



Are We Closer to a State Budget?

With the end of the state fiscal year having come and gone, what is next in the ongoing state budget saga? Negotiators of the four caucuses and the Governor's Office continue to try and find common ground.

Information about the progress of getting a budget deal done is usually answered in broad generalities, keeping the details of the negotiations under wraps. Harrisburg observers try and read the tea leaves or watch for little clues that may or may not be part of the solution.

In that vein, there has been limited discussion about looking at the current state sales tax exemptions to determine if additional revenue for the state coffers could be identified. Recently Senate Majority Leader Joe Pittman (R-Indiana) told the capitol media, "There are lots of oddities in the sales tax and all of the exemptions we have. Is there a balance there that we can find that maybe does generate some revenue to try to be helpful in figuring out how we reconcile this budgetary dynamic?" [Click on this link](#) to read an excellent analysis of the sales tax and the exemptions in current state law that reduces potential state revenue.

Recently, there has been a renewed discussion in Harrisburg about cannabis legalization with the House sending a legalization bill to the Senate last month. The Senate has shot down the approach in [House Bill 120](#), but Senator Dan Laughlin (R-Erie) introduced legislation last week, [Senate Bill 120](#), not using the state store distribution model in the House proposal.

These two issues could be a signal that Republicans want to see spending levels proposed by the Governor either reduced or new revenue sources found, such as eliminating some sales tax exemptions or taxing marijuana sales, or both.



As negotiations continue, schools will wait for state funds to flow. Fortunately, this month's distribution to schools is not scheduled until the very end of the month and is smaller in comparison to August in which the first UNIPAY Basic Education Funding payment is sent to districts (see chart below).

2025 PDE UNIPAY Schedule		
July	Unipay	7/31/2025
August	Nonpublic	8/1/2025
August	Property Tax Relief	8/28/2025
August	Unipay	8/28/2025
September	Pension Reimbursement	9/15/2025

There is a little breathing room. The July state aid would likely still be delivered on time if the budget gets solved over the next two weeks. If not, then districts with less fund balance will have financial decisions to make. The districts with less local resources will be the most impacted as the budget quagmire in Harrisburg continues.