



## **Regional Growth Series**

# **Briefing: Pennsylvania 2026–2027 Budget**

### ***February 2026***

This briefing is part of the Allegheny Conference on Community Development’s Regional Growth Series, which provides employers, investors, and regional leaders with timely insights and reflections on the policy, market, and execution issues shaping Southwestern Pennsylvania’s growth trajectory.

Drawing from recent state-level discussions and budget signals, this document distills what the Commonwealth’s 2026–2027 proposed budget reveals about Pennsylvania’s competitiveness, investment climate, and readiness to capture time-sensitive private capital. The analysis that follows is intended to help employers and investors understand not only what is being proposed, but what it may mean for the state’s business landscape, operating conditions, and long-term growth decisions.

### **Executive Summary**

- The Commonwealth is signaling a pro-growth posture – but execution speed, not new program creation, will determine investment capture.
- Energy reliability and permitting timelines have become decisive competitive variables for AI, data center, and advanced manufacturing siting.
- Fiscal sustainability will shape medium-term tax and cost predictability, even absent broad-based tax increases in this proposal.
- Workforce participation, housing supply, and transit access are increasingly being treated as economic infrastructure.
- There is bipartisan alignment on competitiveness goals – but limited room for fiscal error.

# What the Budget Signals for Regional Growth

## 1. Capital & Investment Climate

The proposed budget continues the scheduled reduction of the Corporate Net Income tax rate and expands key economic development tools, including PA First, Innovate in PA 2.0, and updates to PA EDGE. These mechanisms strengthen deal structuring flexibility and reinforce long-term tax predictability.

However, incentives are no longer the primary differentiator in site selection. For energy-intensive and compute-intensive projects, decisions increasingly hinge on permitting timelines, interconnection speed, generation availability, and cost certainty.

If modernization efforts materially reduce execution timelines, Pennsylvania strengthens its competitive position. If timelines remain uncertain, faster-moving states will capture investment.

## 2. Energy Reliability & Industrial Capacity

There was broad alignment that reliable, affordable energy is a prerequisite for growth. The proposed framework for large data center development requires developers to bring or fund new generation and includes ratepayer protections, reflecting bipartisan concern about cost shifting.

Pennsylvania's resource advantage translates into growth only if paired with faster generation deployment and predictable interconnection timelines. Industrial demand is accelerating; generation build speed must keep pace.

Execution on energy capacity will determine whether the Commonwealth captures or misses the current industrial expansion cycle.

## 3. Workforce Participation & Talent Capacity

Workforce participation, housing availability, and transit access emerged as interconnected constraints on growth.

Policy discussions increasingly link labor force attachment, benefit design, wage policy, and education alignment to competitiveness outcomes. Simultaneously, housing supply and infrastructure investment are viewed as prerequisites for talent attraction and industrial scaling.

Without improvements in labor participation and housing capacity, industrial growth could outpace regional readiness.

## 4. Infrastructure & Transportation Modernization

Declining gas tax revenue has accelerated the need for modernization of transportation funding mechanisms.

Transit reliability, freight efficiency, and rural access all influence workforce participation and business productivity. Structural durability and efficiency – not simply funding levels – will shape long-term competitiveness.

## Alignment & Friction Points

### Areas of Alignment

- Energy reliability as a growth prerequisite
- Permitting modernization as a bipartisan lever
- Workforce alignment tied to economic competitiveness
- Housing as infrastructure for talent attraction

### Areas of Friction

- Structural deficit strategy and reserve fund use
- Durability of new revenue assumptions
- Education spending levels versus accountability outcomes
- Administrative design of new capital programs

## Implications for Employers

- **Capital-Intensive Employers:** Monitor permitting modernization and generation build timelines. Evaluate expansion timing relative to infrastructure readiness and energy cost allocation protections.
- **Talent-Dependent Employers:** Housing supply and workforce participation remain key constraints. Policy debates increasingly link social program design to labor supply and productivity.
- **Energy-Exposed Employers:** Ratepayer protections are a bipartisan priority, but generation investment pace and interconnection reform will determine cost trajectory.

## Where the Allegheny Conference Is Engaged

- Advancing permitting modernization and cross-sector execution alignment
- Supporting reliable energy expansion paired with ratepayer protections
- Advocating transportation funding modernization tied to workforce access
- Elevating housing and infrastructure readiness as economic competitiveness tools
- Aligning workforce investments with employer demand

## Bottom Line

Pennsylvania's structural advantages remain strong. The competitive question is not policy intent but delivery speed and fiscal durability.

The coming investment cycle represents a decisive window for converting these strengths into measurable investment capture.