



To: Members of the PA House and Senate, Governor Shapiro
From: Critical Services Coalition
Date: February 2, 2026
Re: Final analysis of impacts of the 2025-2026 State Budget Impasse

The Critical Services Coalition, and the County Commissioners Association of Pennsylvania, write to summarize and share the continued and lasting impacts of last year's state budget impasse. The Critical Services Coalition (CSC) is a group of 12 statewide organizations who convened last summer to cooperate on data collection and information-sharing on the impacts of the budget impasse. Our goal is to underscore why repeated budget delays are not sustainable for local governments, human service and education providers, or the Pennsylvanians we collectively serve. A state budget impasse has compounding and long-term impacts that extend beyond the passage of a budget and resumption of payments at the budgeted level.

During and following the impasse, many human service organizations were forced to furlough or lay off staff. **Twenty percent of the CSC survey participants from last fall had to take steps to scale back staff hours or layoff/ furlough staff. Twenty percent also had to curtail services.** Unfortunately, some of these organizations have still not returned to full capacity, and others were forced to close entirely. Workers who lost income sought more stable employment elsewhere and did not return when funding resumed, a trend particularly evident among home care agencies, rape crisis centers, and other providers that rely on a stable, experienced workforce. The impasse accelerated an ongoing exodus of critical clinical and direct service staff from a number of state and federally funded services, including the Medicaid-funded services system, further weakening the state's care infrastructure.

The situation was especially exacerbated the historic overlap with a federal government shutdown. Community-based organizations were called upon to meet the needs of federal workers who normally collect paychecks but suddenly required assistance with food and other basic needs. Because the federal government increasingly relies on short-term continuing resolutions, future state budget impasses are more likely to overlap with federal funding lapses or shutdowns, compounding strain on local service systems.

The impasse also highlighted the confusing and inconsistent patchwork of rules governing whether funding continues to flow in the absence of a state budget. Outcomes vary depending on the funding source, the administering agency, and interpretations of spending authority. As a result, similar populations served by the same providers can be affected differently. For example, Child Care Works payments continued, while Pre-K Counts and state supplemental Head Start payments did not—despite serving the same age group of children and families. These services are critical for the healthy development of children, and parents' ability to participate in the workforce—effects that are universal regardless of the funding source.

County governments and other taxing authorities worked diligently to sustain support for critical services during the impasse, but their ability to do so varied widely based on local circumstances such as cash flow, reserves, tax base, and access to borrowing tools like tax revenue anticipation notes. Counties do not fund all critical services, and during an extended

impasse—such as in fall 2025—some counties could only sustain payments for a limited time. Counties contract for essential services including child welfare, mental health, intellectual disability, and some drug and alcohol services, while also supporting other services, such as those provided to older Pennsylvanians.

Sixty organizations in the CSC survey sample reported about \$2.2 million in interest costs sustained from loans/financing to keep operations afloat. Treasury's offer of low-interest—and later interest-forgiven—loans to certain critical service providers was helpful in some cases but not widely utilized. Local partners cited several barriers, including concerns about interest costs, confusion about eligibility, and uncertainty about whether interest would ultimately be forgiven. In the case of domestic violence services, the Pennsylvania Coalition Against Domestic Violence was able to secure a single loan on behalf of the entire provider network, simplifying access. However, this was a unique circumstance; most providers were required to apply individually, creating additional responsibilities during an already difficult period.

Taken together, these experiences demonstrate that state budget impasses have real, lasting consequences. They disrupt services, weaken the workforce, create inequities among providers and populations, and place unsustainable pressure on counties and community organizations. Avoiding future impasses—and ensuring timely, predictable funding—is essential to maintaining a stable human services system and protecting the well-being of Pennsylvanians across the Commonwealth.

Ultimately, these consequences can be avoided with on-time passage of the state budget. Members of our coalition have suggested that the following steps can be taken to mitigate the impacts of an impasse if/ when one does occur:

- Focus on supporting taxing authorities and networked organizations that have a reach with multiple jurisdictions and/or critical service types to access interest-free loans or be reimbursed for interest costs, to sustain critical community services.
- Assure that critical service providers who take out loans to continue services are reimbursed for their interest costs, and/or provided opportunity to access interest-free loans.
- Assure that federal dollars which are available to the commonwealth for critical community services, are included for continued spending authority in the event of a budget impasse.

As you begin the next cycle of budget negotiations, the partners on this letter write to urge a priority focus for on-time passage of the state budget. We also stand ready to work with you on evaluating policies that mitigate the impact of future budget impasses. And we hope you will support and speak up for community services and the need for reliable funding with members of our federal delegation.

Thank you for your consideration and for your public service.