PA STATE LEADERS DELAY $1.3B IN PAYMENTS TO HELP CREATE BALANCED BUDGET ILLUSION

By Ford Turner, The Center Square

The "balance" in Pennsylvania's new state budget for 2026-27 is a bipartisan illusion created by moving numbers around on spreadsheets and ignoring potentially serious ramifications in the future, according to a lawmakers who voted against it and some outside observers.

A prime target for criticism is an agreement to delay huge medical assistance payments due to managed care organizations. As a result, about $1.3 billion in payments that were supposed to be made near the end of 2026-27 will instead be scheduled during 2027-28.

So-called "MCO's" in Pennsylvania include Jefferson Health Plans Everwell, Keystone First, and UnitedHealthcare Community Plan.

"It would be like if you didn't pay your electric bill for December and then you said, 'Hey, look at that, my budget for 2026 is balanced," said Republican Rep. Brad Roae of Crawford County.

The move means the $50.8 billion "spend" total for 2026-27 in political press releases about the budget would be more accurately stated as $52.2 billion, according to Nathan Benefield, chief policy officer for the Commonwealth Foundation, a think tank. Bernie Gallagher, executive director of the Keystone Research Center, another think tank, said the maneuver could end up shifting burdens onto workers and working families.

"It is another way of kicking the can down the road instead of making the difficult decisions needed to secure reliable, recurring revenue — revenue Pennsylvania needs to protect essential services and invest in working families and communities," Gallagher said.

No major new sources of revenue were part of the new budget. Left unresolved was a structural deficit of roughly $4 billion.

Also absent was any indication of a deal on legalizing and taxing skills games, or legalizing and taxing recreational marijuana. In his proposed budget in February, Gov. Josh Shapiro penciled in more than $2.5 billion from those two sources alone.

Approval of the budget deal came in whirlwind of House and Senate votes in July, 12 days into the fiscal year, followed quickly by a Shapiro signing ceremony.

Nearly all votes against the budget were cast by Republicans. One of them was Sen. Dawn Keefer of York County, who called the delay of medical assistance payments to MCO's irresponsible. "It is just going to put us in a bind down the road," she said.

Another was Rep. Kathy Rapp of Warren County. "I am concerned about the accounting maneuvers," she said. "We all know a fiscal year consists of 12 months. But for medical assistance payments, it is now 11 months."

It's not the first time state leaders have agreed to shove payments to MCO's into a different fiscal year to make a budget appear balanced. A one-month delay of $400 million in payments was carried out in fiscal year 2014-15. "It is a lever they can use to balance the budget, temporarily," said Matt Knittel, director of the Independent Fiscal Office.

Other temporary money moves included one in 2017 to approve the issuance of bonds based on future payments from the national tobacco settlement. The immediate proceeds were used to close a budget deficit.