners. Rep. Nelson estimated potential tax revenue gains from employing these workers and questioned the accuracy of a department report predicting a slowdown in personal income tax and job losses with a minimum wage increase. Sec. Browne attributed small projected job losses to individuals being able to work fewer jobs and argued for policies that reflect higher market wages to avoid working below the poverty line. He also explained that revenue estimating is done on a static basis and for dynamic modeling analysis, his department would need to collaborate with an external party.

Rep. Paul Friel (D-Chester) discussed the proposal to increase the minimum wage to \$15 an hour and inquired about the potential economic return of this investment. Sec. Browne supported the minimum wage increase, noting it could generate \$202 million for the General Fund and mentioned the number of workers benefiting from this has decreased by about 50% since 2019. Rep. Friel emphasized the potential of the wage increase to move people out of poverty and reduce reliance on social safety nets. Sec. Browne agreed, suggesting the overall benefit to the commonwealth could be greater when considering broader fiscal impacts. Rep. Friel highlighted the economic benefits of investing in neighborhoods through this initiative.

Rep. Jeff Olsommer (R-Wayne) asked if the governor's purpose in increasing the minimum wage was to generate \$50 million in revenue, to which Sec. Browne specified that generating revenue was not the primary reason. Rep. Olsommer inquired about a new tax credit proposed by the governor, and Sec. Browne suggested the question might be more appropriate for DCED. Sec. Browne explained that the Advanced PA tax credit program aims to attract job creation opportunities without targeting specific business segments and emphasized the importance of analyses by the IFO in ensuring the effectiveness of such tax credits. Rep. Olsommer asked about Sec. Browne's input on the elimination of certain tax credits, including the waterfront tax credit, and Browne explained that the utilization of programs is determined by their users through DCED, with the goal to allocate funds towards more targeted and beneficial job creation initiatives.

Rep. Tarik Khan (D-Philadelphia) asked Sec. Browne to discuss how increasing the minimum wage could enhance Pennsylvania's competitiveness and support small businesses. He explained that a competitive wage scale is crucial for attracting businesses to Pennsylvania and emphasized the importance of workforce availability. Rep. Khan asked about the work done on the "myPATH" system to simplify the process for people filing their income taxes. Morgan described the implementation of two new features to assist Pennsylvanians with their income tax filings, aiming to simplify the tax filing process.

Rep. Jaime Barton (R-Schuylkill) brought up a statement made by Sec. Browne during a Senate hearing regarding the taxation of skill games and slot machines, questioning how Sec. Browne reconciles his view with court rulings that recognize skill games require an element of skill. Sec. Browne mentioned that the distinction between slot machines and skill games is not significant enough to warrant a different tax structure and stated that both his and the governor's opinion is that there isn't a substantial distinction between the two to justify different tax rates. Rep. Barton asked when the draft language of the governor's proposal on skill games would be available, to which Sec. Browne promised to make it available as soon as it is ready. Rep. Barton inquired about specific examples of venues that would qualify as establishments under the discussed regulations, the number of establishments allowed to operate skill games and the number of machines each establishment could have. Sec. Browne explained that DOR aims to integrate existing gaming activities into a regulated framework without changing their venues, anticipating the expansion from 30,000 to 40,000 games by 2,930, across approximately 5,000 locations, and mentioned that the regulatory structure anticipates allowing five machines per establishment. Rep. Barton inquired if there had been any consideration for veterans organizations to be exempt from the new tax related to gaming machines.

Rep. Barton highlighted the importance of supporting veterans. Sec. Browne discussed the cost of machines for veterans, noting a cost of \$250 per machine and an average daily activity of \$264 per machine, which would allow fire companies to participate in the regulated system.

Rep. Maureen Madden (D-Munroe), chairman, House Aging & Older Adult Services Committee, revisited the minimum wage issue, referencing a study suggesting raising the minimum wage to \$11 could reduce poverty, and questioned whether a \$15 minimum wage would be sufficient in Pennsylvania. Sec. Browne explained that the goal of a \$15 minimum wage is to help families with children rise above the poverty line, noting that seventy-five families are 17,000 hours below the federal poverty level. Rep. Madden questioned if \$15 per hour was enough to lift individuals out of poverty. Sec. Browne mentioned the focus on promoting the benefits of raising the minimum wage to \$15.

Rep. Josh Kail (R-Beaver) asked follow-up questions regarding the regulation of skill games, specifically about the definition of machines and the proposed regulation involving 30,000 total machines with a maximum of five machines per establishment. Sec. Browne specified that skill games are distinct from slot machines and are present in various venues throughout the commonwealth. Rep. Kail criticized a "need for parity" in tax rates but not in the definition of what constitutes a slot machine. Sec. Browne stated there is no distinction between the two types of gaming activities that would justify different treatment. Rep. Kail argued there is

enough of a distinction to define the two types of gaming activities differently, questioning the logic behind the lack of distinction for taxation purposes. Sec. Browne explained there is no significant distinction between the activities of playing a skill game and playing a slot machine in terms of taxation, as these activities compete against each other. Rep. Kail expressed his disagreement with the argument, questioning why a distinction is made on the number of machines allowed, specifically excluding slot machines from that count.

Rep. Kail highlighted the contradiction in treating similar activities differently, questioning the logic behind such differentiation. Sec. Browne explained that the establishment of limits on the number of slot machines and facilities is consistent with current practices, projecting 30,000 machines now and 40,000 in five years, with a limit of five machines per establishment. Rep. Kail questioned the logic behind wanting tax parity for slot machines due to their similarity, yet differing in the regulatory approach regarding the number allowed per establishment. Sec. Browne mentioned that allowing 2,500 slot machines in a guest establishment would be permissible. Rep. Kail specified that the proposal being discussed was Sec. Browne's, highlighting the discrepancy in the number of establishments that could host five machines each. Sec. Browne explained that the process to determine which establishments will be part of the regulatory environment will prioritize those who come forward first, with fiscal projections based on allowing for an expansion to 30,000 machines. Rep. Kail asked if the economic impact had been considered.

Rep. Steve Samuelson (D-Northampton), chairman, House Finance Committee, commented on the revenue estimate discussion, highlighting that the \$37 million discrepancy on a \$46 billion budget is less than a tenth of a percent. He inquired about the usage percentages of the myPATH system for Pennsylvania taxes and PTRR. Morgan mentioned that for the property tax rent rebate, 26% of filings were done via myPATH. Rep. Samuelson discussed efforts to increase the use of the MyPATH system for property tax rent rebates and mentioned a bill aiming to allow rebate checks to be sent out before July 1, which could affect rebates from 2026 onwards. He highlighted a significant expansion of the rebate program, now reaching approximately 525,000 people. Sec. Browne discussed the importance of continuing efforts to advertise and promote the use of the myPATH system for applying to the rebate program. Rep. Samuelson thanked DOR and the legislature for their cooperation and highlighted the importance of collaboration during outreach events. He also inquired about the Child and Independent Care Tax Credit, noting its increase and questioning the total number of eligible individuals versus those who have applied, and mentioned that the Federal Child and Dependent Care Tax Credit's Pennsylvania version has seen increased applications since it tripled two years ago. Sec. Browne confirmed that the number of people who qualified for the credit closely matched those who received it, indicating accurate projections. He also noted that tax software guides applicants directly to the credit. Rep. Samuelson emphasized the importance of timely processing tax rebates and refunds, acknowledging past efforts to address backlogs and the need for vigilance against delays.

Rep. Keith Greiner (R-Lancaster), minority chairman, House Finance Committee, raised concerns about the depletion of the General Fund surplus by 2025-2026 and the Rainy Day Fund by 2026-2027, asking about fiscal emergencies that might require withdrawing from the Rainy Day Fund. Sec. Browne, as a certified public accountant (CPA) representative, acknowledged his role in defending and advocating for proposals within financial constraints.

Rep. Greiner inquired about discussions with stakeholders regarding the proposal to consolidate bank-related taxes into the corporate net income tax. Sec. Browne discussed his conversations with the banking community about transitioning to a cash flow model, noting efforts to adjust the CNI rate to a more competitive level, which would lower the effective rate for banks. Rep. Greiner expressed concerns about the impact of tax consolidation on different sizes of banks and stressed the importance of involving the business community in discussions, especially regarding combined reporting. He recalled a previous proposal that was poorly received and advocated for a significant tax rate reduction. Sec. Browne explained that the issue with combined reporting is more about the revenue base than the tax rate, indicating that many entities benefiting from the Pennsylvania market are not paying taxes under the current system. Rep. Greiner emphasized the importance of involving the business community in discussions about the new economic development tax credit and asked why it would be more effective than the previous one. Sec. Browne explained that the new credit would be based on actual wages and job creation, contrasting with the previous ineffective tax credit, which cost \$10 million with no returns.

Minority Chairman James Struzzi (R-Indiana) asked whether increasing the minimum wage to \$15 would result in a profit loss for small businesses. Sec. Browne explained that the increase would lead to a projection of \$41 million in increased payroll taxes, despite a \$76 million decrease in small business profits, with a total budget impact estimated at \$103 million, and assured Chairman Struzzi he would provide the requested information and expressed skepticism about their projections aligning with the concerns raised. Chairman Struzzi asked whether new jobs and businesses in the commonwealth would increase state revenues. Sec. Browne explained that new businesses could increase state revenues if tied to actual sales increases, as investments are not taxed, only sales. Chairman Struzzi mentioned Pennsylvania has missed out on energy investment for five to six years due to the Regional Greenhouse Gas Initiative (RGGI), leading to lost revenues. Sec. Browne acknowledged the lack of investment resulted in lost revenues from payroll and sales tax. Chairman Struzzi asked whether the investment would have increased revenues, to which Sec. Browne agreed that more workers and cash flow would increase the revenue capacity.

Chairman Struzzi inquired about the need for a broad-based tax increase due to a \$3.5 billion spending increase in the current budget without corresponding revenue growth. Sec. Browne discussed the governor's budget projections, mentioning a 3% average return law over five years and a 5% increase in the current cycle, deferring decisions on additional revenue capacity to the assembly. Chairman Struzzi stated that spending exceeding revenues could lead to a financial gap. Sec. Browne mentioned that spending decisions would determine the financial direction and historically, broad-based taxes were not raised to address deficits. Chairman Struzzi expressed his desire to avoid a problematic financial point.

Chairman Harris asked Sec. Browne about the impact of a minimum wage increase on the state's budget. Sec. Browne stated that increasing the minimum wage to \$15 per hour as proposed would add \$120 million annually to the revenue capacity. Chairman Harris asked if the projections included any decrease in services, to which Sec. Browne explained that raising the minimum wage would decrease eligibility for the special poverty exemption, lowering expenditures for that program but not affecting other agency programs. Sec. Browne mentioned it is highly probable that the same group qualifying for the special poverty exemption would fit within a lot of their programming, suggesting that increasing the minimum wage could also likely decrease spending on social service programs.

Chairman Harris asked about the maximum income for a family of three to be considered below the poverty line. Gill responded with the figure of \$22,000, detailing the breakdown of financial figures for claimants and defendants. Chairman Harris admitted his lack of proficiency in math and reliance on his executive director for calculations. Gill further explained that raising the minimum wage to \$15 an hour would lift a single mother with two children out of poverty, making her ineligible for tax forgiveness. Chairman Harris highlighted the risk of remaining in poverty without a minimum wage increase, making families reliant on federal programs like the Supplemental Nutrition Assistance Program (SNAP), Low Income Home Energy Assistance Program (LIHEAP) and medical assistance (MA). Sec. Browne discussed the joint funding of many DHS programs and the obligation to compensate for any federal funding shortfalls. Chairman Harris inquired about the state's responsibility to compensate in the event of a pause in federal resources. Sec. Browne noted the uncertainty of the impact of federal funding cuts on state programs and the potential legal requirement to cover shortfalls. Chairman Harris summarized that increasing the minimum wage would have a \$120 million positive impact on finances and reduce spending on services for low-income individuals. Sec. Browne confirmed his understanding and agreement with the summary of the programs' effects and implications. Chairman Harris argued that not raising the minimum wage would continue to cost taxpayers and that increasing it would be financially beneficial for the commonwealth's budget. Sec. Browne mentioned the assembly's potential legal obligation but noted it depends on the assembly's decisions.



### **Joint Performance-Based Funding Council**

*02/19/2025, 10:00 a.m., University of Pittsburgh, 2700 Posvar Hall, 230 S. Bouquet St. Pittsburgh*  
Pennsylvania Legislative Services

The council held a public hearing to hear testimony regarding performance-based funding formulas for state-related universities.

Chairman Jesse Topper (R-Bedford) welcomed everyone to the meeting. He expressed his belief that “the information that has been garnered from these hearings has been exceptionally helpful as we look to develop performance-based funding metrics for our flagship universities here in Pennsylvania.” He noted the particular subset of Pennsylvania schools they are looking at doing this for as well as being able to demonstrate a return on investment for the tax dollars that the legislature appropriates to these institutions.

Dwayne Pinkney, CFO, University of Pittsburgh (Pitt), expressed Pitt's commitment to partnering in developing metrics for the performance-based funding model. He emphasized the importance of aligning the model with Pennsylvania's strategic direction and suggested the inclusion of campus-specific metrics.

Chairman Topper asked Pinkney what measures he uses to measure Pitt's success. Pinkney described the university's intentional alignment of resources with its strengths. He said Pitt is focused on supporting the City of Pittsburgh and the surrounding region. He said the provost would be better equipped to provide specifics.

Chairman Topper asked if future metrics could be worked into the university's review process. Pinkney confirmed, stating that the university would not have to create new review mechanisms.

Chairman Topper inquired about how long it takes the average Pitt student to graduate. Pinkney explained that the university has a four-year graduation rate of 70% and a five-year rate of 85%. He described those figures as competitive compared to peer institutions.

Sen. Wayne Langerholc (R-Cambria) discussed the disparity in funding between higher education and k-12 in Pennsylvania, inquiring about the potential for establishing metrics to allocate new funds to universities and how these funds might be used differently. Pinkney said he believed that additional funds could be used to establish new programs that would accelerate the strategic direction of the commonwealth.

Sen. Langerholc asked about the potential impact on universities if state funding could be increased to reduce tuition to \$10,000 across all state-related institutions. Pinkney said he believed that a decrease in tuition would lead to state-wide benefits, highlighting potential increases in student recruitment and retention.

Sen. Jay Costa (D-Allegheny) asked if graduation rates for five-year programs are considered separately from overall graduation rates. Pinkney said total credit hours are considered when reporting graduation rates.

Sen. Costa asked about the potential impact of current events in Washington on education. Pinkney acknowledged the significance of being attentive to events that could affect the student experience. He confirmed the university is actively planning to minimize impacts on students and the institution.

Minority Chairman Peter Schweyer (D-Lehigh) expressed concern about the lack of focus on traditionally disadvantaged students in discussions about Pell recipients and first-generation college students. He asked whether there was room to consider minority enrollment or enrollment from traditionally underserved students in the performance-based budget process. Pinkney, sharing his personal opinion, highlighted the importance of including students from minority and underserved populations to maintain national competitiveness and advocated for inclusive strategies that benefit the economy.

Tim Jones, senior vice chancellor and CFO, State University System of Florida, shared insights on Florida's performance-based funding model for higher education. He detailed its development, focus on quality over quantity and the strategic use of metrics aligned with the state's goals. He discussed the model's principles, including rewarding excellence and improvement. He noted significant improvements in university performance following its implementation in 2013.

Chairman Topper inquired about the allocation of new funds, specifically if the total new funding amount would be fully spent even if some schools did not meet their performance metrics. Jones confirmed that no funds would be returned to the legislature, explaining that the allocation of these funds is proportional to each school's base budget, with schools eligible for their share if they meet certain scoring benchmarks. He noted if a school falls short, that half of its new funds are redistributed to the top three scoring institutions.

Chairman Topper discussed "dealer's choice metrics," which are metrics determined by the universities. He noted that in Florida's current system, the State University System determines the benchmarks within that metric that schools must meet. He asked Jones to describe this process. Jones responded that schools pick metrics that they find important, such as endowments. Using the University of Florida as an example, he described a situation where the university's benchmark was stretched from \$2.5 billion to \$3 billion in order to push the university into producing better results.

Sara Thorndike, treasurer, CFO and senior vice president for finance & business, Pennsylvania State University (Penn State), asked for further clarification regarding institutional investments. Jones explained that about 5% of each school's base budget is reserved by the legislature until universities are scored on certain metrics.

Thorndike inquired about the percentage of appropriations in a university's total budget. Jones said \$645 million, or roughly 15%, of the state's total education budget is allotted as base funds for universities.

Thorndike questioned how universities fund salary increases without additional investment or tuition increases. Jones said universities must fund salary increases themselves.

Thorndike about the distribution of funds across campuses within the funding model. Jones explained that the current allocation is based on each university's proportional share of the base budget, which has not changed, but they are considering new models to address the unique needs of each school.

Thorndike inquired about the ease of accessing post-graduation metrics. Jones mentioned collaboration with different state agencies to track about 90% of their graduates.

Sen. Langerholc asked if there were additional funds that schools could earn outside of the previously mentioned \$645 million. Jones confirmed that universities could earn additional state dollars.

Sen. Langerholc asked if the average price of tuition in Florida was \$1,200. Jones confirmed that \$1,200 was the average yearly price of tuition.

Sen. Langerholc asked for clarification regarding the metric scoring system. Jones confirmed that schools can rise and fall in funding based on their performance metrics. He said the idea is to support continuous improvement for schools that are not reaching "excellence levels."

Sen. Costa asked if the average cost to students accounts for state investment, financial aid and university investments. Jones confirmed that was the case.

Sen. Costa asked about the negotiation process with universities regarding "bonus metrics." Jones said that there is no negotiation process. He said that schools determine their metrics, and the State University System determines the benchmarks that must be met.

Sen. Costa inquired about how Florida tracks graduates' postgraduation and accounts for graduates who proceed to graduate school or research positions. Jones explained that about 90% of students are accounted for through a partnership with state agencies. He said universities are credited for students who are employed or pursuing further education, including those continuing education for a graduate degree.

Sen. Costa asked about changes in the funding model regarding the bottom three schools in the state. Jones said that initially, the three schools that performed the worst did not receive any new funding. He explained that the rule was later changed but schools that do not improve year-over-year are in danger of losing funding. He noted an example of a school that scored below 70 and lost half of its scheduled \$14 million in funding. He said schools that perform poorly must submit a student success plan outlining how they will improve.

Chairman Topper asked for clarification regarding lost funding. Jones said the school in question still received \$7 million in new funds but lost an additional \$7 million they were going to receive due to poor performance. He said the school could be eligible for the \$14 million depending on where they score the following year.

Chairman Schweyer asked who sets tuition rates for Florida. Jones said the legislature sets undergraduate tuition and the State University System sets graduate and out-of-state tuition.

Chairman Schweyer inquired about the decline in Florida's graduation rates. Jones said he believed some of the decline in graduation rates can be attributed to the COVID-19 pandemic. He also pointed to student performance as a factor.

Chairman Schweyer asked if there was a discrepancy in graduation rates between schools. Jones mentioned the decline may be because certain state schools are shifting their focus to graduate degrees since Florida began allowing community colleges to offer four-year degrees.

Chairman Schweyer asked if enrollment rates are growing. Jones said Florida has not seen a decline in enrollments, despite national averages. He noted a law allowing students who have a grandparent living in Florida to receive in-state tuition, saying it made the state attractive to prospective students.

Chairman Schweyer asked if there was any concern that Florida residents may be left out of enrollment. Jones said the state limits out-of-state enrollments to 10%. He said there are discussions in place to address the issue.

Chairman Schweyer stressed the necessity of Pennsylvania students reaping the benefits of any changes made to the educational system.

Dwayne Pinkney asked how much public money Florida spends on higher education. Jones said the university system received \$4.9 billion in support.

Sen. Langerholc asked about the average costs for out-of-state students. Jones said only in-state student costs are measured.

Sen. Langerholc asked about the requirements to be considered as an in-state student. Jones said students must establish some form of residency, such as buying a house and acquiring a driver's license.

Sen. Costa inquired about how tuition increases are determined in Florida. Jones said undergraduate tuition is the same for every school. He said there has been no state increase in tuition since the fall of 2013.

Sen. Costa asked if Florida considers how many students stay in the state of Florida after graduation. Jones said that data is not considered in the funding model. He said internship opportunities are likely to be considered in the model going forward.

Chairman Topper noted the improved performance of Florida schools and asked if there was push-back from school officials. Jones described the first few years after the model was put in place as “rocky.” He noted that schools eventually acquiesced to the requirements.

Chairman Topper raised concerns about potential unintended consequences of performance-based metrics, such as universities putting all of their focus into high-demand fields such as nursing. Jones said that performance metrics focus on areas of strategic emphasis as identified by the state's Department of Commerce, balancing investment in strategic areas while maintaining support for existing programs.

Jones implored the committee to be “bold” in their actions, saying they could make a large difference in student's lives.

Emilia Mattucci, executive director, Pennsylvania School Counselors Association, emphasized the role of school counselors in guiding students through the college selection process, including providing personalized advice, organizing college fairs and offering workshops. She highlighted the support given to first-generation college students and those from underrepresented backgrounds. She urged the council to support resources to increase student access to post-secondary education guidance.

Kellie Kane, associate vice provost for enrollment, Pitt, highlighted Pitt's proactive approach to recruiting students and guiding them toward careers that align with Pennsylvania's workforce needs. She mentioned the record enrollment of Pennsylvania students, the focus on health care and cybersecurity fields and efforts to serve rural communities. She attributed the university's high retention and placement rates to the alignment of educational programs with in-demand careers and comprehensive student support.

Jamie Gilligan, junior nursing student, Pitt, spoke about the impact of the state-funded in-state tuition discount on making her education affordable and allowing her to stay in Pennsylvania. She emphasized the growing need for skilled health care professionals in the state and her commitment to contribute to this sector after graduation. She highlighted the importance of clinical experience provided by Pitt and urged the council to maintain higher education accessibility and affordability for in-state students.

Chairman Topper asked Gilligan why she chose to go to Pitt for nursing. She explained that her choice was influenced by the quality of its program and the opportunities for hands-on experience through clinical experience and partnerships with UPMC.

Chairman Topper noted that the council was considering internship opportunities as a potential metric. He asked Kane how she felt Pitt measured up to other universities in that regard. She attributed the success in recruiting students to Pitt to offering internships and co-ops through partnerships with local companies and hospitals, as well as working with alumni nationally and internationally to provide opportunities in various sectors.

Chairman Topper asked Mattucci what she considers when guiding students to state-related universities. She said she considers factors such as educational value, cost and other offerings, in comparison to other institutions.

Chairman Topper discussed the balance needed in admissions decisions to avoid disincentivizing schools from taking risks on students while also not setting students up for failure. He emphasized the role of admissions professionals and asked Kane for her thoughts on the matter. Kane highlighted the importance of communication between school counselors and college admissions teams, especially for students who are considered to be risks. She stressed the need to understand a student's backstory and other factors that might not be immediately apparent.

Chairman Topper asked whether performance-based metrics would interfere with the relationship between school counselors and college admissions teams. Kane argued that performance-based metrics would not intrude upon that relationship. She explained Pitt's admissions decisions are based on a belief in a student's potential for success and that these metrics could support those efforts.

Sen. Langerholc asked Mattucci about the percentage of her class that goes on to college and how many remain in Pennsylvania for their education. She responded that about 65% of her class goes on to college, but the school does not specifically measure how many stay in the region after graduation.

Sen. Langerholc asked how much of Mattucci's guidance is geared toward keeping students in-state. Mattucci said students are focused on being gainfully employed. She says she looks at job statistics in the commonwealth when offering students advice.

Sen. Langerholc asked what it would mean to schools if tuition could be cut in half. Kane beamed at the prospect and emphasized the importance of making higher education affordable.

Pinkney asked how many students stay in Pennsylvania after graduating from Pitt. Kane said she did not have that information.

Sen. Costa inquired about how high-demand occupations are identified and encouraged among students. Mattucci explained that she relies on universities to inform her about high-demand careers and uses career exploration programs updated with the latest job demand data to provide both local and national outlooks.

Acting Secretary of Education Angela Fitterer asked about grants for rural students to attend Pitt and how the school is supporting those students. Kane said the program has been a huge success. She credited the Student Success Hub for providing support to rural students.

Chairman Topper closed the hearing by thanking Pitt, Penn State and Temple University for hosting. He stressed the importance of higher education in workforce development and addressing demographic changes in Pennsylvania. He emphasized the necessity of accountability, transparency and cooperation to enact significant change. He noted that no further hearings would be held, with a report to be released by the council at the end of April.



### **House Appropriations Committee – Budget Hearing with PASSHE and Community Colleges**

*02/20/2025, 10:00 a.m., House Floor, Main Capitol*

Pennsylvania Legislative Services

The committee held a budget hearing with the Pennsylvania State System of Higher Education and Community Colleges.

The Pennsylvania State System of Higher Education (PASSHE) and Community Colleges were represented by:

- Christopher M. Fiorentino, Ph.D., interim chancellor, PASSHE,
- Sharon Minnich, executive vice chancellor, PASSHE,
- Dr. Nicholas Neupauer, vice president, PA Commission for Community Colleges,
- Dr. Quintin B. Bullock, president, Community College of Allegheny County (CCAC), and
- Dr. Donald “Guy” Generals, president, Community College of Philadelphia (CCP).

Chairman Jordan Harris (D-Philadelphia) welcomed the testifiers and asked them to be sworn in before opening remarks and questions began.

Minority Chairman James Struzzi (R-Indiana) anticipated numerous questions from members.

Rep. Paul Friel (D-Chester) asked about long-term plans for campuses facing overlap with other universities or declining enrollment, seeking insights into future strategies for facilities and student enrollment. Fiorentino asked for clarification if the plans included both state-related and the community at large. Rep. Friel specified that he was asking about the impact of campus consolidations and closures on schools, including how these changes affect different parts of the state. Fiorentino discussed the challenges of declining enrollments and unfavorable demographics, highlighting the need for coordination among schools to avoid creating higher education deserts and competition for a diminishing number of students. Neupauer explained that community colleges have adjusted to enrollment declines by reducing their workforce by 43% over the last decade and focusing on collaborations and partnerships, utilizing excess campus space. Generals mentioned a collaboration with Cheyney University to move a portion of Cheyney's operations to their campus, focusing on creating teacher education pipelines. He added the initiative aims for a seamless transition of students from community college to Cheyney University, with a request for a special appropriation to fund the project.

Rep. Friel asked about the success and implementation of a bill passed last year that included articulation agreements across the state, aiming to facilitate the pathway for students from community college to the PASSHE system. Fiorentino highlighted the commitment to facilitating a cost-effective pathway to a four-year degree, mentioning that over 95% of credits from community college students are now transferable to PASSHE schools. He added that efforts are ongoing to address the remaining 5% of credits that do not transfer.

Rep. Jeff Olsommer (R-Wayne) mentioned a report predicting a decline in traditional-age high school graduates over the next 10 to 20 years and asked if the panel agrees with this assessment and what their institutions are doing to prepare. Fiorentino acknowledged the demographic trends and emphasized targeting non-traditional students and aligning resources with reduced enrollment. Bullock mentioned community colleges are focusing on enhancing supportive services and developing strategic enrollment retention management plans to offset the projected decline in recent high school graduates.

Rep. Olsommer asked about the impact of the proposed minimum wage increase in the governor's budget on system universities and community colleges. Fiorentino explained that their employees, except for management, are unionized and their starting wages are above the minimum wage, so the proposed increase would not significantly impact their schools. He noted the situation for student workers is different due to their pay being from federal student aid dollars. Neupauer mentioned that their sector faces a very similar situation. Generals mentioned that their institution is ahead of the minimum wage requirements for both employees involved in collective bargaining and student workers.

Rep. Abigail Salisbury (D-Allegheny) praised the recruitment efforts in Allegheny County. She asked for more details on the types of students who return, the methods used to attract them and the programs they engage in. Bullock described initiatives to attract returning students, including partnerships with businesses and the development of short-term training programs leading to recognized certifications. He also mentioned the role of non-credit initiatives in providing entry-level programs that align with credit programs.

Rep. Salisbury asked if the increase in online program participants might lead to a decrease in physical presence or if interest in face-to-face programs would sustain the physical community presence. Bullock mentioned an increased interest in online programs and a facilities assessment to understand space utilization, resulting in the consolidation of programs for greater efficiency across the college.

Rep. Jamie Barton (R-Schuylkill) expressed hope for a future without pandemic discussions and highlighted concerns about K through 12 learning loss, asking if there is ongoing evidence of this issue. Generals discussed the Philadelphia School District's success in mitigating learning loss and noted a decrease in the need for remediation among incoming community college students, attributing this to innovative educational strategies. Rep. Barton acknowledged the progress mentioned by Generals. Fiorentino spoke about the different challenges students face post-pandemic based on their educational stage during the pandemic and the ongoing need for hands-on remediation. Rep. Barton inquired about specific programs addressing these educational issues. Fiorentino mentioned the support system in place for students, including counseling and targeted help for math, writing and study skills, aiming to improve student retention. Neupauer highlighted the increased focus on mental health for both students and faculty post-pandemic. Rep. Barton shifted the discussion to workforce development, asking how educational programs are meeting the needs of employers. Fiorentino mentioned that their institutions graduate around 21,000 students annually in high-demand fields and discussed collaborations with community colleges for certain certifications. Rep. Barton asked about the practice of working with local businesses and economic development entities to determine needed programs. Neupauer mentioned monitoring the high-priority occupation list and working with relevant parties to include needed programs. Bullock discussed the launch of innovative programs like the electric vehicle technician program at CCAC, emphasizing the importance of aligning with regional workforce demands.

Rep. Regina Young (D-Philadelphia) expressed concerns about the ongoing impact of the COVID era on education, including mental health and basic needs like food and housing, and asked for information on programs addressing these needs. Fiorentino discussed addressing food insecurity among college students through campus food pantries and keeping residence halls open during breaks to provide housing for students without a home address beyond the residence hall. Bullock shared that the CCAC assists students with emergency funds up to \$500, provides transportation assistance and employs navigators to help students with barriers like housing.

Rep. Ann Flood (R-Northampton) discussed the importance of higher education for personal growth and quality of life. She noted how she hosted a free event on education funding. She raised concerns about the Free Application for Federal Student Aid (FAFSA) system issues affecting community colleges and PASSHE universities. Bullock mentioned that FAFSA data transmission delays were beneficial for community colleges like CCAC, as they could enroll students who couldn't get into other institutions and saw an increase in asset applications. Fiorentino talked about the challenges PASSHE schools faced due to FAFSA system issues, including financial aid and enrollment impacts, and efforts to address these problems to ensure student support.

Rep. Flood asked about the impact of delayed financial aid on students, including late fees and the current state of the system. Fiorentino explained that universities delayed decision deadlines due to software conversion, likening it to driving and repairing a car simultaneously, and made efforts to ensure students were not adversely affected. Neupauer emphasized the importance of affordability in community colleges, noting that about 80% of students graduate debt-free due to low tuition efforts. Bullock

highlighted the savings for students starting their education at a two-year college, with significant cost savings compared to public and private institutions.

Rep. Tim Brennan (D-Bucks) inquired about the state of capital funding for community colleges, the backlog of projects and the prevalence of partnerships with local labor. Neupauer mentioned that there is approximately \$360 million in deferred maintenance for community colleges, highlighting the need for increased capital funding to address the upkeep of aging buildings.

Rep. Brennan asked about the prevalence of project labor agreements among 15 institutions, particularly within community colleges. Neupauer responded that he assumes most institutions have such agreements and promised to follow up for confirmation. Rep. Brennan also mentioned a request from community colleges for \$5 million for non-credit workforce development, asking about the expected benefits of this investment. Neupauer highlighted the importance of quick certification programs that are stackable toward higher degrees.

Rep. Marla Brown (R-Lawrence) expressed concern about the governor's proposal for level funding of \$541.16 million for the Community College Capital Fund, despite a request for a 6% increase, and asked about the potential impact on projects if the requested funding is not provided. Neupauer explained the capital process, emphasizing the importance of matching funds for projects and the addition of cash projects. He also mentioned a new model for capital applications, known as the recency model, accepted by the Department of Education (PDE) and the community college sector to simplify the process. Neupauer noted that each of the 15 colleges submits two projects for funding, totaling 30 projects, but there are dozens more projects in need of attention. He added that once projects are approved, payments are made approximately every six months.

Rep. Aerion Abney (D-Allegheny) focused on college affordability, noting a concerning trend of increased enrollment from higher-income families and decreased enrollment from lower-income families since 2018. He attributed this to the rising costs of higher education and questioned what could be done to reverse this trend, suggesting increased state funding or a combination of measures as possible solutions. Generals discussed the benefits of community colleges, including dual enrollment programs that allow high school students to earn college credits or complete an associate's degree at no cost. He emphasized the financial advantages for students who start at community colleges before transferring to four-year institutions and the role of private funding and grants in supporting these colleges. Generals also noted the increasing trend of dual enrollment and its potential to reduce overall tuition costs.

Rep. Abney asked about the consequences for community colleges if the General Assembly does not approve the requested 6% increase in capital and operational funding, which amounts to about \$16 million, noting that the proposed budget includes only a \$13 million increase. Bullock highlighted the need for additional resources at community colleges to attract and retain talent, maintain high-quality instruction and adapt to new program demands. He stressed the importance of responding to regional workforce needs and the necessity of attracting and retaining skilled talent for workforce training.

Rep. Marci Mustello (R-Butler) inquired about the existence of an inventory list of campus facilities, including academic buildings and dorms, in light of the governor's budget address mentioning policy changes to reduce building usage by the commonwealth. Minnich confirmed the maintenance of an inventory detailing square footage and the status of buildings, which helps track capital needs and allocate funds for capital projects and deferred maintenance.

Rep. Mustello asked about the number of buildings slated for demolition and their locations. Minnich explained that buildings slated for demolition are reviewed annually and require the Board of Governors' approval before entering the capital demolition pipeline. She also mentioned efforts to transfer buildings and properties through partnerships when possible.

Rep. Mustello asked for examples of shared use space or partnerships being developed. Minnich described partnerships with local businesses and entities at universities like Cheyney University and Penn West California, where businesses lease campus space for operations and student engagement.

Rep. Mustello inquired if the Department of General Services (DGS) had been contacted regarding the challenges of repurposing buildings for community use. Minnich mentioned collaborative work with BGS, including monthly discussions about projects and the process for selling properties, highlighting the strong working relationship to manage the pipeline of projects.

Representative Mustello asked about the timeline for projects. Minnich explained that project timelines vary, with feasibility studies starting within six to nine months and construction projects taking about two years from board approval to the start.

Rep. Emily Kinkead (D-Allegheny) thanked Bullock for supporting students in Allegheny County and expressed appreciation for the work of CCAC and the chancellor of PASSHE. She asked for an overview of the process for holding a university president accountable without delving into specific details about the situation with Commonwealth University's president. Fiorentino explained the 360-degree evaluation with regard to "no confidence votes."

Rep. Kinkead asked Fiorentino about the process for removing a university president, seeking details on how the procedure works. Fiorentino explained that employment agreements detail circumstances for termination, including for cause and without cause and the processes that would be implemented. Kinkead then inquired about the funding for community colleges, referencing the governor's proposal for flat funding and an informal agreement for funding to be divided equally among the county, tuition and the state.

Rep. Kinkead questioned if the state has been fulfilling its part of the agreement and what actions are necessary to ensure the state upholds its funding responsibilities. Bullock discussed the funding design for community colleges, highlighting the intended equal distribution among county, state and tuition fees. He noted that in Allegheny County, projections for 2024 show county support at almost 28% and state support at about 31.5%, with the remainder covered by tuition and fees. Generals explained that their institution receives approximately 35% of its funding from the city, including the Cattle Scholarship, with students contributing the majority of the revenue and state funding at about 26%. He stated that the funding has never adhered to the one-third model. Neupauer described the funding distribution for the 15 Community Colleges, with the state contributing 27.7%, local sponsors 17.1% and the remainder from tuition, fees and continuing education for first responder emergency services.

Rep. Eric Davanzo (R-Westmoreland) asked about dual enrollment funding, noting Gov. Josh Shapiro proposed \$7 million in funding, the same as the previous year, from the PDE, but there is a request for a \$7.5 million appropriation, double the proposed amount. He inquired about the program fund's details, its benefits to community colleges and whether there is sufficient demand for this increased appropriation. Bullock discussed the importance of dual enrollment programs in preparing the future workforce and enabling students to earn college credit while still in high school. Rep. Davanzo asked about the percentage of families participating in the dual enrollment program. Neupauer mentioned that in the 2022-2023 academic year, the community college sector had just shy of 22,000 students enrolled in dual enrollment programs, predicting an increase in the following years. Rep. Davanzo shared a personal anecdote about his daughter's experience with dual enrollment credits not being fully accepted, leading to her completing college in roughly four years despite having some credits. He questioned the number of students graduating early from the 22,000 mentioned and inquired about the quality of dual enrollment courses in meeting educational needs. Generals emphasized the high quality of dual enrollment programs, stating they offer the same curriculum, teachers and requirements as regular courses and undergo rigorous evaluation and assessment to maintain accreditation.

Rep. Kyle Mullins (D-Lackawanna) asked Fiorentino for an update on the consolidation of Commonwealth and Penn West universities. Fiorentino described the consolidation as a multi-year effort aimed at preserving high-quality education in rural areas, achieving economies of scale and reducing administrative costs, despite the significant work still needed due to enrollment declines and potential over-offering of programs. Rep. Mullins expressed concern about the sustainability of the newly consolidated institutions in light of declining student enrollment and questioned whether there is still enough demand for these institutions. Fiorentino emphasized the importance of efficiency, the financial burden of unused buildings and the need to realign resources to ensure the institutions' sustainability.

Rep. Kristin Marcell (R-Bucks) highlighted the importance of community colleges and inquired about the potential impact of an additional \$5 million in funding for non-credit workforce development across the commonwealth. Bullock noted the success of such programs in Southwest Pennsylvania, especially in apprenticeships and fields like mechatronics and electric vehicles (EVs), and the necessity of expertise, new equipment and hands-on job experiences for students. Generals pointed out that the additional funding would primarily help students afford non-credit courses, which are often costly and do not qualify for Pell grants or Title IV funding. Neupauer added that community colleges do not profit from non-credit workforce development programs, emphasizing their importance to the mission of community colleges.

Rep. Marcell mentioned Bucks County's role as the largest provider of firefighter training in Pennsylvania and inquired if the \$5 million funding request for public safety first responder training was sufficient. Neupauer responded that the \$5 million request for each category is a first step, acknowledging the need for more funding given the challenges in attracting individuals to first responder and firefighter training roles and the collective education of 80,000 first responders in the commonwealth.

Rep. Gina Curry (D-Delaware) emphasized the importance of community colleges and dual enrollment programs in Delaware County, mentioning a \$7 million appropriation for dual enrollment and asking about its impact and sustainability. She highlighted the construction of a new facility in Upper Darby to support these efforts. Generals discussed the benefits of dual enrollment, including its role in keeping students engaged and providing them with valuable life experiences on college campuses. He described dual enrollment as a social phenomenon that advances educational goals. Fiorentino shared insights on the evolution of dual enrollment programs at West Chester University, noting a shift towards including a broader range of students and a significant increase in participation. Rep. Curry shared her experience teaching high school students at La Salle University, noting their competitiveness with college students.

Rep. Charity Grimm Krupa (R-Fayette) inquired about the progress and remaining work in the transition discussed earlier, expressing interest due to her personal connection to southwestern Pennsylvania. Fiorentino discussed the stabilization of schools like Mansfield and Clarion through consolidation and the ongoing need for “right-sizing” due to enrollment losses. He mentioned the challenge of “teach-outs” and the demographic decline affecting enrollment.

Rep. Krupa asked about the specific programs being considered for elimination and the timeline for their removal. Fiorentino explained that a new software system is being implemented to offer programs across different universities, allowing students to take programs at other campuses if they are eliminated from their own.

Rep. Krupa noted she hears “a lot of complaints about the name Penn West,” stating that “it rings almost of some type of state prison.” She also raised concerns about the availability of courses at a constituent’s particular campus, asking how somebody has to go to a different campus to “actually get that in-person instruction.” Fiorentino said students would not need to travel to different campuses for courses not offered at their own, as these would be available online.

Rep. Krupa inquired about specific programs being introduced, particularly in science, technology, engineering and mathematics (STEM) areas. Fiorentino mentioned the introduction of several programs, especially in STEM, emphasizing the importance of meeting the needs of the commonwealth and avoiding excess duplication of engineering programs across campuses.

Rep. Josh Siegel (D-Lehigh) commended the effort to keep education affordable by not raising tuition since 2018 and highlighted the high debt burden on Pennsylvania graduates, with 64% carrying college debt. He advocated for the PA Promise program to make higher education more accessible and asked for thoughts on its significance. Fiorentino discussed the challenge of Pennsylvania residents attending college in neighboring states and highlighted efforts to maintain level tuition and reinvest in financial aid to minimize costs for low-income families.

Rep. Siegel expressed concern that the cost of education remains prohibitive for middle-class families and emphasized the importance of making higher education accessible to all. He advocated for the PA Promise program and the support of faculty, staff and coaches, mentioning his support for the Public Sector Disclosure Act to facilitate unionization and asked for thoughts on fostering a supportive relationship with collective bargaining units. Fiorentino emphasized the importance of the relationship with collective bargaining units and the critical role of the workforce in maintaining the university’s operations. He expressed support for legislation that facilitates communication between public institutions and collective bargaining units. Rep. Siegel thanked Fiorentino for his support of collective bargaining units and emphasized the importance of partnership and making it easier for employees to organize.

Rep. Eric Nelson (R-Westmoreland) expressed his personal connection to PASSHE schools and highlighted the importance of community college credits, including those from dual enrollment courses, being accepted and transferred. Fiorentino stated that dual enrollment class credits from community colleges will transfer without exception.

Rep. Nelson expressed concerns about the impact of advanced placement (AP) and dual enrollment classes on graduation rates, noting that there hasn’t been a significant improvement in early or on-time graduation rates. Fiorentino provided data on dual enrollment at PASSHE schools, indicating positive results from dual enrollment with 61% of students graduating in eight terms and 70% in 12 terms.

Rep. Nelson asked for data tracking on the percentage of dual enrollment and AP students graduating early and highlighted the high dropout rates among foster students, suggesting community colleges as beneficial for foster students. Bullock said it is “one of the areas that we are constantly working on is the engagement of students, relationships, active activities with other peers, so there is a sense of belonging as a student gets connected, sees their value, actively engages with student activities, student life, athletics.”

Rep. Nelson highlighted the high non-completion rate among students, with nine out of 10 not finishing their education, and asked whether the foster independent tuition waiver program in Pennsylvania, which does not cover housing costs, creates additional burdens for foster students. Fiorentino responded that foster students typically receive financial aid for housing costs, helping them to live on campus, and mentioned efforts to support these students, including food pantries.

Rep. La'Tasha Mayes (D-Allegheny) asked Bullock to share the successes and motivations behind the CCAC’s doula program. Bullock described the initiation of the maternal doula program at the college, emphasizing its success and the community need it addresses. Rep. Mayes then praised community colleges for expanding the perinatal workforce and inquired about the CCP’s partnership with Center 1968. Generals explained that the partnership ended due to financial and personnel issues but mentioned continuing similar activities. Rep. Mayes described the end of the partnership as unfortunate and urged finding ways to offer similar opportunities to students.

Rep. Torren Ecker (R-Adams) asked about the focus of the Chancellor from the comprehensive appropriation request report, which contained 100 pages and 75 different figures. Fiorentino discussed the importance of graduates securing jobs within Pennsylvania

and the need for continued investment in student affordability, highlighting the challenges of downsizing universities and managing tenured faculty.

Rep. Ecker asked about agricultural education efforts within PASSHE and community colleges. Generals discussed the importance of the Farm Bill for both rural and urban areas, mentioning his college's efforts in developing agricultural programs like hydroponics to address food deserts and encourage student involvement in agriculture. He noted the proximity of farms to Philadelphia and the relevance of these programs to urban centers. Neupauer highlighted Butler Community College's role in convening agricultural discussions and continuing education programs by hosting the county's Farm Bureau representative, emphasizing the college's facilitative role in agricultural education. Fiorentino mentioned that while his institution does not offer specific agricultural programs, it provides training and minor programs to help farm operators in Chester County gain necessary business skills, where agriculture is a leading industry.

Rep. Josh Kail (R-Beaver) asked about the efforts of the institutions to accommodate the need for training in specific industries and trades without requiring a four-year degree, noting a shift in employer requirements and policies. Bullock described CCAC's alignment with industry needs through the development of apprenticeship programs in partnership with businesses and trade unions, covering areas like energy, automotive and construction as well as launching a commercial driver license program to meet demand for certified drivers. Generals talked about the expansion of a welding program in collaboration with the Navy pipeline project, highlighting a \$2.7 million investment for faculty training and equipment upgrades, and the modularization of programs like cybersecurity and accounting to meet industry demands. Fiorentino emphasized the importance of recognizing community colleges' strengths in training programs and the need for cooperation between institutions to avoid duplication and competition, mentioning his institution's offerings of non-credit credentials in various areas.

Rep. Kail asked for updates on the medical school at Indiana University of Pennsylvania (IUP). Fiorentino explained updates on the progress of the medical school at IUP, mentioning the hiring of a dean, curriculum development, ongoing accreditation and fundraising efforts. He noted the project's positive outlook despite not yet being approved.

Chairman Struzzi inquired about the allocation of a proposed budget increase of \$40 million or 6.5%, totaling \$661 million, specifically asking whether this increase would be directed towards tuition freeze. Fiorentino responded that with the determined funding, they could operate with balanced budgets without increasing tuition.

Chairman Struzzi then discussed the benefits of demolishing or selling older buildings within PASSHE, highlighting IUP's efforts to establish a School of Medicine. He specifically mentioned the demolition of buildings at IUP for parking and green spaces. He asked about estimated savings. Minnich explained that savings from demolishing or selling buildings could be around \$14 per square foot.

Chairman Struzzi highlighted a shift to community colleges' budget requests, detailing a \$30 million increase request for various allocations, and noted the governor's proposal fell short, potentially affecting capital funds and specific programs. He emphasized the importance of funding for first responders and workforce development and asked about the time required to initiate new programs in response to industry needs. Neupauer explained that the process for academic approval in community colleges typically involves three or four steps and is quicker for workforce development non-credit programs. Fiorentino discussed the complexities of approving academic programs, sharing examples from West Chester University and noting a greater sensitivity within the system to approve programs more quickly.

Chairman Struzzi asked about challenges with students receiving funds through FAFSA, mentioning delays. Fiorentino acknowledged challenges with new software systems and assured efforts to resolve these issues.

Chairman Harris humorously highlighted the omission of Millersville University from the discussion and joked about starting next year's notes with Millersville University. He thanked everyone, acknowledged the panel's service, announced a recess and adjourned the committee meeting.



## House Democratic Policy Committee

02/20/2025, 12:00 p.m., Room G-50, Irvis Office Building  
Pennsylvania Legislative Services

The committee met to hold a public hearing titled “Get the Lead Out.”

Rep. Tarik Khan (D-Philadelphia) highlighted the issue of lead exposure in Pennsylvania schools, particularly in Philadelphia where 91% of tested sites showed positive results for lead. He praised Philadelphia's efforts in installing lead filtering systems but noted the state's overall failing grade in protecting students from lead exposure. Rep. Khan mentioned he is working on a bill with Rep. Roni Green (D-Philadelphia) to address the issue.

Dr. Clara Campbell, associate teaching professor of public health, Dornsife School of Public Health, Drexel University, discussed her experience in childhood lead poisoning prevention and treatment. She noted that over 7,300 Pennsylvania children under six had elevated blood lead levels in 2022. She emphasized the disproportionate effect on African American and Hispanic children and linked most lead exposure to older homes with lead paint and contaminated dust, as well as lead in water. Dr. Campbell mentioned the Biden administration's efforts through the Inflation Reduction Act to remove lead service lines and stressed the importance of eliminating lead from school water sources. She advocated for the removal of lead from drinking water in Pennsylvania schools.

Dr. George Dalembert, pediatrician, Children's Hospital of Philadelphia (CHOP), emphasized the need to protect children from lead poisoning to ensure they reach their full potential. He stressed that lead is a dangerous poison affecting children's development and that prevention is key. Dr. Dalembert called for a shift from testing to proactive measures against lead poisoning, advocating for infrastructure improvements in schools and underscoring the moral imperative to protect children across the state.

Rep. Greg Scott (D-Montgomery) asked the doctors to discuss the impact of lead exposure on children's growth, development, cognitive function, mobility and academic attainment, highlighting the problem that disproportionately affects low-income and minority children. Dr. Campbell confirmed the link between lead exposure and decreased IQ, increased attention deficit hyperactivity disorder (ADHD) and decreased school achievement in children. She emphasized the significant impact on development and growth, framing it as an environmental injustice problem. Dr. Dalembert highlighted that these outcomes occur through no fault of the child, as their learning environment itself contributes to the difficulties they face.

Rep. Chris Pielli (D-Chester) highlighted lead exposure as an environmental health, constitutional and financial issue. He asked about the societal costs of addressing the issue. Dr. Dalembert mentioned the significant economic implications of lead poisoning, including immediate health care costs and costs associated with educational support for affected children. He suggested that investing in prevention could be more economically viable. Dr. Campbell mentioned that studies have shown the benefits of preventing lead exposure, including reductions in medical costs and special education expenses.

Rep. Paul Takac (D-Centre) emphasized that lead exposure is a widespread problem across Pennsylvania, affecting rural areas, schools, older housing and private water sources. Dr. Campbell stressed the importance of testing well water for lead, especially since the Environmental Protection Agency (EPA) does not regulate it. Dr. Dalembert reiterated that lead exposure is a statewide concern due to aging infrastructure and advocated for preventive solutions.

Rep. Roni Green (D-Philadelphia) shared her personal connection to the issue of lead exposure and asked for recommendations to help affected children succeed. Dr. Campbell recommended medical and public health interventions, while Dr. Dalembert emphasized the importance of removing children from lead-exposure environments and supporting families.

Rep. Khan asked Dr. Dalembert and Dr. Campbell to share their experiences with treating children with elevated lead levels. Dr. Campbell shared the success in treating and monitoring affected children, highlighting the importance of providing enriching experiences to support their development. Dr. Dalembert explained that it takes many visits to remediate the damage caused by lead.

Jerry Roseman, managing director, Philadelphia Federation of Teachers Health and Welfare Fund, discussed his experience in evaluating school infrastructure and environmental health conditions, emphasizing the importance of addressing lead in drinking water in schools. He advocated for a people-focused approach to environmental issues in schools and highlighted his work with various organizations to improve school infrastructure. Roseman detailed the successful implementation of filtered hydration stations in Philadelphia schools, which significantly reduced lead levels in drinking water. He estimated that installing these stations across Pennsylvania schools would cost \$51 million.

David Masur, executive director, PennEnvironment, testified about the need to address lead in school drinking water, advocating for immediate treatment over testing. He urged the implementation of [HB 341](#), which proposes replacing old drinking fountains with lead-filtering stations, and estimated the cost at approximately \$30 million. Masur emphasized the cost-effectiveness of this measure

and the broad support for the bill.

Rep. Johanny Cepeda-Freytiz (D-Berks) asked about the cost of replacing water filters or units in every school building, to which Masur responded with an estimate of about \$30 million. He highlighted the societal costs of lead contamination.

Rep. Pielli mentioned the success of the Inflation Reduction Act in replacing lead pipes in his district with \$4.1 million and asked about available funds for similar issues. Masur explained that while federal funding addresses lead service lines, the issue in schools often stems from internal components. He outlined the need for state-level appropriations to address the problem, noting the availability of federal funds but the necessity for dedicated programs or funding at the state level.



## **House Appropriations Committee – Budget Hearing with State-Related Universities**

*02/20/2025, 1:15 p.m., House Floor, Main Capitol*

Pennsylvania Legislative Services

The committee held a budget hearing with state-related universities.

The state-related universities were represented by:

- John Fry, president, Temple University (Temple), and
- Neeli Bendapudi, president, The Pennsylvania State University (Penn State), and
- Joan Gabel, chancellor, University of Pittsburgh (Pitt), and
- Brenda Allen, president, Lincoln University (Lincoln).

Chairman Jordan Harris (D-Philadelphia) welcomed the attendees before swearing in the testifiers.

Fry marked his first year as president and Temple's 60th year as a state-related university. He thanked the General Assembly for its support. He outlined Temple's priorities, including campus safety, affordability, enrollment of first-generation and low-income students and economic growth in Philadelphia. He detailed his commitment to public safety, expansion of financial aid and supporting college readiness for Philadelphia public school students. He pledged that Temple would remain in compliance with federal and state laws.

Rep. Thomas Kutz (R-Cumberland) inquired about how the universities plan to adjust to performance-based funding. Bendapudi supported the initiative and said Penn State is working on adjustments. She emphasized the importance of transparency and accountability.

Rep. Kutz asked the testifiers what metrics they would like to see in the performance-based funding formula. Bendapudi stressed the importance of aligning incentives with the commonwealth's best interests. She advocated for focusing on student demographics, graduation and retention rates and post-graduation outcomes, especially for first-generation and low-income students.

Rep. Kutz noted that the state-related universities requested additional funds on top of what was proposed by Governor Josh Shapiro. He asked the panel which set of funding they were advocating for. Bendapudi said Penn State needed both sets of funding, requesting for the school's base appropriations to be brought up to the level of its peers.

Rep. Kutz asked whether universities could commit to freezing tuition for the next year with the performance-based funding and requested increases. Gabel explained that the requested increase in funding is intended to offset the cost of attendance for in-state students and support investments in programs that benefit the commonwealth, but it was not specifically earmarked to keep tuition flat. Bendapudi committed to freezing tuition for Pennsylvania in-state undergraduate students if they receive the requested funds.

Rep. Ben Waxman (D-Philadelphia) asked Fry to speak on how important public transportation, such as the Southeastern Pennsylvania Transportation Authority (SEPTA), is to Temple and its students. Fry stressed that public transportation is one of the most important competitive advantages that Temple has. He noted that roughly 50% of students and faculty use SEPTA daily.

Rep. Waxman inquired about the potential impact on Temple if public transit services were disrupted, specifically whether the university had the funds to construct parking garages for alternative transportation. Fry explained the challenges of constructing

parking garages, including the difficulty in finding available land and high costs. He emphasized the importance of having students physically on campus and described the potential impact of disruptions to public transit on Temple as “profound.”

Rep. Torren Ecker (R-Adams) inquired about capital projects currently being undertaken by the schools. Gabel mentioned she would need to consult with the CFO to identify which projects were supported by appropriated funds and agreed to provide a detailed report.

Rep. Ecker requested that each university provide a report to the committee chairmen detailing their projects, state funding received and timelines. He then inquired about the sufficiency and use of funding for agricultural research across the commonwealth. Bendapudi specified that all state appropriations are utilized for student funding. She detailed how the provided agricultural funding supports research and extension activities, highlighting the relevance of their research in addressing issues like avian flu, bovine health and swine flu.

Rep. Ecker stressed the importance of transparency regarding the use of taxpayer money. Bendapudi agreed and mentioned that Penn State keeps that information on its website.

Rep. Joshua Siegel (D-Lehigh) addressed the organization of 5,000 research and graduate students at Penn State with the United Auto Workers for a union election. He asked Bendapudi to publicly commit to supporting the unionization effort. Bendapudi acknowledged the contributions of graduate students and expressed support for their free speech and actions regarding unionization while sharing concerns about the unionization of research assistants due to the unique nature of their work.

Rep. Siegel referenced a 2018 Pennsylvania Labor Relations Board ruling classifying these individuals as employees and asked for a public commitment to support their unionization efforts without creating obstacles. Bendapudi stated they are not opposing the unionization process and emphasized the importance of legal counsel review. She believed the students were acting within their rights. Rep. Siegel voiced his full support for the graduate students’ attempts to unionize. He mentioned his intention to closely monitor the situation, expressing anticipation for a union election scheduled for the spring.

Rep. Ann Flood (R-Northampton) discussed the high cost of higher education and her support for advancing education. She addressed recent difficulties with the Free Application for Federal Student Aid (FAFSA) system, asking for opinions on its current functionality and ongoing concerns. Gabel described the current state of the FAFSA system as a “new normal,” noting improvements and efforts by staff across universities to assist applicants and ensure their access to educational opportunities, leading to cautious optimism at Pitt.

Rep. Flood asked if the hiccups with FAFSA were resulting in late disbursements, causing the students to front the money themselves or be subject to late fees. Bendapudi acknowledged the issue of delayed state grant releases at Penn State, noting the university's significant population of Pell Grant recipients and first-generation college students. She committed to following up on the issue.

Rep. Flood asked whether other colleges had experienced similar delays in the release of state grants. Allen said the situation was bad in the fall but showed significant improvement during the spring semester. Rep. Flood expressed concern over the financial challenges faced by students and their families in pursuing education.

Rep. Justin Fleming (D-Dauphin) asked if the universities considered union labor in the bidding process for construction projects, Bendapudi mentioned the need to defer to experts but emphasized the university's effort to prioritize union labor. Gabel mentioned the need to confirm specific agreements but highlighted the university's close relationship with unions in Pittsburgh. Allen explained that most construction projects are conducted in partnership with the Department of General Services, following a rigorous RFP process. Fry stated that all their projects employ union labor and emphasized the excellent relationships they maintain with unions. Rep. Fleming highlighted the importance of using union labor by higher education institutions and the role of pre-apprenticeship programs in Pennsylvania.

Rep. Jeff Olsommer (R-Wayne) inquired about the efforts of universities in economic and workforce development and how educational programs are tailored to meet employer needs. Allen noted that Lincoln has initiated a center for excellence in workforce development, offering programs in high-need job areas like medical assisting, cybersecurity, and phlebotomy. Rep. Olsommer asked if there is a process for developing new programs or majors to meet workforce needs for employers. Bendapudi highlighted the launch of a nurse anesthetist program and a more applied artificial intelligence (AI) program, emphasizing the importance of interdisciplinary courses and the university's efforts to remain nimble and meet critical needs.

Rep. Olsommer asked whether programs or majors are ever discontinued due to low enrollment or being deemed no longer relevant. Bendapudi acknowledged the challenge of discontinuing programs, emphasizing the value of the humanities and languages beyond immediate workforce needs, and the necessity of making tough decisions regarding program offerings. Fry discussed the importance

of neighborhood workforce development, mentioning the establishment of the Lenfest Center for Community Workforce Partnerships in North Philadelphia to address local unemployment and underemployment. Gabel mentioned Pitt's launch of a new program aimed at reviewing and aligning the curriculum with workforce needs.

Rep. Aerion Abney (D-Allegheny) discussed the topic of name, image and likeness (NIL), noting Pennsylvania's passage of its own NIL legislation in 2021 and seeking feedback on how NIL is affecting institutions. Gabel acknowledged the rapid changes in the intercollegiate athletics environment, the anticipation of national standards and the upcoming house settlement. She highlighted its significance in shaping the student-athlete experience. Bendapudi agreed with the changing landscape of intercollegiate athletics and mentioned monitoring the situation, specifically referencing April 17 as the date for the House settlement. Fry expressed concerns about the sustainability of the current financial model in collegiate athletics, describing it as an "arms race out of control." He highlighted the negative impact on student-athletes, particularly due to NIL agreements and the use of the transfer portal.

Rep. Abney voiced support for NIL programs, discussing the challenges student-athletes face, including financial struggles for basic needs. He emphasized the importance of written contracts between student athletes and agents.

Rep. Jamie Barton (R-Schuylkill) expressed concerns about Penn State's Schuylkill campus. He asked whether Penn State is considering closing some of its campuses due to shifting business models. Bendapudi responded that all options are being considered to address Penn State's challenges. Rep. Barton inquired about renovations at Beaver Stadium. Bendapudi explained that the \$700 million renovation is funded through borrowing, with no student tuition or state appropriations used, emphasizing the financial independence of the athletics program.

Rep. Ben Sanchez (D-Montgomery) about his vision for his tenure, particularly regarding the North Broad corridor and surrounding neighborhoods. Fry outlined a strategy focusing on commercial development, education, affordable housing, job creation and retail corridors to improve safety and revitalize the area. Rep. Sanchez expressed hope that Fry would keep education affordable and encourage students to live in the nearby neighborhood.

Rep. Kristin Marcell (R-Bucks) shifted the discussion to community colleges, highlighting the importance of affordability and successful transfer agreements with universities. She asked how the universities track how many students are coming into their schools from community colleges, requesting the testifiers provide that number after today if they don't have it on hand. Fry acknowledged the importance of articulation agreements for facilitating transfers to Temple and committed to improving enrollment through partnerships. Gabel mentioned a comprehensive transfer recruiting initiative aimed at addressing the unique needs of transfer students and highlighted participation in a national program to pilot new transfer initiatives. Rep. Marcell inquired about including articulation agreements and credit transfer initiatives in performance-based metrics for funding evaluations. Bendapudi agreed with the notion.

Rep. Marcell asked whether public universities should be mandated to accept community college credits, referencing legislative actions in other states. Bendapudi responded by mentioning the existence of articulation agreements with community colleges and efforts to simplify and uniform these processes. Allen discussed North Carolina's two plus two agreement system, which guarantees community college students can complete their bachelor's degree in two years upon transferring.

Rep. Abigail Salisbury (D-Allegheny) mentioned a meeting to discuss antisemitism at Pitt and highlighted a lack of follow-up communication. She inquired about the university's awareness of a specific incident involving antisemitic content in a medical students' group chat. Gabel confirmed awareness of the incident. Rep. Salisbury further asked about the impact on medical students who were advised to avoid the antisemitic group chat. Gabel responded by acknowledging the distress caused by such incidents and detailing the university's condemnation of hate and efforts to ensure cultural competence. Rep. Salisbury recounted an incident of an antisemitic tirade during a pinning ceremony and questioned the training provided to intervene in such incidents. Gabel mentioned the creation of an antisemitism working group on campus in response.

Rep. Salisbury asked about the normalization of antisemitism at the university, referencing a Jewish Chronicle article where a student, Olivia Bear, reported professors offering extra credit for attending anti-Israel protests but not for pro-Israel protests. Gabel responded that professors encouraging students to participate in activities outside the curriculum, such as protests, is against the American Association of University Professors (AAUP) standards of academic freedom. She said any professor found in violation of those rules is addressed through a conversation with the university.

Rep. Marla Brown (R-Lawrence) expressed concerns about changes in the selection criteria for alumni candidates to the Board of Trustees at Penn State. She noted a new requirement for board subcommittee approval for candidates to be listed on the ballot and suggested it appears as a conflict of interest. Bendapudi explained she reports to the board and is not involved in the changes to the alumni trustee selection process. She acknowledged the board's efforts on governance issues and expressed willingness to share Rep. Brown's concerns with the board. Rep. Brown asked if Bendapudi supported the change to the selection criteria.

Bendapudi reiterated her position of reporting to the board and having no say in the matter. Rep. Brown requested a follow-up on the discussion, and Bendapudi agreed to follow up on the concerns raised.

Rep. Kyle Mullins (D-Lackawanna) shared his personal connection to neurodegenerative diseases and emphasized the importance of research funding. He expressed concern over proposed federal cuts to National Institutes of Health (NIH) funding. Gabel highlighted the importance of NIH funding for research universities in Pennsylvania, mentioning that Pennsylvania received \$2.2 billion in NIH funds last year, supporting over 21,000 jobs and resulting in \$5.24 billion in economic activity. She argued against the proposed cuts to NIH funding, stressing the global leadership of the U.S. in health sciences and biomedical engineering.

Rep. Charity Grimm Krupa (R-Fayette) asked Bendapudi if there were any plans to close Penn State branch campuses. Bendapudi reiterated that all options were being considered. Rep. Krupa asked about the criteria for determining the vulnerability of Penn State branch campuses to closure. Bendapudi explained that a variety of factors are being considered in the ongoing discussions about the future of the branch campuses, without listing all variables due to the careful nature of the review. Rep. Krupa inquired whether the number of Pennsylvania residents versus out-of-state students at a branch campus is considered in the analysis. Bendapudi said those metrics are considered across the board. Rep. Krupa asked about a phase-out period for students to complete their programs in the event of a branch campus closure. Bendapudi said critical decisions are still being discussed but emphasized that Penn State cares about its students.

Rep. Krupa mentioned the Department of Community and Economic Development's annual \$2.35 million investment in "Invest Penn State." She asked for examples of how this funding is utilized. Bendapudi detailed the impact of the Invent Penn State initiative, including the creation of 21 launch boxes, support for approximately 8,400 entrepreneurs and the start of 524 new companies.

Rep. Krupa inquired if the funding directly supports Penn State's branch campuses. Bendapudi specified that it supports the broader commonwealth, not just Penn State affiliates. Rep. Krupa asked about the consequences of not including the funding for Invent Penn State in the current year's budget. Bendapudi discussed the financial pressures faced by Penn State, highlighting the critical impact of the Invent Penn State initiative despite the university receiving significantly lower funding per in-state student compared to other universities.

Rep. Emily Kinkead (D-Allegheny) inquired if universities consider applicants with military backgrounds during the admissions process. Fry mentioned his hiring of the former secretary of veterans affairs (VA) to review veterans' programs at Temple with the goal of improving them.

Rep. Kinkead asked if universities take into account applicants from rural areas. Gabel responded that Pitt has a rural recruiting initiative started in partnership with Rep. Kinkead. Bendapudi emphasized the importance of supporting rural communities and military veterans, highlighting their rural health initiatives. She mentioned the large military celebrations at their football games and specialty programs for veterans. Fry mentioned that Temple is working on establishing a partnership in Tamaqua, Pennsylvania, to create an adjunct dental clinic to train dental students and provide services to communities, addressing a significant shortage of dentists.

Rep. Kinkead asked whether universities consider the criminal histories of individuals who have been incarcerated and if there are initiatives to help them pursue degrees. Allen stated that Lincoln does not discriminate based on any characteristics. She highlighted the university's classification as a military-friendly school, supporting veterans and children of active military members with specific programming and personnel. Gabel mentioned the Pitt Prison Education Project, where faculty members offer educational opportunities through small class sizes in the prison system.

Rep. Kinkead highlighted the importance of diversity, equity and inclusion (DEI) in university systems, emphasizing that DEI extends beyond race.

Rep. Eric Nelson (R-Westmoreland) inquired if universities could leverage their resources to address the maternity deserts in Pennsylvania. Bendapudi agreed with the concerns about health care disparities between rural and urban areas, emphasizing rural health as a top priority. She mentioned efforts to increase the number of health care professionals in rural communities, focusing on maternal medicine.

Rep. Nelson asked how universities can help students graduate on time. Gabel highlighted a 73% four-year graduation rate and discussed the implementation of university tools to guide students. Bendapudi acknowledged the graduation rate at University Park is over 73% but lower across other campuses, attributing this to various factors. She emphasized the importance of supporting students to ensure they graduate.

Rep. Nelson asked about improving transparency in the state's performance-based funding formula. Gabel said accountability and trust are pillars of Pitt's strategic plan. Bendapudi said Penn State recently established an accountability section on its website to enhance transparency by publishing relevant data.

Rep. Regina Young (D-Philadelphia) emphasized the importance of understanding the correlation between social activities and academic outcomes in higher education. She asked the panel to share how they measure the impact of social activities on academic success. Allen discussed the integration of curricular and co-curricular activities leading to greater student success at Lincoln. Bendapudi highlighted Penn State's THON and a new partnership with IBM to facilitate student engagement. Fry discussed the impact of civic engagement and cooperative education on students, noting that these experiences lead to greater persistence in their studies.

Rep. Eric Davanzo (R-Westmoreland) questioned Pitt's non-partisan policy. He noted a rally for former vice president Kamala Harris which was held at the Fitzgerald Field House, a place owned by Pitt. Rep. Davanzo highlighted several of the participants at the rally. He stated that a year prior to the rally, local Republican candidate Pavani Patel "was not allowed to speak for a handful of college honors" and that her "invitation was actually retracted." Gabel explained the distinction between individuals renting space at the university and being officially invited, emphasizing that the university does not directly invite speakers. Rep. Davanzo questioned if Pitt is comfortable with its logo appearing in the background of photos from political events, suggesting it might imply university endorsement of a particular candidate. Gabel stressed the university's position as a public entity. Rep. Davanzo asked if Pitt could provide contract information regarding political events held on its campus. Gabel agreed to share the financial details pending approval from the general counsel's office.

Rep. Steven Malagari (D-Montgomery) asked about measures to prioritize in-state students. Gabel highlighted Pitt's strategy to recruit Pennsylvania students. Fry discussed the decline in enrollment at Temple, attributing it to the perception of crime, and emphasized efforts to increase safety to attract more Pennsylvania residents. Allen talked about Lincoln and Cheney Universities' efforts to recruit more in-state students through increased state appropriations for scholarships, noting their appeal to out-of-state students seeking a historically Black college experience. Bendapudi emphasized the priority of serving Pennsylvania residents, focusing on affordability.

Rep. Joshua Kail (R-Beaver) inquired about free-speech policies. Gabel described Pitt's comprehensive free speech policies, including a dedicated website. Allen spoke on Lincoln's recently specified free speech policies, emphasizing a neutral stance. Bendapudi emphasized the importance of free speech at universities, stating that their policies are clearly communicated and educate students on how to utilize these freedoms. Rep. Kail raised concerns about the diversity of thought among professors, especially in political science and philosophy, and asked whether there had been consideration on increasing viewpoint diversity among professors. Gabel discussed the importance of civic preparedness among students and mentioned the potential for partnership with legislative bodies to enhance feedback mechanisms to better understand and meet community and student needs.

Rep. Gina Curry (D-Delaware) reiterated her annual question to Bendapudi about Penn State's hiring protocols for Black faculty, expressing concern over the dismantling of DEI practices. Bendapudi emphasized Penn State's commitment to inclusive excellence and the importance of preparing students for a multicultural future.

Rep. Curry emphasized the importance of diversity and the need to avoid discriminatory practices and implicit biases. Gabel highlighted Pitt's commitment to ensuring every individual on campus finds success, emphasizing initiatives aimed at preventing discrimination and promoting accountability. Allen shared her challenges in aligning Lincoln's practices with current demands without compromising its identity, expressing confusion over how to adapt while maintaining the university's essence.

Rep. Paul Friel (D-Chester) inquired about the universities' ability to attract private capital. Gabel noted Pitt's success due to partnerships with the business community, alumni entrepreneurs and investment in student startups. Bendapudi emphasized that attracting private capital is a critical priority for Penn State. She stressed the importance of aligning incentives and increased support in order for the university to attract more investors. Fry pointed to Massachusetts' large investments in research and commercialization as an example for Pennsylvania to follow. He said he will look into the matter during his tenure as president.

Rep. La'Tasha Mayes (D-Allegheny) discussed the importance of NIH-funded research at Pitt, especially concerning a grant for a maternal health center of excellence. She asked about strategies to handle potential funding changes, emphasizing the impact on Black maternal health. Gabel mentioned advocacy efforts to maintain stable funding and the importance of community-engaged scholarship. Rep. Mayes emphasized the importance of DEI in education and research, sharing her personal experience at Pitt. She argued that DEI efforts enrich society by providing opportunities to the best and brightest.

Rep. Anthony Bellmon (D-Philadelphia) asked about the significance of Lincoln students' 66-mile march to the Pennsylvania capital in November 2023. Allen expressed pride in her students' civic engagement. She highlighted the financial challenges faced by the university and the importance of student activism.

Rep. Bryan Cutler (R-Lancaster), minority chairman, House Education Committee, expressed interest in the outcomes of the recently concluded Performance-Based Funding Council, asking for opinions on the process and terms for evaluating success. Gabel, Fry and Bendapudi expressed pride in hosting the council and optimism about the process. All three state-related universities said they had no concerns about hitting deadlines.

Peter Schweyer (D-Lehigh), chairman, House Education Committee, expressed gratitude to the universities for their collaboration. He asked the schools to commit to working together for the betterment of the commonwealth. All the panelists agreed.

Minority Chairman Jim Struzzi (R-Indiana) asked if state-related universities would rather have the governor's proposed allocated funding or the additional funding they requested. Bendapudi said Penn State would rather receive both but opted for the performance-based funding if she had to choose. All three state-related universities emphasized that they would rather receive both.

Chairman Struzzi stressed the importance of understanding the totality of the funding considering it is comprised of taxpayer dollars. He emphasized that the funds need to be allocated wisely.



## **Bullet.in.Points**

### **HOUSE OF REPRESENTATIVES OF PENNSYLVANIA: COMMITTEE DESIGNATION UNDER THE REGULATORY REVIEW ACT**

The House of Representatives prescribed the jurisdiction of each standing committee of the House over the various state agencies to review proposed regulations. A list of committee referrals is available on the *Pennsylvania Bulletin*.

### **SENATE OF PENNSYLVANIA: COMMITTEE DESIGNATION UNDER THE REGULATORY REVIEW ACT**

The Senate of Pennsylvania prescribed the jurisdiction of each standing committee of the House over the various state agencies for the purpose of reviewing proposed regulations. A list of committee referrals is available on the *Pennsylvania Bulletin*.

## **Cosponsor Memos**

### **HCO1077 - Volunteer Training for the Administration of Emergency Seizure Treatment in Schools**

#### **Sponsor**

Rep. Jamie Barton (R)

#### **Summary**

Aims to establish voluntary, emergency treatment training for employees of school districts to administer anti-seizure medications and other interventions.

#### **Intro Date**

01/15/2025

#### **Last Action**

02/18/2025 H - Introduced HB656

## **HCO1157 - Strengthening Student Data Security (former HB1987)**

### **Sponsor**

Rep. Alec J. Ryncavage (R)

### **Summary**

Aims to establish data protection frameworks for educational institutions.

### **Intro Date**

01/21/2025

### **Last Action**

02/18/2025 H - Introduced HB655

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## **HCO1583 - Tuition Increase Transparency Legislation**

### **Sponsor**

Rep. Joe Emrick (R)

### **Summary**

Requires institutions of higher education to notify students in advance if they plan to increase tuition from the previous academic year.

### **Intro Date**

02/18/2025

### **Last Action**

02/18/2025 H - Cosponsor memo filed

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## **HCO1589 - Pennsylvania State System of Higher Education (PASSHE) Shared Governance**

### **Sponsor**

Rep. Tim Briggs (D)

### **Summary**

Provides for both faculty and staff to each have a voting seat at the table of the PASSHE Board of Governors.

### **Intro Date**

02/18/2025

**Last Action**

02/18/2025 H - Cosponsor memo filed

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**HCO1620 - Allowing School Van Use****Sponsor**

Rep. James B. Struzzi (R)

**Summary**

Exempts the operator of an 11 to 15-passenger van from the requirement to obtain a school bus endorsement, while also exempting the operator from the requirement to obtain a CDL for the purpose of transporting students to and from schools or to school-related activities.

**Intro Date**

02/19/2025

**Last Action**

02/19/2025 H - Cosponsor memo filed

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**HCO1630 - Student and Teacher Support Act – “Chaplin Bill” (prior HB 2183, 2023-2024)****Sponsor**

Rep. David H. Zimmerman (R)

**Summary**

Allows public school entities to employ, or approve as a volunteer, a certified school chaplain.

**Intro Date**

02/20/2025

**Last Action**

02/20/2025 H - Cosponsor memo filed

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## SCO747 - Universal Free Application for Federal Student Aid (FAFSA) Completion

### Sponsor

Sen. Scott Martin (R)

### Summary

Requires high school seniors to complete the FAFSA or opt out on a form provided to parents or guardians.

### Intro Date

02/12/2025

### Last Action

02/18/2025 S - Introduced SB310

## Basic Ed Bill Actions

**HB341 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in grounds and buildings, providing for certified point-of-use filter required; establishing the Safe Schools Drinking Water Fund; and making an interfund transfer.**

### Sponsor

Rep. G. Roni Green (D)

### Summary

(PN 296) Amends the Public School Code, in grounds and buildings, providing for certified point-of-use filter required; establishing the Safe Schools Drinking Water Fund; and making an interfund transfer. Adds a section asserting that, by January 1, 2027, each school entity will be equipped with certified point-of-use filters for all drinking water outlets as well as requiring a filter maintenance and oversight schedule to be posted at each drinking water outlet. Allows school entities to elicit local boards of health or public water systems for assistance. Requires the Department of Education (PDE) and Department of Environmental Protection (DEP) to develop a grant program within three months of this section's effectiveness for eligible school entities to implement point-of-use filters to be publicly available on the PDE website. Requires school entities to report back to PDE and DEP within 18 months of receiving a grant to show completed work to be published on the public PDE website. Directs school entities to designate an employee to serve as the point of contact between the PDE and the school entity regarding point-of-use filters and have their contact information on their public website, as well as posting the risks posed by lead in drinking water and additional information on their public website. Requires school entities to post signage stating "do not drink" at non-drinking water outlets. Directs school entities to submit a report of plans to comply with point-of-use filter directives by August 1, 2025, to be posted on the PDE and DEP public websites. Establishes the Safe Schools Drinking Water fund within the State Treasury to be appropriated \$10 million on a continual basis to award grants. Provides definitions. Effective in 60 days.

### Intro Date

01/24/2025

### Actions

01/24/2025 H - Introduced

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01/27/2025 H - Referred to - House Education

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02/20/2025 H - Discussed during public hearing - House Democratic Policy

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**HB613 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in higher education accountability and transparency, further providing for comparison tool.**

**Sponsor**

Rep. Milou Mackenzie (R)

**Intro Date**

02/13/2025

**Actions**

02/13/2025 H - Introduced

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02/20/2025 H - Referred to - House Education

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**HB653 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in school safety and security, providing for panic alerts.**

**Sponsor**

Rep. Marla Brown (R)

**Intro Date**

02/14/2025

**Actions**

02/14/2025 H - Introduced

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02/20/2025 H - Referred to - House Communications and Technology

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**HB655 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in preliminary provisions, providing for student data security.**

**Sponsor**

Rep. Alec J. Ryncavage (R)

**Intro Date**

02/18/2025

**Actions**

02/18/2025 H - Introduced

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02/20/2025 H - Referred to - House Communications and Technology

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**HB656 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, providing for administration of emergency anti-seizure medication.**

**Sponsor**

Rep. Jamie Barton (R)

**Intro Date**

02/18/2025

**Actions**

02/18/2025 H - Introduced

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02/20/2025 H - Referred to - House Education

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**HB666 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in terms and courses of study, providing for learning loss plans.**

**Sponsor**

Rep. Joe Webster (D)

**Intro Date**

02/19/2025

**Actions**

02/19/2025 H - Introduced

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02/20/2025 H - Referred to - House Education

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**HB667 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in professional employees, providing for restrictions on administrative meetings during instructional time or planning periods.**

**Sponsor**

Rep. Joe Webster (D)

**Intro Date**

02/19/2025

**Actions**

02/19/2025 H - Introduced

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02/20/2025 H - Referred to - House Labor and Industry

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**HB681 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in school health services, further providing for health services, for reports and for interagency coordinating council for child health, nutrition and physical education.**

**Sponsor**

Rep. Danielle Friel Otten (D)

**Intro Date**

02/19/2025

**Actions**

02/19/2025 H - Introduced

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02/20/2025 H - Referred to - House Health

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**HB682 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in grounds and buildings, providing for air conditioning in student-occupied areas.**

**Sponsor**

Rep. Joe Webster (D)

**Intro Date**

02/19/2025

**Actions**

02/19/2025 H - Introduced

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02/20/2025 H - Referred to - House Education

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**HB683 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in district superintendents and assistant district superintendents, further providing for duties of superintendents.**

**Sponsor**

Rep. Joe Webster (D)

**Intro Date**

02/19/2025

**Actions**

02/19/2025 H - Introduced

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02/20/2025 H - Referred to - House Education

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**HB685 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in duties and powers of boards of school directors, providing for admission fees for school-sponsored activities.**

**Sponsor**

Rep. Dan Moul (R)

**Intro Date**

02/20/2025

**Actions**

02/20/2025 H - Introduced

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02/20/2025 H - Referred to - House Commerce

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**HB687 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in school directors, providing for ineligibility for office of school director for delinquent tax obligations.**

**Sponsor**

Rep. Dan Moul (R)

**Intro Date**

02/20/2025

**Actions**

02/20/2025 H - Introduced

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02/21/2025 H - Referred To Education - House Education

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**HB688 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in charter schools, providing for cyber charter school moratorium.**

**Sponsor**

Rep. Tarah Probst (D)

**Intro Date**

02/20/2025

**Actions**

02/20/2025 H - Introduced

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02/21/2025 H - Referred To Education - House Education

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**SB9 - An Act providing for sport activities in public institutions of higher education and public school entities to be expressly designated male, female or coed; and creating causes of action for harm suffered by designation.**

**Sponsor**

Sen. Judy Ward (R)

**Summary**

(PN 177) The Fairness in Women's Sports Act provides for sport activities in public institutions of higher education and public school entities to be expressly designated male, female or coed; and creates causes of action for harm suffered by designation. Provides definitions. Prohibits athletic teams or sports designated for females, women or girls from being open to students of the male sex. Allows students to participate in an interscholastic, intercollegiate, intramural or club athletic team or sport designed for the student's sex or designated coed or mixed. Prohibits a government entity, licensing or accrediting organization or an athletic association or organization from entertaining a complaint, opening an investigation or taking any other adverse action against a school or institution of higher education for maintaining separate interscholastic, intercollegiate, intramural or club athletic teams or sports for students of the female sex. Permits a student who is deprived of an athletic opportunity or suffers direct or indirect harm as a result of a known violation to bring a cause of action for injunctive relief, damages, psychological, emotional and physical harm suffered, attorney fees and costs and any other relief available under law against the school or institution of higher education. Allows a student who is subject to retaliation or other adverse action by a school, institution of higher education or athletic association or organization as a result of reporting a violation to an employee or representative of the school, institution or athletic association or organization or to any federal or state agency with oversight of schools or institutions of higher education in Pennsylvania to bring a cause of action. Permits a school or institution of higher education that suffers direct or indirect harm as a result of a violation to bring cause of action. Prohibits a person from bringing a civil action later than two years after the day on which the harm underlying the cause of action occurs. Provides that if a part of this act is found invalid, all valid parts that are severable from the invalid part shall remain in effect. Effective in 60 days.

**Intro Date**

02/03/2025

**Actions**

02/03/2025 S - Introduced

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02/03/2025 S - Referred to - Senate Education

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02/18/2025 S - Discussed during budget hearing with PASSHE & PHEAA - Senate Appropriations

## **Higher Ed Bill Actions**

**HB613 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in higher education accountability and transparency, further providing for comparison tool.**

**Sponsor**

Rep. Milou Mackenzie (R)

**Intro Date**

02/13/2025

**Actions**

02/13/2025 H - Introduced

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02/20/2025 H - Referred to - House Education

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**HB679 - An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, in certification of teachers, further providing for continuing professional development.**

**Sponsor**

Rep. Joe Webster (D)

**Intro Date**

02/19/2025

**Actions**

02/19/2025 H - Introduced

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02/20/2025 H - Referred to - House Education

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**SB9 - An Act providing for sport activities in public institutions of higher education and public school entities to be expressly designated male, female or coed; and creating causes of action for harm suffered by designation.**

**Sponsor**

Sen. Judy Ward (R)

**Summary**

(PN 177) The Fairness in Women's Sports Act provides for sport activities in public institutions of higher education and public school entities to be expressly designated male, female or coed; and creates causes of action for harm suffered by designation. Provides definitions. Prohibits athletic teams or sports designated for females, women or girls from being open to students of the male sex. Allows students to participate in an interscholastic, intercollegiate, intramural or club athletic team or sport designed for the student's sex or designated coed or mixed. Prohibits a government entity, licensing or accrediting organization or an athletic association or organization from entertaining a complaint, opening an investigation or taking any other adverse action against a school or institution of higher education for maintaining separate interscholastic, intercollegiate, intramural or club athletic teams or sports for students of the female sex. Permits a student who is deprived of an athletic opportunity or suffers direct or indirect harm as a result of a known violation to bring a cause of action for injunctive relief, damages, psychological, emotional and physical harm suffered, attorney fees and costs and any other relief available under law against the school or institution of higher education. Allows a student who is subject to retaliation or other adverse action by a school, institution of higher education or athletic association or organization as a result of reporting a violation to an employee or representative of the school, institution or athletic association or organization or to any federal or state agency with oversight of schools or institutions of higher education in Pennsylvania to bring a cause of action. Permits a school or institution of higher education that suffers direct or indirect harm as a result of a violation to bring cause of action. Prohibits a person from bringing a civil action later than two years after the day on which the harm underlying the cause of action occurs. Provides that if a part of this act is found invalid, all valid parts that are severable from the invalid part shall remain in effect. Effective in 60 days.

**Intro Date**

02/03/2025

**Actions**

02/03/2025 S - Introduced

---

02/03/2025 S - Referred to - Senate Education

---

02/18/2025 S - Discussed during budget hearing with PASSHE & PHEAA - Senate Appropriations

## Upcoming Events

### **MONDAY – 02/24/2025**

#### **10:00 AM, [House Appropriations](#)**

*Budget Hearing, House Floor*

Budget hearing with the Department of Education (PDE)

#### **12:00 PM, [House Democratic Policy](#)**

*Public Hearing, Room G-50, Irvis Office Building*

Public hearing on AI in Education.

#### **1:00 PM, [House Appropriations](#)**

*Budget Hearing, House Floor*

Budget hearing with the Department of Education (PDE) continued

### **TUESDAY – 02/25/2025**

#### **10:00 AM, [House Education](#)**

*Informational Meeting, Room 515, Irvis Office Building*

Informational meeting on teacher certification.

### **WEDNESDAY – 02/26/2025**

#### **9:30 AM, [Senate Appropriations](#)**

*Budget Hearing, Hearing Room 1, North Office Building*

Budget hearing with the Department of Education (PDE)

#### **1:00 PM, [Senate Appropriations](#)**

*Budget Hearing, Hearing Room 1, North Office Building*

Budget hearing with the Department of Education (PDE) continued

### **THURSDAY – 03/06/2025**

#### **9:30 AM, [Senate Appropriations](#)**

*Budget Hearing, Hearing Room 1, North Office Building*

Budget hearing with the Governor's Budget Office/Executive Offices

#### **1:00 PM, [House Appropriations](#)**

*Budget Hearing, House Floor*

Budget hearing with the Governor's Office of the Budget/Executive Offices

## In the News

[02/14/2025 - DHS: ICYMI: Child Care Providers, Legislators Applaud Governor Shapiro's 2025-26 Budget Proposal to Address Child Care Worker Shortages](#)

[02/18/2025 - Key Points from Senate Budget Hearings with Department of Revenue, Pennsylvania Higher Education Assistance Agency and Pennsylvania State System of Higher Education](#)

[02/19/2025 - Solving the Child Care Shortage: Governor Shapiro and Lt. Governor Davis Lead Roundtable on 2025-26 Budget Proposal to Expand Child Care Workforce with Community Leaders, Parents, and Families in Allegheny County](#)

[02/19/2025 - What Pennsylvania Parents, Child Care Workers, Community Leaders, and Legislators Are Saying About Governor Shapiro's Budget Proposal to Solve the Child Care Workforce Shortage](#)

[02/20/2025 - Auditor General DeFoor Releases Cyber Charter School Performance Audit and Calls for Major Reform to How They are Funded](#)

[02/20/2025 - Education Voters of PA: New audit shows clear need for immediate cyber charter funding reforms](#)

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