

THIS IS A PRELIMINARY OFFICIAL STATEMENT AND IS NOT YET FINALLY ADOPTED. The sale of the Bonds is subject to the terms and conditions specified in the Official Notice of Sale. All information contained herein is subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such an offer, solicitation or sale would be unlawful.

## PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 9, 2026

*In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds, including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Commonwealth with the requirements of the Internal Revenue Code of 1986, as amended. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein...*

### NEW ISSUE – BOOK-ENTRY ONLY

### RATINGS:

Fitch: "AA" (Stable Outlook)

Moody's: "Aa2" (Stable Outlook)

S&P: "A+" (Stable Outlook)



**\$1,750,760,000\***  
**Commonwealth of Pennsylvania**  
**General Obligation Bonds,**  
**\$1,570,000,000 First Series of 2026**  
**\$180,760,000\* First Refunding Series of 2026**

**Dated:** Date of Delivery

**Due:** as shown on the inside front cover

<b>Defined Terms</b>	All capitalized terms that are not otherwise defined on this cover page have the meanings provided to such terms in this Official Statement.
<b>The Offering</b>	\$1,750,760,000* Commonwealth of Pennsylvania General Obligation Bonds, consisting of \$1,570,000,000 First Series of 2026 (the "First Series Bonds") and \$180,760,000* First Refunding Series of 2026 (the "First Refunding Series Bonds") and together with the First Series Bonds, the "Bonds").
<b>The Purpose</b>	The Bonds are being issued to provide funds to finance (i) public improvement projects, including the purchase of original furniture and equipment; public improvement projects for buildings and structures; transportation assistance projects; and redevelopment assistance projects, (ii) the refunding of all or a portion of the Commonwealth's outstanding General Obligation Bonds set forth on Schedule I hereto (the "Refunded Bonds") and (iii) the costs of issuance relating to the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.
<b>Payment and Security</b>	The Bonds are direct and general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS" herein.
<b>Interest Payment Date</b>	The Bonds will be dated, and will bear interest from, the date of delivery thereof. Interest on the First Series Bonds will be payable semiannually on April 1 and October 1 of each year, commencing on October 1, 2026. Interest for the First Refunding Series Bonds will be payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2026.
<b>Redemption</b>	<p>The First Series Bonds are subject to optional and mandatory redemption prior to maturity as set forth herein.</p> <p>The First Refunding Series Bonds are <b>not</b> subject to optional redemption; however, the First Refunding Series Bonds are subject to mandatory redemption as set forth herein. Bidders, in their bids for purchase of the Bonds, may designate principal amounts of Bonds as term bonds as set forth in the Notice of Sale. See "THE BONDS – Redemption Provisions" herein.</p>
<b>Tax Exemption</b>	For information on certain tax matters relating to the Bonds, see the italicized language at the top of this cover page and "TAX MATTERS" herein.
<b>Delivery Date</b>	It is expected that the Bonds will be available for delivery to DTC on January 29, 2026*.

**This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, which are an integral part hereof, to obtain information essential to making an informed investment decision regarding the Bonds.**

The Bonds are offered when, as and if issued by the Commonwealth and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and are subject to the receipt of the legal opinions of the Office of Attorney General of the Commonwealth and Co-Bond Counsel, Eckert Seamans Cherin & Mellott, LLC of Harrisburg, Pennsylvania, Gosfield Law LLC of Gladwyne, Pennsylvania, and Cox, Stokes, and Lantz, P.C. of Wellsboro, Pennsylvania. Certain legal matters will be passed upon for the Commonwealth by Kutak Rock LLP of Philadelphia, Pennsylvania, serving as Disclosure Counsel to the Commonwealth.

**BIDS TO BE RECEIVED ON JANUARY 21, 2026\***

See **APPENDIX I – NOTICE OF SALE**

The date of this Official Statement is January \_\_, 2026\*.

\*Preliminary, subject to change.

**\$1,570,000,000**  
**Commonwealth of Pennsylvania**  
**General Obligation Bonds,**  
**First Series of 2026**

**MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES, CUSIP**

Maturity Date (April 1)	Principal Amount	Interest Rate	Yield	Price *	CUSIP <sup>†</sup> ([      ])
2027	\$79,500,000				
2028	79,500,000				
2029	79,500,000				
2030	79,500,000				
2031	79,500,000				
2032	79,500,000				
2033	79,500,000				
2034	79,500,000				
2035	79,500,000				
2036	79,500,000				
2037	77,500,000				
2038	77,500,000				
2039	77,500,000				
2040	77,500,000				
2041	77,500,000				
2042	77,500,000				
2043	77,500,000				
2044	77,500,000				
2045	77,500,000				
2046	77,500,000				

---

\*Priced to first optional redemption date of April 1, 2036.

<sup>†</sup> The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Commonwealth or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Commonwealth nor the Underwriters have agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above. CUSIP is a registered trademark of the American Bankers Association (“ABA”). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by FactSet Research Systems Inc.

**\$180,760,000\***  
**Commonwealth of Pennsylvania**  
**General Obligation Bonds,**  
**First Refunding Series of 2026**

**MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES, CUSIP**

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP <sup>†</sup> ([      ])
2026	\$35,925,000				
2027	17,465,000				
2028	18,365,000				
2029	19,305,000				
2030	20,500,000				
2031	21,765,000				
2032	23,105,000				
2033	24,330,000				

---

\*Preliminary, subject to change.

†The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Commonwealth or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Commonwealth nor the Underwriters have agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above. CUSIP is a registered trademark of the American Bankers Association (“ABA”). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by FactSet Research Systems Inc.

[PAGE INTENTIONALLY LEFT BLANK]

**COMMONWEALTH OF PENNSYLVANIA**



**THE ISSUING OFFICIALS**

*Governor ..... Josh Shapiro*  
*State Treasurer..... Stacy Garrity*  
*Auditor General..... Timothy Defoor*

**OFFICE OF THE BUDGET**

*Secretary..... Zachary Reber*

**Attorney General of the Commonwealth of Pennsylvania:**

David W. Sunday, Jr.

**Co-Bond Counsel:**

Eckert Seamans Cherin & Mellott, LLC  
Harrisburg, Pennsylvania

Gosfield Law LLC  
Gladwyne, Pennsylvania

Cox, Stokes, and Lantz, P.C.  
Wellsboro, Pennsylvania

**Disclosure Counsel:**

Kutak Rock LLP  
Philadelphia, Pennsylvania

No dealer, broker, salesperson or other person has been authorized by the Commonwealth or the Underwriters (defined herein) to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. The information set forth herein has been obtained from the Commonwealth and other sources believed to be reliable and has been reviewed by the Underwriters in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction but is not guaranteed as to accuracy or completeness by the Underwriters who provided this sentence for inclusion here. This information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth since the date hereof or the date as of which particular information is given, if earlier.

All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

Statements contained in this Official Statement, including the Appendices hereto, which involve estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. If and when included in this Official Statement, the words “expects,” “forecasts,” “plans,” “anticipates,” “projects,” “intends,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the Commonwealth generally and/or the amount of revenue collected by the Commonwealth include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the Commonwealth. Readers should not place undue reliance on forward-looking statements. Such forward-looking statements speak only as of the date of this Official Statement. The Commonwealth disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Commonwealth’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Upon their issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on any stock or other securities exchange and neither the U.S. Securities and Exchange Commission (“SEC”) nor any other federal, state, municipal or other governmental entity, other than the Commonwealth (subject to the limitations set forth herein), will have passed upon the accuracy or adequacy of this Official Statement.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is being provided to prospective purchasers in electronic format from the following websites: <https://www.pa.gov/agencies/budget.html> and [www.emma.msrb.org](http://www.emma.msrb.org) as well as either bound or printed format (“Original Bound Format”). This Official Statement may be relied upon only if it is in its Original Bound Format or if it is printed or saved in full directly from such websites.

The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMMONWEALTH AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.**

This Official Statement speaks only as of the date printed on the cover page hereof. This Official Statement, and any supplement or amendment thereto, will be delivered to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System.

## *Table of Contents*

<u>Page</u>	
<b>OFFICIAL STATEMENT SUMMARY.....i</b>	<b>SCHEDULES AND APPENDICES</b>
<b>INTRODUCTION .....1</b>	S-I – Refunded Bonds
<b>AUTHORIZATION FOR THE BONDS.....2</b>	A – Certificate of the Auditor General
<b>PLAN OF FINANCE.....2</b>	B – Government and Financial Information of the Commonwealth
Capital Facilities Projects.....3	C – Selected Data on the Commonwealth
Plan of Refunding .....3	D – Information Regarding The Depository Trust Company
<b>ESTIMATED SOURCES AND USES OF FUNDS.....4</b>	E – Selected Constitutional Provisions Relating to the Finances of the Commonwealth
<b>THE BONDS.....4</b>	F – Proposed Form of Opinion of the Office of Attorney General of the Commonwealth
General .....4	G – Proposed Form of Opinion of Co-Bond Counsel
Redemption Provisions .....5	H – Form of Continuing Disclosure Agreement
Notice of Redemption .....5	I – Notice of Sale
<b>ANNUAL DEBT SERVICE REQUIREMENTS.....7</b>	
<b>SECURITY AND SOURCE OF PAYMENT FOR BONDS.....8</b>	
Debt Limits .....8	
<b>THE COMMONWEALTH .....10</b>	
General .....10	
<b>COMMONWEALTH GOVERNMENT, FINANCIAL PERFORMANCE AND OTHER OBLIGATIONS.....10</b>	
Government and Fiscal Administration .....10	
Financial Performance .....10	
Annual Comprehensive Financial Reports.....11	
Other Obligations of the Commonwealth .....11	
<b>CERTAIN INVESTMENT CONSIDERATIONS.....11</b>	
Introduction .....11	
General .....11	
Market for the Bonds .....12	
Prepayment of Principal.....12	
General Economic Conditions .....12	
Sustainability.....12	
Cybersecurity .....13	
<b>LITIGATION.....14</b>	
<b>TAX MATTERS .....15</b>	
Federal.....15	
Pennsylvania .....16	
Other .....16	
<b>RATINGS .....16</b>	
<b>COMPETITIVE SALE OF BONDS.....17</b>	
<b>VERIFICATION .....18</b>	
<b>LEGALITY FOR INVESTMENT .....18</b>	
<b>CO-MUNICIPAL ADVISORS.....18</b>	
<b>LEGAL MATTERS.....18</b>	
<b>CONTINUING DISCLOSURE.....19</b>	
<b>ADDITIONAL INFORMATION .....19</b>	

## OFFICIAL STATEMENT SUMMARY

This summary is furnished to provide limited introductory information regarding the terms of the Bonds and is qualified by the more detailed descriptions appearing in this Official Statement and the appendices hereto. The offering of the Bonds is made only by means of this entire Official Statement, and no person is authorized to make offers to sell or solicit offers to buy the Bonds unless the entire Official Statement is delivered. Certain terms used in this summary are defined elsewhere in this Official Statement.

The Issuer	The Commonwealth of Pennsylvania (the “Commonwealth”).
The Bonds	\$1,750,760,000* Commonwealth of Pennsylvania, General Obligation Bonds, consisting of \$1,570,000,000 First Series of 2026 (the “First Series Bonds”) and \$180,760,000* First Refunding Series of 2026 (the “First Refunding Series Bonds” and together with the First Series Bonds, the “Bonds”).
Use of Proceeds	The Bonds are being issued to provide funds to finance: (i) public improvement projects, including the purchase of original furniture and equipment; public improvement projects for buildings and structures; transportation assistance projects; and redevelopment assistance projects; (ii) the refunding of all or a portion of the Commonwealth’s outstanding General Obligation Bonds set forth on Schedule I hereto (the “Refunded Bonds”); and (iii) the costs of issuance relating to the Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” contained herein.
Maturity	The Bonds mature on the dates in the principal amounts set forth in the inside cover page hereof.
Interest	The Bonds will be dated, and will bear interest from, the date of delivery thereof. Interest on the First Series Bonds will be payable semiannually on April 1 and October 1 of each year, commencing on October 1, 2026. Interest for the First Refunding Series Bonds will be payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2026.
Redemption	<p>The First Series Bonds are subject to optional redemption prior to maturity as described herein. See “THE BONDS – Redemption Provisions” contained herein.</p> <p>The First Refunding Series Bonds are not subject to optional redemption.</p> <p>Bidders, in their bids for purchase of the Bonds, may designate principal amounts of Bonds as term bonds as set forth in the Notice of Sale. See “MANDATORY SINKING FUND REDEMPTION AT THE OPTION OF THE BIDDER” in the Notice of Sale attached hereto as <u>APPENDIX I</u> for additional information.</p>
Bond Insurance	As set forth in the Notice of Sale attached hereto as <u>APPENDIX I</u> , if a Purchaser arranges municipal bond insurance for any Bonds in a Bid Group, the Purchaser does so at its own risk and expense and the obligation of the Purchaser to pay for the Bonds in such Bid Group may not be conditioned upon the issuance of such municipal bond insurance policy. The Commonwealth will not enter into any additional agreements with any insurance provider. NEITHER THE FAILURE OF ANY INSURANCE PROVIDER TO ISSUE ITS POLICY NOR ANY CHANGE IN THE CREDIT RATINGS PROVIDED BY ANY RATING AGENCY WITH RESPECT TO THE RELATED INSURANCE PROVIDER OCCURRING BETWEEN THE TIME OF THE AWARD OF THE BONDS AND THE TIME OF THEIR DELIVERY SHALL BE GROUNDS FOR A PURCHASER TO FAIL OR REFUSE TO ACCEPT DELIVERY OF, OR PAY FOR, ALL OF THE BONDS OF THE RELATED BID GROUP. MOREOVER, IF A MUNICIPAL BOND INSURANCE POLICY IS PURCHASED BY A PURCHASER, THE COMMONWEALTH DISCLAIMS ANY

---

\* Preliminary, subject to change.



OBLIGATION TO MAINTAIN SUCH MUNICIPAL BOND INSURANCE POLICY AND IS UNDER NO OBLIGATION TO REPLACE IT SHOULD IT BE TERMINATED PRIOR TO THE MATURITY DATE OF ANY INSURED BOND OR TO REPLACE IT SHOULD THERE OCCUR A CHANGE IN THE CREDIT RATINGS PROVIDED BY ANY RATING AGENCY WITH RESPECT TO THE RELATED INSURANCE PROVIDER.

Security for the Bonds	The Bonds are direct and general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged for the payment of principal of and interest on the Bonds. The Bonds are a first priority obligation of the Commonwealth. See “SECURITY AND SOURCE OF PAYMENT FOR BONDS” contained herein.								
Ratings	<table> <tr> <th></th><th>Bonds</th></tr> <tr> <td>Fitch</td><td>“AA” (Stable Outlook)</td></tr> <tr> <td>Moody’s</td><td>“Aa2” (Stable Outlook)</td></tr> <tr> <td>S&amp;P</td><td>“A+” (Stable Outlook)</td></tr> </table> <p>See “RATINGS” contained herein.</p>		Bonds	Fitch	“AA” (Stable Outlook)	Moody’s	“Aa2” (Stable Outlook)	S&P	“A+” (Stable Outlook)
	Bonds								
Fitch	“AA” (Stable Outlook)								
Moody’s	“Aa2” (Stable Outlook)								
S&P	“A+” (Stable Outlook)								
Authorized Denominations	\$5,000 or any integral multiple thereof.								
Book-Entry Only System	The Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to a book-entry only system. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal of and interest on the Bonds will be paid to Cede & Co., which will distribute such payments to the participating members of DTC for remittance to the beneficial owners of the Bonds. See <u>APPENDIX D</u> herein attached.								
No Payment Defaults	The Commonwealth has never failed to make a payment of principal or of interest on its general obligation bonds.								
Loan and Transfer Agent	U.S. Bank Trust Company, National Association, a national banking association, Philadelphia, Pennsylvania, is the Loan and Transfer Agent for the Bonds.								
Tax Exemption	<p>In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds, including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Commonwealth with the requirements of the Internal Revenue Code of 1986, as amended. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.</p> <p>Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See “TAX MATTERS” herein</p>								
Audited Financial Statements	An independent public accounting firm and the Department of the Auditor General jointly audit the Commonwealth’s annual GAAP basis financial statements. The audited Basic Financial Statements are a component of the Commonwealth’s Annual Comprehensive Financial Report (“ACFR”). The ACFRs for recent fiscal years, including the fiscal year ended June 30, 2025, have been filed with the MSRB and are available on EMMA. The ACFRs for the years ended June 30, 2021 through 2025 are incorporated herein by reference.								
Investment Considerations	For certain investment considerations relating to the decision to purchase the Bonds, see “CERTAIN INVESTMENT CONSIDERATIONS” herein.								

**OFFICIAL STATEMENT**  
**Relating to**

**\$1,750,760,000\***  
**Commonwealth of Pennsylvania**  
**General Obligation Bonds,**  
**\$1,570,000,000 First Series of 2026**  
**\$180,760,000\* First Refunding Series of 2026**

---

**INTRODUCTION**

This Official Statement of the Commonwealth of Pennsylvania (the “Commonwealth”), including the cover page, inside front cover page and appendices hereto, presents certain information in connection with the issuance of \$1,750,760,000\* Commonwealth of Pennsylvania, General Obligation Bonds, consisting of \$1,570,000,000 First Series of 2026 (the “First Series Bonds”) and \$180,760,000\* First Refunding Series of 2026 (the “First Refunding Series Bonds” and together with the First Series Bonds, the “Bonds”). The Bonds are being issued to provide funds for and toward the costs of various capital projects and refinancing of certain outstanding indebtedness, each as more fully set forth herein. See “PLAN OF FINANCE” herein.

The Bonds are general obligations of the Commonwealth to which the full faith and credit of the Commonwealth are pledged. See “SECURITY AND SOURCE OF PAYMENT FOR BONDS.”

The Bonds will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, securities depository for the Bonds under a book-entry only registration system. See APPENDIX D herein attached.

The Bonds are authorized investments for fiduciaries and personal representatives, as defined in the Probate, Estates and Fiduciaries Code within the Commonwealth; are legal investments for Pennsylvania banks, trust companies, bank and trust companies, savings banks, and insurance companies; and are acceptable as security for deposits of the funds of the Commonwealth. See “LEGALITY FOR INVESTMENT.”

Except where otherwise expressly noted, the financial and other information provided in this Official Statement is generally derived from the records of the Commonwealth. Financial information and other data provided herein are derived from the best information available as of the date of this Official Statement. Because agencies of the Commonwealth have different reporting periods, “as of” dates of certain financial and other information presented herein may vary. All financial information should be considered as unaudited unless otherwise specifically identified. All estimates and assumptions are based on the best information available to the Commonwealth but do not constitute factual information. All estimates of future performance or events constituting “forward-looking statements” may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from budgets for current and future fiscal years. The references to, and summaries of, constitutional and statutory provisions of the Commonwealth and to bond

---

\* Preliminary, subject to change.

resolutions and other documents are qualified in their entirety by reference to the complete text of such documents and to any judicial interpretations thereof.

For the Auditor General's Certification that the issuance of the Bonds will not exceed the constitutional debt limit, see APPENDIX A. For Government and Financial Information of the Commonwealth, see APPENDIX B. For Selected Data on the Commonwealth see APPENDIX C. Information relating to the Depository Trust Company is attached hereto as APPENDIX D. For a description of the constitutional provisions relating to the Bonds, see APPENDIX E. The proposed form of the opinion of the Office of Attorney General is set forth in APPENDIX F, and the proposed form of the opinion of Co-Bond Counsel is set forth in APPENDIX G. The form of Continuing Disclosure Agreement relating to the Bonds is attached hereto as APPENDIX H. The form of the Notice of Sale relating to the Bonds is attached as APPENDIX I. The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

## **AUTHORIZATION FOR THE BONDS**

The Bonds are authorized and issued pursuant to and in full compliance with the provisions, restrictions and limitations of Section 7 of Article VIII of the Constitution of the Commonwealth of Pennsylvania (the "Constitution"); the laws of the Commonwealth, including but not limited to the Capital Facilities Debt Enabling Act, Act No. 1999-1, approved February 9, 1999, as amended by Act No. 2002-130, approved October 28, 2002; Act No. 2003-49, approved December 23, 2003; Act No. 2004-67, approved July 4, 2004; Act No. 2005-87, approved December 22, 2005; Act No. 2008-48, approved July 4, 2008; Act No. 2010-48, approved July 7, 2010; Act No. 2013-77, approved October 25, 2013; Act No. 2017-45, approved October 30, 2017; Act No. 2019-43, approved July 2, 2019; Act No. 2020-25, approved on May 29, 2020; and Act No. 2025-48 approved on November 19, 2025 (as so amended, the "Capital Facilities Debt Enabling Act") and annual capital budget bills and various bond authorization bills enacted by the General Assembly, including the Capital Budget Act of 2025-2026, Act No. 2025-48, approved November 19, 2025 (the "2025-2026 Capital Budget"), and the resolutions adopted by the Governor, State Treasurer and Auditor General dated January 6, 2026 and January 22, 2026 (collectively, the "Resolutions").

All provisions of the Resolutions are incorporated by reference in the text of the Bonds, including, without limitation, those provisions setting forth the conditions under which the Resolutions may be modified. Copies of the Resolutions, including the full text of the forms of the Bonds, are on file at the designated office in Philadelphia, Pennsylvania of U.S. Bank Trust Company, National Association ("Loan and Transfer Agent").

## **PLAN OF FINANCE**

The Commonwealth is issuing the Bonds for the following purposes:

- (i) \$1,570,000,000 to provide for the construction, acquisition and major rehabilitation of capital facilities projects, as described below under "Capital Facilities Projects" and to finance related costs of issuance for the First Series Bonds; and
- (ii) \$180,760,000\* to finance the refunding of all or a portion of the Commonwealth's outstanding General Obligation Bonds First Refunding Series of 2015, all or a portion of the Commonwealth's outstanding General Obligation Bonds First Series of 2016, and all or a portion of the March 2026 maturity of the Commonwealth's outstanding General Obligation Bonds First Series of 2018, as set forth on

---

\* Preliminary, subject to change.

Schedule I hereto (the “Refunded Bonds”) and to finance related costs of issuance for the First Refunding Series Bonds;

### **Capital Facilities Projects**

A portion of the proceeds of the First Series Bonds will be deposited into the Capital Facilities Fund and applied: (a) to pay a portion of the costs of issuance of the First Series Bonds and (b) to pay the financial costs of various capital facilities projects of the Commonwealth, including reimbursement of the State Treasury for previous payments made for costs incurred relating to various capital facilities projects. Of the combined \$1,570,000,000 aggregate principal amount of the First Series Bonds issued for capital facilities projects: (i) \$20,000,000 aggregate principal amount of the First Series Bonds shall be allocated to the Department of General Services to fund public improvement projects, including the purchase of original furniture and equipment, and the related costs of issuance of the First Series Bonds; (ii) \$1,100,000,000 aggregate principal amount of the First Series Bonds shall be allocated to the Department of General Services to fund public improvement projects for buildings and structures and the related costs of issuance of the First Series Bonds; (iii) \$100,000,000 aggregate principal amount of the First Series Bonds shall be allocated to the Department of Transportation to fund transportation assistance projects and the related costs of issuance of the First Series Bonds; and (iv) \$350,000,000 aggregate principal amount of the First Series Bonds shall be allocated to the Office of the Budget to fund redevelopment assistance projects and the related costs of issuance of the First Series Bonds. Pending application for the above purposes, the aforementioned proceeds of the First Series Bonds will be held by the State Treasurer in the Capital Facilities Fund and invested in accordance with applicable state and federal laws.

### **Plan of Refunding**

The Commonwealth is issuing the First Refunding Series Bonds in the aggregate principal amount of \$180,760,000\* to refinance the Refunded Bonds set forth on Schedule I hereto and finance the costs of issuance relating to the First Refunding Series Bonds.

The refunding of the Refunded Bonds will be accomplished by applying a portion of the proceeds from the sale of the First Refunding Series Bonds to the purchase of certain direct obligations of the United States Government to be held in escrow (the “Escrow Obligations”), in an aggregate principal amount which at all times shall be sufficient, together with the interest to accrue thereon, to pay the principal of such Refunded Bonds, the redemption premium, if any, and the interest due and to become due thereon before and on the respective redemption dates or maturity dates as shown on Schedule I (the “Required Deposit”). See “VERIFICATION” herein. Such Escrow Obligations will be deposited with the State Treasurer of the Commonwealth to be applied solely to the payment of the principal and interest on such Refunded Bonds on the applicable dates set for redemption. Initially, the Escrow Obligations are expected to consist of United States Treasury obligations. Applicable law and the Resolutions permit the State Treasurer to substitute new Escrow Obligations meeting the requirements of the Required Deposit at the time of any such substitution upon fulfillment of certain conditions, including the receipt of an opinion of Co-Bond Counsel and certain certifications. The refunding of the Refunded Bonds will take place as described above only if the First Refunding Series Bonds are issued. The Commonwealth will cause to be provided the requisite notices of redemption in accordance with the documentation relating to the Refunded Bonds, as appropriate, and holders of the Refunded Bonds should rely solely on such redemption notices for purposes of the redemption of the Refunded Bonds.

---

\* Preliminary, subject to change.

## ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth estimated sources and uses of the proceeds of the Bonds.

<b>Sources of Funds</b>	<b>First Series Bonds</b>	<b>First Refunding Series Bonds</b>	<b>Total</b>
Principal Amount of the Bonds	\$1,570,000,000.00	\$180,760,000.00*	\$1,750,760,000.00*
[Net] Original Issue [Premium/Discount]			
Total Sources of Funds	\$	\$	\$
<b>Uses of Funds</b>			
Deposit to Capital Facilities Fund	\$	-	\$
Deposit to Escrow Fund	-		
Costs of Issuance <sup>†</sup>			
Total Uses of Funds	\$	\$	\$

\* Preliminary, subject to change.

<sup>†</sup>Includes Underwriters' discount, legal, rating agency, verification agent, Loan and Transfer Agent, municipal advisor fees; and other costs of issuing the Bonds.

## THE BONDS

### General

The Bonds will be issued in authorized denominations of \$5,000 or any integral multiple thereof, be dated their date of issuance and delivery and bear interest initially from such date, at the rate per annum for each maturity as specified on the inside cover page hereof. Interest on the First Series Bonds will be payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2026. Interest on the First Refunding Series Bonds will be payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2026. The interest is calculated on the basis of a 360-day year of twelve 30-day months, and will mature in the amounts and on the dates as set forth on the inside cover page hereof. The Bonds will be issued in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") pursuant to DTC's Book-Entry Only System. See, APPENDIX D herein attached. The Bonds provide that each registered owner, Beneficial Owner, DTC Participant or Indirect Participant (as such terms are defined in APPENDIX D) in DTC, by acceptance of a Bond (including receipt of a book-entry credit evidencing an interest therein), assents to all of such provisions as an explicit and material portion of the consideration running to the Commonwealth to induce it to adopt the Resolutions and to issue such Bonds.

Interest on the Bonds will be payable by check or draft mailed or other transfer made to the persons in whose names the Bonds shall be registered at the close of business on the fifteenth (15<sup>th</sup>) day (whether or not a business day) next preceding the applicable interest payment date (each, a "Record Date"). Any interest on any Bond not timely paid or duly provided for shall cease to be payable to the person who is the registered owner as of the regular Record Date, and shall be payable to the person who is the registered owner at the close of business on a special record date for the payment of such defaulted interest. A special record date shall be a date not more than fifteen nor less than ten days prior to the date of the proposed

payment and shall be fixed by the Loan and Transfer Agent whenever moneys become available for payment of the defaulted interest. Notice of a special record date shall be given to registered owners of the Bonds not less than fifteen days prior thereto.

Whenever the due date for payment of interest on or principal of the Bonds or the date fixed for redemption of any Bond shall be on a Saturday, a Sunday, a legal holiday or a day on which banks in the Commonwealth are required or authorized by law (including by executive order) to close, then payment of such interest, principal or redemption price need not be made on such date, but may be made on the next succeeding day which is not a Saturday, a Sunday, a legal holiday, or a day upon which banks in the Commonwealth are required or authorized by law (including by executive order) to close, with the same force and effect as if made on the due date for such payment of principal, interest or redemption price, and no interest shall accrue thereon for any period after such due date.

### **Redemption Provisions**

***Optional Redemption.*** The First Series Bonds, or portions thereof in integral multiples of \$5,000, maturing on and after April 1, 2037\* are subject to redemption at the option of the Commonwealth prior to scheduled maturity on and after April 1, 2036, as a whole at any time or in part from time to time, if in part in such order of maturity and in such principal amount within a maturity as may be designated by the Commonwealth in its sole discretion, and within a maturity by lot, on at least 30 days (but not more than 60 days) notice, at a redemption price equal to par (100% of stated principal amount) plus accrued interest to the date fixed for redemption.

The First Refunding Series Bonds are **not** subject to optional redemption prior to maturity.

***Mandatory Sinking Fund Redemption.*** Bidders may elect to structure their bid to include term bonds, which term bonds, if selected by the bidder, will be subject to mandatory sinking fund redemption prior to maturity, in the years and amounts shown in the Preliminary Schedule of Maturities contained in APPENDIX I – NOTICE OF SALE upon payment of 100% of the principal amount of such Bonds to be redeemed, together with accrued interest to the date fixed for redemption. Bonds within a maturity of a particular series to be redeemed shall be selected by lot by the Loan and Transfer Agent. If the Bonds are awarded and no term bonds are designated in the applicable winning bid, such Bonds will mature serially as shown in the Preliminary Schedule of Maturities contained in APPENDIX I. See “MANDATORY SINKING FUND REDEMPTION AT THE OPTION OF THE BIDDER” in the Notice of Sale attached hereto as APPENDIX I for additional information.

### **Notice of Redemption**

As long as the Bonds are registered pursuant to a book-entry only system, notice of redemption will be given, as required by DTC’s (or any successor depository’s) procedures, to DTC, its nominee, or successor securities depository, as registered owner of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, the Commonwealth will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee.

Notice of redemption shall be given by the Loan and Transfer Agent via first-class mail not less than 30 days, nor more than 60 days, prior to the date fixed for redemption to the persons in whose names the Bonds to be redeemed are registered at the close of business on the fifth (5<sup>th</sup>) business day prior to such mailings; provided, however, that any defect in the notice or in the mailing thereof with respect to any registered owner shall not affect the validity of the proceedings for such redemption as to any other

---

\* Preliminary, subject to change.

registered owner. Deposit of any such notice in the United States mail shall constitute constructive receipt of such notice by the registered owner to whom such notice is sent. Notice having been given as aforesaid and provision having been made for redemption from funds on deposit with the Loan and Transfer Agent, no interest on the Bonds, or portions thereof, called for redemption shall accrue after the date fixed for redemption, and the registered holders of the Bonds, or portions thereof, called for redemption shall thereafter have no further right except to receive payment of the redemption price plus accrued interest to the redemption date.

If at the time of the notice of optional redemption, there shall not be on deposit in a restricted account with the State Treasurer money sufficient to redeem all the Bonds called for redemption, such notice shall state, unless the Commonwealth specifically directs otherwise in writing, that it is conditional, that is, subject to the deposit of the redemption money with the State Treasurer not later than the redemption date, and such notice shall be of no effect unless such money is so deposited.

In addition to the notice of redemption to the registered owners of the Bonds, the Loan and Transfer Agent shall cause copies of the original redemption notice to be sent by facsimile transmission, overnight delivery or certified mail with return receipt requested (or other similar means that can provide evidence of receipt) to all registered securities depositories then in the business of holding obligations similar to the Bonds, and to two or more national information services that disseminate redemption information; provided however, that failure to send such copies of the original redemption notice or any defect therein shall not affect the validity of the redemption proceedings.

[Remainder of page intentionally left blank]

**ANNUAL DEBT SERVICE REQUIREMENTS****As of June 30, 2025**

(In Thousands)

The following table sets forth the aggregate debt service requirements for all outstanding General Obligation Bonds, excluding the Bonds, and does not reflect the refunding of the Refunded Bonds.

Fiscal Year Ending	Aggregate Debt Service on	First Series Bonds		First Refunding Series Bonds		Total*
	Bonds Outstanding	Principal	Interest	Principal	Interest	
2026	\$1,476,252					
2027	1,365,263					
2028	1,252,636					
2029	1,202,097					
2030	1,004,922					
2031	990,213					
2032	857,369					
2033	735,251					
2034	667,698					
2035	567,006					
2036	511,665					
2037	410,509					
2038	404,149					
2039	298,422					
2040	255,308					
2041	204,781					
2042	197,100					
2043	140,450					
2044	70,125					
Total	<u>\$1,261,121</u>					

\* Total may not add due to rounding.

[Remainder of page intentionally left blank]



## SECURITY AND SOURCE OF PAYMENT FOR BONDS

The Bonds are direct and general obligations of the Commonwealth to which the full faith and credit of the Commonwealth have been pledged for the payment of the interest thereon as it becomes due and the payment of the principal thereof at maturity or prior redemption. The Bonds are a first priority obligation of the Commonwealth. The various acts authorizing the incurrence of debt by the Commonwealth require the General Assembly to appropriate annually the moneys necessary to pay such interest and principal for which other provisions are not made. See the statutes described in the section “AUTHORIZATION FOR THE BONDS” above. Principal of and interest payments on the Bonds will be made from the General Fund.

The Constitution places a claim on certain revenues of the Commonwealth for the payment of principal of and interest on all debt of the Commonwealth. Article VIII, Section 7(d) of the Constitution provides that, if sufficient funds are not appropriated for the timely payment of the interest on and principal of all Commonwealth debt, the State Treasurer shall set apart from the first revenues thereafter received applicable to the appropriate fund, a sum sufficient to pay such interest and principal, and shall so apply the money so set apart.

The State Treasurer is required to set aside and apply such revenues at the suit of any holder of Commonwealth obligations.

### Debt Limits

The Constitution (Article VIII, Section 7(a)) permits debt to be incurred (i) for purposes itemized in law and approved by voter referendum, (ii) without approval of the electorate for the rehabilitation of areas affected by man-made or natural disasters, and (iii) without approval of the electorate for capital facilities projects specifically itemized in a capital budget if such debt does not cause the amount of all net debt outstanding (as defined for purposes of that Section) to exceed one and three quarters times (1.75x) the average of the annual tax revenues of the Commonwealth deposited in all funds in the previous five fiscal years, as certified by the Auditor General (the “Constitutional Debt Limit”). The most recent semi-annual computation of the Constitutional Debt Limit and the amount of net debt outstanding subject to such limit are shown in Table 1.

**Table 1**  
**Constitutional Debt Limit<sup>(a)</sup>**  
**August 31, 2025**  
**(In Millions)**

Average Annual Tax Revenues Fiscal Years ended June 30, 2021-2025.....	\$53,854.73
Times 1.75 .....	94,245.78
Less: Net Debt Outstanding <sup>(b)</sup> .....	10,060.25
Debt Issuable Within Limit.....	<u>\$84,185.53</u>

Source: Office of the Budget.

<sup>(a)</sup> As certified by the Auditor General on August 31, 2025.

<sup>(b)</sup> After credit for refinancing of Refunded Bonds.

The capital debt authorizations for the various categories of capital facilities projects are shown in Table 2 below.

**Table 2**  
**Pro Forma Remaining Debt Authorized After Issuance of the Bonds**  
**(In Millions)**

<b>Capital Facilities Projects Category</b>	<b>Project Debt Authorized</b>	<b>Issued<sup>(a)</sup></b>	<b>Remaining Project Debt Authorized</b>	<b>Remaining Project Debt Authorized After Issuance of the Bonds</b>
Buildings and Structures	\$61,533.4	\$15,548.5	\$45,984.9	\$44,884.9
Furniture and Equipment	2,476.5	576.5	1,899.9	1,879.9
Transportation Assistance	16,039.6	5,261.9	10,777.7	10,677.7
Redevelopment Assistance	40,583.7	6,149.8	34,434.0	34,084.0
Community Colleges	35.8	28.0	7.8	7.8
Highway and Highway Bridge	50,477.7	3,287.5	47,190.2	47,190.2
Flood Control	1,255.2	65.8	1,189.4	1,189.4
Total	<u>\$172,401.9</u>	<u>\$30,918.0</u>	<u>\$141,484.0</u>	<u>\$139,914.0</u>

Source: Office of the Budget.

<sup>(a)</sup> Original issuance amounts; not all are presently outstanding.

The amount of debt that may be issued in any given fiscal year for capital projects authorized in current or previous capital budgets is enacted annually by the General Assembly and approved by the Governor. The maximum principal amount of debt currently authorized by the 2025-2026 Capital Budget is as shown in Table 3 below.

**Table 3**  
**Pro Forma Remaining Debt After Issuance of the Bonds<sup>(a)</sup>**  
**(In Millions)**

<b>Capital Facilities Projects Category</b>	<b>Limits</b>	<b>Debt Issued to Date</b>	<b>Remaining Issuable Within Limit</b>	<b>Remaining Debt Authorized After Issuance of the Bonds</b>
Buildings and Structures	\$1,100	\$0	\$1,100	\$0
Furniture and Equipment	20	0	20	0
Transportation Assistance	100	0	100	0
Redevelopment Assistance	350	0	350	0
Flood Control	0	0	0	0
Total	<u>\$1,570</u>	<u>\$0</u>	<u>\$1,570</u>	<u>\$0</u>

Source: Office of the Budget.

<sup>(a)</sup> The Bonds are being issued under the debt limits of the 2025-2026 Capital Budget, which became effective on November 19, 2025.

After issuance of the Bonds under the 2025-2026 Capital Budget, no debt will remain authorized and unissued thereunder. See “PLAN OF FINANCE – Capital Facilities Projects.”

For a discussion of the Commonwealth’s outstanding debt and projected future issuance of general obligation debt, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Outstanding Indebtedness of the Commonwealth” herein attached.

## **THE COMMONWEALTH**

### **General**

The Commonwealth of Pennsylvania (the “Commonwealth” or the “State” or “Pennsylvania”) was the second state admitted to the United States of America, founded in 1787. The Commonwealth ranks fifth in the United States in terms of population and 33rd in terms of total area.

The Commonwealth is organized into three separate branches of government: executive, legislative and judicial, as defined in the State Constitution. Five officials of the Commonwealth’s executive branch are elected in statewide elections for four-year terms expiring on the dates shown below.

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Josh Shapiro	Governor	January 17, 2027
Austin Davis	Lieutenant Governor	January 17, 2027
David W. Sunday, Jr.	Attorney General	January 21, 2029
Stacy Garritty	State Treasurer	January 21, 2029
Timothy DeFoor	Auditor General	January 21, 2029

## **COMMONWEALTH GOVERNMENT, FINANCIAL PERFORMANCE AND OTHER OBLIGATIONS**

### **Government and Fiscal Administration**

The Commonwealth’s fiscal year begins July 1 and ends June 30. For example, fiscal year 2025 refers to the fiscal year ended June 30, 2025. The principal operating funds of the Commonwealth are the General Fund, the Motor License Fund and the State Lottery Fund. The Commonwealth also has a Budget Stabilization Reserve Fund, which is used to manage around emergencies involving the health, safety or welfare of the residents of the Commonwealth or downturns in the economy resulting in significant unanticipated revenue shortfalls. For a description of the funds, including the Budget Stabilization Reserve Fund, accounting practices and financial reporting, and a discussion of how the funds are invested, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Commonwealth Financial Structure and Procedures” herein attached. For more information regarding employees of the Commonwealth, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Commonwealth Government.” For more information regarding the branches of government, fiscal administration, and budgetary process, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Commonwealth Government and Fiscal Administration.”

### **Financial Performance**

For discussion of the Commonwealth’s Financial Performance, including budgetary information, and the revenues of the General Fund, Motor License Fund and State Lottery Funds, which are the

Commonwealth's three principal funds, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Commonwealth Financial Performance” and “ – Commonwealth Revenues and Expenditures.”

### **Annual Comprehensive Financial Reports**

An independent public accounting firm and the Department of the Auditor General jointly audit the Commonwealth's annual GAAP basis financial statements. The audited Basic Financial Statements are a component of the Commonwealth's Annual Comprehensive Financial Report (“ACFR”). The ACFRs for recent fiscal years, including the fiscal year ended June 30, 2025, have been filed with the MSRB (hereinafter defined) and are available on EMMA (hereinafter defined). The ACFRs for the years ended June 30, 2021 through 2025 are incorporated herein by reference.

### **Other Obligations of the Commonwealth**

The Commonwealth has various state-related obligations, including with respect to pension obligations and other post-employment benefits or debt issued by the Pennsylvania Housing Finance Agency to provide housing for low and moderate income families, for instance. For a discussion of such other obligations, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Other State-Related Obligations” and “ – Other State-Related Obligations – Pensions and Retirement.” In addition, certain state-created organizations have statutory authorization to issue revenue funded debt that is backed by the assets of, or revenues derived from, the various projects so financed and is not a statutory or moral obligation of the Commonwealth. However, some of these organizations are indirectly dependent upon Commonwealth operating appropriations. For a discussion of such other obligations, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Government Authorities and Other Organizations” attached hereto.

## **CERTAIN INVESTMENT CONSIDERATIONS**

### **Introduction**

The purchase of the Bonds involves numerous investment risks, some of which are referred to in this Official Statement. No representation is made that the risks described or referred to in this Official Statement constitute all of the risks associated with investing in the Bonds. Accordingly, prior to making a decision to invest in the Bonds, each prospective purchaser thereof should make an independent evaluation of all of the information presented in this Official Statement, including the Appendices, and should review other pertinent information.

### **General**

The Bonds, like all general obligations of state governments, are subject to changes in value due to changes in the condition of the market for taxable and tax-exempt obligations or changes in the financial position of the Commonwealth.

It is possible under certain market conditions, or if the financial condition of the Commonwealth should change, that the market price of the Bonds could be adversely affected. With regard to the risk involved in a downward revision, or withdrawal of the ratings for the Bonds, shown on the cover hereof, see “RATINGS” herein.

Prospective purchasers of the Bonds should consult their own tax advisers prior to their purchase of the Bonds as to the impact of the Internal Revenue Code of 1986, as amended (the “Code”) upon their acquisition, holding or disposition of the Bonds.

### **Market for the Bonds**

Subject to prevailing market conditions, the Underwriters may, but are not obligated, to make a market for the Bonds. There is no assurance that a secondary market for the Bonds will develop or if developed will not be disrupted by certain events impacting the market for the Bonds. Consequentially, investors may not be able to resell the Bonds should they need or wish to do so for emergency or other purposes.

### **Prepayment of Principal**

The Commonwealth may prepay certain principal of the First Series Bonds without penalty. See, “THE BONDS – Redemption Provisions” herein. If such First Series Bonds were to be pre-paid before scheduled maturity, the investor would not receive the scheduled yield through the maturity date. In such a prepayment situation there is no guarantee that the investor could reinvest the proceeds and receive a comparable yield for the period remaining until the scheduled maturity of the First Series Bonds. The investor may therefore receive a lower total return for the period beginning on the date of purchase through the scheduled date of maturity than anticipated.

### **General Economic Conditions**

General economic conditions may affect the Commonwealth’s financial condition and results of operations. A general economic downturn may lead to a reduction in tax revenues. General economic turmoil also may lead to an investment market downturn, which may result in asset market values (including pension plan assets) suffering a decline and significant volatility. For instance, a decline in the market values of the Commonwealth’s pension plans assets could increase required cash contributions to these plans from the General Fund and increased pension expenses in subsequent years.

### **Federal Funding**

***Federal Policies.*** Federal policies can shift dramatically from one federal administration to another, which can result in changes in federal funding for various policy priorities leading to unpredictability in future federal funding. The Commonwealth receives significant funding from the federal government to administer and provide a wide variety of federal programs and services, including but not limited to infrastructure, social services, education, healthcare, public safety, and other purposes pursuant to federal programs.

The Commonwealth currently expects a heightened level of uncertainty in federal funding over the next several years due to the change in federal administration. The Commonwealth cannot predict with certainty any future changes in federal policies or the potential impact of the same on related federal funding the Commonwealth may receive in the future.

***Federal Shutdown and Debt Limit Risks.*** Federal government shutdowns have occurred in the past and could occur in the future. A lengthy federal government shutdown poses potential risks to the Commonwealth’s receipt of revenues from federal sources and could have indirect impacts due to its effect on general economic conditions. The Commonwealth has not experienced material adverse effects from federal government shutdowns that occurred in the past; however, the effect on the Commonwealth from the federal government shutdown that occurred between October 1, 2025 and November 13, 2025 has not

been determined. In addition, the Commonwealth can give no assurance that it would not be materially adversely affected by any future federal government shutdowns. In addition, federal funding provided to the Commonwealth could be at risk if the federal government approaches its statutory debt limit, and Congress fails to raise the limit or otherwise address it timely or at all. The Commonwealth cannot predict whether or to what extent any specific federally funded programs could be affected if the debt ceiling is reached.

## **Sustainability**

The effects of climate change can already be observed in Pennsylvania. With heat waves, droughts, diminished air quality, and flooding from major precipitation events, climate change impacts the environment, public health, and the economy. The average annual temperature statewide is expected to rise and instances of extreme heat days are expected to occur more frequently. While the Commonwealth is unable to predict how climate change will affect its financial resources, it believes regular assessments and planning will help Pennsylvania remain resilient in the face of climate uncertainties.

The Pennsylvania Climate Change Act, which was passed in 2008, requires the Department of Environmental Protection (“DEP”) to develop an inventory of greenhouse gas (“GHG”) emissions and update it annually; administer a Climate Change Advisory Committee; set up a voluntary registry of GHG emissions; prepare a Climate Change Impacts Assessment and provide an update once every three years; and prepare a Climate Change Action Plan and provide an update once every three years. Additionally, a 2019 Executive Order created the GreenGov Council, which brings Pennsylvania’s government agencies together to encourage incorporation of environmentally sustainable practices into the Commonwealth’s policy, planning, operations, procurement, and regulatory functions. The initiative has resulted in at least fifty-five construction or major renovation facilities projects incorporating high-performance building criteria and in a reduction and offsetting of the Commonwealth’s energy use.

Inland flooding is one of the greatest climate risks in Pennsylvania. DEP operates one of the few state-level flood protection programs, which includes an extensive network of levees and improved channels to reduce flooding throughout Pennsylvania. Upon request from communities with severe repetitive flooding damages, the program evaluates flood-prone areas and designs stream improvements and flood protection facilities to mitigate flooding. DEP works closely with federal partners at the United States Department of Agriculture and the United States Army Corps of Engineers to coordinate flood protection and bank stabilization projects. The State Water Plan continues to provide DEP with climate change adaptation strategies that address the likely increase in major inland flooding events and expected increased periods of drought.

Despite the Commonwealth’s planning efforts, due to uncertainties in the timing, magnitude and long-term effects of climate change, the extent of climate change impacts on the Commonwealth, its operations and its financial performance are indeterminate at this time. No assurance can be given that the Commonwealth will not encounter negative environmental and infrastructural consequences as a result of climate change and that such events will not have a material adverse effect on its operations or financial condition.

## **Cybersecurity**

Information technology systems are susceptible to a variety of cybersecurity risks. These risks include, but are not limited to, data breaches and system compromises caused by ransomware attacks, phishing campaigns, malware, viruses, insider threats, system misconfigurations, and other increasingly sophisticated methods of attack. Such events could result in the disclosure of personally identifiable,

regulatory, or other confidential information. They could also negatively impact the Commonwealth's operations, leading to significant exposure and substantial costs.

The Enterprise Information Security Office (“EISO”) of the Commonwealth establishes cybersecurity strategy, policy, and baseline standards for Commonwealth agencies. The office aims to prevent and respond to cyber-attacks targeting critical infrastructure, identify and remediate system vulnerabilities, and promote security awareness through education and information sharing, thereby minimizing risks and exposure. EISO serves as a central point for coordination and communication among agency cybersecurity officers and provides guidance on information security architecture, engineering, and incident management.

One key aspect of reducing cybersecurity-related risks is keeping software up to date. In 2024, the Commonwealth’s website, pa.gov, underwent a comprehensive transformation. This is one of many steps the Commonwealth has taken to enhance the security of its digital infrastructure and systems.

In addition, in 2024 EISO advanced several enterprise-wide security initiatives. These included:

- Deployment of a modernized endpoint protection platform to strengthen defenses against malware and ransomware.
- Implementation of enhanced monitoring and log analysis capabilities to improve threat detection and response.
- Expansion of network asset visibility and security posture management across Commonwealth agencies.
- Introduction of an enterprise privileged access management program to better safeguard high-value accounts and credentials.

Despite these measures, there is no guarantee that the Commonwealth will be immune to cyber threats or attacks, nor that such incidents will not have a materially adverse effect on its operations and financial condition.

On August 9, 2025, the Pennsylvania Office of Attorney General (the “Office”) detected a cybersecurity incident on its network. The incident resulted in the disruption of the Office's access to its internal data and communications systems, including its electronic mail system, land line phones, and other data systems used by the Office in executing its duties. The Office has restored nearly the full functionality of all of its systems in a protected environment and has made all necessary notifications, and no monetary payments were made to any unlawful actors.

## **LITIGATION**

Based on an inquiry with the Commonwealth’s Office of the Attorney General and Office of General Counsel, there is as of the date of this Official Statement, no litigation pending against the Commonwealth in any way restraining or enjoining the sale, issuance or delivery of the Bonds, or in any manner challenging the validity of the Bonds, the security for the Bonds, the Resolutions, the collection of revenues pledged for the payment of the Bonds or the Commonwealth’s long-term financial condition.

The Commonwealth and its agencies are parties to routine legal proceedings that normally occur as a consequence of regular governmental operations. At any given point, there are lawsuits involving the Commonwealth or its agencies that could, depending on the outcome of the litigation or the terms of the settlement agreement, impact the Commonwealth’s budget and expenditures to one degree or another.

The Commonwealth's Office of Attorney General and Office of General Counsel have reviewed the status of pending litigation against the Commonwealth, its officers and employees, and have provided brief descriptions of certain cases affecting the Commonwealth in APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Litigation” herein. While the ultimate outcome and fiscal impact, if any, on the Commonwealth of pending and threatened proceedings and claims are not currently predictable, adverse determination in certain of them could have a programmatic or budgetary impact on the Commonwealth.

## **TAX MATTERS**

### **Federal**

#### *Exclusion of Interest from Gross Income*

In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds, including interest in the form of original issue discount, if any, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Commonwealth with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering its opinion, Co-Bond Counsel have assumed compliance by the Commonwealth with its covenants contained in the Resolutions and its representations in the Tax Compliance Certificate executed by the Commonwealth on the date of issuance of the Bonds relating to actions to be taken by the Commonwealth after issuance of the Bonds necessary to effect or maintain the exclusion from gross income of the interest on the Bonds for federal income tax purposes. These covenants and representations relate to, inter alia, the use and investment of proceeds of the Bonds, and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

#### *Other Federal Tax Matters*

Ownership or disposition of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. In addition, ownership or disposition of the Bonds may result in other federal tax consequences to “applicable corporations” (within the meaning of Section 59(k) of the Code enacted as part of the Inflation Reduction Act of 2022) for tax years beginning after December 31, 2022, in that interest on the Bonds may be included in the calculation of the alternative minimum tax imposed on applicable corporations under Section 55(b) of the Code.

Co-Bond Counsel are not rendering any opinion regarding any federal tax matters other than as described under the caption “Exclusion of Interest from Gross Income” above and expressly stated in the form of the opinion of Co-Bond Counsel included as APPENDIX B. Prospective purchasers of the Bonds should consult their independent tax advisors with regard to all federal tax matters.



## **Pennsylvania**

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

Co-Bond Counsel are not rendering any opinion as to any Commonwealth tax matters other than those described under the caption “Pennsylvania” above and expressly stated in the form of the opinion of Co-Bond Counsel included as APPENDIX B hereto.

Prospective purchasers of the Bonds should consult their independent tax advisors with regard to all Commonwealth tax matters.

## **Other**

The Bonds and the interest thereon may be subject to state and local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

Purchasers of the Bonds should consult their independent tax advisors with regard to all state and local tax matters that may affect them.

## **Risks of Future Legislative Changes and Court Decisions**

Legislation affecting tax-exempt obligations is periodically considered by the United States Congress. Court actions may also be filed, the outcomes of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted (or proposed), or actions by a court after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds.

Additionally, holders of the Bonds should be aware that future legislative actions (including federal income tax reform) could retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Bonds may be affected and the ability of holders to sell their Bonds in the secondary market may be reduced. Investors should consult their own financial and tax advisors to analyze the importance of these risks.

## **RATINGS**

Municipal bond ratings of “AA” (Stable Outlook), “Aa2” (Stable Outlook) and “A+” (Stable Outlook) have been assigned to the Bonds by Fitch Ratings, Inc. (“Fitch”), Moody’s Ratings (“Moody’s”) and S&P Global Ratings (“S&P”), respectively.

The ratings reflect only the views of the respective rating agencies. An explanation of the significance of any rating should be obtained from the rating agency furnishing the same, at the appropriate one of the following addresses: Fitch, One State Street Plaza, New York, New York 10004; Moody’s, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and S&P, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. A security rating is not a recommendation to buy, sell or hold securities. There is no assurance that any such rating will not be

revised downward or withdrawn entirely by the rating agency furnishing the same, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Bonds.

The Commonwealth has not undertaken any responsibility to assure the maintenance of the ratings after issuance of the Bonds, to oppose any revision or withdrawal of the ratings by S&P, Moody's or Fitch or to inform the holders of the Bonds of any such revision or withdrawal, except as set forth under "CONTINUING DISCLOSURE."

## **COMPETITIVE SALE OF BONDS**

After competitive bidding on January 21, 2026\*, the Bonds were awarded as follows:

The First Refunding Series Bonds maturing on August 1, 2026 through and including August 1, 2033 (identified as Bid Group A) were sold at a competitive sale on January 21, 2026, and awarded to [ ] (the "Bid Group A Bonds Initial Purchaser"). The Bid Group A Bonds Initial Purchaser has agreed to purchase the Bid Group A Bonds at a price of \$[ ], representing the principal amount of the Bid Group A Bonds (\$180,760,000\*), plus [net] original issue [premium/discount] of \$[ ], less a Bid Group A Bonds Initial Purchaser's discount of \$[ ].

The First Series Bonds maturing on April 1, 2037 through and including April 1, 2046 (identified as Bid Group B) were sold at a competitive sale on January 21, 2026, and awarded to [ ] (the "Bid Group B Bonds Initial Purchaser"). The Bid Group B Bonds Initial Purchaser has agreed to purchase the Bid Group B Bonds at a price of \$[ ], representing the principal amount of the Bid Group B Bonds (\$775,000,000\*), plus [net] original issue [premium/discount] of \$[ ], less a Bid Group B Bonds Initial Purchaser's discount of \$[ ].

The First Series Bonds maturing on April 1, 2027 through and including April 1, 2036 (identified as Bid Group C) were sold at a competitive sale on January 21, 2026, and awarded to [ ] (the "Bid Group C Bonds Initial Purchaser"). The Bid Group C Bonds Initial Purchaser has agreed to purchase the Bid Group C Bonds at a price of \$[ ], representing the principal amount of the Bid Group C Bonds (\$795,000,000\*), plus [net] original issue [premium/discount] of \$[ ], less a Bid Group C Bonds Initial Purchaser's discount of \$[ ].

The Notice of Sale, attached hereto as APPENDIX I, provides that the initial purchaser of each Bid Group will purchase all of the Bonds of the applicable Bid Group awarded to such Initial Purchaser if it purchases any of them. The obligations to make such purchases are subject to certain terms and conditions set forth in the Notice of Sale, the approval of certain legal matters by counsel and certain other conditions. The obligation of each Initial Purchaser to purchase the Bonds of a Bid Group awarded to it, and the obligation of the Commonwealth to sell such Bonds, is independent of such obligations with respect to the other Bid Groups and the other Initial Purchasers.

Prior to delivery of the Bonds, each Initial Purchaser will execute and deliver to the Commonwealth a certificate to the effect that such Initial Purchaser has provided to the Commonwealth the initial offering prices or yields on the Bonds awarded to such Initial Purchaser as set forth in the maturity table shown on the inside front cover hereof. Each Initial Purchaser may offer and sell such Bonds to certain dealers and others at prices lower than the offering prices in the maturity table shown on the inside front cover hereof. The public offering prices stated may be changed from time to time by the applicable Initial Purchasers.

## **VERIFICATION**

PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc. (the “Verification Agent”) will deliver to the Commonwealth, on or before the date of the delivery of the First Refunding Series Bonds, its report (the “Verification Report”) indicating that it has verified the mathematical accuracy of the information provided by the Commonwealth and its representatives with respect to the refunding requirements of the Refunded Bonds. Included within the scope of its engagement will be a verification of (a) the mathematical accuracy of the computations indicating that the cash and maturing principal of the securities, along with initial cash deposits, will be sufficient to meet the scheduled payment of interest on the Refunded Bonds until redemption and the payment of the redemption price of the Refunded Bonds on their redemption date; and (b) the mathematical accuracy of the computations supporting the conclusion of Co-Bond Counsel that the First Refunding Series Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder. U.S. Bancorp Asset Management, Inc. is a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp.

## **LEGALITY FOR INVESTMENT**

Under the Pennsylvania Probate, Estates and Fiduciaries Code, the Bonds are authorized investments for fiduciaries, as defined in that code, within the Commonwealth of Pennsylvania. The Bonds are legal investments for Pennsylvania savings banks, banks, bank and trust companies, and insurance companies and are acceptable as security for deposits of funds of the Commonwealth. The Bonds are eligible for purchase, dealing in, underwriting and unlimited holding by national banking associations pursuant to regulations promulgated by the Comptroller of the Currency set forth in the Code of Federal Regulations, Title 12—Banks and Banking, Sections 1.3(c) and 1.4.

## **CO-MUNICIPAL ADVISORS**

PFM Financial Advisors LLC, Harrisburg, Pennsylvania, and Sustainable Capital Advisors, LLC, Washington DC, are serving as independent co-municipal advisors to the Commonwealth with respect to the Bonds (the “Co-Municipal Advisors”). The Co-Municipal Advisors’ fees in connection with the issuance of the Bonds are expected to be paid from Bond proceeds. The Co-Municipal Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Sustainable Capital Advisors, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **LEGAL MATTERS**

Legal matters incident to the authorization and issuance of the Bonds will be passed upon by the Office of Attorney General of the Commonwealth of Pennsylvania, and by Eckert Seamans Cherin & Mellott, LLC of Harrisburg, Pennsylvania, Gosfield Law LLC of Gladwyne, Pennsylvania, and Cox, Stokes, and Lantz, P.C. of Wellsboro, Pennsylvania, Co-Bond Counsel. A copy of the opinion of Co-Bond Counsel will be attached to each of the Bonds delivered to DTC. Copies of the opinion of the Office of Attorney General, together with additional copies of the opinion of Co-Bond Counsel, will be available at the time of delivery of the Bonds. Proposed forms of these opinions are included as Appendix F and Appendix G, respectively.

Certain legal matters will be passed upon for the Commonwealth by Kutak Rock LLP of Philadelphia, Pennsylvania, serving as Disclosure Counsel for the Commonwealth.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with Rule 15c2-12 as in effect on the date hereof, promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”), simultaneously with the issuance of the Bonds, the Commonwealth will enter into a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Beneficial Owners of the Bonds in substantially in the form attached hereto as APPENDIX H – FORM OF CONTINUING DISCLOSURE AGREEMENT. The Commonwealth, as an “obligated person” under the Rule, has covenanted in the Continuing Disclosure Agreement to provide: (a) certain financial information and operating data relating to the Commonwealth and the Bonds in each year (the “Annual Report”); and (b) notice of the occurrence of certain enumerated events as described in the Continuing Disclosure Agreement (each, a “Listed Event Notice”). The Annual Report and each Listed Event Notice, if applicable, will be filed by or on behalf of the Commonwealth, with the repository designated by the SEC, presently the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”) in an electronic format prescribed by the MSRB. The specific nature and timing of filing the Annual Report and each Listed Event Notice, and other details of the Commonwealth’s undertakings are more fully described in APPENDIX H – FORM OF CONTINUING DISCLOSURE AGREEMENT attached hereto.

The following disclosure is being provided by the Commonwealth for the sole purpose of assisting the Underwriters in complying with the Rule: The Commonwealth previously entered into a number of continuing disclosure undertakings, as an “obligated person” under the Rule (the “Undertakings”). In the previous five years, the Commonwealth failed to comply with all of the literal requirements of the Undertakings, as follows: (i) filing its Annual Financial Information and Operating Data for fiscal year 2023 28 days late; (ii) failing to include in its Annual Financial Information and Operating Data for the fiscal year 2022, fiscal year 2021 and fiscal year 2020 a table setting forth detail concerning debt service payments and coverage, which is no longer compiled and has been deleted from the Undertaking by subsequent amendment; (iii) linking its Annual Comprehensive Financial Report and its Annual Financial Information and Operating Data for fiscal year 2022 to the CUSIP numbers for its Certificates of Participation, Series 2010 (Department of Corrections), 14 days late; and (iv) linking its Annual Comprehensive Financial Report for fiscal year 2021 to the CUSIP numbers for its General Obligation Bonds, First Series of 2020, and First Series of 2021, 193 days late. The foregoing description of instances of non-compliance by the Commonwealth with the Undertakings should not be construed as an acknowledgement by the Commonwealth that any such instance was material.

## **ADDITIONAL INFORMATION**

Periodic public reports relating to the financial condition of the Commonwealth are prepared by the Office of the Budget. These reports and additional information may be obtained upon request from the office of the Secretary of the Budget, Attn.: Brandy McLendon, Capital and Debt Manager, 555 Walnut Street, 9th Floor, Harrisburg, Pennsylvania 17101-2210 (Telephone (717) 214-5815). Recent Annual Comprehensive Financial Report summaries of enacted fiscal year budgets and certain other information are available in the Budget and Financial Reports section of the Office of the Budget’s web site, <https://www.pa.gov/agencies/budget.html>.

[Remainder of page intentionally left blank]

The execution of this Official Statement by each and all of the Issuing Officials on one or more separate pages has been authorized in the Resolutions.

---

Josh Shapiro, Governor

---

Stacy Garrity, State Treasurer

---

Timothy L. DeFoor, Auditor General

[Remainder of page intentionally left blank]

SCHEDULE I  
REFUNDED BONDS\*

<u>Principal Amount to be Refunded</u>	<u>Designated Name</u>	<u>Issue Date</u>	<u>Bonds Maturing on</u>	<u>Date of Redemption</u>
\$20,805,000	First Refunding Series of 2015	June 16, 2015	August 15, 2026	February 28, 2026
\$163,995,000	First Series of 2016	June 17, 2016	February 1, 2027 – February 1, 2034	February 28, 2026
\$7,500,000	First Series of 2018	May 23, 2018	March 1, 2026	March 1, 2026

---

\* Preliminary, subject to change.

APPENDIX A

CERTIFICATE OF THE AUDITOR GENERAL

# AUDITOR GENERAL'S CERTIFICATE

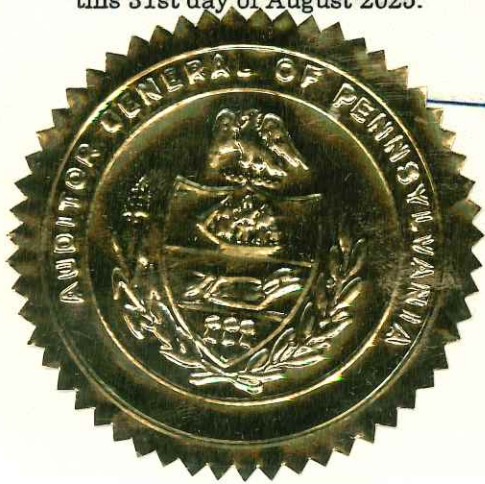
Pursuant to  
ARTICLE VIII, Section 7(a)(4)  
of the  
CONSTITUTION OF PENNSYLVANIA  
and  
Section 304 of the Capital Facilities Debt Enabling Act


To the Governor and The General Assembly:

I, Timothy L. DeFoor, Auditor General of the Commonwealth of Pennsylvania, pursuant to Article VIII, Section 7(a)(4) of the Constitution of the Commonwealth of Pennsylvania and Section 304 of the Capital Facilities Debt Enabling Act (Act 1 of 1999, as amended) certify as follows:

The average annual tax revenues deposited in all funds in the five fiscal years ended preceding the date of August 31, 2025.	\$	53,854,733,013
(i) The amount of outstanding net debt as of the end of the preceding fiscal year.	\$	10,406,937,708
(ii) The amount of such net debt as of August 31, 2025.	\$	10,060,252,201
(iii) The difference between the limitation upon all net debt outstanding as provided in Article VIII, Section 7(a)(4) of the Constitution of the Commonwealth of Pennsylvania and the amount of such net debt as of the date of August 31, 2025.	\$	84,185,530,573
(iv) The amount of such debt scheduled to be repaid during the remainder of the current fiscal year.	\$	579,475,000
(v) The amount of debt authorized by law to be issued, but not yet incurred.	\$	141,483,964,744
(vi) The amount of outstanding obligations excluded from outstanding debt as self sustaining pursuant to Article VIII, Section 7(c)(1), (2) and (3) of the Constitution of the Commonwealth of Pennsylvania.	\$	8,198,495,782

IN TESTIMONY WHEREOF, I have hereto set my hand and affixed the seal of the Auditor General, this 31st day of August 2025.



  
Timothy L. DeFoor  
Auditor General



APPENDIX B

GOVERNMENT AND FINANCIAL INFORMATION  
OF THE COMMONWEALTH

**GOVERNMENT AND FINANCIAL INFORMATION  
AND SELECT DATA OF THE COMMONWEALTH**

**TABLE OF CONTENTS**

COMMONWEALTH GOVERNMENT.....	B-1
Commonwealth Employees.....	B-1
COMMONWEALTH GOVERNMENT AND FISCAL ADMINISTRATION .....	B-2
Legislative Branch.....	B-2
Executive Branch .....	B-2
Judicial Branch.....	B-3
Fiscal Organization.....	B-5
Accounting and Budgetary Controls.....	B-5
The Budgetary Process.....	B-6
Audits.....	B-8
COMMONWEALTH FINANCIAL STRUCTURE AND PROCEDURES.....	B-8
Description of Funds.....	B-8
Accounting Practices .....	B-10
Investment of Funds .....	B-11
Budget Stabilization Reserve Fund .....	B-12
COMMONWEALTH FINANCIAL PERFORMANCE.....	B-12
Fiscal Year 2026 Budget.....	B-12
Financial Statements Introduction.....	B-12
General Fund.....	B-15
Motor License Fund.....	B-21
State Lottery Fund.....	B-25
COMMONWEALTH REVENUES AND EXPENDITURES.....	B-28
Recent Receipts and Forecasts.....	B-28
Tax Revenues (Unaudited Budgetary Basis).....	B-30
General Fund Revenue Detail.....	B-31
Corporate Net Income Tax.....	B-31
Gross Receipts Tax.....	B-31
Insurance Premiums Tax.....	B-31
Sales & Use Tax.....	B-32
Cigarette Tax.....	B-32
Personal Income Tax .....	B-33
Realty Transfer Tax .....	B-33
Inheritance Tax.....	B-34
Liquor Tax.....	B-34
Non-Tax Revenues.....	B-34
Motor License Fund Revenue Detail.....	B-35
Motor Carriers Road Tax / International Fuel Tax Agreement (IFTA).....	B-35
Oil Company Franchise Tax.....	B-35
Licenses and Fees.....	B-36
Federal Revenues .....	B-36

Major Commonwealth Expenditures (Unaudited Budgetary Basis) .....	B-36
OUTSTANDING INDEBTEDNESS OF THE COMMONWEALTH .....	B-40
General .....	B-40
General Obligation Debt Outstanding .....	B-43
Nature of Commonwealth Debt .....	B-44
Projected Issuance of Long-Term Debt .....	B-46
OTHER STATE-RELATED OBLIGATIONS .....	B-46
Pennsylvania Housing Finance Agency .....	B-46
Lease Financing .....	B-47
Lease for Pittsburgh Penguins Arena .....	B-48
Pennsylvania Convention Center .....	B-48
Commonwealth Financing Authority .....	B-49
Bridge Projects .....	B-50
PA Sites .....	B-51
PENSIONS AND RETIREMENT .....	B-51
General Information .....	B-51
Investment Return Reporting vs. Financial Statement Reporting .....	B-54
City of Philadelphia – Pennsylvania Intergovernmental Cooperation Authority .....	B-60
LITIGATION .....	B-61

## Tables and Charts

Filled Salaried Positions and Employees Under Governor’s Jurisdiction(a) 2020–2024 (Table 4).....	B-2
Government-Wide Condensed Statement of Net Position As of June 30, 2025 and 2024 – GAAP Basis Unaudited (In Millions) (Table 5).....	B-13
Reconciliation of the Balance Sheet Governmental Funds (Fund Perspective) to the Statement of Net Position - Governmental Activities June 30, 2025 (In Thousands) (Table 6).....	B-15
Results of Operations – General Fund GAAP Basis – Unaudited (In Thousands) (Table 7).....	B-17
Sources, Uses and Changes in Unappropriated Balance General Fund and Other Funding Sources -- Unaudited Budgetary Basis Commonwealth Revenues Only (In Thousands) (Table 8).....	B-21
Results of Operations – Motor License Fund GAAP Basis – Unaudited (In Thousands) (Table 9).....	B-23
Results of Operations – State Lottery Fund GAAP Basis – Unaudited (In Thousands) (Table 10).....	B-26
General Fund, Motor License Fund and State Lottery Fund – Unaudited (a) Fiscal Year 2021 – Fiscal Year 2025 (In Millions) (Table 11).....	B-29
Commonwealth Revenues – Official Estimate vs. Actual(a) General Fund and Motor License Fund – Unaudited Fiscal Year 2021 – Fiscal Year 2025 (In Millions) (Table 12).....	B-30
Fall Enrollment in Pennsylvania Public and Non-Public Elementary Schools and Secondary Schools School Years 2021-2025 (In Thousands) (Table 13).....	B-37
Full-Time Equivalent Enrollment at State-Supported Institutions of Higher Education School Years 2021-2025 (In Thousands) (Table 14).....	B-38
General Obligation Debt Outstanding <sup>(a)</sup> Fiscal Years 2016-2025 (In Millions) (Table 15).....	B-41
Selected Debt Ratios Fiscal Years 2015 and 2021 through 2025 (In Millions) (Table 16).....	B-42
General Obligation Debt Outstanding as of June 30, 2025 (In Thousands) (Table 17).....	B-43
General Obligation Bond Debt Service (In Thousands) (Table 18).....	B-44
General Obligation Bond Issuance and Principal Retirements Fiscal Years 2026-2030 <sup>(a)</sup> (In Millions) (Table 19).....	B-46
Obligations Secured by Commonwealth Annual Appropriations as of December 31, 2025 (In Thousands) (Table 20).....	B-47
Public School Employees’ Retirement Fund 2021-2025 (In Millions) (Table 21).....	B-54
State Employees’ Retirement Fund (In Millions) (Table 22).....	B-54
Unfunded Actuarial Accrued Liability 2020-2024 (In Millions) (Table 23).....	B-55
Comparison of Employer Contributions to Actuarially Determined Contribution (“ADC”)/Annual Required Contribution (In Thousands) (Table 24).....	B-57

## COMMONWEALTH GOVERNMENT

The Commonwealth of Pennsylvania (the “Commonwealth” or the “State” or “Pennsylvania”) is organized into three separate branches of government — executive, legislative and judicial — as defined in the State Constitution. Five officials of the Commonwealth’s executive branch are elected in Statewide elections for four-year terms expiring on the dates shown below.

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Josh Shapiro	Governor	January 17, 2027
Austin Davis	Lieutenant Governor	January 17, 2027
David W. Sunday, Jr.	Attorney General	January 21, 2029
Stacy Garrity	State Treasurer	January 21, 2029
Timothy L. DeFoor	Auditor General	January 21, 2029

### Commonwealth Employees

Employees are permitted to organize and bargain collectively. As of June 30, 2024, 78.3 percent of full-time salaried employees, under the Governor’s jurisdiction, were covered by collective bargaining agreements or memoranda of understanding, with approximately 35.6 percent of State employees represented by the American Federation of State, County and Municipal Employees (AFSCME). In September 2023, the Commonwealth signed a new agreement with AFSCME for a four-year pact effective July 1, 2023 through June 30, 2027. As AFSCME is the union representing the most employees, they generally set the economic pattern that other union contracts follow. The contract agreed upon with AFSCME provides a general pay increase in each contract year, which totals 11.25 percent, as well as a service increment each contract year. This results in a maximum total of 20.25 percent over the contract term. The Commonwealth has reached agreements with all the unions who had expiring contracts in 2023. These agreements follow the AFSCME economic pattern. Collectively, these unions represent approximately 42.7 percent of the workforce

Interest arbitration awards typically dictate the employee salary increases and employee/employer health care contributions to be provided to, or on behalf of, employees covered by six public safety unions who possess the statutory right under Act 111 (1968) or Act 195 (1970) to have a neutral arbitrator decide the terms of a contract when parties reach impasse. Most of these public safety unions had contracts that expired on June 30, 2024, except for the Fraternal Order of Police (FOP) Lodge 85, who represent the Capitol Police Agreement has been reached with the Pennsylvania State Corrections Officers Association representing corrections officers and forensic security employees. Their agreement follows the AFSCME economic pattern with an additional one percent general pay increase in the final year of the contract. Agreements have also been reached with the FOP Lodge #114, representing the Pennsylvania Game Commission’s Wildlife Conservation Officers and the Fish & Boat Commission’s Waterways Conservation Officers. Their agreements follow the AFSCME economic pattern. The FOP Lodge 85 received an interest arbitration award granting them the economic pattern with an additional 0.75 percent distributed equally across the last three years of their contract. The Pennsylvania State Troopers Association received an interest arbitration award granting them 0.25 percent less than the AFSCME economic pattern. The Pennsylvania State Rangers Association received an interest arbitration award generally following the economic pattern with an additional 0.75 percent.

Tables 1 through 3 used in connection the Commonwealth’s issuance of general obligation debt are not included in this APPENDIX B. The tables have not been renumbered herein to allow for consistency in reporting annual data and financial information. Tables 1 through 3 can be found in the front part of this Official Statement to which this APPENDIX B is appended.

Table 4 presents a summary of filled salaried positions and employees under the Governor's jurisdiction for 2020 through 2024.

**Filled Salaried Positions and Employees  
Under Governor's Jurisdiction(a)  
2020–2024  
(Table 4)**

<b>As of July 1</b>	<b>Total Full and Part Time Filled Salaried Positions</b>	<b>Total Full Time Salaried Positions</b>	<b>Union Positions</b>	<b>Union Positions As a % of Total Filled Salaried Positions</b>
2020	72,420	72,209	58,220	80.6
2021	71,801	71,606	57,553	80.4
2022	70,687	70,541	56,171	79.6
2023	71,181	71,057	56,112	79.0
2024	72,912	72,790	57,028	78.3

Source: Office of Administration, 2025 State Government Workforce Statistics.

(a)Excludes employees of the legislative and judicial branches, the Department of the Auditor General, the Treasury Department, the State System of Higher Education and independent agencies, boards and commissions.

## COMMONWEALTH GOVERNMENT AND FISCAL ADMINISTRATION

A general organization chart of the three separate branches of Commonwealth government is included at the end of this section.

### Legislative Branch

The legislative branch consists of the General Assembly and its staff. The General Assembly is bicameral, being comprised of the Senate and the House of Representatives. The 50 members of the Senate serve staggered four-year terms and the 203 Representatives serve identical two-year terms. The General Assembly begins its two-year sessions on the first Tuesday of January following general elections. Special sessions may be called by the Governor on petition from the majority of members in each chamber or whenever the Governor determines that public interest so requires. Legislative leadership includes majority and minority leaders in each chamber, a President Pro Tempore of the Senate and a Speaker of the House of Representatives.

### Executive Branch

The Executive Branch is headed by five elected officials and encompasses 17 departments and 36 independent commissions, boards, authorities and agencies.

The five elected officials are the Governor, the Lieutenant Governor, the Attorney General, the State Treasurer and the Auditor General. The Governor and the Lieutenant Governor are elected on the same ballot and serve a four-year term. The Governor is eligible to succeed himself or herself for one term. The Auditor General, the Attorney General and the State Treasurer are elected for four-year terms in an even-year election held between gubernatorial elections.

The Governor is the chief executive officer of the Commonwealth. All departments except those of the State Treasurer, the Attorney General and the Auditor General are under the direct jurisdiction of the Governor. The head of each of the remaining departments is a Secretary, many of whom must be appointed

by the Governor and confirmed by a majority vote of the Senate. Each Secretary serves at the Governor's pleasure and is a member of the Governor's Cabinet.

The Lieutenant Governor presides over the Senate and serves as Acting Governor during the disability of the Governor and becomes Governor in the case of death, conviction or impeachment, failure to qualify or resignation of the Governor.

The Attorney General is the chief law enforcement officer of the Commonwealth and is responsible for upholding and defending the constitutionality of Pennsylvania statutes. He is also responsible for reviewing the form and legality of all proposed rules and regulations, deeds, leases and contracts to be executed by Commonwealth agencies. The Office of Attorney General is under the Attorney General's direct jurisdiction.

The State Treasurer is charged with receiving, depositing and investing all Commonwealth funds and is responsible for the pre-audit approval of all requisitions for the disbursements of monies in the State Treasury. The Treasury Department is under the State Treasurer's direct jurisdiction.

The Auditor General is charged with making audits of completed financial transactions. The Department of the Auditor General is under the Auditor General's direct jurisdiction.

Activities of State government are also conducted by various independent commissions, boards, authorities and agencies created by statute and not under the direct jurisdiction of the executive or legislative branches.

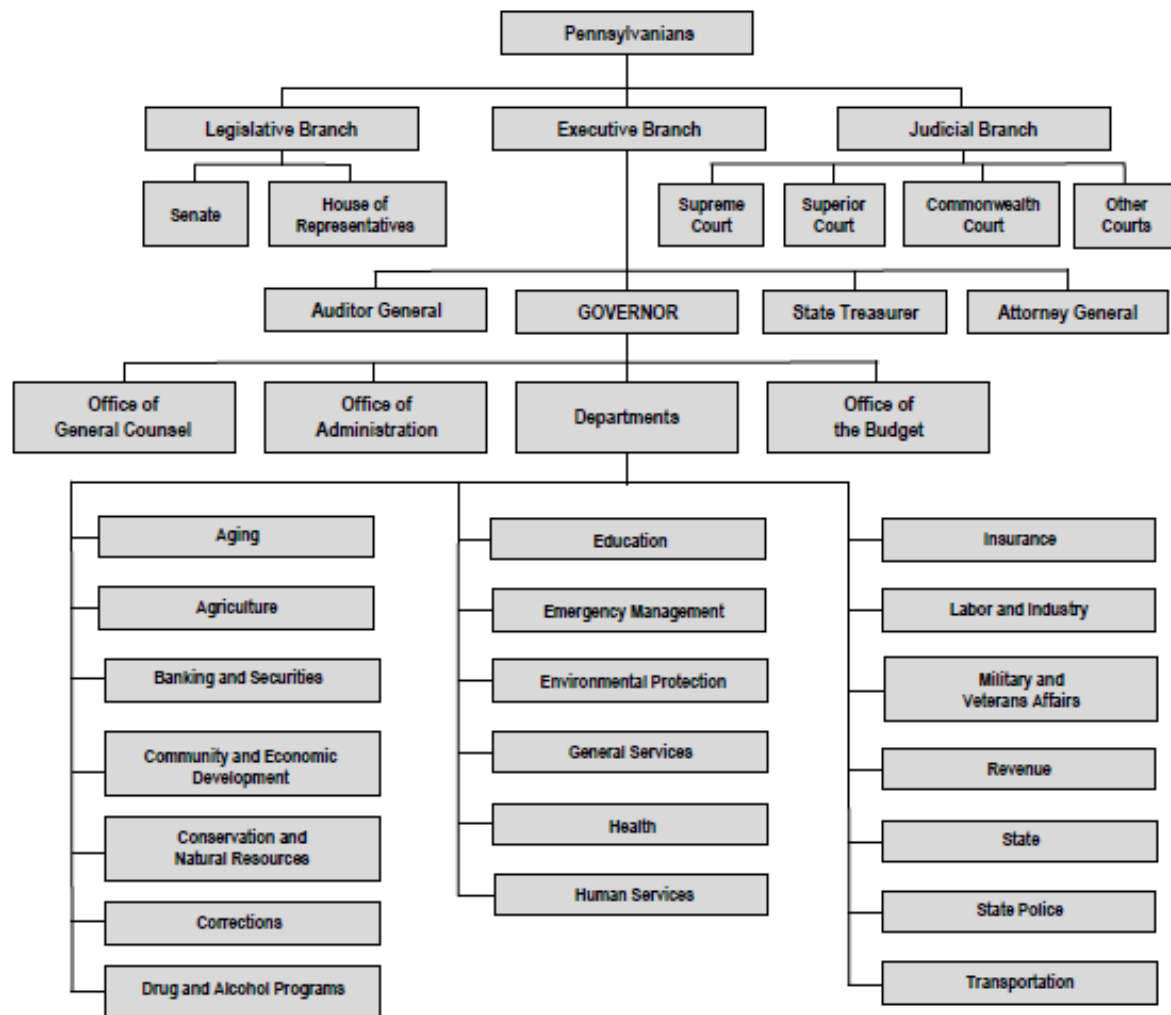
### **Judicial Branch**

The judicial power of the Commonwealth is vested in a unified judicial system consisting of a Supreme Court and various other courts of original and appellate jurisdiction which are under the supervision and authority of the Supreme Court. All justices, judges, and district justices are elected to office.

[Remainder of page intentionally left blank]

# Commonwealth of Pennsylvania

## Organization Chart



### AGENCIES

Higher Education Assistance  
Interstate Agencies

### AUTHORITIES

Automobile Theft Prevention  
Commonwealth Financing  
Economic Development Financing  
Energy Development  
Health Insurance Exchange  
Higher Education Facilities  
Industrial Development  
Infrastructure Investment  
Insurance Fraud Prevention  
Minority Business Development  
Patient Safety  
Public School Building  
Rural Health Redesign Center

### BOARDS

Claims  
Environmental Hearing  
Finance and Revenue  
Gaming Control  
Liquor Control  
Milk  
Municipal Retirement  
Pardonis  
Parole  
Public School Employees' Retirement  
State Employees' Retirement  
Tax Equalization

### COMMISSIONS

Civil Service  
Crime and Delinquency  
Ethics  
Fish and Boat  
Game  
Harness Racing  
Historical and Museum  
Horse Racing  
Human Relations  
Juvenile Court Judges  
Public Utility  
Tumpline

[Remainder of page intentionally left blank]



## **Fiscal Organization**

Each branch of the Commonwealth's government is responsible for its respective fiscal operations subject to restrictions embodied in the Pennsylvania Constitution ("Constitution"), the Administrative Code and the Fiscal Code. Such restrictions are enforced, and other central administrative functions are provided by five departments: the Office of the Budget ("OB"), the Office of Administration ("OA"), the Treasury Department, the Department of Revenue and the Department of the Auditor General. OB and OA are administrative offices within the Governor's offices. The Secretary of the Budget and the Secretary of Administration are appointed by the Governor and are responsible for the operations of their respective offices. The Department of Revenue is led by the Secretary of Revenue, who is appointed by the Governor subject to the advice and consent of the Senate. The Treasury Department and the Department of the Auditor General are headed by the respective elected officials.

OB monitors the operation of the Commonwealth's departments, operates a central accounting system, compiles and publishes the Commonwealth's financial reports, assists in the preparation and publication of the budget, coordinates capital improvements and is responsible for the issuance of Commonwealth general obligation debt. OA is responsible for personnel policy and programs, management policy and organizational structure, data processing service, and electronic data processing policy and planning. The Treasury Department receives, invests, and disburses all funds and maintains central cash records. The Department of Revenue administers the collection of most taxes. The Department of the Auditor General oversees the examination of most financial transactions.

Commissions, authorities and agencies that are both independent by statute and financially self-supporting, operate autonomously although their capital projects and financing are reviewed by OB and included in the capital budget.

## **Accounting and Budgetary Controls**

Every department of the executive branch that receives appropriations from the Commonwealth, with the exception of the Treasury Department and the Departments of the Auditor General and the Attorney General, shares a centralized encumbrance-based accounting system supervised by OB. Executive departments operating separate additional accounting systems include the Department of Transportation for the Motor License Fund, the Liquor Control Board for the State Stores Fund and the Department of Labor and Industry for the payment of unemployment compensation benefits. Officials within the Treasury Department, the Departments of the Auditor General, the Attorney General and the judicial and legislative branches administer individual operations under the jurisdiction of their respective areas.

Expenditure control occurs at two levels. The first is by appropriations, which is enforced by the State Treasurer and the second is by allocations and allotments, which is enforced by OB for all departments receiving appropriations, except for the legislative branch.

Departments receive authorization to spend and commit funds in the form of appropriations for a specific amount, purpose, and time period. Funds appropriated to a single department may be in one or more appropriations as the General Assembly determines. When multiple appropriations to a department are enacted, separate appropriations are made for general operating expenses, special outlays and for specific programs or groupings thereof. The degree to which a department's total appropriations are itemized may vary, but control is exercised over both total and individual appropriations.

The Constitution requires that with the exceptions named, monies may be paid from the Treasury only if appropriated by law. Accordingly, when a voucher is submitted to the State Treasurer, a check will not be issued unless the amount is within the balance of the agency's total appropriation.

Departments are prevented by the centralized comptroller from incurring obligations in excess of their unexpended individual appropriations by an encumbrance system. Encumbrance control prevents spending beyond remaining individual appropriation balances. When a commitment or obligation is incurred, for example, when a contract or purchase order is signed, the required portion of the corresponding appropriation is reserved. This reserving of funds is called the encumbrance procedure. All obligations anticipating future disbursement of cash in the fiscal year require an encumbrance, except for debt service payments. Since a debt service appropriation is used for no purpose other than debt service, an encumbrance is not necessary.

All individual appropriations are allocated by OB to departments by major object groups. For example, a department's appropriation for operating expenses may be broken down into such major object groups as personnel service, operating expenses and supplies, etc. Additionally, major object groups are subdivided into minor object groups. For example, personnel service would be broken down into salaries, benefits, overtime, etc. Department expenditures are monitored to ensure that expenditures within an allocation do not exceed the designated totals. The departments, however, are free to adjust their expenditures between minor object groups as long as they do not exceed the major object group allocation. OB can monitor department expenditures against their allocations on a continuing basis, as the records of departments under the Governor's jurisdiction can be accessed from the central system, while those of most other departments and branches are provided monthly.

In addition to the preceding controls, another check is provided by the financial reporting process. All department records are reconciled by OB on a monthly basis with the Treasury Department's records of cash transactions and with the Department of Revenue's records of cash collections.

## **The Budgetary Process**

The Commonwealth operates on a fiscal year beginning July 1 and ending June 30. For example, "fiscal year 2025" refers to the fiscal year ended on June 30, 2025. Fiscal year 2026 is the current fiscal year of the Commonwealth.

The budget process commences in September, nine months prior to the beginning of the fiscal year, as departments formulate their initial budgets in response to Program Policy Guidelines issued by the Governor. Departments hold preliminary hearings with OB and other members of the Governor's staff. By November 1, formal budget requests are submitted to OB by all government departments and other institutions requesting appropriations. OB, under the direction of the Secretary of Budget, reviews the requests through November and December and may hold formal hearings.

The Department of Revenue, in conjunction with OB, prepares revenue estimates. In the preparation of such estimates, internal analyses and information from selected departments and econometric analyses are utilized. The Commonwealth subscribes to economic forecasts prepared by the economic forecasting company Global Insight for national and Pennsylvania economic data that are used to estimate economically sensitive Commonwealth revenues. Other econometric forecasts are also consulted.

The Constitution requires that the Governor submit annually to the General Assembly a budget proposal consisting of three parts:

- (a) a balanced operating budget for the ensuing fiscal year setting forth proposed expenditures and estimated revenues from all sources and, if estimated revenues and available surplus are less than proposed expenditures, recommending specific additional sources of revenue enough to pay the deficiency;
- (b) a capital budget for the ensuing fiscal year setting forth in detail proposed expenditures to be financed from the proceeds of obligations of the Commonwealth or of its agencies or authorities or from operating funds; and

- (c) a financial plan for not less than the succeeding five fiscal years, which includes for each year (i) projected operating expenditures classified by department or agency and by program, and estimated revenues by major categories from existing and additional sources, and (ii) projected expenditures for capital projects specifically itemized by purpose and their proposed sources of financing.

All funds received by the Commonwealth are subject by statute to appropriation in specific amounts by the General Assembly or by executive authorizations by the Governor. The Governor's budget encompasses both annual appropriations and executive authorizations.

The Governor is required to submit the proposed budget as soon as possible after the organization of the General Assembly, but not later than the first full week in February, except in the Governor's first year of office, wherein the budget proposal is due in March. The Governor's submission begins with the Budget Message delivered in joint session. The budget, in the form of a proposed bill, is delivered to the appropriations committees of both of the chambers. Hearings are held on the General Appropriation Bill and the other bills collectively constituting the budget. In an iterative process, bills are reported from committee to floor and considered in and between chambers.

The operating budget is considered in the form of the General Appropriations Bill and its supplements. The Bill is limited to appropriations for debt service, public schools and the executive, legislative and judicial branches. Its supplements cover appropriations from special revenue funds not included in the General Appropriations Bill and for such subjects as capital projects funded from current revenues. The operating budget also includes single subject bills covering appropriations made to any charitable or educational institutions not under the absolute control of the Commonwealth, other than certain State-owned schools ("non-preferred appropriations").

The Constitution mandates that total operating budget appropriations made by the General Assembly may not exceed the sum of (a) the actual and estimated revenues in a given year, and (b) the surplus of the preceding year. The Constitution further specifies that a surplus of operating funds, at the end of the fiscal year, shall be appropriated. That is, if funds remain from the end of a fiscal year they must be appropriated for the ensuing year. If a deficit occurs at year-end, the budget must provide funds for such a deficit.

Pursuant to the Pennsylvania Administrative Code, the executive branch establishes the revenue estimates used in the budget. In practice, the revenue estimates used to balance the operating budget consist of the appropriate fund's available surplus and its estimated cash receipts for the fiscal year, as well as net accruals. Appropriation lapses estimated to occur during the year or at year-end are not included; lapsed funds are not available for re-appropriation until they lapse.

Under this budgetary process, a deficit can occur if revenues are less than those estimated in the budget and the shortfall is not offset by any unappropriated surplus or by appropriation lapses during or at the end of the year or by legislative action to increase revenues or reduce appropriation.

The Administrative Code was amended in 1978 to provide for stronger executive control of expenditures. All departments under the Governor's jurisdiction may be required to submit estimates of expenditures during the ensuing month, quarter or any other such period as requested by the Governor. These estimates are subject to the approval of the Secretary of the Budget. The Governor is empowered to request the State Treasurer to withhold funds from any such department not spending within such estimates. The Secretary of the Budget is empowered to set personnel levels for departments. Departments are required to provide monthly personnel data so that the Commonwealth's computerized data file on personnel levels can be maintained and used to monitor the Commonwealth's largest operating expense.

The proposed capital budget is considered in the form of the Capital Budget Bill and its supplements. The capital budget determines limits for the amount of debt that can be issued in that fiscal year for categories

of capital projects, itemizes for funding all capital projects not previously itemized, authorizes the issuance of debt to finance these projects and appropriates the proceeds from the issuance of debt.

All appropriations require the majority vote of all members in each chamber except for non-preferred appropriations, appropriations from the Budget Stabilization Reserve Fund and the Health Endowment Account portion of the Tobacco Settlement Fund, which require passage by a two-thirds vote. During the legislative process, the General Assembly may add, change or delete any items in the budget proposed by the Governor. Once the bills constituting the budget have passed both chambers and are returned to the Governor, the Governor may either veto bills or line item veto appropriations within bills. A gubernatorial veto can be overridden only by a two-thirds majority of all members of each chamber.

In the event that the General Assembly fails to pass, or the Governor fails to sign, a General Appropriation act prior to July 1 of any fiscal year, the Constitution, the laws of Pennsylvania and certain State and federal court decisions provide that the Commonwealth may continue during such un-budgeted fiscal year to make debt service payments, payments for mandated federal programs such as cash assistance, and payments related to the health and safety of the citizens of the Commonwealth, such as police and correctional institution services.

### **Audits**

The Constitution requires that the financial affairs of any entity receiving appropriations and all department boards, commissions, agencies, instrumentalities, authorities and institutions of the Commonwealth be subject to audits made in accordance with generally accepted auditing standards. Any Commonwealth officer whose approval is necessary for any transaction may not audit that transaction after its occurrence.

The Department of the Auditor General has the responsibility for auditing all State-related financial transactions except its own, those of the legislative and judicial branches, and boards and commissions on which the Auditor General serves and those of certain funds. At least one audit must be made annually of the fiscal affairs of the executive branch. Audits of the Commonwealth General Purpose Financial Statements, since fiscal 1985, have been performed jointly by the Department of the Auditor General and an independent public accounting firm.

The Treasury Department is required to pre-audit all requests for expenditures to ensure that they are in accordance with law. In addition, OB conducts, as a matter of administrative policy, periodic audits of departments under the Governor's jurisdiction and performance audits of State and federal programs.

## **COMMONWEALTH FINANCIAL STRUCTURE AND PROCEDURES**

The Constitution and the laws of the Commonwealth require all payments from the State Treasury except for refunds of taxes, licenses, fees and other charges to be made only by duly enacted appropriations. Amounts appropriated from a fund may not exceed the fund's actual and estimated revenues for the fiscal year, plus any unappropriated surplus available. Appropriations from the principal operating funds of the Commonwealth (the General Fund, the Motor License Fund and the State Lottery Fund) are generally made for one fiscal year and, if not spent or encumbered by the end of the fiscal year, are returned to the unappropriated surplus of the fund categorized as a lapse. The Commonwealth's fiscal year begins July 1 and ends June 30. For example, fiscal year 2025 refers to the fiscal year ended June 30, 2025.

### **Description of Funds**

The Commonwealth utilizes the fund method of accounting. For purposes of governmental accounting, a "fund" is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Each fund records the cash and/or other resources together with all related liabilities and equities that are segregated for the purpose of the fund. In the Commonwealth, funds are established by legislative

enactment or in certain limited cases by administrative action. Over 150 funds have been established and currently exist for the purpose of recording the receipt and disbursement of moneys received by the Commonwealth. Annual budgets are adopted each fiscal year for the principal operating funds of the Commonwealth and several other special revenue funds. Expenditures and encumbrances against these funds may be made only pursuant to appropriation measures enacted by the General Assembly and approved by the Governor.

The General Fund, the Commonwealth's largest operating fund, receives all tax revenues, non-tax revenues and federal grants and entitlements that are not specified by law to be deposited elsewhere. Most of the Commonwealth's operating and administrative expenses are payable from the General Fund. Debt service on all bond indebtedness of the Commonwealth, except that issued for highway purposes or for the benefit of other special revenue funds, is payable from the General Fund.

The Motor License Fund receives all tax and fee revenues relating to motor fuels and vehicles. All revenues relating to motor fuels and vehicles are required by the Constitution to be used only for highway purposes. Most federal aid revenues designated for transportation programs and tax revenues relating to aviation fuels are also deposited in the Motor License Fund. Operating and administrative costs for the Department of Transportation and other Commonwealth departments conducting transportation related programs, including the highway patrol activities of the Pennsylvania State Police, are also paid from the Motor License Fund. Debt service on certain bonds issued by the Commonwealth for highway purposes is payable from the Motor License Fund.

Other special revenue funds have been established by law to receive specified revenues that are appropriated to departments, boards and/or commissions for payment of their operating and administrative costs. Such funds include the Game, Fish, Boat, Banking Department, Milk Marketing, State Farm Products Show, Environmental Stewardship, State Racing and Tobacco Settlement Funds. Some of these special revenue funds are required to transfer excess revenues to the General Fund. Some receive funding, in addition to their specified revenues, through appropriations.

The Tobacco Settlement Fund is a special revenue fund established to receive tobacco litigation settlement payments paid to the Commonwealth. The Commonwealth is one of forty-six states that settled certain smoking-related litigation in a November 1998 master settlement agreement with participating tobacco product manufacturers (the "Tobacco MSA"). Under the Tobacco MSA, the Commonwealth is entitled to receive a portion of payments made pursuant to the Tobacco MSA by tobacco product manufacturers participating in the Tobacco MSA. Most revenues deposited to the Tobacco Settlement Fund are subject to annual appropriation by the General Assembly and approval by the Governor.

The Budget Stabilization Reserve Fund (colloquially known as the "Rainy Day Fund") is a special revenue fund designated to receive a statutorily determined portion of the budgetary basis fiscal year-end surplus of the General Fund. The Budget Stabilization Reserve Fund (previously designated the "Tax Stabilization Reserve Fund") is used for emergencies threatening the health, safety or welfare of citizens and is used during downturns in the economy that result in significant unanticipated revenue shortfalls not able to be addressed through the normal budget process. Assets of the Budget Stabilization Reserve Fund may be used upon recommendation by the Governor and an approving vote by two-thirds of the members of each chamber of the General Assembly. For purposes of reporting in accordance with generally accepted accounting principles (known as "GAAP"), the Budget Stabilization Reserve Fund has been reported as a fund balance reservation in the General Fund (governmental fund category) since fiscal year 1999. Prior to that fiscal year, the Tax Stabilization Reserve Fund was reported, on a GAAP basis, as a designation of the General Fund unreserved fund balance. See "Budget Stabilization Reserve Fund" below.

The Commonwealth maintains trust and agency funds that are used to administer funds received pursuant to a specific bequest or as an agent for other governmental units or individuals.

Enterprise funds are maintained for departments or programs operated like private enterprises. Two of the largest of such funds are the State Stores Fund and the State Lottery Fund. The State Stores Fund is used for the receipts and disbursements of the Commonwealth's liquor store system. Sale and distribution of all liquor within Pennsylvania is a government enterprise. The State Lottery Fund is also an enterprise fund for the receipt of all revenues from lottery ticket sales and lottery licenses and fees. Its revenues, after payment of prizes and all other costs, are dedicated to paying the costs of programs benefiting the elderly and handicapped in Pennsylvania.

In addition, the Commonwealth maintains funds classified as working capital, bond and sinking funds for other specified purposes.

## **Accounting Practices**

Financial information for the principal operating funds of the Commonwealth is maintained on a budgetary basis of accounting. The Commonwealth also prepares annual financial statements in accordance with GAAP. Annual financial statements prepared in accordance with GAAP are audited jointly by the Department of the Auditor General and an independent public accounting firm.

### ***Budgetary Basis***

A budgetary basis of accounting is used for ensuring compliance with the enacted operating budget and is governed by applicable statutes of the Commonwealth and by administrative procedures. The Constitution provides that operating budget appropriations shall not exceed the actual and estimated revenues and unappropriated surplus available in the fiscal year for which funds are appropriated. Annual budgets are enacted for the General Fund and certain special revenue funds that together represent most expenditures of the Commonwealth. The annual budget classifies fund revenues as Commonwealth revenues, augmentations, federal revenues or restricted receipts and revenues. Commonwealth revenues are revenues from taxes and from non-tax sources such as license and fee charges, penalties, interest, investment income and other miscellaneous sources. Augmentations consist of departmental and institutional billings that supplement an appropriation of Commonwealth revenues, thereby increasing authorized spending. For example, patient billings for services at Commonwealth-owned institutions are augmentations that supplement Commonwealth revenues appropriated to each institution for operating costs. Federal revenues are those federal aid receipts that pay for or reimburse the Commonwealth for funds disbursed for federally assisted programs. Restricted receipts and revenues are funds that are restricted to a specific use or uses by State law, administrative decision, or the provider of the funds. Only Commonwealth revenues and expenditures from these revenues are included in the computation made to determine whether an enacted budget is constitutionally balanced. Augmenting revenues and federal revenues are considered self-balancing with expenditures from their respective revenue sources.

The Commonwealth's budgetary basis financial reports for its governmental funds are based on a modified cash basis of accounting as opposed to the modified accrual basis prescribed by GAAP. Under the Commonwealth's budgetary basis of accounting, tax receipts, non-tax revenues, augmentations and all other receipts are recorded at the time cash is received. An adjustment is made at fiscal year-end to include accrued unrealized revenue, that is, revenues earned but not collected. Revenues accrued include estimated receipts from (i) sales and use, personal income, realty transfer, inheritance, cigarette, liquor, liquid fuel, fuels, and oil company franchise taxes, and interest earnings, and (ii) federal government commitments to the Commonwealth. Expenditures are recorded at the time payment requisitions and invoices are submitted to the Treasury Department for payment. Appropriated amounts are reserved for payment of contracts for the delivery of goods or services to the Commonwealth through an encumbrance process. Unencumbered appropriated funds are automatically lapsed at fiscal year-end and are available for re-appropriation. Estimated encumbrances are established at fiscal year-end to pay certain direct expenditures for salaries, wages, travel and utility costs payable against current year appropriations but disbursed in the subsequent fiscal year. Recording of the applicable expenditure liquidates the encumbered amount. Over-estimates of fiscal year-end

encumbrances are lapsed in the subsequent fiscal year and under-estimates are charged to a subsequent fiscal year appropriation. Appropriation encumbrances are shown on the Commonwealth's balance sheet as a reservation of fund balance.

Other reservations of fund balance include (i) the unexpended balance of continuing appropriations (that is, appropriations that do not lapse at fiscal year-end), and (ii) requested appropriation supplements and deficiency appropriations. Revenues dedicated for specific purposes and remaining unexpended at the fiscal year-end are likewise reserved.

### ***GAAP Financial Reporting***

At the end of each fiscal year, budgetary basis financial information (both revenues and expenditures) is adjusted to reflect appropriate accruals for financial reporting in conformity with GAAP. The Commonwealth is not required to prepare GAAP financial statements and does not prepare them on an interim basis. GAAP financial reporting for governmental funds requires a modified accrual basis of accounting, while proprietary and fiduciary funds are reported on the accrual basis of accounting.

Financial statements of the Commonwealth's government funds prepared under GAAP differ from those traditionally prepared on a budgetary basis for several reasons. Among other differences, the GAAP financial statements for government funds (i) generally recognize revenues when they become measurable and available rather than when cash is received, (ii) report expenditures when goods and services are received and a liability incurred rather than when cash is disbursed, (iii) include a combined balance sheet for the Commonwealth presented by GAAP fund type rather than by Commonwealth fund, and (iv) include activities of all funds in the reporting entity, including agencies and authorities usually considered as independent of the Commonwealth for budgetary purposes. Adjustments to budgetary basis revenues and expenditures required to conform to GAAP accounting generally require including (i) corporation, sales, and personal income tax accruals, (ii) tax refunds payable and tax credits, and (iii) expenditures incurred but not yet posted as expenditures or not covered by appropriations.

An independent public accounting firm and the Department of the Auditor General jointly audit the Commonwealth's annual GAAP basis financial statements. The audited Basic Financial Statements are a component of the Commonwealth's Annual Comprehensive Financial Report ("ACFR"). The ACFRs for recent fiscal years, including the fiscal year ended June 30, 2025, have been filed with the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system ("EMMA") and are available from EMMA (<http://www.emma.msrb.org>) and at the Publication & Reports – Annual Financial Report section of the Office of the Budget's website – (<https://www.pa.gov/agencies/budget.html>). The ACFRs for the years ended June 30, 2021 through 2025 are incorporated herein by reference. See also "COMMONWEALTH FINANCIAL PERFORMANCE – Financial Statements Introduction" below. **This means that (i) information from the ACFRs for the years ended June 30, 2021 through 2025 incorporated by reference herein is considered part of this Official Statement, (ii) such information should be reviewed by prospective purchasers of the Bonds as a part of their review of this Official Statement in its entirety, and (iii) other information at the website which is linked is not incorporated by reference as part of this Official Statement.**

### **Investment of Funds**

The Treasury Department is responsible for the deposit and investment of most funds belonging to the Commonwealth, including the proceeds of the Commonwealth's bonds and the funds held for the payment of interest on and maturing principal of the Commonwealth's bonds. The Commonwealth's Fiscal Code contains statutory limitations on the investment of funds by the Treasury Department. The Board of Finance and Revenue, a three-member board of State officials chaired by the State Treasurer, is authorized to establish the aggregate amount of funds that may be invested in some of the various categories of permitted investments.

The State Treasurer ultimately determines the asset allocation and selects the investments within the parameters of the law.

The Commonwealth's Fiscal Code permits investments in the following types of securities: (i) United States Treasury securities and United States Agency securities maturing within two years of issue; (ii) commercial paper issued by industrial, common carrier or finance companies rated "Prime One" or its equivalent; (iii) certificates of deposit of Pennsylvania-based commercial banks, savings banks or savings and loans; (iv) repurchase obligations secured by Federal obligations; (v) banker's acceptances written by domestic commercial banks with a Moody's Investors Service "AA" rating or the equivalent rating by Standard & Poor's Financial Services or Fitch's Rating Service; and (vi) other non-equity investments not to exceed ten percent of assets subject to a "prudent investor" test. The Treasury Department maintains additional investment restrictions contained in its Investment Policy Guidelines. A summary of the Investment Policy Guidelines and a report on investment activity and performance of funds invested by the Treasury Department are contained in a report periodically prepared and publicly distributed by the Treasury Department.

The State Treasurer has been legislatively authorized to invest Commonwealth moneys in securities under the "prudent investor" standard since June 1999. The common investment pool operated by the State Treasurer for the investment of operating funds of the Commonwealth maintains a portion of its investments in securities subject to this test. Act 54 of 2024 extends this authority to December 31, 2034.

### **Budget Stabilization Reserve Fund**

Balances in the Budget Stabilization Reserve Fund are to be used only when emergencies involving the health, safety or welfare of the residents of the Commonwealth or downturns in the economy resulting in significant unanticipated revenue shortfalls cannot be dealt with through the normal budget process. Funds in the Budget Stabilization Reserve Fund may be appropriated only upon the recommendation of the Governor and the approval of a separate appropriation bill by a vote of two-thirds of the members of both chambers of the General Assembly. Any funds appropriated from the Budget Stabilization Reserve Fund that are not spent are returned to the Budget Stabilization Reserve Fund. As of June 30, 2025, the Budget Stabilization Reserve Fund had a balance of approximately \$7,403.8 million. No funds were transferred to the Budget Stabilization Reserve Fund from the fiscal year 2025 General Fund surplus per the Fiscal Code (Act 45 of 2025). As of November 30, 2025, the amount on deposit in the Budget Stabilization Reserve Fund, which includes earnings on the amounts on deposit therein, is \$7,547.2 million.

## **COMMONWEALTH FINANCIAL PERFORMANCE**

### **Fiscal Year 2026 Budget**

The Pennsylvania legislature approved, and the Governor signed, a budget for fiscal year 2026 on November 12, 2025. The enacted budget appropriates \$51,474.4 million from the Commonwealth's General Fund (hereinafter the "General Fund" as described below). The budget includes increases in basic education funding and preserves funding for core state government functions and services. The fiscal year 2026 budget can be viewed at the Governor's Budget Office website at: <https://www.pa.gov/agencies/budget.html>.

### **Financial Statements Introduction**

The most recent Commonwealth audited financial statements are available in the ACFR of the Commonwealth for the fiscal year ended June 30, 2025, which was issued on December 19, 2025. The ACFRs beginning with fiscal year 2021 through fiscal year 2025 issued by the Commonwealth are available from the Publication & Reports – Annual Financial Report section of the Office of the Budget's website at <https://www.pa.gov/agencies/budget.html>, which ACFRs are incorporated herein by reference as discussed above under "COMMONWEALTH FINANCIAL STRUCTURES AND PROCEDURES — GAAP Financial Reporting."



## *Government-Wide Financial Data (GAAP Basis)*

Government-wide financial statements report financial position and results of activity for the Commonwealth as a whole. Government-wide statements do not report information on a fund-by-fund basis; rather, they reveal information for all governmental activities and all business-type activities in separate columns. In government-wide statements, for both governmental and business-type activities, the economic resources measurement focus, and accrual basis of accounting are used, with revenues and expenses recognized when they occur, rather than when cash is received or paid. This treatment results in including in assets an estimate of the total amount of receivables due at fiscal year-end that are expected to be collected in the future. Capital assets are reported with acquisition or construction costs being reported when the assets are placed in service less accumulated depreciation. Reported liabilities include all liabilities, regardless of when payment is due, including bond principal, employee disability claims liability, and employee compensated absence liabilities.

Table 5 presents condensed comparative financial information derived from the Commonwealth's government-wide June 30 Statements of Net Position for the fiscal years indicated.

**Government-Wide Condensed Statement of Net Position**  
**As of June 30, 2025 and 2024 – GAAP Basis Unaudited**  
**(In Millions)**  
**(Table 5)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>Assets:</b>						
Cash and investments.....	\$35,438	\$36,901	\$9,585	\$8,813	\$45,023	\$45,714
Capital assets (net).....	47,864	46,049	1,323	1,244	49,187	47,293
All other assets.....	13,206	13,712	2,017	2,081	15,223	15,793
<b>Total assets.....</b>	<b>\$96,508</b>	<b>\$96,662</b>	<b>\$12,925</b>	<b>\$12,138</b>	<b>\$109,433</b>	<b>\$108,800</b>
<b>Total deferred outflows.....</b>	<b>\$6,687</b>	<b>\$8,429</b>	<b>\$357</b>	<b>\$295</b>	<b>\$7,044</b>	<b>\$8,724</b>
<b>Liabilities:</b>						
Accounts payable.....	\$8,724	\$7,334	\$1,068	\$1,094	\$9,792	\$8,428
All other current liabilities.....	7,093	8,948	1,436	1,606	8,529	10,554
Bonds payable, non-current.....	10,584	10,224	3,852	4,011	14,436	14,235
All other long-term liabilities...	36,088	37,076	4,042	4,015	40,130	41,091
<b>Total liabilities.....</b>	<b>\$62,489</b>	<b>\$63,582</b>	<b>\$10,398</b>	<b>\$10,726</b>	<b>\$72,887</b>	<b>\$74,308</b>
<b>Total deferred inflows.....</b>	<b>\$7,430</b>	<b>\$8,163</b>	<b>\$415</b>	<b>\$446</b>	<b>\$7,845</b>	<b>\$8,609</b>
<b>Net position:</b>						
Net invested in capital assets....	\$40,565	\$38,957	\$1,068	\$989	\$41,633	\$39,946
Restricted.....	7,861	7,040	3,984	3,398	11,845	10,438
Unrestricted.....	(15,150)	(12,651)	(2,583)	(3,126)	(17,733)	(15,777)
<b>Total net position.....</b>	<b>\$33,276</b>	<b>\$33,346</b>	<b>\$2,469</b>	<b>\$1,261</b>	<b>\$35,745</b>	<b>\$34,607</b>

Source: Office of the Budget, from the Annual Comprehensive Financial Report, fiscal year ended June 30, 2024 and 2025 (GAAP Basis Unaudited).

Net position is one way of monitoring the health of the Commonwealth's finances. Total net position is the difference between total assets and total deferred outflows of resources less total liabilities and total deferred inflows of resources as reported on the statement of net position. Total net position is reported in three distinct components: net investment in capital assets; restricted net position; and unrestricted net position.

Net investment in capital assets represents total capital assets less accumulated depreciation and the outstanding liability (excluding unspent proceeds) for debt specifically related to the construction and acquisition of the capital assets. As of June 30, 2025, governmental and business-type activities, respectively, reported net investment in capital assets of \$40,565 million and \$1,068 million.

Restricted net position is reported based on constraints imposed by either: 1) creditors, grantors, contributors, or laws or regulations of the Federal or other governments; or 2) Commonwealth enabling legislation. As of June 30, 2025, governmental and business-type activities, respectively, reported \$7,861 million and \$3,984 million of restricted net position.

Unrestricted net position represents total net position less the amounts of net investment in capital assets and restricted net position. As of June 30, 2025, governmental and business-type activities, respectively, reported unrestricted net position deficits of \$15,150 million and \$2,583 million.

### ***Financial Data for Governmental Fund Types (GAAP Basis)***

Governmental fund financial statements provide fund-specific information about the General Fund, the Motor License Fund, and for other Commonwealth funds categorized as Governmental funds and reported as such in the Basic Financial Statements of prior fiscal years. Where government-wide financial statements cover the entirety of the Commonwealth, fund financial statements provide a more detailed view of the major individual funds established by the Commonwealth. Fund financial statements further differ from government-wide statements in the use by the latter of the current financial resources' measurement focus and the modified accrual basis of accounting.

The governmental funds balance sheet reports total fund balances for all governmental funds. Assets of the Commonwealth's governmental funds (the General Fund and the Motor License Fund are major governmental funds), as of June 30, 2025, were \$49,193.5 million. Liabilities for the same date totaled \$14,784 million and deferred inflows of resources totaled \$4,559.1 million, resulting in a fund balance of \$29,850.4 million, a decrease of \$1,599.0 million from the fund balance at June 30, 2024. On a fund specific basis, in comparison to fiscal year 2024, the ending fund balance for the General Fund decreased by \$2.952 million, the fund balance for the Motor License Fund increased by \$238.0 million and the fund balance for aggregated non-major funds increased by \$1,114.8 million. See "General Fund – Fiscal Year 2025 Financial Results" and "Motor License Fund – Fiscal Year 2025 Financial Results" herein.

The relationship between the Commonwealth's GAAP fund balance (fund perspective) for governmental funds and the Commonwealth's governmental net assets (government-wide perspective) under the presentation of financial information is depicted in Table 6 on the following page.

[Remainder of page intentionally left blank]

**Reconciliation of the Balance Sheet  
Governmental Funds (Fund Perspective) to  
the Statement of Net Position - Governmental Activities June 30, 2025  
(In Thousands)  
(Table 6)**

<b>Fund Balances - Governmental Funds</b>	
General Fund .....	\$15,960.9
Motor License Fund .....	2,970.8
Nonmajor Funds .....	<u>10,918.8</u>
<b>Total Fund Balance - Governmental Funds.....</b>	<b><u>\$29,850.4</u></b>
Plus: Capital Assets, including infrastructure .....	\$93,678 .3
Less: Accumulated depreciation .....	(46,117.3)
Plus: Deferred revenue .....	4,556.3
Less: Deferred outflows of resources .....	(21.3)
Plus: Other miscellaneous adjustments.....	(0.0)
Plus: Net assets of internal service funds .....	16.4
Plus: Inventories .....	140.2
Less: Net pension liabilities.....	(13,958.6)
Less: Other postemployment benefit liabilities.....	(17,141.2)
Less: Other asset retirement obligations .....	237.9
Less: Long-term liabilities .....	<u>(17,965.8)</u>
<b>Total Net Position - Governmental Activities.....</b>	<b><u>\$29,853.8</u></b>

Source: Office of the Budget, from the Annual Comprehensive Financial Report for fiscal year ended June 30, 2025.

More detailed information with respect to the General Fund and the Motor License Fund, major operating funds that are categorized as governmental funds, is presented in Table 7 (General Fund) and in Table 9 (Motor License Fund).

The financial tables and the textual discussions that follow containing GAAP basis financial data are unaudited but are derived from the Commonwealth's audited ACFRs for fiscal years 2021 through 2025. The discussion of financial performance on a budgetary basis for prior fiscal years is based on an analysis of budgeted and unaudited numbers and not on numbers prepared in accordance with GAAP. Likewise, the discussion of the fiscal year 2026 enacted budget reflects a budgetary basis analysis rather than a GAAP basis analysis.

Recent financial results for the Commonwealth's major operating funds, the General Fund, the Motor License Fund and the State Lottery Fund and other relevant financial information are described in detail in the narrative below.

### **General Fund**

The General Fund is the Commonwealth's largest operating fund. All tax revenue, non-tax revenue and federal grants and entitlements not specified by law to be deposited elsewhere are deposited into the General Fund. The General Assembly makes appropriations of specific amounts from tax revenue and certain non-tax revenue of the General Fund.

### ***Financial Results for Fiscal Years 2021-2025***

*GAAP Basis.* During the five-year period from fiscal year 2021 through fiscal year 2025, total revenues and other sources increased by an average annual rate of 3.5 percent. Tax revenues during this same period increased by an annual average rate of 4.0 percent. Expenditures and other uses during fiscal years 2021 through 2025 rose at an average annual rate of 5.5 percent. Expenditures for the protection of persons and property during this period increased at an average annual rate of 8.8 percent; public education expenditures during this period increased at an average annual rate of 5.4 percent; health and human services expenditures increased at an average annual rate of 5.5 percent; and capital outlays increased at an average annual rate of 28.8 percent. Commonwealth expenditures for direction and support services (State employees and government administration) decreased at an average annual rate of 3.4 percent during fiscal years 2021 through 2025.

The fund balance at June 30, 2025 of the General Fund was \$15,960 million, a \$2,952 million decrease from the June 30, 2024 fund balance. Total revenues and other sources decreased by \$1,725 million and tax revenues decreased \$991 million.

Table 7 on the following page presents a summary of revenues, expenditures and fund balance (GAAP basis) for the General Fund for fiscal years 2021 through 2025 taken from the ACFRs for fiscal years ended June 30, 2021 through June 30, 2025.

[Remainder of page intentionally left blank]

**Results of Operations – General Fund GAAP Basis – Unaudited**  
**(In Thousands)**  
**(Table 7)**

	<b>Fiscal Year Ending June 30</b>				
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Fund Balance — Beginning of Period .....</b>	(\$1,525,203)	\$3,073,026	\$13,371,235	\$18,174,364	\$18,912,675
Restatements.....	(243)	0	0	0	0
<b>Fund Balance —</b>					
<b>Beginning of Period, as Restated.....</b>	<b>(\$1,525,446)</b>	<b>\$3,073,026</b>	<b>\$13,371,235</b>	<b>\$18,174,364</b>	<b>\$18,912,675</b>
<b>Revenues:</b>					
Taxes .....	\$37,181,965	\$42,501,943	\$42,968,507	\$42,179,317	\$43,170,272
Licenses and fees .....	702,093	700,574	684,754	760,083	708,274
Intergovernmental.....	39,636,245	50,428,297	46,171,351	42,315,745	42,122,117
Charges for sales and services .....	3,957,922	4,137,369	4,250,671	4,388,038	4,814,096
Other revenues .....	347,300	442,778	1,155,759	1,649,844	1,600,058
<b>Other Financing Sources:</b>					
Operating transfers in.....	961,805	438,104	505,688	519,213	535,836
Premium on debt issuance .....	7,627	0	0	0	0
Other financing agreements .....	75,195	0	0	0	500,000
Bonds issued and bond premiums.....	0	0	0	0	0
Other additions .....	114,152	263,973	155,054	158,574	244,929
<b>TOTAL REVENUES AND OTHER SOURCES.....</b>	<b>\$82,984,304</b>	<b>\$98,913,038</b>	<b>\$95,891,784</b>	<b>\$91,970,814</b>	<b>\$93,695,582</b>
<b>Expenditures:</b>					
Direction and supportive services .....	\$1,296,900	\$1,317,608	\$1,221,402	\$1,104,612	\$1,123,698
Protection of persons and property .....	5,365,030	5,567,082	6,223,912	6,572,875	7,486,600
Health and human services .....	51,172,007	57,923,444	58,431,165	56,647,920	62,897,654
Public education.....	17,398,728	20,434,292	21,393,851	23,293,580	21,089,370
Recreation and cultural enrichment.....	341,335	353,066	414,876	462,896	454,339
Economic development.....	561,813	788,580	1,290,744	835,469	1,074,518
Transportation .....	86,243	85,971	92,568	61,071	60,301
Capital outlay.....	234,753	464,451	332,613	399,285	502,318
Debt service.....	68,074	68,688	71,956	69,187	69,457
<b>Other Uses:</b>					
Operating transfers out.....	\$1,860,949	\$1,611,647	\$1,615,568	\$1,785,608	\$1,889,072
<b>TOTAL EXPENDITURES AND OTHER USES .....</b>	<b>\$78,385,832</b>	<b>\$88,614,829</b>	<b>\$91,088,655</b>	<b>\$91,232,503</b>	<b>\$96,647,327</b>
<b>REVENUES AND OTHER SOURCES OVER</b>					
<b>(UNDER) EXPENDITURE AND OTHER USES.....</b>	<b>\$4,598,472</b>	<b>\$10,298,209</b>	<b>\$4,803,129</b>	<b>\$738,311</b>	<b>(\$2,951,745)</b>
<b>Fund Balance — End of Period .....</b>	<b>\$3,073,026</b>	<b>\$13,371,235</b>	<b>\$18,174,364</b>	<b>\$18,912,675</b>	<b>\$15,960,930</b>
<b>Components of Fund Balance</b>					
Nonspendable.....	\$103,772	\$80,856	\$60,496	\$53,446	\$26,252
Restricted.....	206,572	279,639	114,626	119,530	146,239
Committed.....	3,379,346	5,743,068	8,265,049	9,814,275	11,472,830
Assigned .....	0	23,458	0	0	0
Unassigned deficit.....	(\$616,664)	7,244,214	9,734,193	8,925,424	4,315,609
<b>TOTAL FUND BALANCE.....</b>	<b>\$3,073,026</b>	<b>\$13,371,235</b>	<b>\$18,174,364</b>	<b>\$18,912,675</b>	<b>\$15,960,930</b>

Source: Office of the Budget, compiled from the Commonwealth's audited Annual Comprehensive Financial Reports for fiscal years ended June 30, 2021 through 2025 (GAAP), but Table 7 is unaudited.

[Remainder of page intentionally left blank]

## ***Fiscal Year 2021 Financial Results***

*GAAP Basis.* At June 30, 2021, the General Fund reported a fund balance of \$3,073 million, an increase of \$4,598.5 million from the \$1,525.4 million negative fund balance, as restated at June 30, 2020.

*Budgetary Basis.* General Fund revenues of the Commonwealth were above the certified estimate by \$3,437.3 million or 9.3 percent during fiscal year 2021. Final Commonwealth General Fund revenues for the above fiscal year totaled \$40,392.0 million. Total expenditures, net of appropriation lapses and including public health and human services assessments and expenditures from additional sources, were \$34,013.2 million in fiscal year 2021. After accounting for a negative fiscal year 2021 beginning balance of \$2,734.1 million, the Commonwealth ended fiscal year 2021 with a surplus of \$2,621.5 million which was transferred to the Budget Stabilization Reserve Fund.

General Fund revenues increased \$8,116.1 million or 25.1 percent during fiscal year 2021 when measured on a year-over-year basis as compared to fiscal year 2020. Tax revenue collections increased \$7,568.7 million or 23.9 percent on a year-over-year basis from fiscal year 2020 to fiscal year 2021 while non-tax revenue collections increased \$547.4 million or 82.3 percent from fiscal year 2020 to fiscal year 2021. Corporate tax receipts were \$1,494.5 million higher than fiscal year 2020 levels. The year-over-year increase in corporate taxes was 30.9 percent during fiscal year 2021 as corporate net income tax collections increased 56.5 percent and financial institutions tax increased 7.7 percent. Personal income taxes were \$3,448.4 million above fiscal year 2020 actual collection and the year-over-year increase in personal income tax receipts was 26.9 percent. Personal income tax collections attributable to withholding increased by 2.8 percent or \$295.2 million during fiscal year 2021 and tax collections from the non-withholding portion of the personal income tax increased 137.6 percent or \$3,153.2 million on a year-over-year basis. Sales and use taxes receipts were \$2,017.1 million more during fiscal year 2021 than during the prior fiscal year, an increase of 18.6 percent. Cigarette tax collections increased 4.3 percent during fiscal year 2021 and inheritance tax collections increased 24.3 percent. Realty transfer tax revenues increased by 28.6 percent during fiscal year 2021.

Commonwealth General Fund appropriations for fiscal year 2021 totaled \$34,013.2 million, a decrease of \$77.0 million or -0.2 percent from fiscal year 2020 levels. The Commonwealth transferred its fiscal year 2021 ending balance of \$2,621.5 million to the Budget Stabilization Reserve Fund.

## ***Fiscal Year 2022 Financial Results***

*GAAP Basis.* At June 30, 2022, the General Fund reported a fund balance of \$13,371.2 million, an increase of \$10,298.2 million from the \$3,073.0 fund balance at June 30, 2021, as revenues and other sources increased by \$15,929.7 million.

*Budgetary Basis.* General Fund revenues of the Commonwealth were above the certified estimate by \$5,598.0 million or 13.2 percent during fiscal year 2022. Final Commonwealth General Fund revenues for the fiscal year totaled \$48,134.2 million. Total expenditures, net of appropriation lapses and including public health and human services assessments and expenditures from additional sources, were \$39,351.3 million. After accounting for a fiscal year 2022 beginning balance of \$4.4 million, and a transfer to the Budget Stabilization Reserve Fund, the Commonwealth ended fiscal year 2022 with a surplus of \$5,537.4 million.

General Fund revenues increased \$7,742.2 million or 19.2 percent during fiscal year 2022 when measured on a year-over-year basis as compared to fiscal year 2021. Tax revenue collections increased \$4,309.0 million or 11.0 percent on a year-over-year basis from fiscal year 2021 to fiscal year 2022 while non-tax revenue collections increased \$3,433.2 million or 283.2 percent from fiscal year 2021 to fiscal year 2022, due primarily to the one-time transfer of federal American Rescue Plan Act funds to the General Fund as revenue replacement. The year-over-year increase in corporate taxes was 15.5 percent during fiscal year 2022. Corporate net income tax collections increased 20.2 percent or by \$895.4 million from 2021 levels. Personal

income taxes were \$1,842.3 million above fiscal year 2021 actual collections and the year-over-year increase in personal income tax receipts was 11.3 percent. Personal income tax collections attributable to withholding increased by 11.0 percent or \$1,188.3 million during fiscal year 2022. Sales and use taxes receipts were \$1,079.4 million more during fiscal year 2022 than during the prior fiscal year, an increase of 8.4 percent. Cigarette tax collections decreased 9.3 percent during fiscal year 2022 and inheritance tax collections increased 15.2 percent. Realty transfer tax revenues increased by 32.3 percent and gaming tax collections increased by 27.3 percent during fiscal year 2022.

Commonwealth General Fund appropriations for fiscal year 2022 totaled \$39,351.3 million, an increase of \$5,338.0 million or 15.6 percent from fiscal year 2021 levels. The Commonwealth transferred \$2,100.0 million of its fiscal year 2022 ending balance to the Budget Stabilization Reserve Fund.

### ***Fiscal Year 2023 Financial Results***

*GAAP Basis.* At June 30, 2023, the General Fund reported a fund balance of \$18,174.3 million, an increase of \$4,803.1 million from the \$13,371.2 million fund balance at June 30, 2022, as revenues and other sources decreased by \$3,021.3 million.

*Budgetary Basis:* General Fund revenues of the Commonwealth were above the certified estimate by \$1,337.5 million or 3.1 percent during fiscal year 2023. Final Commonwealth General Fund revenues for the fiscal year totaled \$44,917.1 million. Total expenditures, net of appropriation lapses and including public health and human services assessments and expenditures from additional sources were \$40,801.0 million. After accounting for a fiscal year 2023 beginning balance of \$5,546.4 million, and a transfer to the Budget Stabilization Reserve Fund, the Commonwealth ended fiscal year 2023 with a surplus of \$8,084.9 million.

General Fund revenues decreased \$3,217.1 million or 6.7 percent during fiscal year 2023 when measured on a year-over-year basis as compared to fiscal year 2022. Tax revenue collections increased \$287.8 million or 0.7 percent on a year-over-year basis from fiscal year 2022 to fiscal year 2023 while non-tax revenue collections decreased \$3,504.8 million or 75.4 percent from fiscal year 2022 to fiscal year 2023. The year-over-year increase in corporate taxes was 12.8 percent during fiscal year 2023. Corporate net income tax collections increased 15.3 percent or by \$815.5 million from 2022 levels. Personal income taxes declined \$497.6 million in fiscal year 2023, a decline of 2.7 percent. Personal income tax collections attributable to withholding increased by 5.1 percent or \$617.5 million during fiscal year 2023. Non-withheld personal income tax collections declined by \$1,115.1 million, or 18.3 percent from 2022. Sales and use taxes receipts were \$110.2 million more during fiscal year 2023 than during the prior fiscal year, an increase of 0.8 percent. Cigarette tax collections decreased 11.6 percent during fiscal year 2023 and inheritance tax collections decreased 1.7 percent. Realty transfer tax revenues decreased by 24.0 percent and gaming tax collections increased by 18.6 percent during fiscal year 2023.

Commonwealth General Fund appropriations for fiscal year 2023 totaled \$40,801.0 million, an increase of \$1,449.7 million or 3.7 percent from fiscal year 2022 levels. In November 2023, the Commonwealth transferred \$898.3 million, or 10 percent of its fiscal year 2023 ending General Fund balance to the Budget Stabilization Reserve Fund.

### ***Fiscal Year 2024 Financial Results***

*GAAP Basis.* At June 30, 2024, the General Fund reported a fund balance of \$18,912.7 million, an increase of \$738.3 million from the \$18,174.4 million fund balance at June 30, 2023, as revenues and other sources decreased by \$3,921.0 million.

*Budgetary Basis:* General Fund revenues of the Commonwealth were above the certified estimate by \$862.9 million or 1.9 percent during fiscal year 2024. Final Commonwealth General Fund revenues for the fiscal year totaled \$45,473.5 million. Total expenditures, net of appropriation lapses and including public

health and human services assessments and expenditures from additional sources were \$45,440.8 million. After accounting for a fiscal year 2024 beginning balance of \$8,084.9 million, and a transfer to the Budget Stabilization Reserve Fund, the Commonwealth ended fiscal year 2024 with a surplus of \$6,632.1 million.

General Fund revenues increased \$556.3 million or 1.2 percent during fiscal year 2024 when measured on a year-over-year basis as compared to fiscal year 2023. Tax revenue collections increased \$88.4 million or 0.2 percent on a year-over-year basis from fiscal year 2023 to fiscal year 2024 while non-tax revenue collections increase \$468.0 million or 41.0 percent from fiscal year 2023 to fiscal year 2024. The year-over-year decrease in corporate taxes was 2.7 percent during fiscal year 2024. Corporate net income tax collections decreased 8.0 percent or by \$491.5 million from 2023 levels. Personal income taxes increased \$228.7 million in fiscal year 2024, an increase of 1.3 percent. Personal income tax collections attributable to withholding increased by 4.4 percent or \$558.0 million during fiscal year 2024. Non-withheld personal income tax collections declined by \$329.3 million, or 6.6 percent from 2023. Sales and use taxes receipts were \$231.5 million more during fiscal year 2024 than during the prior fiscal year, an increase of 1.7 percent. Cigarette tax collections decreased 13.6 percent during fiscal year 2024 and inheritance tax collections increased 7.3 percent. Realty transfer tax revenues decreased by 17.6 percent and gaming tax collections decreased by 1.3 percent during fiscal year 2024.

#### ***Fiscal Year 2025 Financial Results – preliminary, unaudited***

*GAAP Basis.* At June 30, 2025, the General Fund reported a fund balance of \$15,960.0 million, a decrease of \$2,952 million from the \$18,912 million fund balance on June 30, 2024, as revenues and other sources decreased.

*Budgetary Basis:* General Fund revenues of the Commonwealth were above the certified estimate by \$321 million or 0.7 percent during fiscal year 2025. Final Commonwealth General Fund revenues for the fiscal year totaled \$46,408.4 million. Total expenditures, net of appropriation lapses and including public health and human services assessments and expenditures from additional sources were \$47,822.9 million. After accounting for a fiscal year 2024 beginning balance of \$6,632.1 million, the Commonwealth ended fiscal year 2025 with a surplus of \$4,155.6 million.

General Fund revenues increased \$934.9 million or 2.1 percent during fiscal year 2025 when measured on a year-over-year basis as compared to fiscal year 2024. Tax revenue collections increased \$1.1 billion or 2.5 percent on a year-over-year basis from fiscal year 2024 to fiscal year 2025 while non-tax revenue collections decreased \$183.5 million or 11.4 percent from fiscal year 2024 to fiscal year 2025. The year-over-year decrease in corporate taxes was 6.7 percent during fiscal year 2025. Corporate net income tax collections decreased 8.5 percent or by \$481.4 million from 2024 levels, due in part to ongoing rate reductions. Personal income taxes increased \$1.1 billion in fiscal year 2025, an increase of 6.2 percent. Personal income tax collections attributable to withholding increased by 3.9 percent or \$521.4 million during fiscal year 2025. Non-withheld personal income tax collections increased by \$578.3 million, or 12.4 percent from 2024. Sales and use taxes receipts were \$437.3 million more during fiscal year 2025 than during the prior fiscal year, an increase of 3.1 percent. Cigarette tax collections decreased 9.2 percent during fiscal year 2025 and inheritance tax collections increased 6.1 percent. Realty transfer tax revenues increased by 13.2 percent and gaming tax collections increased by 2.1 percent during fiscal year 2025.



Table 8 below sets forth the sources, uses and changes in unappropriated balances of the General Fund and other funding sources for fiscal years 2024 and 2025 and as enacted for fiscal year 2026.

**Sources, Uses and Changes in Unappropriated Balance  
General Fund and Other Funding Sources -- Unaudited Budgetary Basis  
Commonwealth Revenues Only  
(In Thousands)  
(Table 8)**

<b>Sources:</b>	<b>Actual Fiscal Year 2024</b>	<b>Actual Fiscal Year 2025</b>	<b>Enacted Fiscal Year 2026</b>
Beginning Balance (Plus Adjustments) .....	\$8,159,871	\$6,706,089	\$4,155,630
Revenue Receipts.....	45,473,489	46,408,391	47,787,584
Refunds.....	(1,986,600)	(2,251,600)	(2,150,000)
Prior Year Lapses.....	587,026	1,115,600	500,000
Funds Available.....	\$52,233,786	\$51,978,480	\$50,293,214
<b>Uses:</b>			
Appropriations .....	\$45,022,342	\$47,674,974	\$50,093,015
Supplemental Appropriations/Current Year Lapses.....	(157,544)	147,876	
Total Expenditures.....	\$44,864,798	\$47,822,850	\$50,093,015
Preliminary Balance .....	\$7,368,988 <sup>(1)</sup>	\$4,155,630	\$200,199
Transfer to Budget Stabilization Fund.....	(736,899)	0	
Ending Unappropriated Balance .....	\$6,632,089	\$4,155,630	\$200,199

Source: Office of the Budget.

<sup>(1)</sup>An additional transfer to the Budget Stabilization Reserve Fund occurred by Sept. 30, 2024 in accordance with Article XVII-A of the Fiscal Code of 1929 (the act of April 9, 1929, P.L. 343, No. 176) unless modified by the General Assembly.

***Fiscal Year 2026 Enacted Budget***

The enacted fiscal year 2026 budget appropriates approximately \$51,474.4 million in state general funds. The budget document and related information are available on the Office of the Budget's website at <https://www.pa.gov/agencies/budget.html> and are incorporated herein by reference.

The General Fund is the primary funding source for most State agencies and institutions supported by the Commonwealth. The majority of every dollar is returned to individuals, local governments, institutions, school districts, and others in the form of grants and subsidies. The remainder pays operating expenses and debt service. Major program expenditures occur in the areas of education, public health and human services, and the State correctional institutions.

**Motor License Fund**

The Constitution requires all proceeds of motor fuels taxes, vehicle registration fees, license taxes, operators' license fees and other excise taxes imposed on products used in motor transportation to be used exclusively for construction, reconstruction, maintenance and repair of and safety on highways and bridges and for debt service on obligations incurred for these purposes. The Motor License Fund is the fund through which most such revenues are accounted for and expended. Portions of certain taxes whose receipts are deposited into the Motor License Fund are legislatively restricted to specific transportation programs. These receipts are accounted for in restricted accounts in the Motor License Fund and are not included in the

budgetary basis presentations or discussions on the Motor License Fund. The Motor License Fund budgetary basis includes only unrestricted revenue available for annual appropriation for highway and bridge purposes. In contrast, the GAAP basis presentations include all the restricted account revenues and expenditures.

***Financial Results for Fiscal Years 2021-2025***

*GAAP Basis.* The fund balance at June 30, 2025, of the Motor License Fund was \$2,970.8 million, a \$238.0 million increase from the June 30, 2024 fund balance. Over five fiscal years, 2021 through 2025, revenues and other sources averaged an annual 2.5 percent increase. Expenditures and other uses during the same period averaged a 2.9 percent annual increase. Overall, total revenues and other sources increased by \$121.4 million during the fiscal year that ended June 30, 2025. Tax revenues decreased \$92.9 million due to a decrease in the liquid fuels tax. Licenses and fees increased \$40.7 million due to increased vehicle registrations and driver licenses.

Total expenditures and other uses increased by \$290.4 million during fiscal year ended June 30, 2025. Transportation expenditures increase by \$216.8 million and capital outlay increased by \$157.9 million. The increases in transportation and capital outlay expenditures were attributable to an uptick in fixed asset costs due to the federal Infrastructure Investment and Jobs Act, which enabled expansion in highway and bridge projects.

Table 9 on the following page presents a summary of revenues, expenditures and fund balance (GAAP basis) for the Motor License Fund for fiscal years 2021 through 2025 taken from the ACFRs for fiscal years ended June 30, 2021 through June 30, 2025.

[Remainder of page intentionally left blank]

**Results of Operations – Motor License Fund**  
**GAAP Basis – Unaudited**  
**(In Thousands)**  
**(Table 9)**

	<b>Fiscal Year Ended June 30</b>				
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Fund Balance — Beginning of Period .....</b>	<u>\$595,346</u>	<u>\$1,307,435</u>	<u>\$2,017,572</u>	<u>\$2,325,782</u>	<u>\$2,732,748</u>
<b>Revenues:</b>					
Taxes .....	\$3,562,411	\$3,598,713	\$3,664,489	\$3,628,209	\$3,535,358
Licenses and fees .....	1,114,831	1,150,205	1,161,459	1,303,944	1,344,635
Intergovernmental .....	2,350,760	2,109,196	2,220,961	2,521,678	2,607,565
Other revenues .....	104,618	87,817	145,315	263,750	315,625
<b>Other Financing Sources:</b>					
Operating transfers in .....	12,868	21,508	25,910	19,612	16,016
Capital lease and installment purchase obligations	0	589	892	1,647	41,089
Other additions .....	0	0	0	0	0
<b>TOTAL REVENUES AND OTHER SOURCES ....</b>	<u>\$7,145,488</u>	<u>\$6,968,028</u>	<u>\$7,219,026</u>	<u>\$7,738,840</u>	<u>\$7,860,288</u>
<b>Expenditures:</b>					
Direction and supportive services .....	\$34,773	\$31,951	\$36,232	\$39,221	\$39,060
Protection of persons and property .....	963,566	786,121	777,185	674,877	589,125
Health and human services .....	0	0	0	0	0
Public education .....	276	300	328	0	0
Economic development .....	148	175	260	0	0
Recreation and cultural enrichment .....	6,224	7,450	5,773	5,125	8,532
Transportation .....	2,653,646	2,693,484	3,018,071	3,202,070	3,418,847
Capital outlay .....	2,650,500	2,574,906	2,907,407	3,269,150	3,427,056
Interest and fiscal charges .....	891	745	775	546	775
<b>Other Uses:</b>					
Operating transfers out .....	\$123,375	\$162,759	\$164,785	\$140,885	\$138,889
<b>TOTAL EXPENDITURES AND OTHER USES ...</b>	<u>\$6,433,399</u>	<u>\$6,257,891</u>	<u>\$6,910,816</u>	<u>\$7,331,874</u>	<u>\$7,622,284</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURE AND OTHER USES ..</b>	<u>\$712,089</u>	<u>\$710,137</u>	<u>\$308,210</u>	<u>\$406,966</u>	<u>\$238,004</u>
<b>Fund Balance — End of Period .....</b>	<u><u>\$1,307,435</u></u>	<u><u>\$2,017,572</u></u>	<u><u>\$2,325,782</u></u>	<u><u>\$2,732,748</u></u>	<u><u>\$2,970,752</u></u>
<b>Components of Fund Balance</b>					
Restricted .....	<u>\$1,307,435</u>	<u>\$2,017,572</u>	<u>\$2,325,782</u>	<u>\$2,732,748</u>	<u>\$2,970,752</u>
<b>TOTAL FUND BALANCE .....</b>	<u><u>\$1,307,435</u></u>	<u><u>\$2,017,572</u></u>	<u><u>\$2,325,782</u></u>	<u><u>\$2,732,748</u></u>	<u><u>\$2,970,752</u></u>

Source: Office of the Budget, compiled from the Commonwealth's audited Annual Comprehensive Financial Reports for fiscal years ended June 30, 2021 through 2025 (GAAP), but Table 9 is unaudited.

[Remainder of page intentionally left blank]

The following budgetary basis information is derived from the Commonwealth's unaudited budgetary basis financial statement for fiscal years 2021 through 2025 and the enacted budget for fiscal year 2026.

### ***Fiscal Year 2021 Financial Results***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund totaled \$2,825.6 million, an increase of \$162 million or 6.1 percent from fiscal year 2020 revenues. Receipts from liquid fuels taxes decreased by 3 percent while license and fee revenues increased by 20.7 percent over the previous year. Fiscal year 2021 Motor License Fund appropriations and executive authorizations totaled \$2,722.9 million, a decrease of 1.5 percent from fiscal year 2020. The Motor License Fund concluded fiscal year 2021 with an unappropriated surplus of \$115.4 million, a net increase of \$166.5 million above the fiscal year 2020 negative unappropriated surplus of \$51.1 million.

### ***Fiscal Year 2022 Financial Results***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund totaled \$2,883.4 million, an increase of \$57.8 million or 2 percent over fiscal year 2021 revenues. Receipts from liquid fuels taxes increased by 5.5 percent while license and fee revenues decreased by 2.2 percent as compared to the previous year.

Fiscal year 2022 Motor License Fund appropriations and executive authorizations totaled \$2,691.9 million, a decrease of 0.6 percent from fiscal year 2021. The Motor License Fund concluded fiscal year 2022 with an unappropriated surplus of \$347.3 million, a net increase of \$231.9 million above the fiscal year 2021 unappropriated surplus of \$115.4 million.

### ***Fiscal Year 2023 Financial Results***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund totaled \$2,958.3 million, an increase of \$75 million or 2.6 percent over fiscal year 2022 revenues. Receipts from liquid fuels taxes increased by 1.6 percent while license and fee revenues decreased by 0.8 percent as compared to the previous year. Fiscal year 2023 Motor License Fund appropriations and executive authorizations totaled \$3,151.1 million, an increase of 17 percent from fiscal year 2022. The Motor License Fund concluded fiscal year 2023 with an unappropriated surplus of \$255.4 million, a net decrease of \$91.9 million below the fiscal year 2022 unappropriated surplus of \$347.3 million.

### ***Fiscal Year 2024 Financial Results***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund totaled \$3,169.9 million, an increase of \$211.6 million or 7.2 percent over fiscal year 2023 revenues. Receipts from liquid fuels taxes increased by 0.2 percent while license and fee revenues increased by 14.8 percent as compared to the previous year. Fiscal year 2024 Motor License Fund appropriations and executive authorizations totaled \$3,233.5 million, an increase of 2.6 percent from fiscal year 2023. The Motor License Fund concluded fiscal year 2024 with an unappropriated surplus of \$313.0 million, a net increase of \$57.6 million over the fiscal year 2023 unappropriated surplus of \$255.4 million.

### ***Fiscal Year 2025 Financial Results – preliminary, unaudited***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund totaled \$3,123.5 million, a decrease of \$46.4 million or 1.5 percent from fiscal year 2024 revenues. Receipts from liquid fuels taxes decreased by 3.6 percent while license and fee revenues increased by 1.1 percent as compared to the previous year. Fiscal year 2025 Motor License Fund appropriations and executive authorizations totaled \$3,253.7 million, an increase of 0.6 percent from fiscal year 2024. The Motor License Fund concluded fiscal year 2025 with an unappropriated surplus of \$280.9 million, a net decrease of \$32.1 million over the fiscal year 2024 unappropriated surplus of \$313.0 million.

## ***Fiscal Year 2026 Enacted Budget***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund are budgeted to be \$3,113.7 million, a decrease of \$9.8 million or 0.3 percent from fiscal year 2025 revenues. Receipts from the liquid fuels tax are budgeted to decrease 0.7 percent from the prior year, while license and fee revenues are budgeted to increase by 1.0 percent. Additionally, other revenue receipts are budgeted to be \$101.3 million. Fiscal year 2026 Motor License Fund appropriations and executive authorizations are budgeted to equal \$3,373.2 million, an increase of 3.7 percent over fiscal year 2025 appropriations. The Motor License Fund is budgeted to conclude fiscal year 2026 with an unappropriated balance of \$81.3 million, a decrease of \$199.5 million from the fiscal year 2025 unappropriated fund balance of \$280.9 million.

### **State Lottery Fund**

The Commonwealth operates a Statewide lottery program that consists of various lottery games using computersales terminals located throughout the State and instant games using preprinted tickets. The net proceeds of all lottery game sales, less sales commissions and directly paid prizes, are deposited into the State Lottery Fund.

State Lottery Fund receipts support programs to assist elderly and handicapped individuals, primarily through property tax and rent rebate assistance and a pharmaceutical assistance program to recipients who meet specified income limits, and the provision of free mass transit rides during off-peak hours.

### ***Financial Results for Fiscal Years 2021-2025***

*GAAP Basis.* During the fiscal year ended June 30, 2025, the net year-over-year decrease in total revenues and other sources was \$382.3 million. Total operating revenues decreased \$485.6 million. Total operating expenses decreased \$259.5 million. Operating expenses have a strong correlation to operating revenues as the amount of prize payouts are directly related to lottery sales.

Table 10 on the following page presents a summary of revenues, expenditures and fund balance (GAAP basis) for the State Lottery Fund for fiscal years 2021 through 2025 taken from the ACFRs for fiscal years ended June 30, 2021 through June 30, 2025.

[Remainder of page intentionally left blank]

**Results of Operations – State Lottery Fund GAAP Basis – Unaudited**  
**(In Thousands)**  
**(Table 10)**

	<b>Fiscal Year Ended June 30</b>				
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Net Position -</b>					
Beginning of Period .....	(\$130,068)	(\$23,774)	\$86,127	\$278,395	\$205,197
Restatements .....	0	0	0	0	0
<b>Net Position</b>					
Beginning of Period, as Restated.....	(\$130,068)	(\$23,774)	\$86,127	\$278,395	\$205,197
<b>Revenues:</b>					
Lottery revenues.....	\$5,456,344	\$5,127,114	\$5,683,791	\$4,934,811	\$4,449,243
Intergovernmental.....	0	0	140,000	0	0
Investment income.....	332	1,058	25,229	39,897	22,940
Other revenues.....	0	34	0	0	3,384
<b>Other Financing Sources:</b>					
Operating transfers in .....	\$500	\$114,700	\$89,300	87,715	204,515
<b>TOTAL REVENUES AND OTHER SOURCES .....</b>	<b>\$5,457,176</b>	<b>\$5,242,906</b>	<b>\$5,938,320</b>	<b>\$5,062,423</b>	<b>\$4,680,082</b>
<b>Expenditures:</b>					
Costs of sales and services .....	\$5,105,989	\$4,918,166	\$5,480,224	\$4,863,466	\$4,600,258
Depreciation and amortization.....	8,986	8,932	9,885	21,189	24,882
Other expenses.....	0	0	36	59	78
<b>Other Uses:</b>					
Operating transfers out.....	\$235,907	\$205,907	\$255,907	\$250,907	\$255,907
<b>TOTAL EXPENDITURES AND OTHER USES.....</b>	<b>\$5,350,882</b>	<b>\$5,133,005</b>	<b>\$5,746,052</b>	<b>\$5,135,621</b>	<b>\$4,881,125</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURE AND OTHER USES.....</b>	<b>\$106,294</b>	<b>\$109,901</b>	<b>\$192,268</b>	<b>(\$73,198)</b>	<b>(\$201,043)</b>
<b>Net Position - End of Period.....</b>	<b>(\$23,774)</b>	<b>\$86,127</b>	<b>\$278,395</b>	<b>\$205,197</b>	<b>\$4,154</b>
<b>Components of Net Position</b>					
Invested in capital assets, net of debt .....	\$37,797	\$41,561	\$96,816	\$181,550	\$174,253
Restricted for elderly programs .....	0	44,566	181,579	23,647	0
Deficit .....	(61,571)	0	0	0	(170,099)
<b>TOTAL NET POSITION .....</b>	<b>(\$23,774)</b>	<b>\$86,127</b>	<b>\$278,395</b>	<b>\$205,197</b>	<b>\$4,154</b>

Source: Office of the Budget, compiled from the Commonwealth's audited Annual Comprehensive Financial Reports for fiscal years ended June 30, 2021 through 2025 (GAAP), but Table 10 is unaudited.

[Remainder of page intentionally left blank]

The following budgetary basis information is derived from the Commonwealth's unaudited budgetary basis financial statements for fiscal years 2021 through 2025 and the enacted budget for fiscal year 2026.

### ***Fiscal Year 2021 Financial Results***

*Budgetary Basis.* Fiscal year 2021 net revenues from lottery sources, including instant ticket sales and the state's participation in the multi-state Powerball game, increased by 19.3 percent. Total funds available, including prior year lapses and net revenues received by the Lottery Fund during fiscal year 2021, were \$1,999.8 million. Total appropriations, net of current-year lapses, were \$1,876.5 million. The fiscal year-end unappropriated balance and reserve had a balance of \$48.3 million, an increase of 140.3 percent.

### ***Fiscal Year 2022 Financial Results***

*Budgetary Basis.* Fiscal year 2022 net revenues from lottery sources, including instant ticket sales and the state's participation in the multi-state Powerball game, decreased by 6.9 percent. Total funds available, including prior year lapses and net revenues received by the Lottery Fund during fiscal year 2022 were \$2,193.3 million. Total appropriations, net of current-year lapses, were \$1,968.5 million. The fiscal year-end unappropriated balance and reserve had a balance of \$149.8 million, an increase of 209.9 percent.

### ***Fiscal Year 2023 Financial Results***

*Budgetary Basis.* Fiscal year 2023 net revenues from lottery sources, including instant ticket sales and the Commonwealth's participation in the multi-state Powerball game, increased by 2.1 percent. Total funds available, including prior year lapses and net revenues received by the Lottery Fund during fiscal year 2023, were \$2,450.2 million. Total appropriations, net of current-year lapses, were \$2,212.6 million. The fiscal-year-end unappropriated balance and reserve had a balance of \$162.6 million, an increase of 8.6 percent.

### ***Fiscal Year 2024 Financial Results***

*Budgetary Basis.* Fiscal year 2024 net revenues from lottery sources, including instant ticket sales and the Commonwealth's participation in the multi-state Powerball game, decreased by 3.1 percent. Total funds available, including prior year lapses and net revenues received by the Lottery Fund during fiscal year 2024, were \$2,467.4 million. Total appropriations, net of current-year lapses, were \$2,074.3 million. The fiscal-year-end unappropriated balance and reserve had a balance of \$318.1 million, an increase of 95.6 percent.

### ***Fiscal Year 2025 Financial Results- preliminary, unaudited***

*Budgetary Basis.* Fiscal year 2025 net revenues from lottery sources, including instant ticket sales and the Commonwealth's participation in the multi-state Powerball game, decreased by 12.7 percent (however, this amount is slightly skewed by the timing of revenues posted, which differed from actual sales). Total funds available, including prior year lapses and net revenues received by the Lottery Fund during fiscal year 2025, were \$2,372.7 million. Total appropriations, net of current-year lapses, were \$2,194.8 million. The fiscal-year-end unappropriated balance and reserve had a balance of \$102.9 million, a decrease of 67.7 percent.

### ***Fiscal Year 2026 Enacted Budget***

The enacted fiscal year 2026 budget anticipates a 0.1 percent increase in net revenues from all lottery sources, including instant-ticket sales and the State's participation in the multi-state Powerball game. State Lottery Funds available, including lapses, are estimated to be \$2,387.0 million in fiscal year 2026, an increase of 0.8 percent. Budgeted appropriations and executive authorizations total \$2,255.5 million, which represents an increase of \$70.7 million or a 3.2 percent increase from fiscal year 2025. The fiscal year-end balance reflects a projected surplus of \$131.6 million, a decrease of \$51.1 million from the fiscal year 2025 ending balance.

## COMMONWEALTH REVENUES AND EXPENDITURES

### Recent Receipts and Forecasts

Table 11, on the next page, presents the Commonwealth revenue receipts, including net revenues accrued but not deposited, on a budgetary basis, for the major operating funds of the Commonwealth as actually received for fiscal years 2021 through 2025.

[Remainder of page intentionally left blank]



**General Fund, Motor License Fund and State Lottery Fund – Unaudited (a)**  
**Fiscal Year 2021 – Fiscal Year 2025**  
**(In Millions)**  
**(Table 11)**

	2021	2022	2023	2024	2025
<b>General Fund</b>					
Tax Revenues:					
Sales and use .....	\$12,834.9	\$13,914.3	\$14,024.4	\$14,255.9	\$14,693.2
Personal income .....	16,283.4	18,125.7	17,628.1	17,856.8	18,956.5
Corporate (b).....	4,423.8	5,323.2	6,139.5	5,651.5	5,170.0
Public utility (c).....	1,030.2	1,061.9	1,226.9	1,433.3	1,367.2
Inheritance .....	1,345.5	1,550.5	1,524.4	1,636.0	1,735.6
Financial and insurance (d) .....	874.7	931.1	887.6	947.4	959.5
Cigarette .....	964.2	874.1	772.9	668.0	606.7
Other Tobacco Products.....	134.9	149.5	152.6	146.4	140.7
Realty transfer .....	640.2	847.1	643.8	530.8	600.8
Alcoholic beverages (e) .....	439.1	453.7	473.2	470.1	464.3
Other .....	208.7	257.0	303.0	268.7	288.7
<b>TOTAL TAX REVENUES .....</b>	<b>\$39,179.6</b>	<b>\$43,488.2</b>	<b>\$43,776.4</b>	<b>\$43,864.8</b>	<b>\$44,983.2</b>
Non-Tax Revenues:					
Liquor store profits .....	\$185.1	\$185.1	\$185.1	\$185.1	\$185.1
Licenses, fees and miscellaneous .....	963.2	4,393.9	889.6	1,356.4	1,171.8
Fines, penalties and interest .....	64.1	66.9	66.0	67.2	68.3
<b>TOTAL NON-TAX REVENUES .....</b>	<b>\$1,212.4</b>	<b>\$4,645.9</b>	<b>\$1,140.7</b>	<b>\$1,608.7</b>	<b>\$1,425.2</b>
<b>TOTAL GENERAL FUND .....</b>	<b>\$40,392.0</b>	<b>\$48,134.1</b>	<b>\$44,917.2</b>	<b>\$45,473.5</b>	<b>\$46,408.4</b>
<b>Motor License Fund</b>					
Tax Revenues:					
Liquid fuels .....	\$616.3	\$645.7	\$644.4	\$653.0	\$631.9
Fuels use .....	0.0	0.0	0.0	0.0	0.0
Oil company franchise .....	904.8	949.7	953.3	960.9	928.7
Motorbus & alt fuels .....	135.3	151.5	177.1	164.2	153.9
Minor and Repealed.....	(0.4)	0.0	0.0	0.0	0.0
<b>TOTAL TAX REVENUES .....</b>	<b>\$1,656.0</b>	<b>\$1,746.9</b>	<b>\$1,774.8</b>	<b>\$1,778.0</b>	<b>\$1,714.5</b>
Non-Tax Revenues:					
Licenses and fees .....	\$1,151.4	\$1,126.6	\$1,117.8	\$1,283.1	\$1,296.7
Other and miscellaneous.....	17.9	9.8	65.7	108.8	112.4
<b>TOTAL NON-TAX REVENUES .....</b>	<b>\$1,169.3</b>	<b>\$1,136.4</b>	<b>\$1,183.5</b>	<b>\$1,391.9</b>	<b>\$1,409.1</b>
<b>TOTAL MOTOR LICENSE FUND .....</b>	<b>\$2,825.3</b>	<b>\$2,883.3</b>	<b>\$2,958.3</b>	<b>\$3,169.9</b>	<b>\$3,123.5</b>
<b>State Lottery Fund</b>					
Non-Tax Revenues:					
Lottery revenues .....	\$2,006.2	\$1,967.5	\$2,006.9	\$1,944.2	\$1,664.7
Other and miscellaneous .....	(6.4)	255.8	112.1	126.1	228.5
<b>TOTAL NON-TAX REVENUES .....</b>	<b>\$1,999.8</b>	<b>\$2,223.3</b>	<b>\$2,119.0</b>	<b>\$2,070.4</b>	<b>\$1,893.2</b>
<b>TOTAL STATE LOTTERY FUND .....</b>	<b>\$1,999.8</b>	<b>\$2,223.3</b>	<b>\$2,119.0</b>	<b>\$2,070.4</b>	<b>\$1,893.2</b>

Source: Office of the Budget. Totals may not add due to rounding.

(a) Budgetary basis including taxes and interest accrued but not deposited by the Commonwealth by June 30 of each fiscal year.

(b) Includes the corporate net income and the capital stock and franchise taxes.

(c) Includes the utility gross receipts and utility property tax.

(d) Includes the financial institution and insurance premium taxes.

(e) Includes the liquor and malt beverage taxes.

Table 12 below presents a comparison of the actual revenues on a budgetary basis to the official revenue estimate used for budget enactment for the General Fund and the Motor License Fund for fiscal years 2021 through 2025.

**Commonwealth Revenues – Official Estimate vs. Actual(a)  
General Fund and Motor License Fund – Unaudited  
Fiscal Year 2021 – Fiscal Year 2025  
(In Millions)  
(Table 12)**

<b>Fiscal Year Ended June 30</b>	<b>General Fund</b>			<b>Motor License Fund</b>		
	<b>Official Estimate<sup>(b)</sup></b>	<b>Actual</b>	<b>Variance</b>	<b>Official Estimate <sup>(b)</sup></b>	<b>Actual</b>	<b>Variance</b>
2021	36,954.7	40,392.0	3,437.3	2,806.1	2,825.6	19.5
2022	42,536.2	48,134.2	5,598.0	2,846.0	2,883.4	37.4
2023	43,579.7	44,917.1	1,337.4	2,916.1	2,958.3	42.2
2024	44,610.6	45,473.5	862.9	3,126.8	3,169.9	43.1
2025 <sup>(c)</sup>	46,087.4	46,408.4	321.0	3,016.2	3,123.5	107.3

Source: Office of the Budget.

<sup>(a)</sup> Budgetary basis including taxes and interest accrued but not deposited by the Commonwealth by June 30 of each fiscal year.

<sup>(b)</sup> As certified for budget enactment.

<sup>(c)</sup> Preliminary, unaudited.

**Tax Revenues (Unaudited Budgetary Basis)**

***General Fund***

Tax revenues constituted approximately 96.9 percent of Commonwealth revenues in the General Fund for fiscal year 2025. The major tax sources for the General Fund of the Commonwealth are shown in the following table:

**Major General Fund Tax Sources by Type for Fiscal  
Year 2025**

<b><u>Tax Type</u></b>	<b><u>Collections (in millions)</u></b>
Sales and Use	\$14,693.2
Personal Income	18,956.5
Corporate Net Income	5,170.0
Gross Receipts	1,320.8
Inheritance	1,735.6

Together, the five taxes set forth in the table above produced 93.1 percent of General Fund tax revenues for the fiscal year 2025.

***Motor License Fund***

The major tax source for the Motor License Fund is the Oil Company Franchise Tax including fuels and liquid fuels, which produced 50 percent of non-restricted Motor License Fund revenues in fiscal year 2025. Portions of certain taxes whose receipts are deposited into the Motor License Fund are legislatively restricted

to specific transportation programs. These receipts are accounted for in restricted accounts in the Motor License Fund and are not included in the budgetary basis discussions of the tax revenues of the Motor License Fund.

## **General Fund Revenue Detail**

The major revenue sources (those representing more than 1 percent of total revenues) for the General Fund are described briefly below. For additional information, please refer to the Tax Compendium on the Pennsylvania Department of Revenue's website (<https://www.pa.gov/agencies/revenue>). The receipt amounts in the descriptions are on a budgetary basis.

### **Corporate Net Income Tax**

Total corporate net income taxes of \$5,170 million were collected in fiscal year 2025 (11.1 percent of total General Fund revenues).

This tax is paid by all domestic and foreign business corporations for the privilege of doing business, carrying on activities, or employing or owning capital or property in Pennsylvania and is levied on Federal taxable income with Pennsylvania modifications. When the entire business of any corporation is not transacted within Pennsylvania, taxable income is usually determined by a single sales factor apportionment formula for tax years 2013 and beyond.

The tax rate for 2025 is 8.49 percent for the tax year that began January 1, 2024 and then decreased to 7.99 percent for the tax year beginning January 1, 2025. The rate will decrease by 0.5 percent each tax year thereafter until the rate is 4.99 percent for tax year 2031 and after.

### **Gross Receipts Tax**

Total gross receipts taxes of \$1,320.8 million were collected in fiscal year 2025 (2.8 percent of total General Fund revenues).

This tax is levied on the gross receipts from business transacted within Pennsylvania by specified companies owned, operated or leased by corporations, associations, or individuals. Various gross receipts taxes are imposed upon private bankers; pipeline, conduit, steamboat, canal, slack water navigation and transportation companies; telephone, telegraph and mobile telecommunications companies; electric light, water power and hydroelectric companies; express companies; palace car and sleeping car companies; and freight and oil transportation companies.

The current tax rate on gross receipts from sales of electric energy within Pennsylvania is 59 mills and has been in effect since 2003. The current tax rate on other gross receipts is 50 mills and has been in effect since 1991.

### **Insurance Premiums Tax**

Total insurance premium taxes of \$579.7 million were collected in fiscal year 2025 (1.2 percent of total General Fund revenues).

This tax is levied on the gross premiums from all business transacted within the Commonwealth during each calendar year by domestic and foreign insurance companies.

Prior to the passage of Act 53 of 2022, premiums from foreign casualty companies and foreign fire companies were deposited in the Municipal Pension Aid Fund (MPAF) and the Fire Insurance Tax Fund (FITF), respectively. Act 53 of 2022 provides that all insurance premiums tax payments are deposited in the General Fund. At the close of the fiscal year, the greater of 38 percent of insurance premiums tax revenues or \$345 million is to be transferred to the MPAF, and the greater of 8.5 percent of insurance premiums tax

revenues or \$85 million is to be transferred to the FITF. The change was effective beginning with fiscal year 2022-23. Amounts transferred in fiscal year 2024 were (figures shown above are net of these transfers):

- Municipal Pension Aid Fund - \$416.5 million
- Fire Insurance Tax Fund - \$93.2 million.

The current tax rate is 2 percent of gross premiums plus a retaliatory fee where applicable.

## **Sales & Use Tax**

Total sales and use taxes of \$14,693.2 million were collected in fiscal year 2025 (31.7 percent of total General Fund revenues).

This tax is levied on the sale at retail, including rental, of tangible personal property and certain services, or upon the use with Pennsylvania of tangible personal property, or taxable services purchased at retail if the tax was not paid at time of purchase. A tax on the occupancy of hotel rooms is imposed as part of the sales and use tax law.

Listed below are the transfers made from Sales and Use Tax in fiscal year 2025 (figures shown above are net of these transfers):

- Commonwealth Financing Authority - \$161.9 million
- Public Transportation Assistance Fund - \$153.6 million (0.947 percent of gross collections)
- Public Transportation Trust Fund - \$713.5 million (4.4 percent of gross collections)
- Transit Revitalization Investment District Fund - \$0.7 million
- Beginning in fiscal year 2023 an additional monthly transfer is made to the Public Transportation Trust Fund. The transfer is made from Motor Vehicle Sales and Use Tax only, but is calculated on total collections (3.28 percent of gross collections) - \$532.3 million.

The current tax rate uses a bracket system based on 6 percent of purchase price. This rate has been in effect since 1968.

## **Cigarette Tax**

Total cigarette taxes of \$606.7 million were collected in fiscal year 2025 (1.3 percent of total General Fund revenues).

This tax is imposed and assessed on the sale or possession of cigarettes and little cigars weighing less than 4 pounds per 1,000 sticks within Pennsylvania.

Listed below are the transfers made from Cigarette Tax in fiscal year 2025 (figures shown above are net of these transfers):

- Agricultural Conservation Easement Purchase Fund - \$25.5 million
- Children's Health Insurance Program - \$30.7 million
- Tobacco Debt Service - \$115.3 million
- Local Cigarette Tax Fund - \$39.9 million. If collections from the additional Philadelphia Cigarette Tax (\$0.10 per cigarette) fall below \$58.0 million in a fiscal year, a transfer is made from the General Fund to the Local Cigarette Tax Fund to make up the difference.

The current tax rate of \$0.13 per cigarette has been in effect since August 2016.

## **Personal Income Tax**

Total personal income taxes of \$18,956.5 million were collected in fiscal year 2025 (40.8 percent of total General Fund revenues).

This tax is paid by all residents, resident trusts, and estates on eight separate classes of income:

- Compensation
- Net profits
- Interest
- Dividends
- Income from the disposition of property
- Rents and royalties
- Gambling and lottery winnings, including cash prizes of the Pennsylvania Lottery
- Income from estates and trusts.

The tax is also paid by non-resident individuals, estates and trusts on the following income from sources within the Commonwealth:

- Compensation for personal services performed in Pennsylvania unless the taxpayer is a resident of a state with which there is a reciprocal agreement
- Net profits from activity conducted in Pennsylvania
- Income from the rental, ownership, or disposition of any real or personal property
- Income from gambling activity in Pennsylvania, including cash prizes of the Pennsylvania Lottery.

A loss in one class of income may not be offset against income in another class, nor may gains or losses be carried back or forward from year to year. A credit is available to those individuals receiving tax forgiveness under the special provisions for poverty.

The following transfers were made from Personal Income Tax in fiscal year 2025:

- Environmental Stewardship Fund - \$9.9 million
- Farm Show Complex restricted account - \$13.3 million
- Clean Streams Fund - \$50.0 million
- Election Integrity Restricted Account - \$45.0 million.

The current tax rate of 3.07 percent has been in effect since 2004.

## **Realty Transfer Tax**

Total realty transfer taxes of \$600.8 million were collected in fiscal year 2025 (1.3 percent of total General Fund revenues).

This tax is levied on the value of real estate transferred by a deed, instrument, or other writing. Other taxable transfers include long-term leases greater than 30 years, transfers of real estate from industrial development authorities that will not be used primarily for industrial purposes, and “deemed” transfers of real estate because of the acquisition of companies which are not in the business of holding or selling real estate.

The following transfers were made from Realty Transfer Tax in fiscal year 2025:

- Keystone Recreation, Park, and Conservation Fund - \$115.7 million (15 percent of gross collections)
- Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund - \$60.0 million in 2024, increasing \$10 million per year until reaching \$100.0 million per fiscal year. The transfer increased to \$70.0 million in 2025; \$80 million in 2026; \$90.0 million in 2027; and \$100.0 million in 2028 and each year thereafter.

The current tax rate for the Pennsylvania share of the Realty Transfer Tax is 1 percent of the actual consideration or price of the property represented in the deed. Pennsylvania realty transfer tax is collected, often along with an additional local realty transfer tax, by county Recorders of Deeds. The Recorders of Deeds remit the Commonwealth's 1 percent to the Department of Revenue, and locals have the option to share their realty transfer tax among school districts and municipalities.

### **Inheritance Tax**

Total inheritance taxes of \$1,735.6 million were collected in fiscal year 2025 (3.7 percent of total General Fund revenues).

This tax is imposed on the value of property transferred to beneficiaries of a deceased person and certain transfers made during the decedent's lifetime. The value of the transfer is established on the date of the decedent's death.

Rates are based on the relationship of the decedent and the beneficiary. Transfers of non-jointly held property to spouses are untaxed. Transfers to parents from decedents 21 years of age or younger are untaxed. Transfers to beneficiaries 21 years of age or younger from their decedent parents are also untaxed. Transfers to other lineal beneficiaries are taxed at 4.5 percent. Transfers to siblings of the decedents are subject to a 12 percent tax rate. Transfers to all other beneficiaries are taxed at 15 percent.

### **Liquor Tax**

Total liquor taxes of \$444.4 million were collected in fiscal year 2025 (1.0 percent of total General Fund revenues).

This tax is a consumption tax on the sale of liquor by the Commonwealth. The distribution of liquor is a state enterprise under the auspices of the Pennsylvania Liquor Control Board ("LCB"). The Commonwealth assumed the liquor control responsibility following the repeal of Prohibition in 1933.

All liquors sold by the LCB are subject to this tax at a rate of 18 percent, which is computed on the actual price paid by the consumer including mark-up, handling charge, and federal tax. The first sale of liquor is also subject to the Sales and Use Tax at the time of purchase. Retail licensees, such as restaurants and bars, purchase liquor from the LCB at a discounted price and pay Liquor and Sales Taxes on these purchases. These taxes are not charged on subsequent purchases of liquor by restaurant customers.

### **Non-Tax Revenues**

Total non-tax revenues of \$1,425.2 million were collected in fiscal year 2025 (3.1 percent of total General Fund revenues).

This category is made up of the following major components:

- Liquor Store Profits
- Licenses and Fees

- Miscellaneous Non-Tax Revenues
- Fines, Penalties, and Interest.

## **Motor License Fund Revenue Detail**

The major tax sources (those representing more than 1 percent of total non-restricted revenues) for the Motor License Fund are described briefly below. For additional information, please refer to the Tax Compendium on the Pennsylvania Department of Revenue's website (<https://www.pa.gov/agencies/revenue>). The tax receipt amounts in the descriptions are on a budgetary basis.

### **Motor Carriers Road Tax / International Fuel Tax Agreement (IFTA)**

Total motor carriers road tax/IFTA of \$134.6 million was collected in fiscal year 2025 (4.3 percent of total non-restricted Motor License Fund revenues).

The motor carriers road tax/IFTA is imposed on fuel consumed by qualified motor vehicles operated within Pennsylvania. Qualified motor vehicles operated exclusively in Pennsylvania are subject to fuel taxation under the Motor Carriers Road Tax. Credit is granted for tax paid on fuel purchases. The tax rate is equivalent to the rate per gallon currently in effect on liquid fuels, fuels, or alternative fuels.

Annual decal fees indicating vehicle registration in Pennsylvania are also included in these taxes. The cost is \$12 per vehicle per calendar year. The decals must be displayed on both sides of each qualified vehicle operated in Pennsylvania.

### **Oil Company Franchise Tax**

Total oil company franchise taxes, which includes fuels and liquid fuels taxes, of \$1,560.5 million were collected in fiscal year 2025 (50 percent of total non-restricted Motor License Fund revenues).

The oil company franchise tax is imposed on all taxable liquid fuels and fuels on a cents-per-gallon equivalent basis, and it is remitted by distributors of liquid fuels and fuels.

Fuels sold and delivered to the following are exempt from the tax:

- U.S. government, the Commonwealth, and any of its political subdivisions; volunteer fire companies;
- volunteer ambulance services and volunteer rescue squads;
- second class county port authorities; and
- nonpublic, nonprofit schools (K-12).

In addition to these exemptions, reimbursements are made for certain agricultural purposes and for fuel consumed in truck-mounted refrigerator units.

The following table shows the tax rates in effect for calendar year 2025:

Aviation gasoline	\$0.057/gallon
Jet fuel	\$0.017/gallon
Liquid fuels (motor gasoline and gasohol)	\$0.576/gallon
Fuels (undyed diesel and undyed kerosene)	\$0.741/gallon

[Remainder of page intentionally left blank]

## **Licenses and Fees**

Total licenses and fees revenues of \$1,296.7 million were collected in fiscal year 2025 (41.5 percent of total non-restricted Motor License Fund revenues).

This category is made up of the following major components:

- Special Hauling Permits
- Pennsylvania's share of registration fees from other states
- Operator's Licenses
- Vehicle Registration and Titling.

## **Federal Revenues**

Receipts by the Commonwealth in its General Fund, Motor License Fund and Tobacco Settlement Fund from the federal government during fiscal year 2024 totaled \$46,229 million and during fiscal year 2025 totaled \$50,398 million. Anticipated receipts from the federal government included in the fiscal year 2026 enacted budget is \$53,923 million. Approximately \$34,534 million, or 74.7 percent, of total federal revenue to the Commonwealth for fiscal year 2024 was attributed to public health and welfare programs, the largest of which are for the Medical Assistance and Temporary Assistance to Needy Families programs. In fiscal year 2025, \$35,902 million, or 71.2 percent, of federal revenues were attributed to these types of programs. In the fiscal year 2026 enacted budget, approximately \$38,678 million or 71.7 percent of federal revenues are expected to be attributable to public health and welfare programs.

## **Major Commonwealth Expenditures (Unaudited Budgetary Basis)**

The Commonwealth's major operating funds—the General Fund, the Motor License Fund and the State Lottery Fund—provide financial resources to operate programs and fund grants. Trends in expenditures from those funds for various program areas are discussed below based on budgetary basis financial statements for fiscal year 2024 and fiscal year 2025 and based on the enacted budget for fiscal year 2026.

### ***Education***

In fiscal year 2024, expenditures from Commonwealth revenues for education purposes were more than \$18,021 million. In fiscal year 2025, expenditures from Commonwealth revenues for education purposes were more than \$19,444 million. The enacted budget for fiscal year 2026 includes more than \$20,355 million in education funding, an increase of approximately 4.69 percent over fiscal year 2025.

*Elementary and Secondary Education.* The financing of public elementary and secondary education in Pennsylvania is shared by the Commonwealth and local school districts. There are 500 local school districts in the State. With certain exceptions, each is governed by a locally elected school board responsible for the administration of the public schools in the school district with the authority to levy taxes within the limits prescribed by the Public School Code of 1949, as amended. Funds supplied by the Commonwealth supplement the funds raised locally. Local school districts receive various subsidy payments for basic instruction, career and technical education, debt service, pupil transportation, employee retirement programs including Social Security and various special education programs. The largest such subsidy is the Basic Education subsidy. The enacted budget for fiscal year 2026 increases the State Basic Education subsidy by \$105 million to \$8,262.4 million. A portion of the education funding is distributed to school districts, based on local wealth, existing tax burden, district size and certain student characteristics.

Certain specialized education programs are operated and administered in Pennsylvania by 29 intermediate units established by the component local school districts. These intermediate units are funded from contributions from member school districts. Programs operated by intermediate units generally are special



education programs for the gifted, for individuals with mental and physical disabilities and for support of nonpublic schools through the provision of auxiliary services and the lending of instructional materials such as textbooks to children attending nonpublic schools in Pennsylvania.

Total Commonwealth expenditures for basic education programs in fiscal year 2024 were more than \$15,842 million, representing approximately 87.91 percent of all Commonwealth expenditures for education in fiscal year 2024. Total Commonwealth expenditures for basic education programs in fiscal year 2025 were more than \$17,109 million, representing approximately 88 percent of all Commonwealth expenditures for education in fiscal year 2025. The enacted budget for fiscal year 2026 includes more than \$17,974 million for basic education programs. Table 13 below shows fall enrollment in Pennsylvania public and non-public elementary schools and secondary schools for school years 2021 through 2025.

**Fall Enrollment in Pennsylvania Public and  
Non-Public Elementary Schools and Secondary Schools School Years 2021-2025  
(In Thousands)  
(Table 13)**

	School Year Ended June 30				
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<b>Elementary Schools</b>					
Public	877	874	874	873	871
Nonpublic	142	148	165	168	150
<b>Secondary Schools</b>					
Public	819	816	813	813	813
Nonpublic	70	144	70	144	145
<b>Total</b>					
Public	1,696	1,690	1,687	1,686	1,684
Nonpublic	212	292	235	312	295
<b>Total</b>	<u>1,908</u>	<u>1,982</u>	<u>1,922</u>	<u>1,998</u>	<u>1,979</u>

Source: Pennsylvania Department of Education.

*Higher Education.* Higher education in Pennsylvania is provided through degree-granting institutions, which include the universities of the State System of Higher Education (PASSHE), four State-related universities, community colleges, independent colleges and universities and specialized degree-granting institutions. PASSHE, established by statute in 1983 from the fourteen State-owned colleges, is administered by a 20-member Board of Governors, of which 11 members are appointed by the Governor and confirmed by the Senate. Over \$2,056 million was expended by the Commonwealth in the 2024 fiscal year for these institutions and student financial assistance. Over \$2,208 million was expended by the Commonwealth in the 2025 fiscal year for these institutions and student financial assistance. The enacted budget for fiscal year 2026 includes over \$2,248 million for higher education.

Table 14 below shows the full-time enrollment at Commonwealth supported institutions of higher education for school years 2021-2025.

[Remainder of page intentionally left blank]

**Full-Time Equivalent Enrollment at State-Supported  
Institutions of Higher Education  
School Years 2021-2025  
(In Thousands)  
(Table 14)**

	School Year Ended June 30				
	2021	2022	2023	2024	2025
State System of Higher Education	88	80	77	78	77
State-Related Universities	161	159	157	155	156
Community Colleges	70	61	60	60	58
Total	319	300	294	293	291

Source: Pennsylvania Department of Education.

***Public Health and Human Services***

Fiscal year 2025 public health and human services expenditures were \$61,396 million and are projected to be \$65,875 million in fiscal year 2026. Regarding fiscal year 2025 expenditures, nearly \$19,419 million was funded from the General Fund, while \$20,517 million is estimated to be provided from the General Fund for fiscal year 2026. Federal funds are expected to increase by \$2,780 million and augmentations are expected to increase by \$521 million for fiscal year 2026. Public health and human service programs are the largest single component of combined State and federal spending in the Commonwealth's operating budget. The overall budget increase reflects the impact of caseload increases, federal mandates, litigation, and continued support of county operated programs for child welfare, mental health, and intellectual disabilities.

The fiscal year 2026 budget includes \$311 million of receipts from the Tobacco Settlement Fund to be expended for health care related programs. For fiscal year 2026, the budget transfers of \$115.3 million of cigarette tax revenue to the Tobacco Settlement Fund are planned to replace monies deducted from the Tobacco MSA for deposit in the Tobacco Revenue Bond Debt Service Account. Federal funds matching the Tobacco MSA funds are also expected to be provided. However, under the terms of the 1998 settlement that created the Tobacco Settlement Fund, payments by the tobacco companies may, in certain circumstances be reduced, reflecting a decline in cigarette sales and such payments also may be limited, delayed, or terminated as a result of bankruptcy or insolvency of tobacco companies or legal challenges to the settlement or to amounts due thereunder. In June 2018, a settlement was reached with various tobacco companies resolving 20 years of disputes and future disputes related to the non-participating manufacturer adjustment. The settlement resulted in a payment of which \$329 million was used to offset health care related costs in fiscal year 2025.

Programs providing temporary financial assistance and medical assistance comprise the largest portion of public health and human services expenditures. General Fund expenditures for these assistance programs by the Commonwealth amounted to \$15,084 million in fiscal year 2025, while \$16,196 million is budgeted from the General Fund for fiscal year 2026. In addition, a nursing home assessment fee provided a General Fund offset (meaning a reduction in required General Fund appropriations) of \$172 million in fiscal year 2025 and is expected to provide an equivalent offset in fiscal year 2026. A Managed Care Organization assessment provided a General Fund offset of \$1,367 million in fiscal year 2025 and in fiscal year 2026 the offset is projected at \$1,495 million. Also, a Statewide Quality Care assessment provided a \$452 million offset in fiscal year 2025 and is expected to provide an equivalent offset in fiscal year 2026. For fiscal year 2026, approximately 31.15 percent of the total cost of assistance to the economically needy is proposed to be supported by Commonwealth funds appropriated from the General Fund. The balance is expected to be provided from reimbursements by the federal government and through various program collection activities conducted by the Commonwealth.

Medical assistance, including long-term living home and community-living programs and the intellectual disability waiver program, continues to be a growing component of public health and human

services expenditures. Despite implementation of Commonwealth initiatives to restrain costs, the program continues to grow due to expanding caseloads, technology improvements and general medical cost inflation. Expenditures for medical assistance increased during the period from fiscal years 2015 through 2025 by an average annual rate of 8.24 percent. Fiscal year 2025 expenditures from Commonwealth funds were \$14,809 million and are projected to be \$15,892 million in fiscal year 2026, an increase of 7.32 percent from the prior fiscal year. Income maintenance cash assistance payments to families in transition to independence were \$1,077 million for fiscal year 2025, of which \$143 million was from the General Fund. The enacted budget for fiscal year 2026 includes a total of \$946 million, for such purpose with \$143 million provided from the General Fund.

### ***Transportation***

The Commonwealth is responsible for the construction, restoration and maintenance of the highways and bridges in its 40,000-mile State highway system, including certain city streets that are a part of the State highway system. Assistance for the maintenance and construction of local roads and bridges is provided to municipalities through financial aid grants. Highway maintenance costs, construction costs, and assistance grants are paid from the Motor License Fund. Other special funds, including the Public Transportation Assistance Fund, the Public Transportation Trust Fund, the Multimodal Transportation Fund and the State Lottery Fund provide funding for mass transit and other modes of transportation.

Act 89 of 2013 provided dedicated additional funding for highways and bridges through the incremental uncapping of the Oil Company Franchise Tax and the indexing of vehicle and driver services fees. Act 89 of 2013 also restructured Act 44 of 2007 Pennsylvania Turnpike Commission payment distributions.

In addition to its unrestricted State funds, the Motor License Fund includes five restricted revenue accounts funded by State revenues legislatively dedicated to these specific purposes. Some of the restricted purposes, funded from these accounts, also receive funding by annual appropriations of unrestricted Motor License Fund revenues. Programs receiving funds from a restricted account include highway bridges, highway construction and maintenance, grants to municipalities for highways and bridges and airport development.

Total funding for the Commonwealth's highway and bridge program for fiscal year 2024 was \$3,428 million. The funding was increased to \$3,493 million in fiscal year 2025. The fiscal year 2026 enacted budget reflects an increase to \$3,609 million. Support of highway and bridge expenditures by local governments through grants paid from the Motor License Fund and restricted revenues was \$655 million in fiscal year 2024 and \$649 million in fiscal year 2025. For fiscal year 2026, grants to local governments decreased to \$639 million.

In addition to its support of the highway system, the Commonwealth provides subsidies for mass transit systems including passenger rail and bus service.

For fiscal year 2008, the funding mechanisms for mass transit in the Commonwealth were changed with the enactment of Act 44 of 2007. Mass transit funding was shifted from the General Fund to a combination of sources of revenue primarily going into a Public Transportation Trust Fund established by Act 44 of 2007. The Public Transportation Trust Fund was created to provide a long-term, predictable and growing source of revenues for public transportation systems. Act 89 of 2013 increased funding and revenue sources for the Public Transportation Trust Fund. Revenues are provided by scheduled payments by the Pennsylvania Turnpike Commission, a portion of the Sales and Use Tax, certain motor vehicle fees, vehicle code fines and surcharges, and transfers from the Public Transportation Assistance Fund and the Lottery Fund. This funding supports mass transit programs Statewide, providing financial assistance for operating costs, capital costs, and certain administrative costs for the Department of Transportation. For fiscal year 2024, Commonwealth funding available for mass transit was \$2,702 million (budgetary basis). Funding for mass transit was increased in fiscal year 2025 to \$2,782 million (budgetary basis). The fiscal year 2026 enacted budget for mass transit increased to \$3,033 million.

Act 89 of 2013 created the Multimodal Transportation Fund to provide additional funding for freight and passenger rail, ports, aviation, bicycle and pedestrian facilities, and other modes of transportation. Revenues deposited into the Multimodal Transportation Fund include payments from the Pennsylvania Turnpike Commission, a portion of certain motor vehicle fees and a portion of the Oil Company Franchise Tax. For fiscal year 2024, Commonwealth funding available for multimodal transportation was \$180 million (budgetary basis). The fiscal year 2025 funding was \$192 million (budgetary basis), and the enacted budget for fiscal year 2026 is \$195 million.

The Commonwealth's current aviation program funds the development of public airport facilities through grants providing for airport development, runway rehabilitation, and real estate tax rebates for public use airports. Taxes levied on aviation and jet fuel provide revenues for a restricted account for aviation programs in the Motor License Fund. In fiscal year 2024, \$10 million was expended from aviation restricted accounts. For fiscal year 2025 funding was \$11 million and the enacted budget for fiscal year 2026 is \$11 million.

Taxes on motor fuels provide approximately 57 percent of total non-restricted Motor License Fund revenues annually. Temporary federal financial assistance for transportation under various COVID-19-related programs added significantly to the Motor License Fund in calendar years 2021 and 2022. In addition, the passage of the federal Infrastructure Investment and Jobs Act further increased the funds available for construction by \$748 million in 2023, \$792 million in 2024, and \$838 million in 2025. Upon the exhaustion of such federal funding, additional state funds for construction will be necessary to meet the overall infrastructure needs of the Commonwealth. Act 85 of 2024 imposes an annual fee on Electric Vehicles (EV) and Plug-in Hybrid Electric Vehicles (PHEV). The EV Fee shall be allocated in the same manner as the Oil Company Franchise Tax and be utilized for the construction, reconstruction, maintenance, repair of, and safety on public highways and bridges.

The Commonwealth is not responsible for toll roads and bridges in Pennsylvania. These are under the jurisdiction of various authorities and commissions. See "GOVERNMENT AUTHORITIES AND OTHER ORGANIZATIONS" herein.

## **OUTSTANDING INDEBTEDNESS OF THE COMMONWEALTH**

### **General**

Article VIII, Section 7(a) of the Constitution permits the Commonwealth to incur the following types of debt: (i) debt to suppress insurrection or rehabilitate areas affected by disaster, (ii) electorate-approved debt, (iii) debt for capital projects, subject to the constitutional debt limit, and (iv) tax anticipation notes payable in the fiscal year of issuance. All debt, except debt incurred through the issuance of tax anticipation notes, must be amortized in substantial and regular amounts.

Debt service on Commonwealth general obligation debt is paid from appropriations out of the General Fund except for debt issued for highway purposes, which is paid from Motor License Fund appropriations. Table 15 on the following page shows general obligation debt outstanding for fiscal years 2016 through 2025.

**General Obligation Debt Outstanding<sup>(a)</sup>**  
**Fiscal Years 2016-2025 (In Millions)**  
**(Table 15)**

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Debt Outstanding</b>
2016 .....	\$11,578.5
2017 .....	12,009.0
2018 .....	12,455.4
2019 .....	11,559.0
2020 .....	10,750.3
2021 .....	10,939.4
2022 .....	10,084.7
2023 .....	10,206.6
2024 .....	10,505.6
2025 .....	10,937.2

Source: Office of the Budget.

<sup>(a)</sup>Net of sinking fund balances.

Net outstanding general obligation debt totaled \$10,937.2 million at June 30, 2025, an increase of \$431.6 million over June 30, 2024. Over the 10-year period ending June 30, 2025, total net outstanding general obligation debt decreased at an annual rate of 1.0 percent. Over the 5-year period ending June 30, 2025, total net outstanding general obligation debt has increased at an annual rate of 0.3 percent.

General obligation debt for non-highway purposes of \$10,254.8 million was outstanding on June 30, 2025. Outstanding debt for these purposes increased by a net \$512.7 million since June 30, 2024. For the period ending June 30, 2025, the 10-year and 5-year average annual compound growth rate for total outstanding debt for non-highway purposes has been -0.9 percent and 1.0 percent, respectively. In its current debt financing plan, Commonwealth infrastructure investment projects include improvement and rehabilitation of existing capital facilities and construction of new facilities, such as public buildings, prisons and parks, transit facilities, economic development and community facilities, and environmental remediation projects.

Outstanding general obligation debt for highway purposes was \$682.4 million on June 30, 2025, a decrease of \$81.1 million from June 30, 2024. Highway outstanding general obligation debt decreased over the 10-year and the 5-year period ending June 30, 2025, at the annual average rates of -2.3 percent and -7.5 percent, respectively.

Table 16, on the following page, shows selected debt ratios for the Commonwealth for fiscal year 2015 and for fiscal years 2021 through 2025.

**Selected Debt Ratios**  
**Fiscal Years 2015 and 2021 through 2025**  
**(In Millions)**  
**(Table 16)**

	2015	2021	2022	2023	2024	2025
Net Outstanding Debt (Millions)						
General Obligation Debt(a).....	\$12,075	\$10,939	\$10,085	\$10,206	\$10,506	\$10,937
Lease Payment Obligations(b).....	2,507	3,587	3,460	3,328	3,520	3,390
Total .....	\$14,582	\$14,526	\$13,544	\$13,534	\$14,026	\$14,327
% Increase (Decrease) over prior year .....	5.5%	0.4%	-6.8%	-0.1%	3.6%	2.1%
Population (Thousands)* .....	12,792	13,000	13,006	12,970	12,963	13,079
Per Capita Debt .....	\$1,140	\$1,117	\$1,041	\$1,043	\$1,082	\$1,095
Personal Income (Millions)* .....	\$637,000	\$783,826	\$833,322	\$836,778	\$893,649	\$924,380
Debt as a % of Personal Income.....	2.3%	1.9%	1.6%	1.6%	1.6%	1.6%
Debt Service (Millions)(c)						
Highway Bonds(d) .....	\$53	\$91	\$106	\$108	\$108	\$106
All Other Bonds .....	1,222	1,226	1,238	1,216	1,258	1,390
Lease Payments .....	170	178	173	173	171	178
Total .....	\$1,445	\$1,495	\$1,517	\$1,497	\$1,537	\$1,674
Increase (Decrease) Over Prior Year .....	(0.9%)	0.3%	1.5%	(1.3%)	2.7%	8.9%
Cash Revenues (Millions)(e)						
Motor License Fund.....	\$2,612	\$2,826	\$2,883	\$2,958	\$3,170	\$3,124
General Fund .....	30,593	40,392	48,134	44,917	45,473	46,408
Total .....	\$33,204	\$43,218	\$51,018	\$47,875	\$48,643	\$49,532
% Increase (Decrease) over prior year .....	6.9%	23.8%	18.1%	(6.2%)	1.6%	1.8%
Highway Bond Debt Service as a % of Motor License Fund Revenues .....	2.0%	3.2%	3.7%	3.7%	3.4%	3.4%
All Other Bond Debt Service and Lease Payments as a % of General Fund Revenues .....	4.6%	3.5%	2.9%	3.1%	3.1%	3.4%
Total Debt Service and Lease Payments as a % of Motor License and General Fund Revenues .....	4.4%	3.5%	3.0%	3.1%	3.2%	3.4%

Source: Office of the Budget.

Prior fiscal year debt ratios can be found in previous Official Statements under Investor Information at <https://www.pa.gov/agencies/budget>.

(a) Net of all sinking fund balances.

(b) Includes unduplicated data of issues contained in Table 20.

(c) As paid from appropriations, available funds and/or sinking fund balances.

(d) Highway Bonds and Highway Bridge Improvement Bonds.

(e) Commonwealth revenues only.

\*Population and personal income numbers based upon calendar year-end data available.

[Remainder of page intentionally left blank]

## General Obligation Debt Outstanding

As of June 30, 2025, the Commonwealth had the following amount of general obligation debt outstanding:

### General Obligation Debt Outstanding as of June 30, 2025 (In Thousands) (Table 17)

	Debt Outstanding	Less: Refunding Escrow <sup>(a)</sup>	Less: Sinking Funds <sup>(b)</sup>	Net Debt Outstanding
Capital Projects Debt:				
Capital Facilities Bonds.....	\$7,264,159	(\$1,026,835)	(\$7,438)	\$6,229,886
Highway Bonds .....	390,555	(152,358)	0	238,197
Refunding Bonds .....	3,938,855	0	0	3,938,855
Total Capital Projects Debt Outstanding .....	<u>\$11,593,569</u>	<u>(\$1,179,193)</u>	<u>(\$7,438)</u>	<u>\$10,406,938</u>
Electorate Approved Debt:				
PA Economic Revitalization Bonds .....	\$0	\$0	\$0	\$0
Land & Water Development Bonds .....	0	0	0	0
Nursing Home Loan Development Bonds.....	0	0	0	0
Volunteer Companies' Loan Bonds .....	0	0	0	0
Vietnam Veterans Compensation Bonds.....	0	0	0	0
Water Facilities Restoration-1981 Referendum.....	0	0	0	0
Pennvest—1988 Referendum Bonds.....	0	0	0	0
Pennvest—1992 Referendum Bonds.....	0	0	(1,389)	(1,389)
Agricultural Conservation Easement Bonds.....	0	0	0	0
Local Criminal Justice Bonds.....	0	0	0	0
Keystone Recreation, Parks & Conservation Bonds ....	0	0	0	0
Growing Greener Bonds .....	69,922	(48,173)	(7)	21,742
Water Supply and Wastewater Treatment Bonds.....	6,235	0	0	6,235
Persian Gulf Conflict Veterans .....	0	0	0	0
Water and Sewer Assistance.....	28,470	0	(433)	28,037
Total Electorate Approved Debt Outstanding.....	<u>\$104,627</u>	<u>(\$48,173)</u>	<u>(\$1,829)</u>	<u>\$54,625</u>
Other Bonded Debt:				
Disaster Relief Bonds .....	\$0	\$0	\$0	\$0
Refunding Bonds .....	475,660	0	0	475,660
Total Other Bonded Debt Outstanding .....	<u>\$475,660</u>	<u>\$0</u>	<u>\$0</u>	<u>\$475,660</u>
Total General Obligation Debt Outstanding.....	<u>\$12,173,856</u>	<u>(\$1,227,366)</u>	<u>(\$9,267)</u>	<u>\$10,937,223</u>

Source: Office of the Budget.

<sup>(a)</sup> Principal amount of bonds refunded to be paid from escrowed bond proceeds in State Treasurer escrow account.

<sup>(b)</sup> Funds already deposited in sinking funds.

[Remainder of page intentionally left blank]

Debt service payable during each fiscal year on outstanding general obligation debt, net of refunding escrow amounts, as of December 31, 2025, for the years shown below is set forth in Table 18.

**General Obligation Bond Debt Service**  
(In Thousands)  
(Table 18)

<b>Fiscal Year</b>			
<b>Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$1,057,705	\$418,546	\$1,476,251
2027	995,705	369,558	1,365,263
2028	931,720	320,916	1,252,636
2029	922,610	279,487	1,202,097
2030	762,920	242,002	1,004,925
2031	781,590	208,623	990,213
2032	681,400	175,969	857,369
2033	587,785	147,466	735,251
2034	545,900	121,798	667,698
2035	466,535	100,471	567,006
2036	429,705	81,960	511,665
2037	344,010	66,499	410,409
2038	351,965	52,184	404,149
2039	260,245	38,177	298,422
2040	227,005	28,303	255,308
2041	185,000	19,781	204,781
2042	185,000	12,100	197,100
2043	135,000	5,450	140,450
2044	68,750	1,375	70,125
<b>Total</b>	<b>\$10,946,490</b>	<b>\$3,161,107</b>	<b>\$14,107,597</b>

Source: Office of the Budget.

Totals may not add due to rounding.

### Nature of Commonwealth Debt

*Capital Projects Debt.* The Commonwealth may incur debt to fund capital projects for community colleges, highways, bridge projects, public improvements, transportation assistance, flood control, and redevelopment assistance. Before a project may be funded, it must be itemized in a capital budget bill adopted by the General Assembly. An annual capital budget bill states the maximum amount of debt for capital projects that may be incurred during the current fiscal year for projects authorized in the current or previous years' capital budget bills. Capital projects debt is subject to the Constitutional debt limit.

Once capital projects debt has been authorized by the necessary legislation, issuance authority rests with at least two of the three Issuing Officials (the Governor, the State Treasurer and the Auditor General), one of whom must be the Governor.

*Electorate Approved Debt.* The issuance of electorate-approved debt is subject to the enactment of legislation that places on the ballot the question of whether debt shall be incurred. The legislation authorizing the referendum must state the purposes for which the debt is to be authorized and, as a matter of practice, includes a maximum amount of funds to be borrowed. Upon electorate approval and enactment of legislation implementing the proposed debt-funded program, bonds may be issued. All such authorizing legislation to date has given issuance authority to at least two of the Issuing Officials, one of whom must be the Governor.



*Other Bonded Debt.* Debt issued to rehabilitate areas affected by disasters is authorized by specific legislation. Authorizing legislation has given issuance authority to at least two of the three Issuing Officials, one of whom must be the Governor.

*Tax Anticipation Notes.* Due to the timing of major tax payment dates, the Commonwealth's General Fund cash receipts are generally concentrated in the last four months of the fiscal year, from March through June. Disbursements, however, are distributed more evenly throughout the fiscal year. As a result, operating cash shortages can occur during certain months of the fiscal year. When necessary, the Commonwealth engages in short-term borrowing to fund expenses within the fiscal year through the sale of tax anticipation notes. The authority to issue such notes rests with the Issuing Officials.

The Commonwealth may issue tax anticipation notes only for the account of the General Fund or the Motor License Fund or both such funds. The principal amount issued, when added to already outstanding amounts, may not exceed in the aggregate 20 percent of the revenues estimated to accrue to the appropriate fund or funds in the fiscal year.

Tax anticipation notes must mature within the fiscal year in which they are issued. The Commonwealth is not permitted to fund deficits between fiscal years with any form of debt. Any year-end deficit balances must be funded in the succeeding fiscal year budget.

*Line of Credit (General Fund).* The Commonwealth has entered into an investment agreement with the Pennsylvania Treasury Department which allows the Commonwealth to use governmental monies on deposit with the Treasury Department on a short-term basis to fund General Fund expenses within the fiscal year (the "STIP Facility"). Under the STIP Facility, the Treasury Department invested and the Commonwealth repaid \$1,700 million in fiscal year 2020. The Treasury Department did not make a STIP Facility investment in fiscal years 2021 through and including 2025. All amounts due and owing under the STIP Facility are repaid with interest within the same fiscal year in which they are invested. As of the date of this Official Statement, there is no STIP Facility in place or expected to be needed in fiscal year 2026.

*Line of Credit (Capital Facilities Fund).* The Commonwealth has entered into an investment agreement with the Pennsylvania Treasury Department which allows the Commonwealth to use governmental monies on deposit with the Treasury Department on a short-term basis to fund capital expenses within the fiscal year. The Commonwealth last issued a line of credit on November 13, 2023 in the amount of \$200 million. The Commonwealth used this line of credit to fund projects within several capital facilities categories. The \$200 million was repaid with interest on December 20, 2023 at settlement of the Commonwealth's First Series of 2023 Bonds.

*Bond Anticipation Notes.* Pending the issuance of general obligation bonds, the Commonwealth may issue bond anticipation notes subject to the same statutory and constitutional limitations generally imposed on general obligation bonds. The term of such borrowings may not exceed three years. Issuing authority rests with the Issuing Officials. No bond anticipation notes are outstanding.

## Projected Issuance of Long-Term Debt

Table 19 shows actual and projected future issuance of new-money general obligation bonds (or bond anticipation notes) through fiscal year 2030 as currently estimated, based on current authorizations. Bonds authorized under the economic stimulus program and other programs of the Commonwealth Financing Authority are not included in the table below. Actual issuance of bonds will be affected by several economic and other factors and may vary significantly from the projections contained in Table 19 below.

**General Obligation Bond Issuance and Principal Retirements**  
**Fiscal Years 2026-2030<sup>(a)</sup>**  
**(In Millions)**  
**(Table 19)**

	Fiscal Year Ended June 30				
	2026	2027	2028	2029	2030
Capital Facilities <sup>(b)</sup>					
Buildings and Structures.....	\$1,100	\$1,200	\$1,100	\$1,100	\$1,100
Furniture and Equipment .....	20	15	15	15	15
Transportation Assistance .....	100	175	175	175	175
Redevelopment Assistance.....	350	375	375	375	375
Flood Control .....	0	0	0	0	0
Highway and Bridge Projects.....	0	0	0	0	0
Special Purpose:					
Pennvest — 1988, 1992 & 2008 Referenda ...	0	0	0	0	0
Water and Wastewater Referendum .....	0	0	0	0	0
Growing Greener II Referendum .....	0	0	0	0	0
Total Projected Issuance .....	<u>\$1,570</u>	<u>\$1,765</u>	<u>\$1,665</u>	<u>\$1,665</u>	<u>\$1,665</u>
Principal Retirement <sup>(c)</sup> .....	<u>(\$926)</u>	<u>(\$1,042)</u>	<u>(\$1,086)</u>	<u>(\$1,120)</u>	<u>(\$1,195)</u>

Source: Office of the Budget.

Totals may not add due to rounding.

<sup>(a)</sup> As set forth in the Proposed FY 2026 Budget.

<sup>(b)</sup> Includes issuance for new projects and for projects previously authorized.

<sup>(c)</sup> On bonded debt, outstanding and pro forma for projected bond issuances.

## OTHER STATE-RELATED OBLIGATIONS

### Pennsylvania Housing Finance Agency

The Pennsylvania Housing Finance Agency (“PHFA”) is a State-created agency that provides financing for housing for low and moderate-income families, and people with special housing needs in the Commonwealth. The bonds, but not the notes, of the PHFA are partially secured by a capital reserve fund required to be maintained by the PHFA in an amount equal to the minimum capital reserve fund required for such fund. If there is a potential deficiency in the capital reserve fund or if funds are necessary to avoid default on interest, principal or sinking fund payments on bonds or notes of PHFA, the statute creating PHFA directs the Governor, upon notification from PHFA, to include in the proposed executive budget of the Commonwealth for the next succeeding year an amount sufficient to fund such deficiency to avoid such default. The budget, as passed, by the General Assembly may or may not include the amount so requested by the Governor. PHFA is not permitted to borrow additional funds so long as any deficiency exists in the Capital Reserve Fund. No deficiency exists currently.

As of December 31, 2025, PHFA reported having \$7,417.5 million of revenue bonds outstanding.

## Lease Financing

The Commonwealth, through several of its departments and agencies, leases various real property and equipment. Some leases and the lease payments thereunder are, with the Commonwealth's approval, pledged as security for debt obligations issued by certain public authorities or other entities within the Commonwealth. All lease payments payable by Commonwealth departments and agencies are subject to and dependent upon, approval of an annual spending authorization by the legislature through the Commonwealth's annual budget process. The Commonwealth is not required by law to appropriate or otherwise provide moneys to pay lease payments. The obligations to be paid from such lease payments do not constitute bonded debt of the Commonwealth.

Table 20 below contains summary information on certain obligations secured by annual appropriations of Commonwealth departments, agencies and authorities payable from the General Fund or other budgeted special funds. Material obligations are described in greater detail in the following Table 20.

**Obligations Secured by Commonwealth  
Annual Appropriations as of December 31, 2025  
(In Thousands)  
(Table 20)**

<b>Entity</b>	<b>Purpose</b>	<b>Maximum Annual Principal</b>	<b>Principal Amount Outstanding<sup>(1)</sup></b>	<b>Final Maturity</b>
Sports & Exhibition Authority of Pittsburgh and Allegheny County	Public Auditorium	\$ 18,465	\$ 192,315	Nov. 1, 2039
NORESCO, LLC	Equipment	2,070	2,070	Oct. 1, 2026
NORESCO, LLC	Equipment	1,455	1,455	Oct. 1, 2026
NORESCO/Johnson Controls	Equipment	3,080	5,085	Apr. 1, 2027
Pennsylvania Economic Development Financing Authority	Convention Center	23,680	195,465	June 15, 2039
Commonwealth Financing Authority	General Government	359,365	3,906,050	June 1, 2042
Pennsylvania Economic Development Financing Authority	Office Space	17,580	75,200	Mar. 1, 2034
Pennsylvania Economic Development Financing Authority	Rapid Bridge Replacement	43,290	554,915	June 30, 2042
Department of General Services	Lease/Lease Back	12,745	175,635	June 30, 2046
Pennsylvania Economic Development Financing Authority	County Voting Apparatus	8,845	41,120	June 1, 2030
Pennsylvania Economic Development Financing Authority	Bridge Replacement	123,650	1,759,135	Dec. 31, 2062
Pennsylvania Economic Development Financing Authority	PA Sites	33,560	500,000	June 1, 2054

Source: Office of the Budget.

<sup>(1)</sup> Principal amount outstanding as of December 31, 2025.

## **Lease for Pittsburgh Penguins Arena**

In October 2007, the Commonwealth and the Sports and Exhibition Authority of Pittsburgh and Allegheny County (the “SEA”) entered into a lease agreement (the “Arena Lease”) that, while not creating indebtedness of the Commonwealth, creates a “subject to appropriation” obligation of the Commonwealth. The SEA, a joint public benefit authority, issued in October 2007 its \$313.3 million Commonwealth Lease Revenue Bonds (the “Arena Bonds”) to finance a multi-purpose arena (the “Arena”), to serve as the home of the Pittsburgh Penguins (the “Penguins”), a hockey team in the National Hockey League. The Arena Bonds are not debt of the Commonwealth but are limited obligations of the SEA payable solely from the special revenues pledged therefor. These special revenues include annually (1) \$4.1 million from a lease with the Penguins, (2) not less than \$7.5 million from the operator of a casino located in the City of Pittsburgh, and (3) \$7.5 million from the Commonwealth’s Economic Development and Tourism Fund (the “Development and Tourism Fund”). The Development and Tourism Fund is funded with an assessment of five percent of the gross terminal revenue of all total wagers received by all slot machines in the Commonwealth less cash payments.

While the special revenues were projected to be adequate to pay all debt service on the Arena Bonds, the revenues have not been able to fully cover the debt service. To the extent such revenues are in any year inadequate to cover debt service, the Commonwealth is obligated under the Arena Lease to fund such deficiency, subject in all cases to appropriation by the General Assembly. The maximum annual amount payable by the Commonwealth under the Arena Lease is \$18.6 million. In December 2009, the Commonwealth was notified by the SEA that an additional \$2.8 million would be required in fiscal year 2010 to support debt service. In compliance with its obligations under the Arena Lease, the Commonwealth included an appropriation request for \$2.8 million from the Pennsylvania Gaming and Economic Development Tourism Fund in its fiscal year 2010 budget. Subsequent to the fiscal year 2010 budget, the Commonwealth has been annually notified by the SEA that additional funds are required to support debt service. In each subsequent year, the Commonwealth included the appropriation request in the appropriate fiscal year budget. The Commonwealth’s debt service payments for each of the last five fiscal years were \$783,144.78 in fiscal year 2021, \$262,764.24 in fiscal year 2022, \$243,753.68 in fiscal year 2023, \$191,346.38 in fiscal year 2024 and \$207,351.50 in fiscal year 2025.

During April 2010, the SEA issued \$17.4 million in additional Commonwealth Lease Revenue Bonds (the “Supplemental Arena Bonds”) to complete the Arena. The Supplemental Arena Bonds do not constitute debt of the Commonwealth but are limited obligations of the SEA payable solely from the special revenues pledged therefor. As with the Arena Bonds, the Commonwealth is obligated under the Arena Lease, as amended, to fund any deficiency in special revenues necessary to pay debt service on the Supplemental Arena Bonds, subject in all cases to appropriation by the General Assembly.

## **Pennsylvania Convention Center**

In April 2010, the Commonwealth acquired (through ownership and a long-term leasehold interest) the Pennsylvania Convention Center located in Philadelphia, Pennsylvania and the expansion thereto in 2011. Such acquisition was financed through the issuance by the Pennsylvania Economic Development Financing Authority (“PEDFA”) of \$281.1 million of revenue bonds (the “Convention Center Bonds”) in 2010. The Commonwealth, the City of Philadelphia (the “City”) and the Pennsylvania Convention Center Authority (the “Convention Center Authority”) entered into an Operating Agreement (the “Operating Agreement”) in connection with the issuance of the Convention Center Bonds and the acquisition of the Pennsylvania Convention Center which provides for the operation of the Pennsylvania Convention Center by the Convention Center Authority (which also leases the facility), for the City to make an annual payment of \$15 million plus a percentage of its Hotel Room Rental Tax and Hospitality Promotion Tax revenues to support operations of the Pennsylvania Convention Center and for the Commonwealth to make payments to finance operating deficits and operating and capital reserve deposits of the Pennsylvania Convention Center and to pay debt service on the Convention Center Bonds. The Commonwealth also entered into a Grant Agreement (the “Grant Agreement”) with PEDFA and U.S. Bank National Association, as trustee for the Convention Center Bonds,

with respect to the obligations of the Commonwealth to make the payments required under the Operating Agreement and related amounts due with respect to the Pennsylvania Convention Center and the Convention Center Bonds.

The obligations of the Commonwealth under the Operating Agreement and the Grant Agreement do not create indebtedness of the Commonwealth but are payable from (1) funds available in the Gaming Economic Development and Tourism Fund and (2) other funds of the Commonwealth, subject to annual appropriation by the State legislature. Payments from the Gaming Economic Development and Tourism Fund of up to \$64 million per year for up to 30 years (but not exceeding \$880 million in the aggregate) have been appropriated by the General Assembly (by Act 53 of 2007) for the payment of debt issued with regard to the Pennsylvania Convention Center and for operating expenses of the Pennsylvania Convention Center; however, there is no requirement in Act 53 of 2007, or otherwise that funds in the Gaming Economic Development and Tourism Fund be so applied. Moneys in the Gaming Economic Development and Tourism Fund have also been appropriated by the General Assembly to several other projects and could be appropriated to additional projects in the future. The Gaming Economic Development and Tourism Fund is funded with an assessment of five percent of the gross terminal revenue of all total wagers received by all slot machines in the Commonwealth less cash payments. While the Gaming Economic Development and Tourism Fund is projected to continue to have sufficient revenues to pay its current appropriated obligations, there can be no absolute assurance that the Gaming Economic Development and Tourism Fund in any future fiscal year will receive sufficient receipts to pay its appropriated obligations.

Any payments due from the Commonwealth under the Operating Agreement and the Grant Agreement and which are not paid from the Gaming Economic Development and Tourism Fund are subject to annual appropriation by the General Assembly. The Commonwealth currently projects that payments materially in excess of the aggregate \$880 million appropriated from the Gaming Economic Development and Tourism Fund will be required to be paid by it to satisfy the Commonwealth's obligations under the Operating Agreement and the Grant Agreement over the terms of such agreements.

### **Commonwealth Financing Authority**

The Commonwealth Financing Authority ("CFA") was established in April 2004 with the enactment of legislation establishing the CFA as an independent authority and an instrumentality of the Commonwealth. The CFA is authorized to issue limited obligation revenue bonds and other types of limited obligation revenue financing for the purposes of promoting the health, safety, employment, business opportunities, economic activity and general welfare of the Commonwealth and its citizens through loans, grants, guarantees, leases, lines and letters of credit and other financing arrangements to benefit for-profit, non-profit, and various government entities. The CFA's bonds and financings are secured by revenues and accounts of the CFA, including funds appropriated to CFA from general and other revenues of the Commonwealth for repayment of CFA obligations. The obligations of the CFA do not constitute a debt or liability of the Commonwealth.

In Act 85 of 2016 ("Act 85"), the General Assembly enacted a new Section 1753.1-E of the Fiscal Code that obligates the State Treasurer, in consultation with the Commonwealth's Secretary of the Budget, to transfer the monies necessary for payment of CFA's debt service each fiscal year, beginning July 1, 2016 from sales tax receipts deposited in the General Fund to a restricted revenue account within the General Fund which may only be used to pay that debt service.

Debt service for Authority debt (other than the Tobacco Bonds (defined below)) is currently payable from continuing appropriations pursuant to Section 1753.1-E of the Fiscal Code while debt service for Tobacco Bonds is currently payable from continuing appropriations pursuant to Sections 2805 and 2809 of the Tax Reform Code.

Since November 2005, the CFA has completed multiple bond issues to fund programs established by its original economic stimulus mission of April 2004 (the "Original Programs.") Currently, there are no plans to issue additional debt for the Original Programs.

As part of the enactment process for the fiscal year 2009 budget, the General Assembly enacted and on July 9, 2008, the Governor signed into law Act 63 of 2008 (“Act 63”) and Act 1 of Special Session 1 of 2008 (“Act 1”). Combined, these two acts provided the CFA with additional bond issuance authority of up to an additional \$1,300 million. Act 63 provides the CFA with authority to issue up to \$800 million in limited obligation revenue bonds in order to fund water or sewer projects, storm water projects, flood control projects and high hazard unsafe dam projects. Act 63 also provides for the use of Pennsylvania Gaming and Economic Development and Tourism Fund revenues to support debt service costs associated with the \$800 million in additional CFA debt authority. Act 1 provides the CFA with authority to issue up to \$500 million in limited obligation revenue bonds to fund the development of alternative sources of energy. As of June 30, 2025, the CFA has issued \$473 million in limited obligation revenue bonds authorized by Act 1 and \$757 million in limited obligation revenue bonds authorized by Act 63. Other than bonds for refunding purposes, there currently are no plans to issue additional debt for these programs.

As of June 30, 2025, the CFA had \$3,906.1 million in outstanding bond debt (including Tobacco Bonds). With respect thereto, the restricted revenue account established pursuant to Act 85 is funded annually through a Sales and Use Tax Transfer as the source used to service approximately \$3,381.5 million of outstanding debt and the Pennsylvania Gaming and Economic Development and Tourism Fund has been the source used to service approximately \$524.6 million of such outstanding debt.

Pursuant to Act 25 of 2016 (“Act 25”), the CFA is authorized to issue debt related to the Commonwealth’s share of school district construction costs referred to as the PlanCon process. Act 25 established a new funding mechanism to pay school districts for construction reimbursements due to them and to fund capital grants to school districts as part of the PlanCon process. The CFA is authorized to issue up to \$2,500 million in appropriation backed debt in connection with the Commonwealth’s share of school construction costs; debt in excess of \$2,500 million may be incurred by CFA for this purpose if CFA and the Department of Education determine that \$2,500 million is insufficient to carry out the purposes of Act 25 and if the Secretary of the Budget approves such determination. Under the statute, CFA may issue bonds through fiscal year 2025. As of June 30, 2025, the CFA has issued \$1,903.1 million for construction reimbursement purposes under Act 25.

In addition, the CFA, pursuant to Article XXVIII of the Tax Reform Code, added by Act 43 of 2017, issued Tobacco Master Settlement Payment Revenue Bonds (the “Tobacco Bonds”) on February 13, 2018 in a principal amount necessary to fund a deposit of \$1,500 million in the General Fund of the Commonwealth to provide General Fund budgetary relief. Currently, there are no plans to issue additional Tobacco Bonds (other than for refunding purposes).

## **Bridge Projects**

Act 89 authorized the Department of Transportation to enter into transportation public-private partnerships (“P3”). The Rapid Bridge Replacement Project is a P3 initiative to finance the replacement of 558 bridges across Pennsylvania. In 2015, the Department of Transportation and the winning bidder (concessionaire) entered into a concession agreement pursuant to which the concessionaire designs, constructs and maintains the bridges. The costs of the Rapid Bridge Replacement Project are being funded by the concessionaire through bond proceeds. The bond purchase agreement was executed on February 24, 2015, and the sale of \$721.5 million of bonds by PEDFA closed on March 18, 2015. Two types of payments are required to be made under the concession agreement: “milestone payments” as construction is completed and “availability payments” with respect to completed bridges. The Department of Transportation’s milestone and availability payments are backed by appropriations from the Commonwealth’s Motor License Fund. The Commonwealth is not responsible for toll roads and bridges in Pennsylvania. These are under the jurisdiction of various authorities and commissions. See “GOVERNMENT AUTHORITIES AND OTHER ORGANIZATIONS” herein.

To finance the repair and maintenance of aging bridge infrastructure in Pennsylvania, on December 22, 2022, PEDFA issued its Tax-Exempt Private Activity Revenue Bonds (The PennDOT Major Bridges Package

One Project), Series 2022 (AMT) in the aggregate principal amount of \$1,759,135,000. Similar to the Rapid Bridge Replacement Project, the Major Bridges Project is a P3. The bonds financed the design, construction and routine and life cycle maintenance of the following six bridges: the I-81 Bridge over the Susquehanna River between Hallstead Borough and Great Bend Borough in Susquehanna County; the I-80 Nescopeck Bridge crossing over Nescopeck Creek in Black Creek Township, Luzerne County; the I-78 Lenhartsville Bridge crossing Maiden Creek in Greenwich Township, Berks County; the I-80 Lehigh River Bridge crossing over the Lehigh River, Lehigh Gorge State Park, Reading Blue Mountain and Northern Railroad and SR 1005 (River Road) in Carbon and Luzerne Counties; the I-80 Canoe Creek Bridge crossing over Canoe Creek and Tippecanoe Road (SR 4005) in Beaver Township, Clarion County; the I-80 North Fork Bridges crossing over the North Fork Redbank Creek and Water Plant Road in Brookville Borough and Pine Creek Township, Jefferson County. As a general matter, the bonds will be repaid from payments received by the borrower under a project agreement, which primarily consist of availability payments with respect to completed bridges. Pursuant to and subject to the terms of the project agreement, the Department of Transportation is to make availability payments commencing with the achievement of substantial completion and continuing for the remainder of the term of the project agreement. The availability payments are calculated for each calendar month and may be adjusted for certain deductions in accordance with the project agreement; provided, however, that such deductions are not permitted to reduce the availability payments so as to be insufficient to pay for all principal and interest on outstanding bonds. The availability payments are expected to be paid by the Department of Transportation from appropriations of funds in the Commonwealth's Motor License Fund.

## **PA Sites**

On February 26, 2025, PEDFA issued \$500,000,000 of its Revenue Bonds, Series of 2025 (Federally Taxable) (Economic Development and Infrastructure Programs) (the "PA Sites Bonds") to finance a project consisting of (i) the provision of reimbursement grants ("Grants") and loans by Department of Community and Economic Development ("DCED") under the PA SITES Program (established under Article XVIII-A of the Act of the Pennsylvania General Assembly of July 11, 2024 P.L. 550, No. 54), (ii) the provision of Grants by CFA under the Multimodal Transportation Funding Program and the PA Small Water and Sewer Program (as such respective programs are referenced in Article XVIII-A), and (iii) the payment of the costs of issuing the PA Sites Bonds. The PA Sites Bonds are limited obligations of PEDFA. In connection with the issuance of the PA Sites Bonds, PEDFA, the Commonwealth, acting through DCED, and CFA entered into a service agreement dated as of February 1, 2025 (the "Service Agreement"), which is acknowledged and approved by the Secretary of the Budget for the Commonwealth, pursuant to which DCED, on its behalf and on behalf of CFA, has agreed to pay to PEDFA a service charge in an amount sufficient to pay the debt service requirements on the PA Sites Bonds. The payments made by DCED under the Service Agreement are subject to the appropriation of funds for such purpose by the General Assembly of the Commonwealth. There can be no assurance that such funds will be appropriated by the Commonwealth as required to timely make such payments. The PA Sites Bonds mature on June 1, 2054.

## **PENSIONS AND RETIREMENT**

### **General Information**

The Commonwealth maintains contributory benefit pension plans covering all State employees, public school employees, and employees of certain State-related organizations. State employees and employees of certain State-related organizations are members of the Pennsylvania State Employees' Retirement System ("SERS"). Public school employees are members of the Public School Employees' Retirement System ("PSERS"). With certain exceptions, membership in the applicable retirement system is mandatory for covered employees.

[Remainder of page intentionally left blank]

## History of Retirement System Participants 2020-2025

<u>Year<sup>(a)</sup></u>	<b>PSERS</b>			<b>SERS</b>		
	<b>Total Annuitants, Beneficiaries and Survivor <u>Annuitants</u></b>	<b>Active <u>Members</u></b>	<b>Total <u>Membership</u></b>	<b>Total Annuitants and <u>Beneficiaries</u></b>	<b>Active <u>Members</u></b>	<b>Total <u>Membership<sup>(b)</sup></u></b>
2020	239,614	256,246	495,860	133,334	100,962	234,296
2021	242,839	248,145	490,984	134,360	97,857	232,217
2022	246,901	247,873	494,774	135,647	96,395	232,042
2023	249,724	250,820	500,544	136,792	98,115	235,087
2024	253,896	255,652	509,548	137,620	100,131	237,751
2025 <sup>(c)</sup>	254,735	261,669	516,404			

Source: Pennsylvania State Employee Retirement System and Public School Employees Retirement System.

<sup>(a)</sup> PSERS data as of June 30, 2025, SERS data as of December 31, 2024.

<sup>(b)</sup> Does not include inactive plan members entitled to but not yet receiving benefits.

<sup>(c)</sup> Figures presented are preliminary, unaudited.

SERS and PSERS are established by State law as independent administrative boards of the Commonwealth, each directed by a governing board that exercises control and management of its system, including the investment of its assets. The SERS board consists of eleven members, five appointed by the Governor, two members each from the Senate and House of Representatives, the Secretary of Banking and Securities, and the State Treasurer. The PSERS board has fifteen members, including the Commonwealth's Secretary of Education, the Commonwealth's Secretary of Banking and Securities, the State Treasurer, the Executive Director of the Pennsylvania School Boards Association, one member appointed by the Governor, six elected members (three from among the System's certified members, one from among the System's noncertified members, one from among the System's annuitants, and one from among school board members in Pennsylvania), two members from the Senate, and two members from the House of Representatives. The PSERS and SERS audited financial statements, investment policies, board personnel and other data regarding the respective pension plans are available electronically at the following websites, respectively, <https://www.pa.gov/agencies/psers> and <http://www.sers.pa.gov/index.html>.

The retirement plans of SERS and PSERS are contributory defined benefit plans for which the benefit payments to members and contribution rates by employees are specified in State law. Changes in benefit and contribution provisions for each retirement plan must be made by legislation enacted by the General Assembly. Under statutory provisions established in 1981, all legislative bills and amendments proposing to change a public employee pension or retirement plan are to be accompanied with an actuarial note prepared by an enrolled pension actuary providing an estimate of the cost and actuarial effect of the proposed change.

The Commonwealth's retirement programs are funded by contributions from both the employer and employee. Act 120 of 2010 introduced a shared risk program that can affect member contribution rates for state employees enrolled on or after January 2011 and school members enrolled on or after July 1, 2011 depending on the investments results of the respective retirement system. Act 5 of 2017 enhanced the shared risk program. Under the shared risk program, eligible members benefit when the investments results of the retirement systems are doing well and share some of the risk when the investment underperform benchmarks defined in the retirement codes of each System. The investment performance for the shared risk program is measured every three years and contributions for members eligible for the shared risk program can fluctuate every three years based on how the Systems' actual investment performance compares to the shared risk investment return target defined in the retirement code.

The contribution rate for PSERS members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5 percent of compensation. Effective July 1, 2024, the contribution rates for PSERS members who enrolled on or after July 1, 2011 and before June 30, 2019 were decreased by 0.5 percent



to 7.5 percent or 10.3 percent, depending upon elections made by each member, in accordance with member shared risk provisions of the retirement code. The new rates will remain in effect through June 30, 2027, when they may be adjusted based on the results of the next shared risk measurement period. For PSERS members enrolled on July 1, 2019 or thereafter, member contribution rates are set forth in Act 5 of 2017 (“Act 5”). Effective July 1, 2024, the contribution rates for PSERS members who enrolled on or after July 1, 2019 were decreased by 0.75 percent to 7.5 percent or 8.25 percent, depending upon elections made by each member, in accordance with member shared risk provisions of the retirement code. The new rates will remain in effect through June 30, 2027, when they may be adjusted based on the results of the next shared risk measurement period. The contribution rates for PSERS members who enrolled prior to January 1, 2002 range from 5.25 percent to 7.5 percent of compensation, depending upon the date of commencement of employment and elections made by each employee member. The SERS’ employee contribution rate is 6.25 percent for most member employees. Interest on each employee’s accumulated contributions is credited annually at a 4 percent rate mandated by State statute. Accumulated contributions plus interest credited are refundable to covered employees upon termination of their employment for most members.

Act 5 established three pension plan design options for most State employees hired on or after January 1, 2019 and for most school employees hired on or after July 1, 2019. The plan designs for SERS and PSERS under Act 5 are available electronically at the following respective websites: <https://www.pa.gov/agencies/psers> and [www.sers.pa.gov](http://www.sers.pa.gov).

### ***Act 5 of 2017***

On June 12, 2017, the Governor signed Act 5 of 2017 into law (“Act 5”) which established three new pension plan design options for most State employees hired on or after January 1, 2019 and for most school employees hired on or after July 1, 2019.

The new plan design options include two hybrid options, which have both a defined benefit (DB) component and a defined contribution (DC) component, as well as a stand-alone DC plan option. New Pennsylvania State Police officers, corrections officers and other hazardous duty personnel hired on or after January 1, 2019, are exempt from participation in the new plan options. New judges and legislators beginning State service after January 1, 2019, are included under the new plan designs. The PSERS and SERS information regarding Act 5 are available electronically at the following respective websites: <https://www.pa.gov/agencies/psers> and [www.sers.pa.gov](http://www.sers.pa.gov).

### ***Investment Performance***

SERS returns for the calendar years 2020, 2021, 2022, 2023 and 2024 were 11.1 percent, 17.2 percent, -12.2 percent, 12.2 percent and 9.8 percent, respectively. PSERS’ returns for fiscal years, 2021, 2022, 2023, 2024, and 2025 were 1.12 percent, 24.58 percent, 3.54 percent, 8.14 percent and 9.67 percent respectively. See “Actuarial Calculations and Unfunded Actuarial Accrued Liability” below regarding investment rate of return assumptions for PSERS and SERS.

### ***Plan Assets***

Contributions to the PSERS and SERS pension plans by the Commonwealth including medical premium assistance payments, employee contributions, interest earnings and benefit payments are shown in the following tables, which have been prepared by the respective staffs of PSERS and SERS.

[Remainder of page intentionally left blank]

**Public School Employees' Retirement Fund**  
**2021-2025**  
**(In Millions)**  
**(Table 21)**

<b>Year Ended June 30</b>	<b>Employer Contributions</b>	<b>Employee Contributions<sup>(a)</sup></b>	<b>Net Investment Income (Loss)</b>	<b>Total Deductions From Plan Net Assets<sup>(b)</sup></b>	<b>Plan Net Assets</b>
2021	4,891	1,100	14,764	7,301	72,162
2022	5,141	1,167	(283)	7,424	70,763
2023	5,403	1,225	2,821	7,757	72,455
2024	5,419	1,268	5,755	7,910	76,986
2025	5,644	1,280	7,388	7,975	83,322

Source: Pennsylvania Public School Employees Retirement System.

<sup>(a)</sup> Excludes PSERS Health Options Plan activity.

<sup>(b)</sup> Includes PSERS administrative expenses.

**Investment Return Reporting vs. Financial Statement Reporting**

For PSERS the fiscal year 2022 time-weighted investment rate of return is a positive 2.23 percent in contrast to the fiscal year 2022 net investment (loss) of \$(283) million. This difference is due to the pension industry's use of quarter lag reporting for certain asset classes for investment return reporting. For financial statement reporting purposes, nearly all Real estate and Alternative investments are valued based on June 30, 2022 valuations. For investment return reporting, the Real estate and Alternative investments are based on quarter lag valuations as of March 31, 2022. As a result, the financial statements include a net valuation decrease of \$(317) million at June 30, 2022 that was not recognized in the investment returns for fiscal year 2022. In fiscal year 2021, the financial statements included a June 30, 2021 Real estate and Alternative investment valuation increase of \$1.9 billion which was not recognized in the investment returns until fiscal year 2022. The combined impact of the fiscal year 2021 and fiscal year 2022 quarter lag valuation adjustments is \$2.2 billion. As a result, the fiscal year 2022 investment returns are higher than the net investment loss recognized in the financial statements. This combined impact is the reason why the financial statements have a Net Investment Loss of \$(283) million and fiscal year 2022 investment returns are a positive 2.23 percent.

**State Employees' Retirement Fund**  
**(In Millions)**  
**(Table 22)**

<b>Fiscal Year Ended December 31</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Net Investment Income/Loss<sup>(a)</sup></b>	<b>Total Deductions From Fiduciary Net Position<sup>(b)</sup></b>	<b>Fiduciary Net Position<sup>(c)</sup></b>
2020	3,187 <sup>(d)</sup>	410	3,919	3,584	35,028
2021	2,871 <sup>(e)</sup>	405	5,683	3,756	40,231
2022	2,075	418	(5,213)	3,904	33,607
2023	2,199	427	4,127	3,935	36,425
2024	2,316	452	3,505	4,040	38,658

Source: Pennsylvania State Employee Retirement System.

<sup>(a)</sup> Includes net appreciation (depreciation) in fair value of investments.

<sup>(b)</sup> Includes SERS administrative costs.

<sup>(c)</sup> Market value of investment assets. For the fiscal year ended December 31, 2014, SERS adopted GASB Statement No. 67, which replaces requirements of GASB Statement No. 25. These require that investments be reported at their fair value. Also includes securities lending collateral pool pursuant to GASB Statement No. 28.

<sup>(d)</sup> In April 2020, Penn State University submitted a payment of \$1.06 billion toward its unfunded liability. In return, the university will receive an annual credit against its contributions for 30 years, beginning in FY 2020-21. The credit totals nearly

\$93.3 million for twenty years and then decreases over the final 10 years beginning at nearly \$72.6 million and ending at approximately \$2.3 million in FY 2049-50. The 2020 employer contributions include this lump sum payment.

<sup>(c)</sup> In April 2021, the Pennsylvania State System of Higher Education submitted a payment of \$825 million toward its unfunded liability. In return, the organization will receive an annual credit against its contributions for 30 years, which began with FY 2021-22. The credit totals more than \$79.9 million for ten years and then decreases over the final 20 years beginning at more than \$69.4 million and ending at nearly \$2.7 million in FY 2050-51. The 2021 employer contributions included this lump sum payment.

### ***Actuarial Calculations and Unfunded Actuarial Accrued Liability***

Annual actuarial valuations are required by State law to determine the employer contribution rates necessary to accumulate sufficient assets and provide for payment of future benefits. Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans. The actuary’s recommendations for employer contribution rates represent a funding plan for meeting current and future retirement obligations. The employer’s contribution rate is computed to fully amortize the unfunded actuarial accrued liability of a plan as determined by the actuary. The unfunded accrued liability is a measure of the present value of benefits estimated to be due in the future for current employees under specified assumptions as to mortality, pay levels, retirement experience and employee turnover, less the present value of assets available to pay those benefits, under specified assumptions of normal cost, supplemental annuity amortization, employer contribution levels and employee contributions. The unfunded actuarial accrued liability for recent years with completed valuations is shown in Table 23 below for both SERS and PSERS.

The Boards of PSERS and SERS hire their actuarial firms through a competitive Request for Proposal process generally for a five-year term. PSERS current actuary is Gallagher, and SERS actuary is Korn Ferry (contract was assigned to Gabriel, Roeder, Smith and Company (GRS) in the summer of 2025). The Boards of PSERS and SERS periodically review their respective system actuarial assumptions with actuaries, investment consultants and staff and determine whether to make any prospective changes to these assumptions. Actuarial data and information for each system is available from their respective websites. Both Boards have adopted changes to their respective system actuarial assumptions recently and in past years. As discussed below, PSERS Board decreased the actuarial rate of return assumption from 7.25 percent to 7.0 percent for the June 30, 2021 valuation and for subsequent valuations. The SERS Board maintained the actuarial rate of return at 6.875 percent for the December 31, 2024 valuation. These changes to SERS’ and PSERS’ investment return assumptions bring both Fund’s return assumptions below the median assumption used by public pension funds nationally.

### **Unfunded Actuarial Accrued Liability 2020-2024 (In Millions) (Table 23)**

<b><u>Valuation Year Ended In</u></b>	<b><u>SERS<sup>(a)</sup></u></b>	<b><u>PSERS<sup>(b)</sup></u></b>
2020.....	\$22,395	\$44,034
2021.....	16,080	45,534
2022.....	17,489	43,965
2023.....	16,985	42,340
2024.....	16,974	41,982

Source: Pennsylvania State Employee Retirement System and Public School Employees Retirement System.

<sup>(a)</sup> The fiscal year for SERS ends on December 31 of each year.

<sup>(b)</sup> The fiscal year for PSERS ends on June 30 of each year. Amounts presented are for Pension only and excludes Premium Assistance.

During fiscal year 2021, PSERS actuary, Gallagher, presented to the PSERS Board recommendations from the Five-Year Actuarial Study which is a periodic review of actual versus expected actuarial experience of the retirement system to ensure that the system is financed on a sound basis. This is an investigation of actuarial experience that has been performed based upon economic and demographic experience from July 1, 2015 through June 30, 2020. The study reviewed the experience and developed recommended assumptions for use in the June 30, 2021 valuation and subsequent valuations. The PSERS Board approved several recommended actuarial assumption changes which included, but were not limited to, lowering the actuarial rate of return from 7.25 percent to 7.0 percent, lowering the annual inflation assumption from 2.75 percent to 2.50 percent, reducing salary growth from 5.0 percent to 4.5 percent and the payroll growth assumption from 3.50 percent to 3.25 percent. The aggregate impact of all assumption changes increased PSERS unfunded actuarial liability by approximately \$2.8 billion.

As of June 30, 2020, PSERS funded ratios were 59.2 percent and 54.4 percent on an actuarial and market value basis, respectively. As of June 30, 2021, PSERS funded ratios were 59.6 percent and 63.7 percent on an actuarial and market value basis, respectively. As of June 30, 2022, PSERS funded ratios were 61.6 percent and 61.3 percent on an actuarial and market value basis, respectively. As of June 30, 2023, PSERS funded ratios were 63.6 percent and 61.9 percent on an actuarial and market value basis, respectively. As of June 30, 2024, PSERS funded ratios were 64.8 percent and 64.6 percent on an actuarial and market value basis, respectively.

Changes in the PSERS unfunded actuarial liability and unfunded liability on a market value basis are attributable to several factors that include investment returns as well as differences between actual and expected demographic results. Additionally, 2021 valuations, subsequent valuations, unfunded actuarial liability and unfunded liability on a market value basis were impacted by the change in actuarial assumptions resulting from the most recent five-year experience study.

For SERS, its funded ratios as of December 31, 2020 were 59.4 percent and 63.6 percent on an actuarial and market value basis, respectively. As of December 31, 2021, SERS funded ratios were 69.6 percent and 76.0 percent on an actuarial and market value basis, respectively. As of December 31, 2022, SERS funded ratios were 68.0 percent and 61.5 percent on an actuarial and market value basis, respectively. As of December 31, 2023, SERS funded ratios were 69.6 percent and 65.3 percent on an actuarial and market value basis, respectively. As of December 31, 2024, SERS funded ratios were 70.3 percent and 67.7 percent on an actuarial and market value basis, respectively.

Changes in the SERS unfunded actuarial liability are attributable to several factors that include actual investment returns, changes in the actuarial assumed rate of return, as well as differences between actual and expected results.

Changes in the unfunded actuarial accrued liability are attributable to investment returns as well as differences between expected and actual experience.

[Remainder of page intentionally left blank]

**Comparison of Employer Contributions to Actuarially Determined Contribution (“ADC”)/Annual  
Required Contribution  
(In Thousands)  
(Table 24)**

<b>Public School Employees’ Retirement Fund<sup>(a)</sup></b>			
<b>Year Ended June 30</b>	<b>ADC or ARC<sup>(a)</sup></b>	<b>Actual Employer Contributions</b>	<b>Percentages Contributed</b>
2025	\$5,436,968	\$5,436,968	100%
2024	5,249,563	5,249,563	100
2023	5,237,092	5,237,092	100
2022	4,985,571	4,985,571	100
2021	4,752,338	4,752,338	100

<b>State Employees’ Retirement Fund<sup>(b)</sup></b>			
<b>Year Ended December 31</b>	<b>ADC or ARC<sup>(b)</sup></b>	<b>Actual Employer Contributions</b>	<b>Percentages Contributed</b>
2024	\$2,304,367	\$2,304,367	100%
2023	2,188,125	2,188,125	100
2022	2,066,132	2,066,132	100
2021	2,078,951	2,858,088	<sup>(c)</sup> 138
2020	2,164,144	3,174,854	<sup>(d)</sup> 147

<sup>(a)</sup> Amounts presented are for Pension only and excludes Premium Assistance. The ADC or ARC presented above was determined as part of the actuarial valuation as of two years prior to the dates indicated (i.e., the ADC for the fiscal year ended June 30, 2021 was determined by the valuation completed as of June 30, 2019 which was based on a 7.25 percent interest rate).

<sup>(b)</sup> The ARC is calculated as part of SERS funding valuation using GASB Statement No. 25 (GASB 25) requirements. Starting in 2014, GASB 25 was superseded by GASB Statement No. 67 (GASB 67) for accounting purposes. GASB 67 replaces the ARC with an actuarially determined contribution (ADC).

<sup>(c)</sup> The 2021 Actual Employer Contributions includes an \$825 million one-time contribution from the Pennsylvania State System of Higher Education towards its unfunded liability that was made possible by Act 2019-105.

<sup>(d)</sup> The 2020 Actual Employer Contributions includes a \$1.06 billion one-time contribution from Penn State University towards its unfunded liability that was made possible by Act 2019-105.

Source: Pennsylvania State Employee Retirement System and Public School Employees Retirement System.

Table 25 below provides the State’s projected employer contribution rates expressed as a percentage of the actuarially determined covered payroll for PSERS and SERS for fiscal years 2025 through 2039.

**Projected Employer Contribution Rates  
2025-2029  
(Table 25)**

<b>Fiscal Year<sup>(a)</sup></b>	<b>PSERS<sup>(b)</sup></b>	<b>SERS<sup>(c)</sup></b>
2025	34.73%	32.34%
2026	34.00	31.47
2027	33.59	31.70
2028	34.12	30.40
2029	34.63	29.46

<sup>(a)</sup> The fiscal year 2025 employer contribution rates are actual rates which began on July 1, 2025.

<sup>(b)</sup> The projection of contribution rates is an assumption that there are no changes in demographic assumptions, no changes in benefit provisions, and no actuarial gains or losses other than gains or losses on the actuarial value of assets that result

from recognizing currently deferred gains or losses on the market value of assets. In addition, a constant active population is assumed with future new members to be Class T-G members with the same demographic characteristics of new members during the period 7/1/2018 to 6/30/2024.

(c) These projections are based on SERS economic and demographic actuarial assumptions in place for the 12/31/2024 valuation.

Source: Pennsylvania State Employee Retirement System and Public School Employees Retirement System.

For PSERS as of June 30, 2025, the employer net pension liability was \$38.8 billion while plan fiduciary net position as a percentage of the total pension liability was 68.04 percent. For PSERS as of June 30, 2024 and 2023, the employer net pension liability was \$41.9 billion and \$44.5 billion, respectively, while plan fiduciary net position as a percentage of the total pension liability was 64.63 percent and 61.85 percent, respectively.

Over the past 10 years the longer-term trend of the employer net pension liability has decreased from \$49.6 billion to \$38.8 billion, and the plan fiduciary net position as a percentage of total pension liability has increased from 50.14 percent to 68.04 percent over the same time period. For PSERS as of June 30, 2024 and 2023, actuarially determined contribution (ADC) and contributions in relation to the ADC were both \$5,437 million and \$5,237 million, respectively.

SERS is the administrator of a cost-sharing multiple-employer defined benefit pension plan and reports required items per GASB 67 in Notes to Financial Statements as well as in Required Supplementary Information starting with its 2014 Annual Comprehensive Financial Report. SERS implemented GASB 67 as of December 31, 2014, but also retroactively reported as of December 31, 2013. The actuarial report for the fiscal year ended December 31, 2024 is available on the SERS website referenced above under Actuarial Reports. As of December 31, 2024 and 2023, net pension liability was \$18.4 billion and \$19.4 billion, respectively, while plan fiduciary net position as a percentage of the total pension liability was 67.7 percent and 65.3 percent, respectively. For SERS as of December 31, 2024, 2023, and 2022, actuarially determined contributions (ADC) and contributions in relation to the ADC were both \$2.3 billion, \$2.2 billion, and \$2.1 billion, respectively.

### ***Other Post-Employment Benefits***

In addition to a defined benefit pension plan for State employees and employees of certain State-related organizations, the Commonwealth also provides health care plans for its eligible retirees and their qualifying dependents. These and similar plans are commonly referred to as “other post-employment benefits” or “OPEBs.” The Commonwealth provides OPEBs under two plans. The Retired Pennsylvania State Police Program (RPSPP) provides collectively bargained benefits to retired State enlisted members and their dependents. The Retired Employee Health Program (REHP) provides Commonwealth-determined benefits to other retired State employees and their dependents.

The General Assembly, based upon the Governor’s request, annually appropriates funds to meet the obligation to pay current retiree health care benefits on a “pay-as-you-go” basis. Retiree health care expenditures are currently funded by the Commonwealth’s General Fund (approximately 72 percent (72%) for fiscal year 2025), and by Federal, Other and Special Funds. Commonwealth costs for such benefits totaled \$410 million in fiscal year 2021, \$372 million in fiscal year 2022, \$448 million in fiscal year 2023, \$682 million in fiscal year 2024, and \$663 million in fiscal year 2025.

### ***Governmental Accounting Standards Board Statements #74/75***

In June 2015, the GASB released Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“Statements No. 74/75”). Statements No. 74/75 establish standards for the measurement, recognition and display in the financial reports of state and local governments of OPEBs liabilities, when provided separately from a pension plan, and related expense or expenditures.

Under Statements No. 74/75, governments are required to: (i) recognize the actuarial liabilities of promised benefits associated with past service net of any assets held in trust for the payment of those benefits (the net OPEB liability) and the related expense on the accrual basis of accounting; (ii) provide plan information on the membership, benefits, trusted assets, actuarial assumptions, and changes to the net OPEB liability (NOL) from the previous valuation; and (iii) provide information useful in assessing trends and potential demands on the employer's future cash flows.

In fiscal year 2008, the Commonwealth's Office of Budget entered into an Interagency Agreement with the independent Pennsylvania Department of Treasury to establish irrevocable trust accounts for the purpose of providing advance funding to both the REHP and RPSPP programs. The Commonwealth had previously established restricted receipt accounts for the REHP and RPSPP programs in order to accumulate funds to pay retiree health care costs on a "pay-as-you-go" basis while maintaining an adequate reserve balance.

In fiscal year 2026, \$50 million was transferred to the REHP Trust Account and \$1 million was transferred to the RPSPP Trust Account from the pre-existing restricted receipt accounts. No additional transfers have been made to the trust accounts. At June 30, 2025, the combined balance in the trust accounts and restricted receipt accounts was \$1.304 billion. The Commonwealth has retained Deloitte Consulting, LLP, a multinational professional services firm, to provide actuarial services for GASB 75 implementation and reporting.

The combined NOL reported as of June 30, 2025 with a June 30, 2025 actuarial measurement date was \$11,119 million. The NOL for the REHP was \$5,552 million comprised of an actuarial accrued liability of \$6,639 million less \$1,087 million of plan assets. The NOL for the RPSPP was \$5,567 million comprised of an actuarial accrued liability of \$5,746 million less \$179 million of plan assets.

### ***Government Authorities And Other Organizations***

Certain State-created organizations have statutory authorization to issue debt for which State appropriations to pay debt service thereon are not required. The debt of these organizations is funded by assets of, or revenues derived from, the various projects financed and is not a statutory or moral obligation of the Commonwealth. However, some of these organizations are indirectly dependent upon Commonwealth operating appropriations. In addition, the Commonwealth may choose to take action to financially assist these organizations. These organizations, their purposes and their outstanding debt, as computed by each organization, (excluding swap obligations) are as follows:

*Delaware River Joint Toll Bridge Commission ("DRJTBC").* The DRJTBC, a public corporation of the Commonwealth and New Jersey, owns and operates toll and non-toll bridges across the Delaware River north of the toll bridges operated by DRPA (defined below). Debt service on bonds is paid from tolls and other revenues of DRJTBC. DRJTBC had \$594.9 million in bonds outstanding as of December 31, 2025.

*Delaware River Port Authority ("DRPA").* The DRPA, a public corporation of the Commonwealth and New Jersey, operates several toll bridges over the Delaware River within and near Philadelphia, and promotes the use of the Philadelphia-Camden port and promotes economic development in the port district. Debt service on bonds is paid from toll revenues and other revenues pledged by DRPA to repayment of bonds. As of June 30, 2025, the DRPA had \$835.3 million in revenue bond debt outstanding and \$28.1 million in other bond debt outstanding that is paid from general funds.

*Pennsylvania Economic Development Financing Authority ("PEDFA").* PEDFA was created in 1987 to offer pooled bonds and other issues of both taxable and tax-exempt bonds principally on behalf of local industrial development authorities and industrial development corporations for economic development projects. Bonds are payable from and secured by loan repayments and other revenues which may be received by PEDFA. PEDFA had \$9,731.0 million of debt outstanding as of December 31, 2025.

*Pennsylvania Higher Education Assistance Agency (“PHEAA”).* The PHEAA makes or guarantees student loans to students or parents, or to lending institutions or post-secondary institutions. Debt service on the bonds is paid by loan interest and repayments and other agency revenues. The PHEAA had \$2,029.7 million in bonds outstanding as of December 31, 2025.

*Pennsylvania Higher Educational Facilities Authority (“PHEFA”).* The PHEFA is a public corporation of the Commonwealth established to finance college facilities. As of December 31, 2025, the PHEFA had \$6,304.9 million in revenue bonds and notes outstanding payable from the lease rentals or loan repayments of the projects financed. Some of the lessees or borrowers, although private institutions, receive grants and subsidies from the Commonwealth.

*Pennsylvania Industrial Development Authority (“PIDA”).* The PIDA is a public corporation of the Commonwealth established for the purpose of financing economic development. PIDA retired all bond debt on July 1, 2024.

*Pennsylvania Infrastructure Investment Authority (“Pennvest”).* Pennvest was created in 1988 to provide low- interest rate loans and grants for the purpose of constructing new and improving existing water supply and sewage disposal systems to protect the health and safety of the citizens of the Commonwealth and to promote economic development within the Commonwealth. Loans and grants are available to local governments and, in certain circumstances, to private companies. The Pennvest bonds are secured by principal repayments and interest payments on Pennvest loans. Pennvest had \$57.36 million of revenue bonds outstanding as of December 31, 2025.

*Pennsylvania Turnpike Commission (“PTC”).* The PTC operates the Pennsylvania Turnpike System (“System”). Its outstanding indebtedness, \$16,375.0 million as of December 31, 2025, is payable from the net revenues of the System, primarily toll revenues, or from certain taxes and fees dedicated to the System.

*State Public School Building Authority (“SPSBA”).* The SPSBA finances public school projects and community college capital projects. Bonds issued by the SPSBA are supported by the lease rental payments or loan repayments made to the SPSBA by local school districts and the community colleges. A portion of the funds appropriated annually by the Commonwealth as aid to local school districts and community colleges may be used by them to pay a portion of such lease rental payments or loan repayments. The SPSBA had \$2,006.9 million of revenue bonds outstanding as of December 31, 2025.

### **City of Philadelphia – Pennsylvania Intergovernmental Cooperation Authority**

The Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was created by Act 6 of 1991 to assist the City of Philadelphia (the “City”), the Commonwealth’s largest city, in remedying its fiscal emergencies. PICA is authorized to provide financial assistance to the City through the issuance of debt, and to make factual findings and recommendations to the City concerning its budgetary and fiscal affairs. This financial assistance has included grants used by the City for defeasance of certain City general obligation bonds, funding of capital projects, and the liquidation of the cumulative general fund deficit of the City, as of June 30, 1992, of \$224.9 million. Under the PICA act, the City is required to submit to PICA: (i) a five-year financial plan on an annual basis; and (ii) quarterly financial reports. Currently the City is operating under a five-year financial plan that covers fiscal years 2025 through 2029, which was approved by PICA.

Over the years, the City has expressed a desire to retain the financial oversight and reporting requirements of the PICA act beyond the expiration of the PICA bonds. Act 36 of 2022 amended the PICA act to, among other things, (i) extend the term of PICA’s existence until the later of (A) January 2, 2047 or (B) one year after all its liabilities are met or, in the case of PICA bonds, one year after provision for such payment shall have been made or provided for in the applicable bond indenture; (ii) continue all of the financial oversight and reporting requirements of the PICA act for the life of PICA (regardless of whether PICA bonds are outstanding); (iii) permit on a limited basis, at the request of the City, the issuance of PICA bonds for



capital projects of the City; and (iv) continue the authorization and dedication of the PICA Tax for so long as PICA remains in existence (regardless of whether any PICA bonds are outstanding).

Neither the taxing power nor the credit of the Commonwealth is pledged to pay debt service on the PICA bonds. All PICA bonds were retired on June 30, 2023 and presently, there are no PICA bonds outstanding.

## **LITIGATION**

The Commonwealth's Office of Attorney General and Office of General Counsel have reviewed the status of pending litigation against the Commonwealth, its officers and employees, and have provided the following brief descriptions of certain cases affecting the Commonwealth.

In 1978, the General Assembly approved a limited waiver of sovereign immunity with respect to lawsuits against the Commonwealth. This cap does not apply to tax appeals. Damages for any loss are limited to \$250,000 for each person and \$1,000,000 for each accident. The Supreme Court of Pennsylvania has held that this limitation is constitutional. Tort claim payments for the departments and agencies, other than the Department of Transportation, are paid from departmental and agency operating and program appropriations. Tort claim payments for the Department of Transportation are paid from an appropriation from the Motor License Fund. The Commonwealth also represents and indemnifies employees who have been sued under Federal civil rights statutes for actions taken in good faith in carrying out their employment responsibilities. There are no caps on damages in civil rights actions. The Commonwealth's self-insurance program covers damages in these civil cases up to \$250,000 per incident. Damages in excess of \$250,000 are paid from departmental and agency operating and program appropriations.

## **OFFICE OF ADMINISTRATION**

### ***Mutchler v. Office of Administration (Office of Open Records), 56 MAP 2025 (Pa. Supreme Ct.)***

This is a matter before the Supreme Court of Pennsylvania, filed by Appellant, Attorney Terry Mutchler, appealing a Commonwealth Court ruling which upheld a final determination issued by the Office of Open Records. The OOR's final determination denied the Petitioner's Right-to-Know Law appeal, wherein Petitioner had sought records of an alleged Pennsylvania Justice Network (JNET) misuse investigation by the Camp Hill Police Department. Petitioner challenges the Office of Administration's no record response and asserts that OA has an obligation under Section 506(d) of the RTKL, 65 P.S. § 67.506(d), to obtain the responsive records from the Borough of Camp Hill. The resolution of this case will have a substantial impact on the obligations of Commonwealth agencies to obtain documents from third-parties.

## **DEPARTMENT OF BANKING AND SECURITIES**

***TMX FINANCE CORPORATE SERVICES, INC., v. WENDY SPICHER, in Her Official Capacity as Secretary of the Pennsylvania Department of Banking and Securities, Docket No. 3:24-CV-02054 (U.S.D.C. N.D. TX); Titlemax of Delaware, Inc. v. Spicher, Docket No. 1:2024-CV-00930 (U.S.D.C., DE); TMX Finance LLC et al v. Spicher, Docket No. 4:2024-CV-00175 (U.S.D.C., S.D. GA); CCFI Companies, LLC et al v. Spicher, Docket No. 3:2024-CV-00220 (U.S.D.C., S.D. OH); TitleMax of South Carolina Inc. v. Spicher, Docket No. 4:2024-CV-04399 (U.S.D.C., SC); TitleMax of Virginia, Inc. v. Spicher, Docket No. 7:2024-CV-00532 (U.S.D.C., W.D. VA); Titlemax of Delaware, Inc. v. Spicher, Docket No. 1:24-CV-02224-JPW (U.S.D.C., M.D. PA), Docket No. 25-1138 (U.S.C.A., Third Circuit)***

On June 14, 2024, the Commonwealth's Department of Banking and Securities (DoBS) issued an Order to Show Cause against TitleMax; Titlemax of Delaware, Inc.; Titlemax of Ohio, Inc.; Titlemax of Virginia, Inc.; Titlemax of South Carolina, Inc.; Titlemax Funding, Inc.; TMX Finance LLC; TMX Finance Corporate Services, Inc.; CCFI Companies, LLC; and, All Successors or Predecessors in Interest, Affiliates,

Subsidiaries, or Parent Companies, However Named (the “TitleMax Entities”). DoBS asserted 5270 counts against the TitleMax Entities for violations of Pennsylvania’s Loan Interest Protection Law, 41 P.S. § 101 *et seq.* On August 16, 2024, six TitleMax Entities named in the DoBS actions filed federal lawsuits against DoBS Secretary Wendy Spicher, in her capacity as Secretary of the Department of Banking and Securities, in federal court in six states, asserting constitutional claims against the Department pursuant to 42 USC § 1983. In particular, the TitleMax Entities allege that DoBS violated (i) the Dormant Commerce Clause because it is attempting to regulate conduct wholly outside of Pennsylvania; (ii) the Due Process Clause because Pennsylvania does not have personal jurisdiction over the TitleMax Entities; (iii) the Full Faith and Credit Clause because the subpoena and order to show cause were not served pursuant to Texas law; and (iv) the Equal Protection Clause because DoBS is discriminating against out-of-state businesses. The TitleMax Entities seek an order declaring DoBS’s subpoena and order to show cause null and void, as well as a permanent injunction enjoining DoBS from engaging in any further enforcement efforts against all TitleMax entities. On December 5, 2024, the United States District Court for the Northern District of Texas issued an Order dismissing the case brought by TMX Finance Corporate Services Inc. On January 16, 2025, the United States District Court for the Middle District of Pennsylvania issued an order dismissing the four cases brought by TMX Finance LLC; TitleMax of Ohio, Inc.; TitleMax of Delaware, Inc.; TitleMax of Virginia, Inc.; and, CCFI Companies, LLC.

TitleMax subsequently filed notices of appeal in each court, and is seeking attorneys’ fees from DoBS pursuant to 42 USC § 1988. If the TitleMax Entities were to prevail in this federal litigation, then: attorneys’ fees against DoBS could exceed \$1 million dollars; and, it is possible that DoBS’ could lose the ability to enforce Pennsylvania’s Loan Interest Protection Law against companies located outside Pennsylvania who do business with Pennsylvania citizens.

## **DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES**

### ***Pennsylvania Environmental Defense Foundation (PEDF) v. Commonwealth of Pennsylvania, No. 235 MD 2024 (Pa. Commonwealth Ct.)***

The petition for review seeks, among other things, an accounting of all monies derived from public natural resources under the DCNR’s management and a repayment of all such monies into the DCNR that are found to have been spent inconsistent with Pa. Const. Art. I, Sec. 27 trust purposes. The petition specifically seeks review of monies derived from oil and gas, timber harvesting, licenses for right-of-way, and camp leases. The petition notes the \$383 million previously found by the Supreme Court to be spent inconsistent with trust purposes and required to be paid back in the *PEDF II* and *IV* decisions. The petition specifically requests a finding that \$1.7 billion was spent inconsistent with Section 27 and needs to be paid back, in addition to any other amounts found through an accounting. The Commonwealth filed preliminary objections in the nature of a demurrer in July 2024. The Petitioner filed an answer to the preliminary objections in August 2024. In July 2024, Petitioner also filed a request for a preliminary injunction ordering the Trustee to refrain from spending any appropriations from the Oil and Gas Lease Fund pending the Court’s review of the past spending. On May 29, 2025, the Court denied the preliminary injunction. As of August 4, 2025, the preliminary objections were fully briefed. However, the Court granted leave for PEDF to file an application to amend the petition. PEDF filed an application, which is pending before the Court. The Commonwealth parties intend to file new preliminary objections to the amended petition after the Court accepts the amended petition.

### ***Pennsylvania Environmental Defense Foundation (PEDF) v. Commonwealth of Pennsylvania, No. 253 MD 2021 (Pa. Commonwealth Ct.)***

In its fourth related petition concerning the use of the Oil and Gas Lease Funds, PEDF seeks to compel the State Treasurer to provide an accounting of all Oil and Gas Lease money from 2009-10 through present; pay approximately \$383 million into the Oil and Gas Lease Fund to correct for prior transfers to the General Fund; pay approximately \$800 million, without appropriation, into the Oil and Gas Lease Fund to redress amounts taken for DCNR’s general budgetary needs; and pay approximately \$200 million, without

appropriation, into the Oil and Gas Lease Fund to redress appropriations made to the Marcellus Legacy Fund. On September 8, 2021, the Court granted the parties' joint application to stay the case pending the Supreme Court's disposition of 65 MAP 2020. Although 65 MAP 2020 has been resolved, none of the parties have moved to lift the stay and the case remains active. The Court requested a status report and both parties filed status reports as of October 30, 2025, requesting the stay to remain in place. In its status report, PEDF noted that the case docketed at 235 MD 2024 might resolve this case.

## **DEPARTMENT OF CORRECTIONS**

### ***Lee v. Lamas*, No. 2:19-CV-241 (U.S.D.C., E.D. PA)**

Plaintiff brought a putative collective action under the Fair Labor Standards Act and class action under the Pennsylvania Minimum Wage Law alleging that Corrections Officer Trainees and Corrections Officer 1s at SCI-Chester prison were not paid for post-shift work. Specifically, Plaintiff avers that he was forced to wait at his post at the end of a shift change for the next shift's officer to arrive, and he was not paid for this time. The federal district court granted the Commonwealth's motion for summary judgment, the plaintiff has filed a notice of appeal with the United States Court of Appeals for the Third Circuit, and the Court of Appeals affirmed the district court's decision. The plaintiff did not file a writ of certiorari with the United State Supreme Court or for rehearing *en banc* with the court of appeals. This case is now closed.

### ***Ronnie Johnson, et al., v. Little, et al.*, No. 2:22-CV-1516 (U.S.D.C., W.D. PA)**

Plaintiffs are a class of inmates who are or were incarcerated at SCI Fayette in the Security Threat Group Management Unit. They are alleging that they suffer from serious mental illness and were confined in long-term segregation despite that diagnosis. They alleged they were living under horrific/harsh conditions, denied adequate mental health care, were mistreated and suffered retaliation. Each side has multiple mental health experts. The size of the class is 107 current and former inmates. They are seeking monetary damages, injunctive relief, and attorneys' fees.

### ***Anthony Reid, et al. v. Wetzel, et al.*, No. 1:18-CV-00176-JPW (U.S.D.C., M.D. PA)**

Plaintiffs make up a class action of current capital case inmates at Department of Corrections' facilities. The department settled these cases and paid attorneys' fees in the amount of \$507,500, which exceeds the \$250,000 cap set by the Commonwealth's Employee Liability Self-Insurance Program. The settlement agreement led to an additional \$240,000 in attorneys' fees that were paid at the conclusion of the settlement in 2020. The department will continue to incur additional attorneys' fees, monitoring fees, and mental health evaluation fees arising from the matter in excess of \$1 million.

### ***Fernando Nunez v. Wolf, et al.*, No. 3:15-CV-01573-JPW-EW (U.S.D.C., M.D. PA) and No. 22-3076 (U.S.C.A., Third Circuit)**

Plaintiff sought three religious accommodations from the Department of Corrections (DOC): (1) conjugal visits; (2) private prayer with his family; and (3) circumcision. The Commonwealth prevailed before the United States District Court and the plaintiff appealed to the US Court of Appeals for the Third Circuit. In August 2024, the Third Circuit reversed the district court's judgment and remanded the case to allow DOC a chance to proffer evidence of the burdensome costs of providing Plaintiff with the religious accommodations he requests. Although the appellant will not receive significant financial compensation if he prevails, an ultimate decision against DOC could require DOC to spend significant funds to create a space for conjugal visits. The parties settled this lawsuit.

***Joseph McQuaid, Admin. Of the Estate of Dominic Ingle v. Wetzel, et al., No. 4:21-CV-02019-JPW-SAC (U.S.D.C., M.D. PA)***

After arriving from a mental health commitment, Dominic Ingle committed suicide at SCI Camp Hill in December of 2019. Following discovery, the parties entered into a settlement agreement in November 2025. The case is now closed.

***Hammond, et al. v. DOC, et al., No. 1:25-CV-0048 (U.S.D.C., M.D. PA)***  
***Henderson, et al. v. Harry, et al., No. 1:25-CV-0049 (U.S.D.C., M.D. PA)***  
***Walker, et al. v. Harry, et al., No. 1:25-CV-0050 (U.S.D.C., M.D. PA)***  
**Consolidated Case No. 1:25-CV-0048 (U.S.D.C., M.D. PA)**

Plaintiffs seek to bring a class action lawsuit on behalf of inmates with and without mental illness in the Department of Corrections' Level 5 Restricted Housing Units (RHU). After a Motion to Strike Class Certification and Transfer, Plaintiffs separated this suit into three different class groups, under three separate captions (*Hammond, Henderson, and Walker*). All three suits allege conditions of confinement claims. After the cases were split, the Department of Corrections' Office of Chief Counsel is defending *Hammond* and *Henderson*, and the Office of Attorney General is defending *Walker*. After the split of the cases, Defendants filed a Motion to Transfer to move the cases from the United States District Court for the Eastern District of Pennsylvania (EDPA) to the United States District Court for the Middle District of Pennsylvania (MDPA). The EDPA court granted the motion to transfer the cases, and the MDPA court thereafter consolidated the cases for discovery and pre-trial motion purposes. Based on the current definitions, this class action could exceed 15,000 plaintiffs, and it could substantially affect DOC's operations and policies. A motion to dismiss in part the amended complaint is pending before the court.

***Estate of Christopher Tisdale v. Wetzel, et al., No. 2:23-CV-1972 (U.S.D.C., W.D. PA)***

Shortly after Christopher Tisdale arrived at SCI-Pine Grove, he committed suicide. The Commonwealth and Plaintiff's counsel are attempting to reach a settlement of this lawsuit.

***Busanet v. Wetzel, et al., No. 2:21-CV-4286 (U.S.D.C., E.D. PA)***

We have approximately 50 cases involving current and former capital case inmates that are challenging the conditions they were housed in while on Death Row. Recently, the United States Supreme Court denied certiorari in the *Roy Williams* case. The potential cost of litigating each case could exceed over one million dollars in damages. Currently, *Busanet* is the lead case while the other cases are stayed.

## **DEPARTMENT OF EDUCATION**

***Pennsylvania School Boards Association, et al. v. Dr. Rowe, Acting Secretary of Department of Education, et al., No. 39 MAP 2024 (Pa. Supreme Ct.)***

On August 30, 2023, the Pennsylvania Department of Education (PDE) resolved federal litigation by signing a settlement agreement in which PDE agreed to revise guidance it issued in its role as the State Education Agency under the federal Individuals with Disabilities in Education Act (IDEA). Consistent with IDEA, the revised guidance establishes that individuals may exit special education programs upon reaching 22 years of age, rather than at the end of the school year in which they turn 21.

On September 11, 2023, the Petitioners, the Pennsylvania School Boards Association and three school districts, sought declaratory and injunctive relief from the Commonwealth Court, asserting that: PDE's revised guidance illegally requires local education agencies (LEA) to provide a free and appropriate public education (FAPE) until a student's 22nd birthday, rather than through the end of the school term in which the student

reaches 21 years of age; and, PDE's actions violate the School Code, State Board of Education regulations, the Commonwealth Documents Law (CDL), and the Regulatory Review Act (RRA).

The Commonwealth Court unanimously held that the PDE's revised guidance is a binding regulation with the effect of law, and, therefore, PDE had to promulgate it through formal rulemaking notice and comment requirements pursuant to the CDL and the RRA. PDE's guidance is void and unenforceable because PDE did not use formal rulemaking.

PDE appealed to the Pennsylvania Supreme Court, argument was held November 19, 2025, and the Court's decision is pending. If the State Supreme Court upholds the Commonwealth Court's decision, that decision could have significant unintended consequences, and it would appear to imply that PDE's IDEA State Plan must be promulgated as a regulation, a result that could impair PDE's and the LEAs' ability of the Department and LEAs to significant federal special education funding.

***Jane Doe v. Stephen A. Zappala, Jr., District Attorney of Allegheny County, in his Official Capacity only, and Carrie Rowe, Acting Secretary of the Pennsylvania Department of Education, in her official capacity only, No. 2:25-CV-01474 (U.S.D.C., W.D. PA)***

On September 30, 2025, Plaintiff, a Jane Doe, filed suit claiming that the confidentiality provision in Section 17.2 of the Educator Discipline Act (Act) violates the First Amendment of the United States Constitution because it restricts her free speech by prohibiting her from discussing the details of an educator misconduct complaint she filed with PDE against an educator. Plaintiff also argues that the Act has an unconstitutional burden-shifting provision which violates the First Amendment because any interested party seeking the release of confidential information must first petition the Professional Standards and Practices Commission to obtain prior approval before discussing information deemed confidential under the Act. Plaintiff seeks to have the Western District Federal Court declare Section 17.2 of the Act unconstitutional under the First Amendment and permanently enjoin the District Attorney and Acting Secretary of Education from filing criminal or professional disciplinary charges against any citizen that discloses confidential information under the Act. If Plaintiff prevails, it will impact the confidentiality of educator misconduct complaints and will be detrimental to the protections PDE can currently provide to complainants, educators, student victims and witnesses, and others involved in educator misconduct matters and deter filing of complaints.

***S.K. v. Dep't of Educ. (Prof'l Standards & Practices Comm'n), No. 984 CD 2024 (Pa. Commonwealth Ct.) and No. 533 MAL 2025 (Pa. Supreme Ct.)***

This lawsuit challenges how evidence is offered at immediate suspension hearings to establish that an educator poses a threat to the health, safety, or welfare of students and other persons in the Commonwealth's schools. S.K. appealed an order of the Professional Standards and Practices Commission (Commission) directing PDE to immediately suspend an educator's teaching certificate and employment eligibility under the Educator Discipline Act (Act) after the Commission found that the teacher was charged with certain criminal offenses and posed a threat. PDE presented court documents, criminal complaints, and affidavits to meet its burden at both immediate suspension hearings. S.K. did not present any evidence.

On July 16, 2025, the Commonwealth Court reversed the Commission in part. The Court held that the Act does not improperly shift the burden of proof because it does not create a rebuttable presumption that an indictment for an enumerated offense alone proves a threat. The Department must present competent evidence that the educator poses a threat, however, the Court held that Commission erred in relying on inadmissible hearsay evidence, specifically portions of the affidavit of probable cause that contain double hearsay, to prove the threat. The Court vacated the Commission's order to immediately suspend S.K.'s certificate and remanded for proceedings consistent with the decision to allow PDE to raise exceptions to the double hearsay rule.

Commonwealth Court thereafter denied PDE's Application for Reargument, and PDE filed a Petition for Allowance of Appeal with the Pennsylvania Supreme Court. If the State Supreme Court denies PDE's

petition, that decision will impact PDE's approach to presenting evidence at immediate suspension hearings and will require the Department to present evidence beyond the criminal complaint and affidavit of probable cause, to prove whether an educator poses a threat.

***B.A.S. v. Dep't of Educ. (Prof'l Standards & Practices Comm'n), No. 1007 CD 2024 (Pa. Commonwealth Ct.) and No. 267 WAL 2025 (Pa. Supreme Ct.)***

Similar to the S.K. lawsuit, this action challenges how evidence is offered at immediate suspension hearings to establish that an educator poses a threat to the health, safety, or welfare of students and other persons in the Commonwealth's schools. B.A.S. appealed an order of the Professional Standards and Practices Commission (Commission) directing PDE to immediately suspend the educator's teaching certificate and employment eligibility under the Educator Discipline Act (Act) after the Commission found that the educator was charged with certain criminal offenses and posed a threat. The Department presented court documents, the criminal complaints, and affidavits to meet its burden at both immediate suspension hearings. B.A.S. did not present any evidence.

On August 11, 2025, the Commonwealth Court issued an unreported Memorandum Opinion and Order in B.A.S. that was nearly identical to the decision issued in S.K. The Department filed an Application for Reargument with the Commonwealth Court, which was denied. The Department filed a Petition for Allowance of Appeal (Petition), which is pending before the Pennsylvania Supreme Court. If the Petition is denied, it will impact the Department's approach to presenting evidence at immediate suspension hearings and will require the Department to present evidence beyond the criminal complaint and affidavit of probable cause, to prove whether an educator poses a threat.

**DEPARTMENT OF GENERAL SERVICES**

***Department of General Services v. Wellpath, LLC (Office of Open Records), No. 1348 CD 2025 (Pa. Commonwealth Ct.)***

***Wellpath, LLC v. Department of General Services (Office of Open Records), No. 1436 CD 2025 (Pa. Commonwealth Ct.)***

***Department of General Services v. CHS TX, INC. d/b/a YesCare (Office of Open Records), No. 1463 CD 2025 (Pa. Commonwealth Ct.)***

These appeals arise out of Right-to-Know Law (RTKL) requests filed by two entities seeking records related to a canceled procurement. DGS issued Request for Proposal # 6100061012 (RFP) on behalf of the Department of Corrections (DOC) which sought a vendor to provide comprehensive medical services statewide to incarcerated individuals in DOC's custody. After an evaluation process, DGS determined and announced that it was in the best interest of the Commonwealth to cancel the RFP and issue a new solicitation in the near future. Wellpath and YesCare filed similar RTKL requests with DGS seeking records, communications, and proposals related to the RFP, which DGS partially denied on the grounds that some of the records were protected by the attorney-client privilege, and others were exempt under the RTKL or the Procurement Code. Both parties appealed DGS's decision to the Office of Open Records (OOR), which directed the release of certain privileged communications between a DGS attorney and DOC non-attorney staff members. The OOR also directed the release of responsive proposals finding that they were not exempt from disclosure because the procurement was canceled, despite DGS's intent to reissue the solicitation. DGS appealed both decisions to the Commonwealth Court, and Wellpath filed a cross-appeal. DGS filed docketing statements in both of its appeals and is waiting for the Court to issue a briefing schedule. These cases could result in significant changes to inter-agency communication between agency attorneys and non-attorney staff in other agencies, as well as to agencies' procurement practices.

## **DEPARTMENT OF HEALTH**

### ***Green Analytics N., LLC, et al. v. Pennsylvania Department of Health, No. 104 MD 2023 (Pa Commonwealth Ct.) and No. 76 MAP 2023 (Pa. Supreme Court)***

Petitioners, a licensed medical marijuana laboratory and six medical marijuana grower/processors, initiated this case through the filing of a petition for review with Commonwealth Court on March 4, 2023. That petition challenged one provision of a broader regulation that regulates medical marijuana issued by the Department of Health earlier that day. That provision, known as the “two-lab requirement,” required medical marijuana grower-processors to contract with two separate laboratories to have their medical marijuana tested at two different stages of production. Simultaneously with the petition, petitioners filed a motion for an *ex parte* temporary restraining order preventing the Department from enforcing the two-lab requirement, which Commonwealth Court granted. The Department then agreed to refrain from enforcing the two-lab requirement during the pendency of this litigation. The parties then moved for summary relief, and argument was held before the *en banc* court on May 10, 2023. On June 29, 2023, a divided Commonwealth Court granted Petitioners’ application for summary judgment as to Count I of their petition, which alleged that the two-lab requirement exceeded the Department’s statutory authority under the Medical Marijuana Act (the Act). It simultaneously denied Respondent’s application for summary judgment. The court declared the two-lab requirement invalid and unenforceable, and entered judgment in Petitioners’ favor. The majority opinion, found that the two-lab requirement exceeded the Department’s authority because it conflicted with Section 704 of the Act, which states, in relevant part: “A grower/processor shall contract with one or more independent laboratories to test the medical marijuana produced by the grower/processor.” In November 2025, the Pennsylvania Supreme Court reversed the Commonwealth Court and held that the Department has authority under the Act to require that two independent labs test all medical marijuana products. The Supreme Court further recognized that the Department has broad regulatory power to implement the medical marijuana program and ensure patient safety. The case has been remanded the Commonwealth Court to determine whether the two-lab requirement is reasonable and to adjudicate the other counts. The final outcome of this case could have a significant impact on policy and agency operations.

### ***AES Compassionate Care, LLC et al. v. Debra Bogen, Secretary, Department of Health and Laura Mentch, Director of the Pennsylvania Department of Health, Bureau of Medical Marijuana, No. 176 MD 2025 (Pa. Commonwealth Ct.)***

This lawsuit is about the Department of Health’s authority to enforce what is known as the “safe for inhalation” standard to marijuana vaporization products sold in Pennsylvania. The department’s Bureau of Medical Marijuana (BMM) has previously denied the sale of marijuana vaporization products in Pennsylvania because those products contained terpenes which have not been deemed safe for inhalation by the federal Food and Drug Administration. In prior challenges to these denials, the Commonwealth Court of Pennsylvania has referred to BMM’s denials as the application of the “safe for inhalation” standard. A group of Medical Marijuana Organizations (MMOs) has filed a new lawsuit against the Department of Health to challenge BMM’s previous denials of medical marijuana vaporization products. The MMOs in this current litigation specifically challenges whether BMM has the authority to apply the “safe for inhalation” standard to marijuana vaporization products sold in Pennsylvania. The plaintiffs seek declaratory, injunctive, and mandamus relief against the department, and allege that BMM violated their equal protection rights under the federal and state constitutions. A preliminary injunction hearing was held on June 24 and 25, 2025, and briefing concluded on November 20, 2025. BMM is awaiting a decision from the Court. If the court rules in the MMOs’ favor, then BMM will have to permit vaporization products to be sold with ingredients that have not been deemed safe for inhalation.

***AES Compassionate Care, LLC et al. v. Debra Bogen, Secretary, Department of Health, and Laura Mentch, Director of the Pennsylvania Department of Health, Bureau of Medical Marijuana, No. 322 MD 2025 (Pa. Commonwealth Ct.)***

This lawsuit was filed by medical marijuana organizations and dispensaries challenging a regulation issued in 2023 by the Department of Health’s Bureau of Medical Marijuana that requires a 1:1 ratio of medical professionals to dispensaries. BMM recently started enforcing this regulation by ordering temporary closures of dispensaries who violated it. Petitioners filed a request for declaratory relief and permanent injunction enjoining BMM from enforcing the 1:1 ratio. A hearing on the request for preliminary injunction was held on October 28 and 29, 2025. The parties agreed to stay enforcement of the 1:1 ratio and expedite the case for a resolution on the merits. The case will be heard before Court *en banc* in February 2026. If the injunction is granted, then dispensaries will minimize the role of medical professionals, creating barriers between patients and medical assistance in selecting medical marijuana.

***Standard Farms v. Department of Health, No. 260 CD 2025 (Pa. Commonwealth Ct.)***

Similar to the *AES Compassionate Care, LLC* lawsuit discussed above, a medical marijuana grower/processor is challenging the Department of Health’s Bureau of Medical Marijuana’s (BMM) denial of their request to approve their product for sale in Pennsylvania. The plaintiff’s product contains terpenes which have not been deemed safe for inhalation by the FDA, and BMM relied on the “safe for inhalation” standard to deny their product for sale. Standard Farms argues that: the department has no authority to use the “safe for inhalation” standard; BMM’s requirement that terpenes be deemed safe for inhalation is not supported by the statute; and, BMM has not presented substantial evidence to deny their product. BMM won its appeal before the administrative tribunal, which found that BMM has the authority to apply the “safe for inhalation” standard and that BMM presented sufficient evidence to support its denial. A joint request to stay the proceedings was filed on November 24, 2025, but the Court has not ruled on the request. If the court rules in Standard Farms’ favor, then BMM will have to permit vaporization products to be sold with ingredients that have not been deemed safe for inhalation.

***State of Colorado; State of Rhode Island; State of California; State of Minnesota; State of Washington; State of Arizona; State of Connecticut; State of Delaware; The District of Hawai’i; State of Illinois; Office of the Governor Ex Rel. Andy Beshear; State of Maine; State of Maryland; Commonwealth of Massachusetts; State of Nevada; State of New Mexico; State of New Jersey; State of New York; State of North Carolina; State of Oregon; State of Wisconsin; Josh Shapiro v. U.S. Department of Health and Human Services; Robert F. Kennedy, JR., No. 1:25-CV-00121-MSM-LDA (U.S.D.C., RI)***

On March 25, 2025, DOH received three Notices of Award from the CDC immediately terminating federal COVID-era health grants “for cause,” the identified “cause” being the end of the COVID pandemic. At the time of the termination, approximately \$375,300,000.00 was remaining in the relevant federal grants. The Commonwealth joined a multi-state federal lawsuit seeking both a temporary restraining order and a preliminary injunction. The district court has issued a temporary restraining order preventing CDC from terminating the grants but has not yet ruled on the plaintiff states’ request for a preliminary injunction. HHS filed an appeal from the order granting the preliminary injunction but withdrew that appeal in July of 2025.

**DEPARTMENT OF HUMAN SERVICES**

***A.W. v. Dept. of Human Services, No. 396 MD 2022 (Pa. Commonwealth Ct.)***

Pennsylvania’s ChildLine is a 24 hour a day, seven day a week, free hotline that allows people to report suspected child abuse or neglect. Trained child welfare professionals assess the calls and refer the matter to the agency that is best able to handle or investigate the concern, or to provide support to the child, or their family, or both. The plaintiff in this lawsuit alleges that the Commonwealth’s Childline Registry statute is unconstitutional because individuals who have “indicated” findings of child abuse are not afforded a pre-



deprivation hearing and are therefore denied due process of law under the statute. DHS filed Preliminary Objections and Petitioners filed an Application for Summary Relief. A hearing was held on both of these applications and in April 2025, Commonwealth Court issued a Memorandum Opinion denying Petitioners' Application regarding the facial challenge to the statute and sustaining the Commonwealth's objection as to standing. The parties will proceed on the as-applied challenges raised and will conduct necessary discovery. This decision could have a significant impact on how the department has implemented and is administering the Commonwealth's Childline Registry.

***Allegheny Reproductive Health Center v. Pennsylvania Department of Human Services*, No. 26 MD 2019 (Pa. Commonwealth Ct.)**

This case concerns an equal protection challenge by numerous providers of reproductive health care services throughout Pennsylvania to the prohibition of Medical Assistance coverage for abortion services under 18 Pa.C.S. § 3215(c, j). Petitioners request that the Court declare the statute and regulations unconstitutional, that abortion is a fundamental right under the Pennsylvania Constitution, and that the Court enjoin enforcement of the Pennsylvania abortion coverage ban statute and implementing regulations. On March 26, 2021, the Commonwealth Court issued an opinion sustaining the Preliminary Objections filed by the Department of Human Services (DHS), as well as Intervenor from the Senate and House of Representatives, and dismissing the Petition for Review. Petitioners appeal the Pennsylvania Supreme Court the Commonwealth Court's order allowing intervention and the order that sustained preliminary objections. On January 29, 2024, the Supreme Court reversed the Commonwealth Court. The Supreme Court (1) held that the Petitioners had standing; (2) held that the Senate and House Intervenor did not have a right to intervene; (3) overruled the interpretation of the Equal Rights Amendment articulated in *Fischer v. Department of Public Welfare*, 502 A.2d 114 (Pa. 1985); (3) provided guidance on how courts should interpret the Equal Rights Amendment and the Equal Protection Clause; and, (4) remanded the matter to Commonwealth Court. On July 16, 2024, DHS informed the Commonwealth Court that in light of the Supreme Court's decision, DHS did not intend to defend the statute. OAG's Motion to Intervene on behalf of the Commonwealth has been accepted and arguments concerning the pending application for summary relief were heard in November 2025. This decision could have significant impact on policy and agency operations as well as a financial impact on the Commonwealth of at least \$1 million.

***Arkoosh v. USDA*, No. 1:25-CV-01215 (U.S.D.C., M.D. PA)**

DHS is challenging the determination of a federal United States Department of Agriculture (USDA) administrative law judge (ALJ) that upheld a \$39,503,295.00 penalty assessed against Pennsylvania by the USDA's Food and Nutrition Service (FNS) for allegedly having a high error rate for two consecutive years. USDA FNS applied a new policy in federal fiscal year 2022 that changed and allegedly justified its case error determinations. The policy took away Pennsylvania's discretion on cases that were recertified late and made these "error" cases even though the correct amount of benefits was issued by the state. USDA FNS claims the law required that any SNAP benefit issued after the certification period expired is an error despite any other circumstance in the case. The Commonwealth appealed to the USDA ALJ as required by statute and regulations. The USDA ALJ ruled in USDA FNS's favor and held that Pennsylvania owes the \$39.5 million because of error cases. Pennsylvania appealed to the US District Court for the Middle District of Pennsylvania. The United States Department of Justice filed a motion to dismiss for lack of jurisdiction. Pennsylvania has filed its brief in opposition to the motion with the court.

***California v. USDA*, No. 3:25-CV-06310-MMC (U.S.D.C., N.D. CA)**

In July 2025, the USDA requested all SNAP applicants' and recipients' data for the last five years. Pennsylvania has not shared the data over concerns for data security and sharing of data, as well as the waiving of sovereign immunity by having to use the USDA-required sharing method. The USDA has not been willing to revise the items at issue. FNS issued a formal warning letter (FWL) in August 2025. States filed a multi-state complaint in federal district court in California, although Pennsylvania did not initially join the suit. By

letter dated September 20, 2025, FNS Administrator James C. Miller, and Patrick A. Penn, Deputy Under Secretary for Food, Nutrition, and Consumer Services notified Pennsylvania of a disallowance claim in the amount of \$115,304,035.91 per quarter of alleged non-compliance for not providing all SNAP household data to USDA. Plaintiff states amended the complaint along with a motion to include the Commonwealth as a party covered by the preliminary injunction and any subsequent matters and relief, and the court approved this motion. California District Court did not stay the deadline for Pennsylvania to appeal the disallowance letter. Pennsylvania timely filed an administrative appeal of the SNAP administrative funds disallowance on September 30, 2025, and requested that the deadline to respond be stayed or extended. After the federal budget shutdown ended, the USDA gave states who had not sent data until December 8 to send SNAP eligibility data to the USDA, and these states objected to by letter. The USDA Appeals Board granted Pennsylvania's motion for an extension to file a response until April 2026 or as long as the federal preliminary injunction is in place. If the federal litigation is successful, that would potentially cancel the disallowance.

***Mark Daddazio and Patricia Blauser v. Valerie Arkoosh, No. 1:23-CV-635 (U.S.D.C., M.D. PA)***

Disability Rights of Pennsylvania represents Plaintiffs who are civilly committed patients at DHS's state psychiatric hospitals. Plaintiffs allege that DHS has violated their constitutional rights under the *Olmstead* decision because DHS has not discharged them into the community even though they meet the criteria for placement in a lesser restrictive setting. The parties recently completed mediation before a U.S. District Court Magistrate. A proposed settlement is under consideration as the parties work to finalize various proposals related to: 1) updating DHS's *Olmstead* plan; 2) monitoring and enforcing county *Olmstead* plans; 3) monitoring patients eligible for discharge; 4) commitment to annual discharge amounts; and 5) payment of attorney fees and costs associated with litigation. This litigation, whether won or lost by DHS, is likely to lead to significant spending increases through DHS's Office of Mental Health and Substance Abuse Services.

***Hamilton, et al. v. Pennsylvania Department of Human Services, No. 2024-CV-3681 (Dauphin County Ct. of Common Pleas)***

Sixteen plaintiffs claim to be former minors in the care of the Department of Human Services (DHS) at DHS-operated Youth Development Centers (YDC). The plaintiffs allege that they were physically and sexually abused by YDC staff members from 2003 through 2018, that DHS was negligent in allowing a culture of sexual abuse to flourish, and that DHS failed to protect them despite DHS' alleged knowledge of the abuse. DHS was apprised of additional complaints – captioned: *L.R. et al. v. DHS*, No. 2024-5176 (Dauphin Co.), *C.S., et al. v. DHS*, No. 2024-7187 (Dauphin Co.), and *D.W., et al. v. DHS*, No. 2024-7937 (Dauphin Co.) – filed by additional plaintiffs who also allege abuse at the DHS facilities. The Commonwealth does not yet have an estimate of its potential liability, but given the allegations and the number of plaintiffs, it is possible that the Commonwealth's exposure could equal or exceed \$1 million if a final judgment or settlement is entered in favor of the plaintiffs. The Court of Common Pleas for Dauphin County set an initial trial date for Plaintiffs' first case for June 2027. The Parties are currently engaged in discovery, and DHS must pick bellwether Plaintiffs to engage in further discovery and depositions by April 10, 2026.

***S. R., et al. v. Pennsylvania Department of Human Services, No. 1:17-CV-02332 (U.S.D.C., M.D. PA)***

This case concerns a class action filed by Disability Rights Pennsylvania, challenging the alleged failure to provide a full array of mental health services for dependent children with mental health needs. The Plaintiffs, on behalf of themselves and all children under the age of 21 who now or in the future are adjudicated dependent and have a diagnosed mental health disability, allege violations of Title XIX, the ADA, and Section 504 of the Rehabilitation Act, for failure to provide medically necessary Medical Assistance (MA)-funded behavioral health services with reasonable promptness; failure to provide child welfare services equal to those provided to children without mental health disabilities; and failure to provide services in-state in the most integrated setting appropriate to the needs of the Plaintiffs. The parties reached a settlement agreement and the federal court approved the class action settlement on October 1, 2025. This lawsuit is now close, and DHS will implement the settlement terms.

## **DEPARTMENT OF LABOR AND INDUSTRY**

### ***700 Pharmacy v. Bureau of Workers' Compensation Fee Review Hearing Office, No. 97-101 MAP 2024 (Pa. Supreme Ct.)***

The Pennsylvania Supreme Court granted allocatur on December 11, 2024, to address five companion cases in which the State Workers' Insurance fund (SWIF) issued denials for pharmaceutical bills because the prescriptions resulted from statutorily prohibited self-referrals since the physicians who issued the prescriptions for the compounded creams and other medications also have ownership interests in 700 Pharmacy. Commonwealth Court held that the prescriptions were “goods” for purposes of the self-referral prohibition of Section 306(f.1)(3)(iii) of the Pennsylvania Workers' Compensation Act (Act), 77 P.S. § 1 *et seq.* The Pennsylvania Supreme Court granted allocatur to address the question of whether Section 306(f.1)(3)(iii) of the Act — which makes it “unlawful for a provider to refer a person for laboratory, physical therapy, rehabilitation, chiropractic, radiation oncology, psychometric, home infusion therapy or diagnostic imaging, goods or services if the provider has a financial interest with the person or in the entity that receives the referral” — includes referrals for prescription drugs or professional pharmaceutical services. The case is fully briefed and oral argument was held on November 19, 2025. The department is awaiting a decision.

### ***Batuhan Dogrusoz v. PA Department of Labor and Industry, Unemployment Compensation Board of Review, No. 230 MD 2023 (Pa. Commonwealth Ct.)***

Dogrusoz filed a complaint in mandamus to the Commonwealth Court requesting, among other things, an award for Pandemic Unemployment Assistance (PUA) benefits for a period of time not previously requested and an award of those benefits without an offset for any earnings. Though Commonwealth Court lacks original jurisdiction in this matter, and it is unlikely Dogrusoz will be successful, if the Court entertains petitioner's arguments, it would significantly alter the method by which individuals submit claims for unemployment benefits. On September 9, 2024, Commonwealth Court held that Dogrusoz failed to exhaust his administrative remedies and dismissed the action. The Court granted a request for reconsideration. On September 18, 2025, the Court vacated its prior opinion, denied the Department's and Board's preliminary objections, ordered the case held for mediation, and strongly encouraged the parties to settle the case. The Department and Board are working with Dogrusoz on a settlement.

### ***Commonwealth of PA, Department of Labor & Industry, Bureau of Labor Law Compliance v. AccuServ Pharmacy, Inc., North Huntington Medical, Inc., and Marvin Sheffler, No. 1280 CD 2024 (Pa. Commonwealth Ct.)***

The Commonwealth's Minimum Wage Act (MWA) does not contain an express statute of limitations. The Department of Labor and Industry filed an enforcement action against an employer, and the parties are litigating before Commonwealth Court whether MWA claims are subject to the three-year statute of limitations in the Wage Payment and Collection Law, or a four-year statute of limitations applicable to breach of contract claims, or a six-year “catch all” statute of limitations under the Judicial Code. The result in this case could result in a significant expansion of the rights of employees covered by MWA in both L&I enforcement actions and private actions depending on how the court resolves the statute of limitations question. The issue has been fully briefed, oral argument was held on November 6, 2025, and the department is awaiting a decision.

### ***PSP NE, LLC v. Prevailing Wage Appeal Board, No. 38 MAP 2024 (Pa. Supreme Court)***

The primary issue in this matter is whether Pennsylvania's Prevailing Wage Act, 43 P.S. §§ 165-1-165-17 (PWA), applies to the construction of a new Pennsylvania State Police barracks in which a public body (the Commonwealth in this instance) bears the financial risk of construction pursuant to a long-term pre-development lease. The Commonwealth Court held that the PWA does not apply to the construction of the barracks because the construction costs were not provided by a public body, the risk of repayment was not borne by a public body, the developer retained a reversionary interest in the property, and a bona fide lease

existed instead of a construction contract. This decision could also have significant implications on the application of the PWA. In May 2024, the Pennsylvania State Supreme Court granted the Department of Labor and Industry's (L&I) appeal on these issues: (1) is risk allocation the only consideration in determining whether a pre-construction lease is covered by the PWA; (2) how much risk must a developer bear to ensure that public funds do not in part pay for construction under State Supreme Court precedent such that a pre-construction lease does not 'implicate the PWA; and (3) under State Supreme Court precedent, what is the distinction between a grievant's burden to prove a "facially legitimate lease" and the Bureau's burden to prove "that the economic reality of the transaction is different from its appearance." The case is fully briefed, oral argument was held on April 8, 2025, and the parties are awaiting a decision from the State Supreme Court.

***Federated Insurance Company v. Summit Pharmacy (Bureau of Workers' Compensation Fee Review Hearing Office), No. 64 MAP 2024 (Pa. Supreme Court)***

Section 306(f)(3)(vi)(A) of the Pennsylvania Workers' Compensation Act, 77 P.S. § 531(3)(vi)(A), provides: "The reimbursement for drugs and professional pharmaceutical services shall be limited to one hundred ten per centum of the average wholesale price (AWP) of the product, calculated on a per unit basis, as of the date of dispensing." Further, the Medical Cost Containment Regulations at 34 Pa. Code § 127.131 provide: "Pharmacists and insurers may reach agreements on which Nationally recognized schedule shall be used to define the AWP of prescription drugs. The Bureau of Workers' Compensation in resolving payment disputes, may use any of the Nationally recognized schedules to determine the AWP of prescription drugs. The Bureau will provide information by an annual notice in the Pennsylvania Bulletin as to which of the Nationally recognized schedules it is using to determine the AWP of prescription drugs." To this end, the Bureau's Fee Review Section had been utilizing the "Red Book," a privately published, electronic compendium of pharmaceutical and over-the-counter drug AWP's. However, in analyzing an appeal from a decision of a fee review hearing officer in which competing AWP schedules were presented for consideration, the Commonwealth Court determined that use of the Red Book was legally inconsistent with Section 306(f)(3)(vi)(A). The Court indicated that (1) AWP must be based on a schedule that reflects actual acquisition costs and (2) Red Book pricing is based on inflated manufacturer suggested retail pricing and therefore cannot be used to determine AWP. The Court directed the Bureau to designate another Nationally recognized schedule promptly that is based on actual acquisition costs. A Petition for Allowance of Appeal was filed by the pharmacy with the Pennsylvania Supreme Court, which the Court granted on August 27, 2024; however, it denied the request for a stay of Commonwealth Court's order. Briefing is complete and oral argument was held on November 19, 2025. Although the Commonwealth is not a party to the lawsuit, the Supreme Court's ruling may have significant impact on the calculation of prescription drug reimbursement under the Workers' Compensation Act.

***Maryland, et al. v. AmeriCorps, No. 1:25-CV-1363 (D. Md.)***

Pennsylvania joined this multi-state lawsuit filed in the Maryland federal district court to challenge the federal government's termination of funding for the AmeriCorps program. The federal government's funding termination will impact nearly all AmeriCorps/PennSERVE programs across the Commonwealth. The states have filed a motion for a preliminary injunction, and the motion was argued on May 19, 2025.

***Precht v. Unemployment Compensation Board of Review, No. 85 MAP 2024 (Pa. Supreme Ct.)***

The Commonwealth Court in *Precht v. Unemployment Compensation Board of Review (UCBR)*, 306 A.3d 994 (Pa. Cmwlth. 2023), upheld the UCB's denial of benefits under Pennsylvania's Unemployment Compensation (UC) Law because the claimant was self-employed based on the "positive steps" test for self-employment in Pennsylvania Supreme Court's decision in *Lowman v. UCB*, 235 A.3d 278 (Pa. 2020). In October 2024, the Pennsylvania Supreme Court granted petitioner's appeal to address three questions: (1) Is the Commonwealth Court's judicially-created "positive steps" test viable after the *Lowman* decision; (2) Does the "positive steps" test conflict with the plain language of Section 4(1)(2)(B) which requires an unemployment compensation claimant to be "customarily engaged in an independently established business;" and, (3) Is the

Commonwealth Court’s interpretation counter to the remedial intent of the UC Law when it leads to disqualification of an individual who explores an entrepreneurial opportunity while remaining able and available for work and continues to engage in work search activities. How the Supreme Court resolves these issues could significantly impact how independent contractors are defined in Pennsylvania for unemployment compensation purposes. The parties have briefed the appeal, and oral argument was held on November 18, 2025, and the parties await a decision from the Court.

***Schmidt v. Schmidt, Kirifides and Rassias, PC, No. 32 MAP 2024 (Pa. Supreme Ct.)***

Section 306(f.1) of the Pennsylvania Workers’ Compensation Act, 77 P.S. § 531, requires an employer “provide payment in accordance with this section for reasonable surgical and medical services... medicines and supplies.” In addition, Section 306(f.1) requires a “provider” to file periodic reports with an employer as a prerequisite for payment of medical expenses. The claimant in this case filed a Penalty Petition alleging that his employer failed to reimburse him for cannabinoid oil (CBD oil) he had purchased out-of-pocket from a specialty foods store. Following a WCJ’s granting of reimbursement and the Workers’ Compensation Appeal Board’s reversal, the Commonwealth Court determined, inter alia, that CBD oil is both a “medicine[]” and a “suppl[y]” under Section 306(f.1), and that the claimant is not a “provider” under Section 306(f.1) and is not subject to reporting requirements in seeking reimbursement for out-of-pocket payments for CBD oil. The case has been accepted for review by the Supreme Court on a threefold issue: (1) whether the terms “medical services” and “medicines and supplies” as used in Section 306(f.1) include CBD oil, specifically, as well as dietary supplements, generally, and products that may be purchased without a prescription from a healthcare provider; (2) do the Medical Cost Containment Regulations of the Act apply to CBD oil; and (3) does Section 306(f.1) require employers to reimburse claimants for out-of-pocket expenses for “medical services” and “medicines and supplies,” and if so, are claimants obligated to submit supporting documentation before they may receive such reimbursement? Expanding the definition of “medicines” and “supplies” under the Workers’ Compensation Act to encompass unprescribed dietary supplements and excluding claimants from reporting requirements for reimbursement of those purchases may have significant cost implications. In a decision issued in March 2025, the Pennsylvania Supreme Court held that: CBD Oil prescribed by a physician for a WC claimant is within the definition of “medicines and supplies” and, thus, the employer must pay for such prescriptions; and, the WCA’s cost containment provisions are inapplicable because Schmidt (the claimant) is not a provider.

***United States of America v. The Commonwealth of Pennsylvania, et al., No. 1:24-CV-02000-YK (U.S.D.C., M.D. PA)***

On November 19, 2024, the United States Department of Justice filed a complaint against the Commonwealth of Pennsylvania, Pennsylvania Department of Labor and Industry, and Pennsylvania Department of Human Services alleging that the automatic sprinkler requirement in the Commonwealth’s statewide building code discriminates against residents of “community homes” for individuals with intellectual disabilities or autism by limiting the availability of suitable housing. The Commonwealth filed a Motion to Dismiss on April 4, 2025 which remains pending with the Court.

***Verizon Pennsylvania LLC and Verizon North LLC v. Prevailing Wage Appeals Board, No. 1379 CD 2025 (Pa. Commonwealth Ct.)***

On May 22, 2024, Verizon filed a Grievance with the Pennsylvania Prevailing Wage Appeals Board arising from the prevailing wage rates and work classifications issued by the Department of Labor & Industry on the publicly-funded statewide broadband expansion project. The Grievance alleged that the Secretary of Labor & Industry abused her discretion in administering the prevailing wage program by deciding not to create a new telecommunications-specific work classification for the broadband project. The Grievance resulted in a nine-day administrative hearing. On September 22, 2025, the Prevailing Wage Appeals Board found that the Secretary did not abuse her discretion and denied the Grievance. Verizon filed a Petition for Review with the Commonwealth Court on October 21, 2025. The Court issued an expedited briefing and oral argument

schedule. The Department has intervened in the appeal and its brief is due on January 9, 2026. Oral argument will be held the week of February 2, 2026.

***Uber Technologies, Inc. v. Department of Labor and Industry, Office of UC Tax Services, No. 1024 CD 2025 (Pa. Commonwealth Ct.)***

On August 15, 2025, Uber Technologies, Inc. (Uber) filed an appeal with the Commonwealth Court from a Final Order of the Department issued by the Unemployment Compensation Tax Review Office (UCTRO). The Office of Unemployment Compensation (UC) Tax Services' (OUCTS) conducted an audit of Uber's drivers, concluded that they were employees, and that Uber therefore owed unpaid UC taxes to the Commonwealth. Uber appealed this determination to the UCTRO, and UCTRO agreed with OUCTS that Uber's drivers were employees under Pennsylvania's UC Law and not independent contractors. The UCTRO determined that the terms and conditions developed by Uber and set forth in the written agreements between Uber and its drivers reflected sufficient direction and control for the drivers to qualify as employees under the UC law. Uber argues in its Appeal that 1) it was denied due process when the Secretary's designee issued an order on the pleadings and record evidence without holding an evidentiary hearing; and, 2) the drivers were independent contractors not subject to UC taxation. The case has significant implications for whether computer-app-based workers are employees subject to UC contributions and benefits. Uber filed its opening brief with the Court, and the Department's response is due March 4, 2026.

**DEPARTMENT OF MILITARY AND VETERANS AFFAIRS**

***Turton, Deceased, by U'Ren v. Southwestern Veterans' Center, No. GD-21-009829 (Allegheny County Ct. of Common Pleas)***

In this negligence action, Plaintiff alleges the Southwestern Veteran's Center breached its duty to resident Turton by leaving drain cleaner accessible to Turton, who ingested the drain cleaner and died. Plaintiff demands \$500,000 in damages. The plaintiff has stated an intention to challenge the constitutionality of the Commonwealth's \$250,000 statutory cap on damages in 42 Pa.C.S. § 8528. This matter is still in discovery.

**DEPARTMENT OF REVENUE**

***Level 3 Communications, LLC v. Commonwealth of Pennsylvania, Nos. 121-122 FR 2018 (Pa. Commonwealth Ct.)***

Level 3 (also known as L3) filed petitions with the Pennsylvania Commonwealth Court seeking a refund of gross receipts tax claiming that its sales of private line services are not subject to this tax. L3 contends that its communications technology falls outside the scope of the taxable telephone and telegraph messages component of the gross receipts tax statute because its private lines are largely sold in connection with non-voice services that are not subject to tax (such as co-location and Internet access) or are sold on a stand-alone basis. L3 contends that its services are therefore distinguishable from the private line services that the Pennsylvania Supreme Court held are subject to gross receipts tax in *Verizon Pennsylvania, Inc. v. Commonwealth*, 127 A.3d 745 (Pa. 2015). In February 2024, the Office of Attorney General delegated this matter to the Department of Revenue to handle at the Commonwealth Court. This delegation did not include a delegation of the authority to handle any subsequent appeals of these cases to the Pennsylvania Supreme Court. There are numerous other appeals involving this same issue for entities that are related to L3. Those related appeals were stayed pending the Commonwealth Court's final resolution of L3's appeals. The tax refund in dispute with respect to L3 and the related entities for the consolidated cases is estimated to be over \$23 million. Briefing concluded in May 2024. Oral argument took place before the *en banc* Commonwealth Court on November 6, 2024. On January 29, 2025, a unanimous *en banc* Commonwealth Court issued a decision in the Commonwealth's favor. L3 filed exceptions for which the parties waived briefing and argument. On May 14, 2025, L3 filed a notice of appeal to the Pennsylvania Supreme Court. The matter has now been fully briefed before the Pennsylvania Supreme Court, and the parties waiting for the Court to schedule oral argument.

***Facebook, Inc. v. Commonwealth of Pennsylvania*, Nos. 432-34 FR 2021 (Pa. Commonwealth Ct.) and *Meta Platforms, Inc. v. Commonwealth of Pennsylvania*, Nos. 51-52 FR 2024 (Pa. Commonwealth Ct.)**

These are corporate net income tax appeals concerning the sourcing of advertising receipts originally based on location of target audience but later sourced based on location of customers paying for advertising services. This is contrary to existing Department of Revenue policy. The taxpayer is seeking to reopen closed tax periods to revalue its net operating losses. This lawsuit could result in a potential refund to the taxpayer in excess of \$67 million. The parties have exchanged information and discussed a potential settlement.

***Apple, Inc. v. Commonwealth of Pennsylvania*, Nos. 92, 93, and 276-287 FR 2022 (Pa. Commonwealth Ct.)**

These corporate net income tax and franchise tax reassessment appeals involve over \$25 million. They concern the apportionment fraction and sourcing of receipts from the sale of digital goods and advertising revenue. The taxpayer treated both types of receipts as income from the sale of intangibles and sourced the according to costs of performance rules. The Department of Revenue treated each as the sale of service income and sourced the receipts under those rules. The taxpayer maintains that they should both be treated as sales of intangibles and sourced accordingly. The taxpayer has not yet submitted a settlement proposal or stipulation of facts.

***Mastercard International, Inc. v. Commonwealth*, Nos. 665-672 FR 2018; 819-823 FR 2019; and 227-228 FR 2023 (Pa. Commonwealth Ct.)**

These corporate net income tax appeals concern the sourcing of sales receipts based on the location where the benefit of the services was received versus location of where the services are delivered. The taxpayer claims that its services are not delivered to cardholders or merchants but are instead delivered to banks and other third parties that participate in the Mastercard network. The parties are currently in settlement negotiations. The Department of Revenue estimates that these appeals involve at least \$34 million. Two additional petitions have been filed with the Board of Finance and Revenue on the same issue now raising the total amount at issue by an additional \$10 million.

***Nestle Purina PetCare Co. v. Commonwealth of Pennsylvania*, Nos. 363-365 FR 2020; 183-184 F.R. 2023; and 258-259 F.R. 2024 (Pa. Commonwealth Ct.)**

These corporate net income tax appeals involve almost \$30 million. The taxpayer argues that its sales for purposes of determining the sales factor numerator were overstated because the computation was done based on initial shipping destination rather than on the location of the sale to the customer. The taxpayer requests a refund based on reduction of the sales factor numerator because the reported numerator allegedly included receipts from sales with an ultimate destination outside Pennsylvania. Settlement discussions on the earlier dockets have not been productive to date. In October 2025, the taxpayer submitted a stipulation of facts.

***UPS Worldwide Forwarding v. Commonwealth of Pennsylvania*, Nos. 199, 203, and 205 FR 2021 (Pa. Commonwealth Ct.)**

In these corporate net income tax appeals, the taxpayer claims the right to use the transportation company apportionment for its logistics company. The taxpayer contends that the airline apportionment is appropriate methodology for its computations, and that the taxpayer has only nominal apportionment in Pennsylvania. The parties are involved in settlement negotiations. The Commonwealth addressed this issue as to other open tax years via legislation, and these appeals covers the remaining years that were not addressed through legislation. The Department of Revenue estimates that \$18 million is at issue. The Department's nominal settlement offer was rejected and it's expected that this matter will be litigated.

***Visa USA v. Commonwealth of Pennsylvania*, Nos. 330-332 FR 2022; 844-845 FR 2018; 608-609 FR 2019; and 198 FR 2023 (Pa. Commonwealth Ct.)**

These corporate net income tax appeals have substantially similar facts and legal argument as set forth in the Mastercard matter discussed above. The parties reached a settlement and closed the cases before Commonwealth Court in December 2025.

***Verizon Wireless, et al. v. Commonwealth of Pennsylvania*, Nos. 600-603 FR 2019; 137-166 FR 2022; 628-637 FR 2022; 61-63 FR 2023 (Pa. Commonwealth Ct.)**

These 41 gross receipts tax refund and reassessment appeals involve nearly \$250 million. The appeals primarily deal with receipts from the sale of roaming (Internet), roaming (voice/text), prepaid phone charges (non-Internet access), which account for over 97% of the tax at issue. The parties reached a settlement and closed the cases at Commonwealth Court in June 2025.

***XXVI Holdings Inc. (Google) v. Commonwealth of Pennsylvania*, Nos. 108-110 FR 2024 (Pa. Commonwealth Ct.)**

In these corporate net income tax appeals, the taxpayer contends that taxes regarding its sourcing of advertising revenue receipts should be sourced to Pennsylvania solely based on Pennsylvania population figures. A collateral Department of Revenue audit of Google suggests most of the revenue in question should be sourced to Pennsylvania. The taxpayer filed petitions for review with the Commonwealth Court in March 2024. The taxpayer has not yet provided a settlement proposal or stipulation of facts for litigation. The Department of Revenue estimates that over \$39 million is at issue in this matter.

***Alcatel-Lucent USA, Inc. v. Commonwealth of Pennsylvania*, No. 8 MAP 2023 (Pa. Supreme Ct.)**

Following the decision in *Nextel Communications of the Mid-Atlantic, Inc. v. Commonwealth*, the Department of Revenue issued Corporation Tax Bulletins 2017-10 and 2018-02 to announce that the flat-dollar cap on the net loss deduction would no longer be available for tax years beginning in 2017 and thereafter. Alcatel-Lucent challenged those Bulletins and argued that the Department of Revenue has violated the uniformity, equal protection, due process, and remedies clauses in its failure to retroactively apply *Nextel* and assess taxpayers who took the flat-dollar net loss deduction beginning with the 2014 tax year. On September 13, 2021, a unanimous Commonwealth Court panel held that *Nextel* applied prospectively and denied the request for a retroactive refund. On June 22, 2022, the matter was argued on exceptions before the Commonwealth Court sitting *en banc*. On April 6, 2023, the Commonwealth Court granted taxpayer's exceptions to allow for retroactive relief in accordance with the decision in *General Motors Corporation v. Commonwealth*. The matter was appealed to the Pennsylvania Supreme Court. Applying *Nextel* retroactively could result in tax refunds of approximately \$150 million for the 2014 – 2016 tax years and tax refunds of approximately \$208 million for the 2007 – 2013 tax years. The parties argued this matter before the Pennsylvania Supreme Court in March 2024. On November 20, 2024, the Pennsylvania Supreme Court issued a decision reversing the *en banc* decision of the Commonwealth Court. The Pennsylvania Supreme Court held that *General Motors* was erroneous, that *Nextel* should be given prospective effect only, and that due process therefore does not require the Commonwealth to refund the corporate net income taxes that Alcatel-Lucent paid in 2014. On December 4, 2024, Alcatel-Lucent filed an application to reinstate the argument. On December 18, 2024, the Commonwealth filed an answer in opposition to Alcatel-Lucent's application to reinstate the argument. On December 23, 2024, Alcatel-Lucent filed an application to file a reply in support of its application to reinstate the argument. On December 24, 2024, the Commonwealth filed an answer in opposition to Alcatel-Lucent's application to file a reply. The Pennsylvania Supreme Court denied the application to reinstate the argument and the time period for filing of a Petition for Cert. to the United States Supreme Court has passed. Although this matter has concluded, it remains relevant to the remaining appeals that were held as pending litigation. Taxpayers in those matters have continued to seek a remedy notwithstanding the Pennsylvania Supreme Court's decision in *Alcatel* and litigation is on-going.



***Dow Chemical Company v. Commonwealth*, Nos. 891-892 FR 2018 (Pa. Commonwealth Ct.)**

At the taxpayer's request, these appeals were held pending the Pennsylvania Supreme Court's disposition of *Alcatel-Lucent USA, Inc. v. Commonwealth*. Like Alcatel-Lucent, Dow Chemical Company claims that it is entitled to an uncapped net operating loss deduction. The Pennsylvania Supreme Court issued its decision in *Alcatel* in favor of the Commonwealth on November 20, 2024 and denied Alcatel-Lucent's application to reinitiate the argument on February 10, 2025. On February 21, 2025, Dow Chemical Company filed an application for relief in Commonwealth Court arguing that there is a remedial distinction from *Alcatel* because it is in a reassessment posture and not a refund posture. The Commonwealth's position is that this is an attempt to re-litigate *Alcatel*. The parties attended a conference at Commonwealth Court on May 13, 2025. Pursuant to that conference, the Court issued an order for the parties to file a stipulation of facts with a briefing schedule set thereafter. On June 16, 2025, the taxpayer withdrew the lawsuit docketed at 891 FR 2018. On July 3, 2025, the parties filed a joint stipulation of facts and filed briefs thereafter. The parties argued their positions in front of a three-judge panel of the Commonwealth Court on October 9, 2025. On December 22, 2025, the Commonwealth Court issued an Opinion in favor of the Commonwealth. The taxpayer has indicated that it intends to file exceptions to the Court's Opinion.

***Cenveo Corporation v. Commonwealth*, No. 92 FR 2021 (Pa. Commonwealth Ct.)**

This appeal was held pending the Pennsylvania Supreme Court's disposition of *Alcatel-Lucent USA, Inc. v. Commonwealth*. Like Alcatel-Lucent, Cenveo Corporation claims that it is entitled to an uncapped net operating loss deduction. The Pennsylvania Supreme Court issued its decision in *Alcatel* in favor of the Commonwealth on November 20, 2024, and denied Alcatel-Lucent's application for reargument on February 10, 2025. Cenveo Corporation claims that it is entitled to a remedy notwithstanding *Alcatel* pursuant to the Remedies Clause of the Pennsylvania Constitution. The Commonwealth's position is that this is an attempt to re-litigate *Alcatel*. On September 15, 2025, the Commonwealth sent counsel for Cenveo Corporation a draft stipulation of facts. Cenveo Corporation has not yet responded to that draft.

***Retail Store Operations, Inc.*, Nos. 741-743 FR 2018; 49-52 FR 2020; 255-256 FR 2020 (Pa. Commonwealth Ct.)**

These appeals were held pending the Pennsylvania Supreme Court's disposition of *Alcatel-Lucent USA, Inc. v. Commonwealth*. The Pennsylvania Supreme Court issued its decision in *Alcatel* in favor of the Commonwealth on November 20, 2024, and denied Alcatel-Lucent's application for reargument on February 10, 2025. On September 12, 2025, counsel for Retail Store Operations, Inc. served Commonwealth Counsel with discovery. Counsel for Retail Store Operations have filed Right to Know Law requests with various Commonwealth agencies seeking the same information sought through discovery. On November 13, 2025, Retail Stores Operations filed an application for relief in Commonwealth Court arguing that it is now not seeking an uncapped net operating loss deduction but rather seeks an unlimited carryforward of net losses without regard to the statutory expiration period. The Commonwealth's position is that this is an attempt to re-litigate *Alcatel*. The Commonwealth Court has scheduled a conference on January 14, 2026.

***PPG Industries Inc.*, Nos. 26-29 F.R. 2017; 304 F.R. 2019 (Pa. Commonwealth Ct.)**

These appeals were held pending the Pennsylvania Supreme Court's disposition of *Alcatel-Lucent USA, Inc. v. Commonwealth*. The Pennsylvania Supreme Court issued its decision in *Alcatel* in favor of the Commonwealth on November 20, 2024, and denied Alcatel-Lucent's application for reargument on February 10, 2025. Similar to Retail Store Operations, discussed above, PPG Industries Inc. claims that it is entitled to an unlimited carryforward of net losses without regard to the statutory expiration period. The Commonwealth's position is that this is an attempt to re-litigate *Alcatel*. The parties are working on a stipulation of facts.

***AmerisourceBergen Services Corporation*, Nos. 321-326 FR 2022 (Pa. Commonwealth Ct.); *AmerisourceBergen Sourcing, LLC*, Nos. 387 and 388 FR 2022 (Pa. Commonwealth Ct.); *AmerisourceBergen Drug Corporation*, Nos. 389-394 FR 2022 (Pa. Commonwealth Ct.)**

The Multistate Tax Commission conducted an audit of these entities for corporate net income tax and franchise tax. The main issue concerns the use of a Delaware intangible holding company and the sham transaction doctrine. The parties have been engaged in a discovery dispute. The taxpayers contend that, pursuant to the definition of taxable income, the Commonwealth does not have authority to levy the assessments because the federal government did not also issue an assessment. The taxpayers filed an application for protective order from the Commonwealth's discovery requests and an application for summary relief. Following a Commonwealth Court conference to discuss those applications and the Commonwealth's answers, the taxpayers withdrew their application for summary relief and provided the Commonwealth with documentation. The parties are working on a stipulation of facts and anticipate that an evidentiary hearing may be needed to resolve disputed facts. There is an estimated \$18 million at issue.

***Nissan Motor Acceptance Corporation v. Commonwealth*, No. 414 FR 2020 (Pa. Commonwealth Ct.) and *Toyota Motor Credit Corporation*, Nos. 750 FR 2018, 451 FR 2020, 175 FR 2022 (Pa. Commonwealth Ct.)**

These sales and use tax appeals involve a claim that a retail installment contract used to purchase a vehicle is equivalent to a "private label credit card" under the bad debt refund statute. The parties have engaged in discovery and are actively working on stipulations of facts. There are a number of appeals that have been held pending the litigation in *Nissan Motor* and *Toyota Motor*. The issue is worth approximately \$20 million.

***Mission Funding Beta Company v. Commonwealth*, No. 411 FR 2019 (Pa. Commonwealth Ct.)**

This \$5 million corporate net income tax appeal involves an attempt by the taxpayer to use a report of federal changes to bypass Pennsylvania's three-year refund statute and claim an uncapped net operating loss deduction. The Commonwealth's position is that the appeal is time-barred. The parties filed a joint stipulation of facts in April 2024 and briefing concluded in November 2024. On March 4, 2025, the parties argued the matter before a three-judge panel of the Commonwealth Court. On August 14, 2025, the Court issued an Opinion remanding the matter to the Board of Finance and Revenue. On September 15, 2025, the Commonwealth filed exceptions to the Court's Opinion. The parties are in the process of submitting briefs on exceptions.

***Gilead Sciences Inc.*, Nos. 912-913 F.R. 2019 and 417-419 F.R. 2023 (Pa. Commonwealth Ct.)**

Refund claims for tax years 2016-2020 totaling over \$55 million concerning royalties received from foreign affiliates. Taxpayer argues that the receipts should not be sourced to Pennsylvania because the receipts are multiform/non-business income. Taxpayer also raises other apportionment related issues. The Department of Revenue believes these are good cases to litigate. No action anticipated in the near future as a number of the years are subject to potential IRS changes.

***Greenwood Gaming and Entertainment, Inc., et al. v. Department of Revenue, et al.*, No. 571 MD 2018 (Pa. Commonwealth Ct.)**

A group of Pennsylvania casinos challenged the Pennsylvania Lottery's internet instant games alleging they simulate interactive casino-style games in violation of Act 42 of 2017, which amended the Pennsylvania Race Horse Development and Gaming Act. Petitioners seek to either shut down the entire iLottery system or strip the games of certain features. If the Court grants the relief sought it could potentially result in the loss of significant revenue to the Lottery, which over time could be in the millions of dollars. Following a bench trial in October 2020, judgment was entered in favor of the Department of Revenue. On appeal, Commonwealth Court determined iLottery program was not in violation of the Gaming Act. A motion for Post-Trial Relief was denied and the matter was appealed to the Supreme Court. Oral argument was held in April 2023. On

December 19, 2023, the Pennsylvania Supreme Court issued a decision establishing a new subjective test under which iLottery games were to be analyzed and remanded the matter to the Commonwealth Court for further review. The matter was re-briefed and re-argued based on the existing Commonwealth Court record. The Department of Revenue is still awaiting a final decision based upon the additional briefs filed in May 2024.

## **DEPARTMENT OF STATE**

### ***United States of America v. Commonwealth of Pennsylvania et al.*, No. 2:25-CV-01481 (U.S.D.C., W.D. PA)**

On September 25, 2025, Plaintiff sued the Commonwealth and the Secretary of the Commonwealth in connection with the Secretary's refusal to provide an electronic copy of Pennsylvania's computerized statewide voter registration list, with all fields, including each registrant's full name, date of birth, residential address, their state driver's license number, and the last four digits of their Social Security number. The Department was served on September 30, 2025. On October 1, 2025, Plaintiff filed a motion for a stay in light of lapse of appropriations caused by the federal government shutdown. On November 17, 2025, the court lifted the stay and signaled that a scheduling order would be forthcoming.

### ***Public Interest Legal Foundation, Inc. v. Schmidt et al.*, No. 25-379 (U.S. Supreme Ct.)**

On April 10, 2019, the Public Interest Legal Foundation (PILF) filed a lawsuit against Secretary and Deputy Secretary in federal court for the Middle District of Pennsylvania, claiming that its requests for information regarding non-citizens who are registered to vote in Pennsylvania and information relating to voter registration removal/cancellation programs and activities regarding such individuals made pursuant to the National Voter Registration Act (NVRA), were wrongfully rejected. The District Court ruled that SURE records were, in fact, used to augment the reliability of voter rolls and thus, were subject to disclosure under the NVRA, unless blocked by some other law. However, the Court stated that personal information, such as social security numbers and other sensitive information could be redacted to address any privacy concerns. Finally, the Court found that the non-citizen matching analysis provided by the Department's attorney-engaged expert was subject to protection by the work-product doctrine and properly withheld, but that records used by the expert to conduct the analysis should be produced. With respect to documents related to noncitizens who requested removal from voter registration lists, the Court rejected PILF's claim that the documents turned over were insufficient, finding that "the universe is simply small". However, the Court did find the extensive amount of redaction on the list on noncitizens to be improper and ordered the Department to disclose voting histories of those individuals. The Department filed a Notice of Appeal in the Third Circuit on March 27, 2023, and PILF filed a Cross-Notice of Appeal on March 30, 2023. In April 2025, the Third Circuit vacated the judgment entered by the District Court and remanded for dismissal. On June 30, 2025, the Third Circuit issued an order denying PILF's petition for panel and en banc rehearing. On September 26, 2025, Petitioners filed a Petition for Writ of Certiorari with the United States Supreme Court requesting that Court's review of the Third Circuit's judgment. Petitioners allege the Third Circuit erred in determining Petitioner lacked Article III standing to request public records and in determining Petitioner lacked standing to redress the denial of public records under the NVRA. On October 28, 2025, the Court requested that the Department file a response. The Secretary's brief is due on January 12, 2026.

### ***Pennsylvania State Conference of the NAACP, et al. v. Schmidt, et al.*, Supreme Court Docket, No. 24-363, No. 23-3166 (U.S.C.A., Third Circuit), No. 23-3166 (U.S.C.A., Third Circuit), No. 1:22-CV-339 (U.S.D.C., W.D. PA)**

On November 4, 2022, the American Civil Liberties Union, on behalf of various public interest groups including the NAACP and the League of Women Voters filed suit in federal court against the Secretary of the Commonwealth and all 67 County Board of Elections claiming that the refusal to count ballots enclosed in outer envelopes that are undated or wrongly dated mail-in and absentee ballots violates the materiality provision of the Civil Rights Act. On November 21, 2023, the District Court held that excluding undated ballots

violates the materiality provisions of the Civil Rights Act. A notice of appeal was filed with the United States Court of Appeals for the Third Circuit and a three-judge panel of Circuit judges reversed the District Court, concluding that the materiality provision applies only with respect to the voter qualification process during registration. The Third Circuit rejected the argument that the right to vote encompasses the right to have an undated or wrongly dated ballot count. The case was remanded back to District Court for the remaining claims. However, on September 27, 2024, Plaintiffs filed a petition seeking a writ of certiorari with the U.S. Supreme Court, which was denied. Plaintiffs then obtained leave to file an amended complaint adding a claim that the refusal to count timely-received ballots violates the First Amendment by imposing an undue burden on the right to vote. All parties filed motions for summary judgment in May of 2024, which were supplemented in July of 2024. The District Court stayed the case on October 22, 2024 pending the SCOTUS petition for cert. The Supreme Court denied the petition on January 21, 2025. The District Court lifted its stay on February 7, 2025 and the summary judgment motions remain pending.

In a companion case also before the same district court judge, *Eakin et al. v. Adams County Bd. Elections, et al.*, 1:22-CV-340 (W.D. PA), Plaintiffs sued all 67 county BOEs (but not the Secretary) claiming both a materiality violation and violation of the First and Fourteenth Amendments of the U.S. Constitution. While the Third Circuit's *NAACP* decision foreclosed the first claim, the Court on March 31, 2025 granted Plaintiffs' summary judgment motion finding the failure of the Boards to count undated or incorrectly dated but timely received mail ballots violated the 14<sup>th</sup> Amendment. The RNC filed a notice of appeal with the Third Circuit on April 2, 2025. On August 26, 2025, the Third Circuit affirmed the District Court decision stating undated or misdated ballots must be counted. On October 14, 2025, the Third Circuit denied petitions for rehearing by panel and the Court *en banc*.

#### ***Voter Reference Foundation, LLC v. Schmidt*, No. 1:24-CV-00294 (U.S.D.C., M.D. PA)**

On February 19, 2024, Voter Reference sued the Secretary of Commonwealth under the National Voter Registration Act (NVRA) in connection with the Secretary's enforcement of a regulation that conditions the provision of the full voter export to a requestor on the requirement that the requester will not publish the list (containing personal information of every registered PA voter) on the internet. Voter Reference has asserted a six-count Complaint claiming: (1) the internet ban is preempted by the NVRA; (2) violation of the NVRA based on March 2022 denial; (3) violation of the NVRA based on November 2023 denial, (4) violation of Section 1983 claiming the Secretary's action results in a ban on core political speech; (5) violation of Section 1983 claiming the ban is overbroad; and (6) action for declaratory judgment. The Secretary filed a motion to dismiss which was denied as moot once summary judgment motions were filed. Cross motions for summary judgment are fully briefed as of January 31, 2025. On May 14, 2025, the Secretary filed a Motion for Leave to file a Motion to Dismiss pursuant to Rule 12(h)(3) in light of the Third Circuit's standing decision in *PILF v. Schmidt*. On June 16, 2025, the Secretary filed a Reply Brief in support of the Motion for Leave to file a Motion to Dismiss. On August 19, 2025, the Court entered an order holding the motions to dismiss in abeyance and ordering the Secretary to file a notice of supplemental authority addressing the issue of standing to its motion for summary judgment within 7 days. On September 22, 2025, the Secretary filed notice of supplemental authority. The Department awaits further action by the court.

#### ***Heath Gray v. Pennsylvania Dept. of State*, Nos. 442 MD 2023 (Pa. Commonwealth Ct.) and 2 WAP 2025 (Pa. Supreme Ct.)**

On September 25, 2023, Petitioner filed a Petition for Review claiming that he, as an incarcerated felon, is being unconstitutionally deprived of his right to vote. He requested a voter registration form from prison staff at SCI-Greene and prison staff denied that request based on DOS guidance regarding prisoners with felony convictions. Petitioner seeks an order that DOS be required to facilitate the right of suffrage for confined felons. The Department filed preliminary objections on October 27, 2023 on two grounds: (1) the Commonwealth Court does not have appellate jurisdiction to consider the Petition for Review; and (2) Petitioner's Petition for Review is legally insufficient because governing case law states with clarity that the challenged sections of the Election Code are constitutional. On December 20, 2024, the Commonwealth Court

overruled the Department's Preliminary Objection on the basis of the absence of jurisdiction, but sustained the Department's Preliminary Objection on the ground of legal insufficiency. The Commonwealth Court dismissed Petitioner's Petition for Review. Petitioner appealed the Commonwealth Court granting the Secretary's PO and dismissal of the case to the Pennsylvania Supreme Court. On October 23, 2025, the Court affirmed the Commonwealth Court's order and denied the appellant's application to file post-submission communication. This matter is now concluded unless Petitioner appeals to the United States Supreme Court.

***County of Fulton, et al. v. Secretary of the Commonwealth*, Nos. 277 MD 2021 (Pa. Commonwealth Ct.) and 56 MAP 2024 (Pa. Supreme Ct.)**

On August 18, 2021, Fulton County sued the Secretary of the Commonwealth over the decision to decertify certain of Fulton County's voting system components which were turned over to third parties as part of an "audit." Both parties filed applications for summary relief which are currently pending before Commonwealth Court. There was also an interlocutory appeal of an order before the Pennsylvania Supreme Court, No. 3 MAP 2022, on the Secretary's emergency application related to spoliation of evidence. In 2023, the Pennsylvania Supreme Court issued an opinion holding Fulton County in contempt and granting nearly all relief sought in the sanctions application. The Pennsylvania Supreme Court ordered Fulton County to pay all of the Secretary's costs and fees from December 17, 2021, and ordered the voting systems to be impounded and kept by a third party at the county's expense. On June 11, 2024, the Commonwealth Court granted Intervenor Dominion Voting Systems, Inc.'s Application for Renewal of the Special Master's Injunction Order and enjoined the Petitioners and their counsel from disseminating or allowing third parties to access certain evidence and information. On August 30, 2024, the Special Master issued a report and recommendation recommending that the Secretary receive the entirety of fees and costs requested (\$711,252.11). Fulton never filed any objections to the report. On December 31, 2024, Commonwealth Court in a 6-1 opinion granting the Secretary's Application for Summary Relief, agreeing that the Secretary was authorized to issue Directive 1 and rejecting any argument that it usurped any powers of the county. The Court further found that the Secretary had no obligation to reimburse county boards of elections for decertified voting equipment. On February 6, 2025, Petitioners' Notice of Appeal of the Commonwealth Court decision granting summary relief to the Secretary described below was docketed. The Secretary filed a no answer letter to Petitioners' jurisdictional statement on February 20, 2025. A briefing schedule was issued on March 20, 2025. Fulton's opening brief was filed on April 28, 2025. The Secretary filed a brief and supplemental reproduced record on June 23, 2025. On September 4, 2025, the Secretary filed an application for an order imposing sanctions in connection with Fulton's conduct during the appeal. On September 17, 2025, Fulton filed an answer in opposition.

***P.G.S. v. Hendricks, et al.*, Nos. 390 MD 2024 (Pa. Commonwealth Ct.) and 532 MAL 2025 (Pa. Supreme Ct.)**

A lawsuit was filed against three members of the State Board of Nursing's Probable Cause Screening Committee, Suzanne Hendricks, Linda Kerns, and Sherri Luchs, alleging a violation of procedural and substantive due process and a violation to one's right to privacy. Plaintiff is challenging the Mental/Physical Evaluation process of the State Board of Nursing arguing that the process violates the Court's holding in a decision known as *Lencovich*, because she was compelled to attend the mental/physical examination without an opportunity to challenge the order compelling prior to attending, and she was not provided adequate notice that she would be afforded a hearing prior to suspending her license. On March 1, 2024, the Dauphin County Court of Common Pleas (Judge Andrew H. Dowling Jr.) issued a memorandum opinion granting PGS's motion for summary judgment and denying the Defendants' cross motion for summary judgment. The Court held that the board failed to provide PGS with due process before requiring her to submit to a mental and physical examination. The Court also held that the members of the Probable Cause Screening Committee are not entitled to quasi-judicial immunity because of the lack of procedural safeguards before the Order to Compel was entered. The Court also held that they are not entitled to qualified immunity because they are presumed to know the dictates of the statute under which they derived their authority to issue orders compelling licensees to undergo mental and physical examinations, and they violated PGS' rights under that statute. An appeal of the order denying qualified immunity or quasi-judicial immunity was filed. Argument was held in April 2025,

and on July 8, 2025, the Commonwealth Court reversed the trial court's order and remanded with instructions to the trial court to enter judgment in favor of the Nurse Board members. On July 22, 2025, a Petition for *en banc* Reconsideration was filed and it was denied on August 28, 2025. On September 29, 2025, PGS filed a Petition for Allowance of Appeal to the Pennsylvania Supreme Court. The Board's Answer to the petition was filed on October 16, 2025. At this time, the Department awaits action by the Pennsylvania Supreme Court.

***PNAP v. Pennsylvania Department of State, No. 1450 CD 2023 (Pa. Commonwealth Ct.)***

On December 12, 2023, PNAP filed a petition for review of a final order issued by the Pennsylvania Secretary of State on November 28, 2023 that denied the bid protest filed by PNAP on October 26, 2023. PNAP is the former vendor for peer assistance monitoring for the State Board of Nursing, and it challenged the award of the new contract for these services to the Foundation of the PA Medical Society (PHP) after completion of the RFP process. The matter has been fully briefed to the Court and the Court has issued an Order Directing Submission on Brief. On June 16, 2025, the Commonwealth Court affirmed the Final Determination of the Secretary and this matter is now concluded.

***Rossman v. Department of State, No. 516 MD 201 (Pa. Commonwealth Ct.)***

On November 4, 2024, Petitioner, a Potter County commissioner, filed a petition for review claiming that the Secretary's 2018 Directive on the Help America Vote Act matching violates the Pennsylvania voter registration law and also functions as an unenforceable regulation. Petitioner seeks declaratory and injunctive relief. The Secretary filed preliminary objections, to which Petitioner responded. Petitioner filed an application for summary relief on March 31, 2025, to which the Department filed a brief in opposition. Argument on this matter was held on October 7, 2025, and the Department awaits the court's decision.

***Joshua Haentges, DDS, et al., v. Arndt, et al., No. 1:25-CV-00666 (U.S.D.C., M.D. PA)***

On April 14, 2025, Dr. Joshua Haentges, through his legal counsel, filed a complaint against the PA Dental Board members in their individual and official capacities, asserting a violation of the Sherman Antitrust Act based upon the board members' decision to deny the Plaintiff's application for licensure by endorsement. The Plaintiff asserts that the denial was an arbitrary and capricious action motivated by an intent to restrict competition in Pennsylvania and deprive New York dentists of the opportunity to participate in the market. He requests compensatory, treble, and punitive damages; fees; and costs. The matter has been referred to the Office of the Attorney General for representation. A motion to dismiss and supporting brief were filed in June 2025. Plaintiff filed an Amended Complaint on August 1, 2025. By Order issued August 1, 2025, the Court dismissed as moot the Board Members' motion to dismiss. On September 23, 2025, a motion to dismiss the amended complaint was filed on behalf of the Board Members. The supporting brief was filed on October 7, 2025. The Plaintiffs filed their brief in opposition to the motion to dismiss on October 21, 2025, and a Reply Brief on behalf of the Board Members was filed on November 4, 2025. At this time, the Department awaits action from the court.

***West et al. v. Schmidt, No. 2:24-CV-01349 (U.S.D.C., W.D. PA)***

On September 5, 2024, Plaintiffs, including Cornel West and his purported Vice-Presidential running mate, sued the Department of State and the Secretary of the Commonwealth in connection with the rejection of the Justice for All political body's nomination papers nominating them for President and Vice President for the 2024 General Election. The Secretary and Department rejected those papers because West failed to provide affidavits for all 19 of his presidential electors. Plaintiffs claim that the Secretary and Department's actions in rejecting his nomination papers were wrongful and violated West's First and Fourteenth Constitutional Amendment rights. The District Court denied West's request for preliminary injunctive relief, which was affirmed by the Third Circuit. However, the District Court did not dismiss the Complaint. The Secretary answered the Complaint on January 6, 2025. Plaintiffs filed an amended Complaint on February 7, 2025. The Secretary filed a motion to dismiss on mootness grounds on February 21, 2025, to which Plaintiff responded

on March 17, 2025. Argument was held on June 11, 2025. On September 11, 2025, the Court denied the Secretary's motion to dismiss. This matter is currently in the discovery stage.

### **FISH AND BOAT COMMISSION**

#### ***Boucher v. Lupacchini, No. 3:19-CV-02106-RDM (U.S.D.C., M.D. PA)***

On October 24, 2017, Sean Bohinski was fatally shot by F&B Commission Conservation Officer Aaron Lupacchini following a struggle between the parties off the Susquehanna River in Luzerne County. A Memorandum Opinion following summary judgment was issued identifying a variety of factual dispute between the parties requiring the action to proceed to a trial that was scheduled September 2025, however the parties reached a settlement and the matter is now closed.

### **OFFICE OF THE GOVERNOR**

#### ***Pennsylvania Professional Liability Joint Underwriting Association v. Governor of the Commonwealth of Pennsylvania, et al., Nos. 18-2297, 18-2323, 19-1057, 19-1058, 21-1099, 21-1112, & 21-1155 (U.S.C.A., Third Circuit); and, 1:19-CV-01121 (U.S.D.C., M.D. PA)***

The Pennsylvania Professional Liability Joint Underwriting Association (JUA) first initiated an action against Governor Wolf on May 18, 2017, case no. 1:17-CV-00886-CCC (M.D. PA). The JUA challenged, on various federal constitutional grounds, a provision of Act 85 of 2016 that directed (1) the transfer of \$200 million from the JUA to the General Fund and (2) repayment of the transferred sum over a five-year period commencing July 1, 2018. The contemplated transfer did not take place. During the pendency of case no. 1:17-CV-00886-CCC, Act 44 of 2017 became law. Act 44 of 2017 again mandated the transfer of \$200 million from the JUA to the General Fund and, if such transfer was not made by December 1, 2017, mandated the abolishment of the JUA. The JUA challenged Act 44 of 2017 at case no. 1:17-CV-02041-CCC (M.D. PA). After initial motions practice and an appeal, the Third Circuit held that JUA is a public entity. "As a public entity, the JUA lacks the ability to maintain the constitutional claims it has asserted against the Commonwealth, its creator." The mandate was issued, the parties resolved all outstanding matters, the JUA has transferred to the Commonwealth all monies due the General Fund, and this matter is now closed.

#### ***Warren, et al v. Commonwealth, et al, No. 309 MD 2024 (Pa. Commonwealth Ct.)***

In this original jurisdiction action, individuals who have been criminally charged and who rely on public defenders to provide them with legal representation have brought a putative class action against the Commonwealth, Governor Shapiro, Speaker of the Pennsylvania General Assembly McClinton, and Pennsylvania Senate President Pro Tempore Ward. The petitioners assert various state and federal constitutional claims based on the theory that Pennsylvania is not appropriating sufficient monies for indigent defense. The petitioners seek to compel Pennsylvania to spend as much as \$100 million more on indigent defense. The Office of General Counsel is defending Governor Shapiro and filed his response to the petition for review on August 30, 2024. The Office of Attorney General is separately representing the Commonwealth and filed its response to the petition on July 15, 2024. Briefing is complete and oral argument is scheduled for June 4, 2025 before Commonwealth Court.

#### ***Citizens of Lehigh County, et al. v. Commonwealth of Pa., No. 4267 (Pa. Board of Claims)***

Lehigh County has presented a claim before the Board of Claims concerning its potential award of over \$5.5 million dollars from the opioid settlement fund, claiming that a verbal agreement was reached between Governor Shapiro and the Lehigh County District Attorney to provide the county additional funds (i.e., \$5.7 million) without the constraints of the settlement fund (meaning the monetary award can only be utilized to fund opioid-related matters and not go to legal fees as now demanded by Lehigh County). The Commonwealth filed preliminary objections that were granted in part. In the interim, the parties have reached

an agreement to provide Lehigh County with the requested funds through a Department of Drug and Alcohol Programs grant.

### **PENNSYLVANIA HOUSING FINANCE AGENCY (PHFA)**

#### ***Innovative Emergency Management, Inc. v. Pennsylvania Housing Finance Agency, No. 4264 (Pa. Board of Claims)***

This is a contract claim filed by Innovative Emergency Management, Inc. (IEM) concerning payment for its role in administering the Pennsylvania Homeowner Assistance Fund (PAHAF). Act 24 of 2021 was enacted on June 30, 2021, identifying the PHFA as the Commonwealth's administrator for federal Homeowner Assistance Funds made available through the American Rescue Plan. PHFA issued an RFP and entered into a contract with IEM on October 7, 2021 to assist with the administration of the PAHAF program. The PAHAF program opened for applications on February 1, 2022, and IEM's software deficiencies and workflow mismanagement resulted in a significant backlog of applications and increased payouts to homeowners needing additional relief because of the delay. PHFA withheld payment of IEM's invoices from October 2022 to March 2023 when it terminated the contract and brought the PAHAF program in-house. After its administrative claim was denied, IEM filed suit in the Board of Claims on January 23, 2024, seeking \$4 million in damages. PHFA asked DGS OCC to represent it due to their experience with the Board of Claims. The Board overruled IEM's preliminary objections to PHFA's counterclaim and the parties are proceeding with discovery.

### **PENNSYLVANIA STATE POLICE (PSP)**

#### ***Hall v. Phelps, et al., No. 22-CV-00480 (U.S.D.C., M.D. PA)***

This is a section 1983 excessive force and First Amendment retaliation lawsuit brought by the Estate of Christian Hall. PSP responded to several calls of a suicidal male who was standing at the edge of an overpass. The troopers worked for over two hours to deescalate the situation, but Mr. Hall drew his handgun, pointed it in the direction of troopers, and was shot by two of the troopers on scene. There are also First Amendment claims against the former Commissioner related to statements made by PSP following the shooting. Plaintiff's counsel filed a motion to vacate the discovery deadline and depositions and requests for documents continue. PSP estimates that the Commonwealth's exposure from this lawsuit may exceed \$1 million.

#### ***Allegrini v. Sobeck, et al., No. 2:24-CV-1139 (U.S.D.C. E.D. PA)***

Plaintiff brings a claim of excessive force, deliberate indifference, intentional infliction of emotional distress, alleging that Trooper Sobeck's use of deadly force against Plaintiff-decedent, Anthony Allegrini, Jr., was unreasonable and excessive, and further, that Trooper Sobeck's failure to provide immediate medical care constituted deliberate indifference toward Plaintiff-decedent, and intentional infliction of emotional distress against bystander friends, also named Plaintiffs in this case. Discovery is underway after a failed settlement conference.

#### ***Oleksandr Washington, Admin. of the Estate of Max Burakhov. Brown, et al., No. 23-CV-01632, (U.S.D.C., M.D. PA)***

The Pennsylvania State Police were asked by a family member of an individual who had stopped taking his mental health medications to perform a welfare check on the individual. The individual was alleged to have been sending threatening or suicidal text messages. The family member advised the State Police that the individual had firearms in his residence. When the state troopers arrived at the individual's residence to perform the welfare check, the individual exited the rear door of the residence carrying a firearm. Two state troopers discharged their weapons which resulted in the death of the individual. PSP expects this case to be withdrawn.



***Louis Gallo, as Admin. of the Estate of Anthony Gallo v. Weaver, et al.*, No. 2:19-CV-1260 (U.S.D.C., W.D. PA), 24-2175 & 25-1443 (U.S.C.A., Third Circuit)**

Trooper Weaver responded to a 911 call of an individual running around a trailer park threatening to stab people. After failing to respond to verbal commands to drop a knife, Anthony Gallo was fatally shot. A jury trial was held the week of May 20, 2024 resulting in a Plaintiff's verdict. The jury awarded \$3 million in damages to the decedent; \$7 million in damages to the survivor; and \$11 million in punitive damages against Weaver – for a total of \$21 million. An award for attorney's fees and costs is still pending. This case is currently on appeal to the Third Circuit and the parties have filed cross-appeals. The parties have executed a settlement agreement in the amount of \$14.5 million. The matter is now closed.

***Motley, et al. v. Eckman, et al.*, No. 2:24-CV-5763, (U.S.D.C., E.D. PA)**

This is a 1983 action brought by several plaintiffs who were passengers in a vehicle that was being pursued by PSP. A trooper was conducting theft enforcement efforts in a shopping center when he detected suspicious activity by plaintiffs. The trooper began to follow the vehicle that plaintiffs were in and when he observed a traffic violation, attempted to effectuate a traffic stop. The vehicle fled at a high rate of speed and ultimately crashed into a concrete bridge and caught fire. Two of the four plaintiffs died as a result of the crash and two sustained non-life threatening, but serious injuries. This case has the potential to exceed \$1 million in damages. The *Castleberry* case below stems from the same incident. Also, there were seven people in the vehicle that crashed, so there is a potential for one or two other lawsuits to be filed regarding this incident. Discovery is currently underway.

***Castleberry v. Eckman, et al.*, No. 2:24-CV-5856, (U.S.D.C., E.D. PA)**

See *Motley, et al.* above. This is a 1983 action brought by the Estate of Ikeam Rogers who was a passenger in a vehicle that was being pursued by PSP. A trooper was conducting theft enforcement efforts in a shopping center when he detected suspicious activity by in and around the vehicle in which Ikeam Rogers was a passenger. The trooper began to follow the vehicle and when he observed a traffic violation, attempted to effectuate a traffic stop. The vehicle fled at a high rate of speed and ultimately crashed into a concrete bridge and caught fire. Ikeam Rogers died as a result of the crash. This case has the potential to exceed \$1 million in damages. The *Motley* case stems from the same incident. Also, there were seven people in the vehicle that crashed, so there is a potential for one or two other lawsuits to be filed regarding this incident. Discovery is currently underway.

***Angel Bailey, as Administrator of the Estate of Hunter W.P. Foust v. Strauss, et al.*, No. 4:25-CV-785 (U.S.D.C., M.D. PA)**

This is a 1983 action brought by Angel Bailey, Administrator of the Estate of Hunter Foust. The complaint alleges Use of Excessive Force, Failure to Intervene, Survival Action Pursuant to Pennsylvania Law, and Wrongful Death. PSP received a phone call from a local school district after it learned of an online threat of violence made by Hunter Foust (who attended another school). Later that day, Hunter returned home from school and fled his residence with a loaded handgun that he retrieved from his father's house. PSP eventually located him in a field and gave him several commands to drop his firearm. He was shot by the troopers after pointing the firearm in their direction. This case has the potential to exceed \$1 million in damages.

**STATE EMPLOYEES' RETIREMENT SYSTEM**

***Roberts, et al., v. State Employees' Retirement Board*, No. 339 MD 2022 (Pa. Commonwealth Ct.)**

This is an original jurisdiction Commonwealth Court action filed by eight judges. Respondents are the State Employees' Retirement Board as an entity, and each of the individual Board members. Petitioners took office on or after January 1, 2019, and are subject to the benefit and contribution provisions of the Act of June

12, 2017, P.L. 11, No. 5 (Act 5). Act 5 established the new retirement benefit tiers for most new State employees, including judges. These new tiers are the Class A-5 and Class A-6 hybrid defined benefit/defined contribution plans and the straight defined contribution plan option. Petitioners allege that the new benefit tiers produce lower benefits than the old benefit tiers in violation of constitutional requirements for judicial pension benefits as interpreted and applied by prior Pennsylvania Supreme Court decisions. Petitioners filed an Application for Summary Relief, which was denied. They sought an immediate appeal to the Supreme Court of Pennsylvania. If the Petitioners are ultimately successful, it could have a significant effect on the Commonwealth's budgeting and may require reallocation of funds in an amount well over \$1 million to the State Employees' Retirement System. The Pennsylvania Supreme Court, on April 9, 2024, denied Petitioners' request for an interlocutory appeal. On May 22, 2025, the Court issued an order requiring the parties to submit and serve expert reports and their replies to those reports, develop a joint stipulation of facts, identify outstanding factual issues, and file a status report by May 8, 2026.

## **STATE SYSTEM OF HIGHER EDUCATION**

### ***Borough of West Chester v. State System of Higher Educ. and West Chester University, No. 9 MAP 2023 (Pa. Supreme Ct.)***

This litigation concerns the stream protection fee imposed by the Borough of West Chester (Borough) on West Chester University of Pennsylvania (WCU) several years ago. When the University refused to pay the fee in 2018, the Borough brought this action in Commonwealth Court seeking a declaration that the fee was lawful. In January 2023, the Court, sitting *en banc*, issued a unanimous decision granting WCU's Application for Summary Relief, holding that the Borough had no legal authority to impose its stormwater management fee on WCU because legally that fee constitutes a tax. Notably, the Court held that "...the Stormwater Charge constitutes a general tax, as opposed to a special assessment, because the work funded thereby does not benefit individual properties, but rather, yields a common benefit shared by residents of the Borough generally." And because "[t]ax immunity extends to every 'arm, agency, subdivision, or municipality of the Commonwealth'...Respondents are immune from payment." The Borough appealed this decision to the Pennsylvania State Supreme Court. The appeal has been fully briefed and oral argument was held on September 11, 2024. This case has the potential to impact the stormwater "fees" imposed on many different Commonwealth agencies by numerous municipalities across Pennsylvania.

### ***West Chester University v. Boro Construction, No. 4259 (Pa. Board of Claims)***

West Chester University (WCU) had numerous ongoing issues with timeliness and quality of work by Boro Construction, the general contractor on the Science and Engineering Center and the Commons (SECC) building project, which has become a hub for student and academic activity on the campus. Three years ago, the Pennsylvania State System of Higher Education engaged outside counsel to support the university. The project is now complete, including a full assessment of all the claims by outside counsel, our scheduling expert, and a design professional. WCU's dispute with Boro Construction is now pending in two forums: (1) WCU's claims (seeking more than \$5 million in liquidated damages from Boro) are pending in the Commonwealth's Board of Claims (BOC), and Boro's claims for delay damages (over \$2 million) are pending in the Board of Claims as well; and (2) WCU's claims against Boro for amounts paid directly to subcontractors (over \$1 million) is pending in arbitration (because the BOC did not allow them to be adjudicated at the Board). The BOC matters are scheduled to be tried before the Board in March 2026 and the AAA arbitration hearing is scheduled for April 2026. Outside construction counsel continues to manage all these matters for the University, with University Legal Counsel providing support and coordination with university officials.

APPENDIX C

SELECTED DATA ON THE COMMONWEALTH

## TABLE OF CONTENTS

SELECTED DATA ON THE COMMONWEALTH OF PENNSYLVANIA.....	C-2
General.....	C-2
Population.....	C-2
Employment.....	C-3
Unemployment.....	C-7
Personal Income.....	C-8
Market and Assessed Valuation of Real Property.....	C-9

### Tables and Charts (in alphabetical order)

Annual Average Unemployment Rate Pennsylvania, Region and the United States 2020-2024 .....	9
Average Hourly Wages Production Workers on Manufacturing Payrolls Pennsylvania and the United States 2020-2024 .....	10
Commonwealth of Pennsylvania Thirty Largest Non-Governmental Employers 4th Quarter, 2024.....	8
Manufacturing Establishment Employment by Industry Pennsylvania 2020-2024 .....	7
Non-Agricultural Establishment Employment by Sector Pennsylvania 2020-2024 .....	5
Non-Agricultural Establishment Employment by Sector Pennsylvania and the United States.....	6
Non-Agricultural Establishment Employment Trends Pennsylvania, Region and the United States 2020-2024.....	4
Per Capita Income Pennsylvania, Region and the United States 2019-2023 .....	10
Personal Income Pennsylvania, Region and the United States 2019-2023 .....	9
Population by Age Group - 2023 Pennsylvania, Region, and the United States .....	3
Population Trends Pennsylvania, Region, and the United States 2020-2024.....	3
Valuations of Taxable Real Property 2019-2023 .....	11

## SELECTED DATA ON THE COMMONWEALTH OF PENNSYLVANIA

### General

Pennsylvania's economy is relatively diverse compared with many other states, as evidenced by the distribution of employment and output among major industry sectors. The state is bookended by two of the larger metro areas in the country in Philadelphia and Pittsburgh, with the rest of the state featuring smaller cities and towns that support both service and goods-producing sectors.

The combined education and healthcare industry, the so-called “eds and meds” sector, is a vital part of the state economy. The state's education providers, especially its notable research universities, not only provide jobs on campus but also help to nurture new businesses. The Pittsburgh region has seen rapid growth in high-tech fields such as software development and robotics, thanks in part to the presence of its universities and the graduates they produce. Philadelphia's universities continue to support regional health systems and spawn startups in the life sciences that are a major economic driver in the region.

The state's manufacturing sector may not be what it was during the heyday of Pittsburgh's dominance in the steel industry and Philadelphia's claim to be “Workshop of the World,” but the state's share of manufacturing employment remains above the national average. Output of pharmaceuticals remains an engine of growth, while the rapid increase in the state's production of natural gas liquids provides the basis for gains in production of chemicals and plastics.

Pennsylvania's transportation and warehousing sector continues to benefit from its location in the midst of tens of millions of people along the Northeast Corridor, and access via interstate highways, railroads, ocean and river ports, and air cargo hubs. The northeastern part of the state in particular provides a lower-cost distribution hub for cargo coming through the ports around New York City.

### Population

The Commonwealth is highly urbanized. Its largest metropolitan statistical areas include the cities of Philadelphia and Pittsburgh, which together contain most of the state's total population. According to the U.S. Bureau of the Census, the population of Pennsylvania was just above 13.0 million people in 2024. Pennsylvania's population is growing modestly, and it has a higher percentage of individuals aged 45 or over compared to the nation or its region. The following tables (on the next page) present the population trend from 2020 to 2024 and the age distribution of the population for 2024.

**Table A**  
**Population Trends**  
**Pennsylvania, Region, and the United States**  
**2020-2024<sup>a</sup>**

As of July 1	Total Population (In Thousands)			Total Population as a share of 2020 base		
	PA	Region <sup>a</sup>	United States	PA	Region <sup>a</sup>	United States
2020	12,996	72,443	331,578	100.0%	100.0%	100.0%
2021	13,016	72,200	332,100	100.1%	99.7%	100.2%
2022	12,985	72,109	334,017	99.9%	99.5%	100.7%
2023	13,018	72,405	336,806	100.2%	99.9%	101.6%
2024	13,079	72,929	340,111	100.6%	100.7%	102.6%

<sup>a</sup> Region: Pennsylvania, Delaware, Maryland, New Jersey, New York, Ohio, Virginia, West Virginia, and Washington D.C.  
Source: U.S. Department of Commerce, Bureau of the Census.

**Table B**  
**Population by Age Group – 2024**  
**Pennsylvania, Region, and the United States**

<b>Age</b>	<b>PA</b>	<b>Region<sup>a</sup></b>	<b>United States</b>
Under 5 Years	5.1%	5.3%	5.4%
5-24 Years	24.1%	24.4%	25.2%
25-44 Years	25.8%	26.6%	27.1%
45-64 Years	24.7%	24.8%	24.3%
65 Years and over	20.4%	18.9%	18.0%

<sup>a</sup> Region: Pennsylvania, Delaware, Maryland, New Jersey, New York, Ohio, Virginia, West Virginia, and Washington, D.C.

Source: U.S. Census Bureau.

## Employment

Preliminary data for 2025 show that non-agricultural employment grew compared to the previous year, not just in Pennsylvania, but also across the region and throughout the United States. The following table shows employment trends in those areas from 2021 to 2025.

**Table C**  
**Non-Agricultural Establishment Employment Trends**  
**Pennsylvania, Region and the United States**  
**2021-2025**

<b>Calendar Year</b>	<b>Total Establishment Employment (thousands)</b>			<b>Total Establishment Employment as a share of 2020 base</b>		
	<b>PA</b>	<b>Region<sup>a</sup></b>	<b>U.S.</b>	<b>PA</b>	<b>Region<sup>a</sup></b>	<b>U.S.</b>
2021	5,761	32,736	146,277	100.0%	100.0%	100.0%
2022	5,986	34,010	152,536	103.9%	103.9%	104.3%
2023	6,087	34,652	155,879	105.7%	105.9%	106.6%
2024	6,142	35,077	157,960	106.6%	107.2%	108.0%
2025 <sup>b</sup>	6,224	35,391	159,383	108.0%	108.1%	109.0%

<sup>a</sup> Region: Pennsylvania, Delaware, Maryland, New Jersey, New York, Ohio, Virginia, West Virginia, and Washington, D.C.

<sup>b</sup> 2025 Figures are preliminary representing averages of year-to-date data.

Source: U.S. Bureau of Labor Statistics.

As shown below, non-manufacturing employment in Pennsylvania increased in preliminary 2025 data to 91.0 percent of total non-agricultural employment from 90.8 percent during the previous year. Manufacturing, contributing 9.0 percent of 2025 non-agricultural employment, has fallen behind the services sector, the trade sector, and the government sector as the fourth largest single source of employment within the Commonwealth. In preliminary 2025 data, the services sector accounted for 51.2 percent of all non-agricultural employment while the trade sector accounted for 13.0 percent. The following table shows trends in employment by sector for Pennsylvania from 2021 through 2025.

[Remainder of page intentionally left blank]

**Table D**  
**Non-Agricultural Establishment Employment by Sector**  
**Pennsylvania**  
**2021-2025**  
**(In Thousands)**

	Calendar Year									
	2021		2022		2023		2024		2025 <sup>a</sup>	
	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%
<b>Manufacturing:</b>										
Durable.....	321.6	5.6%	332.5	5.6%	334.4	5.5%	330.8	5.4%	329.5	5.3%
Non-Durable.....	222.8	3.9%	231.5	3.9%	232.2	3.8%	231.9	3.8%	232.6	3.7%
<b>Total Manufacturing.</b>	<b>544.5</b>	<b>9.5%</b>	<b>563.9</b>	<b>9.4%</b>	<b>566.7</b>	<b>9.3%</b>	<b>562.7</b>	<b>9.2%</b>	<b>562.1</b>	<b>9.0%</b>
<b>Non-Manufacturing:</b>										
Trade <sup>b</sup> .....	791.6	13.7%	811.0	13.5%	811.7	13.3%	806.9	13.1%	806.8	13.0%
Finance <sup>c</sup> .....	331.0	5.7%	336.1	5.6%	340.7	5.6%	339.9	5.5%	342.8	5.5%
Services <sup>d</sup> .....	2,829.7	49.1%	2,984.9	49.9%	3,065.2	50.4%	3,117.9	50.8%	3,188.3	51.2%
Government.....	676.7	11.7%	677.9	11.3%	687.7	11.3%	699.9	11.4%	705.3	11.3%
Utilities <sup>e</sup> .....	310.7	5.4%	331.2	5.5%	331.6	5.4%	333.0	5.4%	336.4	5.4%
Construction.....	254.9	4.4%	259.1	4.3%	260.7	4.3%	260.0	4.2%	260.5	4.2%
Mining.....	21.5	0.4%	22.0	0.4%	22.6	0.4%	21.6	0.4%	21.7	0.3%
<b>Total Non-Manufacturing .....</b>	<b>5,216.1</b>	<b>90.5%</b>	<b>5,422.3</b>	<b>90.6%</b>	<b>5,520.3</b>	<b>90.7%</b>	<b>5,579.3</b>	<b>90.8%</b>	<b>5,661.7</b>	<b>91.0%</b>
<b>Total Employees .....</b>	<b>5,760.5</b>	<b>100.0%</b>	<b>5,986.2</b>	<b>100.0%</b>	<b>6,086.9</b>	<b>100.0%</b>	<b>6,141.9</b>	<b>100.0%</b>	<b>6,223.8</b>	<b>100.0%</b>

<sup>a</sup> 2025 Figures are preliminary representing averages of year-to-date data.

<sup>b</sup> Wholesale and Retail Trade.

<sup>c</sup> Finance, Insurance and Real Estate.

<sup>d</sup> Information, Professional and Business Services, Education and Health Services, Leisure and Hospitality, and Other Services.

<sup>e</sup> Transportation, Warehousing, and Utilities.

Source: U.S. Bureau of Labor Statistics.

[Remainder of page intentionally left blank]

The following table presents the percentages of non-agricultural employment in various sectors in Pennsylvania and the United States in 2025.

**Table E**  
**Non-Agricultural Establishment Employment by Sector**  
**Pennsylvania and the United States**

	<b>2025 Calendar Year<sup>a</sup></b>	
	<b>Pennsylvania</b>	<b>United States</b>
Manufacturing	9.0	8.0
Trade <sup>b</sup>	13.0	13.6
Finance <sup>c</sup>	5.5	5.8
Services <sup>d</sup>	51.2	47.6
Government	11.3	14.8
Utilities <sup>e</sup>	5.4	4.6
Construction	4.2	5.2
Mining	0.3	0.4
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>a</sup> 2025 Figures are preliminary representing averages of year-to-date data.

<sup>b</sup> Wholesale and Retail Trade.

<sup>c</sup> Finance, Insurance and Real Estate.

<sup>d</sup> Information, Professional and Business Services, Education and Health Services, Leisure and Hospitality, and Other Services.

<sup>e</sup> Transportation, Warehousing, and Utilities.

Source: U.S. Bureau of Labor Statistics.

The table below presents trends in manufacturing employment by industry in Pennsylvania from 2021 to 2025. In preliminary 2025 data, the state's manufacturing employment totaled 562,100 workers, with durable goods industries accounting for 58.6 percent of that total. Within durable goods, fabricated metals remains the largest sector, followed by machinery and transportation equipment. The non-durable goods sector, comprising 41.4 percent of manufacturing employment, includes key industries like food and chemical products. Manufacturing employment has grown by 3.2% from 2021 to 2025, despite contracting from 2023 levels.

[Remainder of page intentionally left blank]



**Table F**  
**Manufacturing Establishment Employment by Industry**  
**Pennsylvania**  
**2021-2025 <sup>a</sup>**  
**(In Thousands)**

	Calendar Year									
	2021	%	2022	%	2023	%	2024	%	2025 <sup>a</sup>	%
Durable Goods:										
Primary Metals .....	31.0	5.7	33.2	5.9	34.1	6.0	33.9	6.0	33.3	5.9
Fabricated Metals .....	76.9	14.1	79.2	14.0	79.9	14.1	79.2	14.1	79.8	14.2
Machinery (excluding electrical) .....	42.7	7.8	44.7	7.9	45.4	8.0	44.8	8.0	44.8	8.0
Electrical Equipment .....	25.4	4.7	25.3	4.5	25.4	4.5	25.5	4.5	25.6	4.6
Transportation Equipment .....	35.5	6.5	36.7	6.5	37.5	6.6	37.9	6.7	37.3	6.6
Furniture Related Products .....	15.1	2.8	15.6	2.8	15.2	2.7	14.6	2.6	14.4	2.6
Other Durable Goods .....	95.0	17.5	97.8	17.3	97.0	17.1	95.0	16.9	94.1	16.7
<b>Total Durable Goods .....</b>	<b>321.6</b>	<b>59.1</b>	<b>332.5</b>	<b>59.0</b>	<b>334.4</b>	<b>59.0</b>	<b>330.8</b>	<b>58.8</b>	<b>329.5</b>	<b>58.6</b>
Non-Durable Goods:										
Pharmaceutical/ Medicine .....	20.5	3.8	20.9	3.7	20.6	3.6	20.2	3.6	20.2	3.6
Food Products .....	73.2	13.5	77.8	13.8	80.3	14.2	81.8	14.5	83.8	14.9
Chemical Products .....	43.6	8.0	44.4	7.9	44.2	7.8	43.4	7.7	43.1	7.7
Printing and Publishing .....	18.7	3.4	18.6	3.3	18.0	3.2	17.4	3.1	17.1	3.0
Plastics/Rubber Products .....	39.7	7.3	41.3	7.3	39.9	7.0	39.7	7.0	38.9	6.9
Other Non-Durable Goods .....	27.0	5.0	28.4	5.0	29.3	5.2	29.4	5.2	29.5	5.3
<b>Total Non-Durable Goods .....</b>	<b>222.8</b>	<b>40.9</b>	<b>231.5</b>	<b>41.0</b>	<b>232.2</b>	<b>41.0</b>	<b>231.9</b>	<b>41.2</b>	<b>232.6</b>	<b>41.4</b>
<b>Total Manufacturing Employees<sup>b</sup> .....</b>	<b>544.5</b>	<b>100.0</b>	<b>563.9</b>	<b>100.0</b>	<b>566.7</b>	<b>100.0</b>	<b>562.7</b>	<b>100.0</b>	<b>562.1</b>	<b>100.0</b>

<sup>a</sup> 2025 Figures are preliminary representing averages of year-to-date data.

Source: U.S. Bureau of Labor Statistics.

[Remainder of page intentionally left blank]

The following table presents the thirty largest non-governmental employers in Pennsylvania:

**Table G**  
**Commonwealth of Pennsylvania**  
**Thirty Largest Non-Governmental Employers**  
**2<sup>nd</sup> Quarter, 2025**

<b>Company</b>	<b>Rank</b>	<b>Company</b>	<b>Rank</b>
Wal-Mart Associates Inc.....	1	Federal Express Corp.....	16
Trustees of the University of PA .....	2	Lehigh Valley Hospital Center.....	17
Giant Food Stores LLC.....	3	Merck Sharp & Dohme Corporation.....	18
Amazon.com Services Inc.....	4	Giant Eagle Inc. ....	19
Pennsylvania State University .....	5	Vanguard Group Inc.....	20
UPMC Presbyterian Shadyside .....	6	Wawa Inc .....	21
United Parcel Service Inc .....	7	Comcast Cablevision Corp (PA) .....	22
The Children's Hospital of Philadelphia .	8	University Protection Services LLC.....	23
University of Pittsburgh.....	9	Western Penn Allegheny Health .....	24
Lowe's Home Centers LLC.....	10	Sheetz Inc.....	25
Saint Luke's Hospital .....	11	Milton S Hershey Medical Center .....	26
PNC Bank NA.....	12	Excel Companion Care LLC.....	27
Home Depot USA Inc. ....	13	Bayada Home Health Care Inc .....	28
Target Corporation .....	14	Albert Einstein Medical Center .....	29
Weis Markets Inc.....	15	Wegmans Food Markets Inc .....	30

Source: Pennsylvania Department of Labor and Industry.

## Unemployment

In preliminary 2025 data, Pennsylvania had an annual unemployment rate of 4.2 percent, which was slightly lower than the United States unemployment rate of 4.3 percent. The following table represents the annual unemployment rate in Pennsylvania, its region, and the United States from 2021 through 2025.

**Title H**  
**Annual Average Unemployment Rate**  
**Pennsylvania, Region and the United States**  
**2020-2024<sup>a</sup>**

<b>Calendar Year</b>	<b>PA</b>	<b>Region<sup>a</sup></b>	<b>United States</b>
2021	5.9	5.9	5.3
2022	4.1	3.8	3.6
2023	3.7	3.6	3.6
2024	3.6	3.9	4.0
2025 <sup>b</sup>	4.2	3.6	4.3

<sup>a</sup> Region: Pennsylvania, Delaware, Maryland, New Jersey, New York, Ohio, Virginia, West Virginia, and Washington, D.C.

<sup>b</sup> 2025 Figures are preliminary representing averages of year-to-date data.

Source: U.S. Bureau of Labor Statistics.

## Personal Income

In 2023, total personal income in the Commonwealth reached \$893.6 billion, a 5.3 percent increase over the previous year. Meanwhile, national personal income saw a higher growth of 5.9 percent during the same period. Per capita income in the Commonwealth stood at \$68,945, slightly below the national figure of \$69,810. The following tables represent annual personal income data and per capita income from 2019 through 2023.

**Table I**  
**Personal Income**  
**Pennsylvania, Region and the United States**  
**2019-2023<sup>a</sup>**

Year	Total Personal Income Dollars in Millions			Total Personal Income As a share of 2019 Base		
	PA	Region <sup>b</sup>	U.S. <sup>c</sup>	PA	Region <sup>b</sup>	U.S. <sup>c</sup>
2019	729,329	4,349,880	18,349,584	100.0%	100.0%	100.0%
2020	782,959	4,601,989	19,600,945	107.4%	105.8%	106.8%
2021	830,115	4,937,874	21,403,979	113.8%	113.5%	116.6%
2022	848,383	5,046,383	22,077,232	116.3%	116.0%	120.3%
2023	893,649	5,336,927	23,380,269	122.5%	122.7%	127.4%

<sup>a</sup> More recent federal data has not yet been released.

<sup>b</sup> Region: Pennsylvania, Delaware, Maryland, New Jersey, New York, Ohio, Virginia, West Virginia, and Washington, D.C.

<sup>c</sup> Sum of States.

Source: U.S. Bureau of Economic Analysis.

**Table J**  
**Per Capita Income**  
**Pennsylvania, Region and the United States**  
**2019-2023<sup>a</sup>**

Calendar Year	Per Capita Income			As a share of U.S.	
	PA	Region <sup>b</sup>	U.S.	PA	Region <sup>b</sup>
2019	56,139	60,006	55,566	101.0%	108.0%
2020	60,249	63,532	59,123	101.9%	107.5%
2021	63,788	68,397	64,460	99.0%	106.1%
2022	65,401	70,115	66,244	98.7%	105.8%
2023	68,945	74,138	69,810	98.8%	106.2%

<sup>a</sup> More recent federal data has not yet been released.

<sup>b</sup> Region: Pennsylvania, Delaware, Maryland, New Jersey, New York, Ohio, Virginia, West Virginia, and Washington, D.C.

Source: U.S. Bureau of Economic Analysis.

The Commonwealth's average hourly wage rate of \$32.98 for manufacturing and production workers is below the national average of \$35.25 for 2025. The following table presents the average hourly wage rates for 2021 through 2025.

**Table K**  
**Average Hourly Wages**  
**Production Workers on Manufacturing Payrolls**  
**Pennsylvania and the United States**  
**2021-2025**

<b>Calendar Year</b>	<b>PA</b>	<b>U.S.<sup>a</sup></b>
2021	\$ 28.82	\$ 29.66
2022	\$ 30.55	\$ 30.94
2023	\$ 31.95	\$ 32.41
2024	\$ 32.97	\$ 33.97
2025 <sup>a</sup>	\$ 32.98	\$ 35.25

<sup>a</sup> 2025 Figures are preliminary representing averages of year-to-date data.  
Source: U.S. Bureau of Labor Statistics.

### **Market and Assessed Valuation of Real Property**

Annually, the State Tax Equalization Board, Tax Equalization Division (“STEB”) calculates an aggregate market value of all taxable real property in the Commonwealth. This determination involves applying assessment to sales ratio studies to assessment valuations provided by local assessing officials. The market values certified by STEB include taxable properties, exclude tax-exempt ones, and include adjustments for preferential assessments granted to specific farm and forestlands.

The table below shows the assessed valuation certified by the counties, along with the market value and the assessed to market value ratio determined by STEB for real property from 2020 to 2024. When computing the market values for odd-numbered years, STEB is legally constrained to certify changes resulting from properties added to or removed from the assessment rolls. In even-numbered years, STEB can adjust the market valuation to reflect changes in real estate values or other economic factors.

**Table L**  
**Valuations of Taxable Real Property**  
**2020-2024**

<b>Year</b>	<b>Market Value<sup>a</sup></b>	<b>Assessed Valuation</b>	<b>Rate of Assessed Valuation to Market Value<sup>a</sup></b>
2020	\$965,836,433,494	\$696,790,394,130	72.1%
2021	975,443,133,973	729,487,795,164	74.8%
2022	1,057,970,532,347	735,677,350,066	69.5%
2023	1,069,761,081,286	773,981,821,412	72.4%
2024	1,188,238,228,083	795,051,004,907	66.9%

<sup>a</sup> Market Value difference between Regular Assessment and Preferential Assessment under Act 319 of 1974.  
Source: Annual Certifications by the State Tax Equalization Board.

[Remainder of page intentionally left blank]

## APPENDIX D

### INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY

DTC will act as securities depository for the Bonds. The Bonds will be initially issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all the Bonds of a series within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commonwealth or the Loan and Transfer Agent, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Loan and Transfer Agent, or the Commonwealth, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commonwealth or the Loan and Transfer Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commonwealth or the Loan and Transfer Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Commonwealth may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

THE COMMONWEALTH AND THE LOAN AND TRANSFER AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, ITS NOMINEE OR ANY DTC PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE BONDS, OR PAYMENTS TO, OR THE PROVIDING OF NOTICE FOR, DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC (Depository Trust Company), which is a subsidiary of The Depository Trust & Clearing Corporation, and neither the Commonwealth nor the Underwriters take responsibility for the completeness or accuracy thereof, or the absence of materially adverse changes in such information subsequent to the date hereof. For further information, Beneficial Owners should contact DTC.

APPENDIX E

SELECTED CONSTITUTIONAL PROVISIONS  
RELATING TO THE FINANCES OF THE COMMONWEALTH

SELECTED CONSTITUTIONAL PROVISIONS  
RELATING TO THE FINANCES OF THE COMMONWEALTH

**Article VIII — TAXATION AND FINANCE**

**Commonwealth Indebtedness**

Section 7. (a) No debt shall be incurred by or on behalf of the Commonwealth except by law and in accordance with the provisions of this section.

- (1) Debt may be incurred without limit to suppress insurrection, rehabilitate areas affected by man-made or natural disaster, or to implement unissued authority approved by the electors prior to the adoption of this article.
- (2) The Governor, State Treasurer and Auditor General, acting jointly, may (i) issue tax anticipation notes having a maturity within the fiscal year of issue and payable exclusively from revenues received in the same fiscal year, and (ii) incur debt for the purpose of refunding other debt, if such refunding debt matures within the term of the original debt.
- (3) Debt may be incurred without limit for purposes specifically itemized in the law authorizing such debt, if the question whether the debt shall be incurred has been submitted to the electors and approved by a majority of those voting on the question.
- (4) Debt may be incurred without the approval of the electors for capital projects specifically itemized in a capital budget, if such debt will not cause the amount of all net debt outstanding to exceed one and three-quarters times the average of the annual tax revenues deposited in the previous five fiscal years as certified by the Auditor General. For the purposes of this subsection, debt outstanding shall not include debt incurred under clauses (1) and (2)(i), or debt incurred under clause (2)(ii) if the original debt would not be so considered, or debt incurred under subsection (3) unless the General Assembly shall so provide in the law authorizing such debt.

(b) All debt incurred for capital projects shall mature within a period not to exceed the estimated useful life of the projects as stated in the authorizing law, and when so stated shall be conclusive. All debt, except indebtedness permitted by clause (2)(i), shall be amortized in substantial and regular amounts, the first of which shall be due prior to the expiration of a period equal to one-tenth the term of the debt.

(c) As used in this section, debt shall mean the issued and outstanding obligations of the Commonwealth and shall include obligations of its agencies or authorities to the extent they are to be repaid from lease rentals or other charges payable directly or indirectly from revenues of the Commonwealth. Debt shall not include either (1) that portion of obligations to be repaid from charges made to the public for the use of the capital projects financed, as determined by the Auditor General, or (2) obligations to be repaid from lease rentals or other charges payable by a school district or other local taxing authority, or (3) obligations to be repaid by agencies or authorities created for the joint benefit of the Commonwealth and one or more other state governments.

(d) If sufficient funds are not appropriated for the timely payment of the interest upon and installments of principal of all debt, the State Treasurer shall set apart from the first revenues thereafter received applicable to the appropriate fund a sum sufficient to pay such interest and installments of principal, and shall so apply the money so set apart. The State Treasurer may be required to set aside and



apply such revenues at the suit of any holder of Commonwealth obligations.

### **Commonwealth Credit Not to be Pledged**

Section 8. The credit of the Commonwealth shall not be pledged or loaned to any individual, company, corporation or association nor shall the Commonwealth become a joint owner or stockholder in any company, corporation or association.

### **Municipal Debt Not to be Assumed by Commonwealth**

Section 9. The Commonwealth shall not assume the debt, or any part thereof, of any county, city, borough, incorporated town, township or any similar general purpose unit of government unless such debt shall have been incurred to enable the Commonwealth to suppress insurrection or to assist the Commonwealth in the discharge of any portion of its present indebtedness.

### **Audit**

Section 10. The financial affairs of any entity funded or financially aided by the Commonwealth, and all departments, boards, commissions, agencies, instrumentalities, authorities and institutions of the Commonwealth, shall be subject to audits made in accordance with generally accepted auditing standards.

Any Commonwealth officer whose approval is necessary for any transaction relative to the financial affairs of the Commonwealth shall not be charged with the function of auditing that transaction after its occurrence.

### **Gasoline Taxes and Motor License Fees Restricted**

Section 11. (a) All proceeds from gasoline and other motor fuel excise taxes, motor vehicle registration fees and license taxes, operators' license fees and other excise taxes imposed on products used in motor transportation after providing therefrom for (a) cost of administration and collection, (b) payment of obligations incurred in the construction and reconstruction of public highways and bridges shall be appropriated by the General Assembly to agencies of the State or political subdivisions thereof; and used solely for construction, reconstruction, maintenance and repair of and safety on public highways and bridges and costs and expenses incident thereto, and for the payment of obligations incurred for such purposes, and shall not be diverted by transfer or otherwise to any other purpose, except that loans may be made by the State from the proceeds of such taxes and fees for a single period not exceeding eight months, but no such loan shall be made within the period of one year from any preceding loan, and every loan made in any fiscal year shall be repayable within one month after the beginning of the next fiscal year.

(b) All proceeds from aviation fuel excise taxes, after providing therefrom for the cost of administration and collection, shall be appropriated by the General Assembly to agencies of the State or political subdivisions thereof and used solely for: the purchase, construction, reconstruction, operation, and maintenance of airports and other air navigation facilities; aircraft accident investigation; the operation, maintenance and other costs of aircraft owned or leased by the Commonwealth; any other purpose reasonably related to air navigation including but not limited to the reimbursement of airport property owners for property tax expenditures; and costs and expenses incident thereto and for the payment of obligations incurred for such purposes, and shall not be diverted by transfer or otherwise to any other purpose.

## **Governor's Budgets and Financial Plan**

Section 12. Annually, at the times set by law, the Governor shall submit to the General Assembly:

(a) A balanced operating budget for the ensuing fiscal year setting forth in detail (i) proposed expenditures classified by department or agency and by program and (ii) estimated revenues from all sources. If estimated revenues and available surplus are less than proposed expenditures, the Governor shall recommend specific additional sources of revenue sufficient to pay the deficiency and the estimated revenue to be derived from each source;

(b) A capital budget for the ensuing fiscal year setting forth in detail proposed expenditures to be financed from the proceeds of obligations of the Commonwealth or of its agencies or authorities or from operating funds; and

(c) A financial plan for not less than the next succeeding five fiscal years, which plan shall include for each such fiscal year:

(i) Projected operating expenditures classified by department or agency and by program, in reasonable detail, and estimated revenues, by major categories, from existing and additional sources; and

(ii) Projected expenditures for capital projects specifically itemized by purpose, and the proposed sources of financing each.

## **Appropriations**

Section 13. (a) Operating budget appropriations made by the General Assembly shall not exceed the actual and estimated revenues and surplus available in the same fiscal year.

(b) The General Assembly shall adopt a capital budget for the ensuing fiscal year.

## **Surplus**

Section 14. All surplus of operating funds at the end of the fiscal year shall be appropriated during the ensuing fiscal year by the General Assembly.

## **Project "70"**

Section 15. In addition to the purposes stated in article eight, section seven of this Constitution, the Commonwealth may be authorized by law to create debt and to issue bonds to the amount of seventy million dollars (\$70,000,000) for the acquisition of land for State parks, reservoirs and other conservation and recreation and historical preservation purposes and for participation by the Commonwealth with political subdivisions in the acquisition of land for parks, reservoirs and other conservation and recreation and historical preservation purposes, subject to such conditions and limitations as the General Assembly may prescribe.

## **Land and Water Conservation and Reclamation Fund**

Section 16. In addition to the purposes stated in article eight, section seven of this Constitution, the Commonwealth may be authorized by law to create debt and issue bonds in the amount of five hundred million dollars (\$500,000,000) for a Land and Water Conservation and Reclamation Fund to be used for the conservation and reclamation of land and water resources of the Commonwealth, including the

elimination of acid mine drainage, sewage, and other pollution from the streams of the Commonwealth, the provision of State financial assistance to political subdivisions and municipal authorities of the Commonwealth of Pennsylvania for the construction of sewage treatment plants, the restoration of abandoned strip-mined areas, the control and extinguishment of surface and underground mine fires, the alleviation and prevention of subsidence resulting from mining operations, and the acquisition of additional lands and the reclamation and development of park and recreational lands acquired pursuant to the authority of Article VIII, section 15 of this Constitution, subject to such conditions and liabilities as the General Assembly may prescribe.

APPENDIX F

PROPOSED FORM OF OPINION  
OF THE OFFICE OF ATTORNEY GENERAL OF THE COMMONWEALTH

## APPENDIX F

### PROPOSED FORM OF OPINION OF THE OFFICE OF ATTORNEY GENERAL OF THE COMMONWEALTH

\_\_\_\_\_, 2026

TO THE GOVERNOR, THE STATE TREASURER AND THE AUDITOR GENERAL AS THE ISSUING  
OFFICIALS OF THE COMMONWEALTH:

Re: Commonwealth of Pennsylvania General Obligation Bonds, First Series and First Refunding Series of 2026

This opinion is furnished to you in connection with the issuance and sale by the Commonwealth of Pennsylvania (the "Commonwealth") on the date hereof of \$1,570,000,000 aggregate principal amount of Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2026 (the "First Series Bonds"), and the \$180,760,000\* aggregate principal amount of the Commonwealth of Pennsylvania General Obligation Bonds, First Refunding Series of 2026 (the "First Refunding Series Bonds" and together with the First Series Bonds, the "Bonds"). The Bonds are dated the date of issuance and delivery. The Bonds are issued as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof within a maturity and will bear interest from the date of issuance and delivery, payable semi-annually for the First Series Bonds on April 1 and October 1 of each year commencing October 1, 2026 and for the First Refunding Series Bonds on February 1 and August 1 of each year commencing August 1, 2026, until the obligation with respect to the payment of such principal shall have been discharged.

The Bonds are authorized and issued pursuant to and in full compliance with the provisions, restrictions and limitations of Section 7 of Article VIII of the Constitution of the Commonwealth of Pennsylvania (the "Constitution"); the laws of the Commonwealth, including the Capital Facilities Debt Enabling Act, Act No. 1999-1, approved February 9, 1999, as amended, annual capital budget bills and various bond authorization bills enacted by the General Assembly. The Bonds are also authorized and issued pursuant to resolutions adopted by the Governor, the State Treasurer and the Auditor General (the "Issuing Officials") on January 6, 2026 and January 22, 2026 (collectively, the "Resolutions").

The Resolutions, among other things, authorize the issuance and sale of the Bonds, and prescribe the forms thereof, the manner of bidding therefor and the forms of the bidding documents used in connection with the issuance and sale of the Bonds.

I have examined Article VIII, Section 7 of the Constitution and the statutes referred to above, specimens of the Bonds, the Resolutions, and the other certificates delivered today at the Closing and such other matters and documents as I deemed necessary or appropriate.

I am of the opinion that:

1. Section 7 of Article VIII of the Constitution has been duly approved and adopted and has become part of the Constitution, and the statutes referred to above have been duly and properly enacted.
2. Pursuant to full and adequate legal power conferred upon them by the Constitution and the statutes referred to above, the Governor, the State Treasurer and the Auditor General have duly adopted the Resolutions and have validly taken all other necessary and proper action to issue and sell the Bonds, and the Bonds have been validly authorized, issued and sold pursuant to proper and appropriate action of such officials.
3. The Bonds are lawful, valid, direct and general obligations of the Commonwealth, and the full faith and credit of the Commonwealth is pledged for the payment of interest thereon as the same shall become due and for the payment of the principal thereof at maturity.
4. Under the provisions of Section 2901 of the Tax Reform Code of 1971, as amended, the Bonds and the interest thereon are exempt from taxation for state and local purposes within the Commonwealth, but this exemption does not extend to (a) gift, estate, succession or inheritance taxes or (b) any other taxes not levied or assessed directly on the Bonds or the interest thereon.

\*Preliminary, subject to change.

5. The Commonwealth has the power to provide for the payment of the principal of and interest on the Bonds (as defined above) by levying unlimited ad valorem taxes upon all taxable property within the Commonwealth and excise taxes upon all taxable transactions within the Commonwealth, uniform on the same class of subjects, except gasoline and other motor fuel excise taxes, motor vehicle registration fees and license taxes, and operators' license fees and other excise taxes imposed on products used in motor transportation, and aviation fuel excise taxes, the proceeds of which are limited to certain special purposes by Section 11 of Article VIII of the Constitution.

6. If sufficient funds are not appropriated for timely payment of interest on and installments of principal of the Bonds, the Constitution requires the State Treasurer to set apart from the first revenues thereafter received applicable to the appropriate fund, a sum sufficient to pay such interest and installments of principal and to apply said sum to such purposes, and the State Treasurer may be required to set aside and apply such revenues at the suit of the holder of any of the Bonds.

Very truly yours,

---

David W. Sunday, Jr.  
Attorney General  
Office of Attorney General of the  
Commonwealth of Pennsylvania

APPENDIX G

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

\_\_\_\_\_, 2026

Re: Commonwealth of Pennsylvania, General Obligation Bonds  
\$ \_\_\_\_\_ First Series of 2026 and  
\$ \_\_\_\_\_ First Refunding Series of 2026

To The Purchasers of the Within-Described Bonds:

We have served as co-bond counsel to the Commonwealth of Pennsylvania (“Commonwealth”), in connection with the issuance of its \$ \_\_\_\_\_ aggregate principal amount General Obligation Bonds, First Series of 2026 (the “First Series Bonds”) and \$ \_\_\_\_\_ aggregate principal amount General Obligation Bonds, First Refunding Series of 2026 (the “First Refunding Series Bonds”, and together with the First Series Bonds, the “Bonds”). The Bonds are issued under and pursuant to (i) Section 7 of Article VIII of the Constitution of the Commonwealth (the “Constitution”), (ii) the laws of the Commonwealth, including the Capital Facilities Debt Enabling Act, Act No. 1991-1, approved February 9, 1999, as amended (the “Act”), and annual capital budget bills and various bond authorization bills enacted by the General Assembly of the Commonwealth, as amended, and (iii) bond resolutions adopted by the Governor, State Treasurer and Auditor General of the Commonwealth on January 6, 2026 and January \_\_, 2026, respectively (collectively, the “Resolutions”). Capitalized terms used but not otherwise defined herein have the meanings set forth in the Resolutions.

The First Series Bonds are being issued for the purpose of providing funds which will be used to: (i) finance various capital projects as detailed in the Resolutions; and (ii) pay the costs and expenses of issuing the First Series Bonds. The First Refunding Series Bonds are being issued for the purpose of providing funds which will be used to: (i) currently refund all or a portion of the Commonwealth’s outstanding General Obligation Bonds, (a) First Refunding Series of 2015, (b) First Series of 2016 and (c) First Series of 2018 (the “Refunded Bonds”); and (ii) pay the costs and expenses of issuing the First Refunding Series Bonds.

As Co-Bond Counsel for the Commonwealth, we have examined and relied on the proceedings relating to the authorization and issuance of the Bonds, including, among other things: (i) the Constitution, the Act and certain of the annual capital budget bills and bond authorization bills referenced above; (ii) certified copies of the Resolutions; (iii) an opinion of the Office of the Attorney General of the Commonwealth dated \_\_\_\_\_, 2026; (iv) certificates executed by the Commonwealth and its Loan and Transfer Agent for the Bonds as to the execution and authentication of the Bonds; (v) a certificate of the Auditor General of the Commonwealth regarding the Commonwealth’s compliance with the debt limitation contained in Section 7(a)(4) of Article VIII of the Constitution; (vi) various other certificates executed by the Commonwealth, including a Tax Compliance Certificate dated the date of issuance of the Bonds (the “Tax Certificate”), pursuant to which the Commonwealth has, among other things, covenanted that it will make no use of the proceeds of the Bonds that would cause the Bonds to be “arbitrage bonds” or “private activity bonds,” as those terms are defined in the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable regulations thereunder, and that it will comply with the applicable requirements of Sections 103 and 141 through 150 of the Code and the applicable



regulations thereunder throughout the term of the Bonds; and (vii) a completed and executed Form 8038-G of the Commonwealth with respect to the Bonds to be filed with the Internal Revenue Service. We have also examined one fully executed and authenticated Bond of each series, or a true copy thereof, and assume all other Bonds are in such forms and are similarly executed and authenticated.

In rendering the opinion set forth below, we have assumed the accuracy of, and not undertaken to verify, the factual matters set forth in such certificates and other documents by independent investigation, and we have relied on the covenants, warranties and representations made by the Commonwealth in such certificates and in the Resolutions and other financing documents. In addition, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity with originals of all documents submitted to us as copies and the accuracy of certificates of public officials.

Except with respect to paragraph 5 below, our opinion is given only with respect to the internal laws of the Commonwealth as enacted and construed on the date hereof.

Based on the foregoing, we are of the opinion that:

1. The Commonwealth is authorized under the provisions of the Constitution to issue the Bonds.
2. The full faith, credit and taxing power of the Commonwealth is pledged for the payment of debt service on the Bonds. If sufficient funds are not appropriated for the timely payment of debt service on the Bonds, the Constitution requires the State Treasurer to set apart from the first revenues thereafter received applicable to the appropriate fund a sum sufficient to pay such debt service and to apply said sum to such purposes, and the State Treasurer may be required to set aside and apply such revenues at the suit of the holder of any of the Bonds.
3. The Bonds have been duly authorized, executed, authenticated, issued and delivered, and are the legal, valid and binding general obligations of the Commonwealth, enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights.
4. Under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Commonwealth taxes and local taxes within the Commonwealth.
5. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in the gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Commonwealth with the requirements of the

Code. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering this opinion, we have assumed compliance by the Commonwealth with the covenants contained in the Resolution and the representations in the Tax Compliance Certificate relating to actions to be taken by the Commonwealth after the issuance of the Bonds necessary to effect or maintain the exclusion from gross income of the interest on the Bonds for federal income tax purposes. These covenants and representations relate to, inter alia, the use and investment of proceeds of the Bonds, and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. This opinion is rendered on the basis of federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect changes in law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention. Without limiting the generality of the foregoing, we express no opinion with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary official statement, the official statement, or the supplement to the official statement prepared in respect of the Bonds, and make no representation that we have independently reviewed or verified the contents thereof.

Very truly yours,

APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

## CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT dated January 29, 2026 (the “Agreement”), is executed and delivered by the Commonwealth of Pennsylvania (“Commonwealth”) in connection with the issuance and delivery of Commonwealth of Pennsylvania General Obligation Bonds, \$1,570,000,000 First Series of 2026 (the “First Series Bonds”) and \$180,760,000\* First Refunding Series of 2026 (the “First Refunding Series Bonds” and together with the First Series Bonds, the “Bonds”).

The Bonds are being issued pursuant to the initial and final resolutions of the Commonwealth adopted by the Governor, State Treasurer and Auditor General to provide funds to finance certain capital projects and refund certain prior issues or portions of prior issues of bonds of the Commonwealth.

The Commonwealth hereby covenants and agrees as follows:

Section 1. Purpose. This Agreement is being executed and delivered by the Commonwealth for the benefit of the holders and the beneficial owners of the Bonds and in order to assist the underwriters purchasing the Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”) by undertaking to provide certain annual financial information and event notices required by the Rule (collectively, “Continuing Disclosure”).

Section 2. Annual Disclosure.

(a) So long as any Bonds are outstanding, the Commonwealth annually shall provide financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) Audited financial statements of the Commonwealth, prepared in accordance with generally accepted accounting principles; and

(ii) Unless included in such financial statements, operating data with respect to the Commonwealth and its operations of the type found in the following tables in APPENDIX B to the Official Statement for the Bonds dated January \_\_, 2026. (a) Tables 5 through 10 under the heading “COMMONWEALTH FINANCIAL PERFORMANCE”; (b) Tables 11 and 12 under the heading “COMMONWEALTH REVENUES AND EXPENDITURES”; (c) Tables 15 through 18 under the heading “OUTSTANDING INDEBTEDNESS OF THE COMMONWEALTH”; and (d) Tables 20 through 24 under the heading “OTHER STATE RELATED OBLIGATIONS”. If any of the tables listed above reflect information that is no longer calculated and available or relevant because of changes in operations, the Commonwealth will provide notice of such change in the first annual filing of annual operating data after such changes are undertaken. The format of such information may be altered from that set forth in the Official Statement.

If the audited financial statements to be filed pursuant to Section 2(a)(i) are not available by the date of the required filing, the Commonwealth may instead file unaudited statements by such date and file audited statements when available.

(b) The Commonwealth shall provide annually the financial information and operating data described in subsection (a) above (collectively, the “Annual Disclosure”) within 240 days after the end of the Commonwealth’s fiscal year, commencing with the Commonwealth’s fiscal year ending June 30, 2026,

---

\* Preliminary, subject to change.

to the Municipal Securities Rulemaking Board (the “MSRB”) via the Electronic Municipal Market Access system, or any successor thereto (“EMMA”).

(c) The Annual Disclosure may be included by specific reference to other documents available to the public on the MSRB internet website (presently [www.msrb.org](http://www.msrb.org)) or filed with the SEC.

(d) The Commonwealth shall provide in a timely manner to the MSRB via EMMA notice specifying any failure of the Commonwealth to provide the Annual Disclosure by the date specified.

Section 3. Event Disclosure. So long as any Bonds are outstanding, the Commonwealth shall provide in a timely manner, not in excess of ten business days after the occurrence of the event, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) Modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the Commonwealth;
- (m) The consummation of a merger, consolidation, or acquisition involving the Commonwealth or the sale of all or substantially all of the assets of the Commonwealth, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) Incurrence of a financial obligation of the Commonwealth, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Commonwealth, any of which affect security holders, if material; and

(p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Commonwealth, any of which reflect financial difficulties.

For the purposes of the event identified in paragraph (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Commonwealth in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commonwealth, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commonwealth.

Section 4. Termination. The obligations of the Commonwealth hereunder will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

Section 5. Amendment. The Commonwealth may modify their respective obligations hereunder without the consent of Owners of the Bonds, provided that this Agreement as so modified complies with the Rule as it exists at the time of modification. The Commonwealth, as applicable, shall within a reasonable time thereafter send to the MSRB a description of such modification(s).

Section 6. Defaults.

(a) If the Commonwealth fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Agreement, any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the Commonwealth, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of such covenant to provide the Continuing Disclosure; provided that any holder seeking to require compliance of the Commonwealth with this Agreement shall first provide the Commonwealth's Office of the Budget at least 30 days prior written notice of the Commonwealth's failure, giving reasonable details of the Commonwealth's failure, following which notice, the Commonwealth shall have 30 days to comply.

(b) Notwithstanding anything herein to the contrary, any failure of the Commonwealth to comply with any obligation regarding Continuing Disclosure specified in this Agreement (i) shall not be deemed to be an event of default under the Bonds or the Resolutions or other documents providing for by the issuance of these Bonds; and (ii) shall not give rise to any right or remedy other than described in Section 6(a) above.

Section 7. Additional Disclosure. The Commonwealth may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Commonwealth shall not incur any obligation to continue to provide, or to update, such additional information or data.

Section 8. Filing Format. Any information, document, data and/or notice submitted to the MSRB via EMMA hereunder shall be submitted in electronic format and shall be accompanied by identifying information, all as prescribed by the MSRB.

Section 9. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

Section 10. Successors and Assigns. All of the covenants, promises and agreements contained in this Continuing Disclosure Agreement by or on behalf of the Commonwealth shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

Section 11. Headings for Convenience Only. The descriptive headings in this Continuing Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement is executed as of the date and year first above written.

COMMONWEALTH OF PENNSYLVANIA

By: \_\_\_\_\_

Name:

Title:



APPENDIX I

NOTICE OF SALE

**APPENDIX I  
NOTICE OF SALE**

**\$1,750,760,000\***  
**Commonwealth of Pennsylvania**  
**General Obligation Bonds,**  
**\$1,570,000,000 First Series of 2026**  
**\$180,760,000\* First Refunding Series of 2026**

Electronic bids will be received on January 21, 2026\* (the “Bid Date”), by the Commonwealth of Pennsylvania (“Commonwealth”), at the time and in the manner described below, for the purchase of the \$1,750,760,000\* Commonwealth of Pennsylvania General Obligation Bonds, consisting of \$1,570,000,000 First Series of 2026 (the “First Series 2026 Bonds”) and \$180,760,000\* First Refunding Series of 2026 (the “First Refunding Series 2026 Bonds” and together with the First Series 2026 Bonds, the “Bonds” and each a “Bond”) to be dated their delivery date, expected to be January 29, 2026\*. The actual delivery date of the Bonds is herein referred to as the “Closing Date.” Bids for the Bonds will be evaluated and awarded in three separate bid groups as set forth below (“Bid Group A”, “Bid Group B”, and “Bid Group C” each a “Bid Group” and collectively, the “Bid Groups”). Each Bid Group will be sold separately, each on an all-or-none basis. Each bidder may submit separate bid(s) for one or more Bid Groups at its option. The sale and delivery of Bonds in each Bid Group is not dependent upon the sale and delivery of the Bonds in any other Bid Group. Electronic bids will be received in the manner described in this Notice of Sale, on the Bid Date, at the following times:

<u>Bid Group/Series of Bonds</u>	<u>Principal Amounts</u>	<u>Maturity Dates</u>	<u>Bid Times</u>
A- First Refunding Series of 2026	\$180,760,000*	August 1, 2026 – August 1, 2033	10:00 AM Eastern Time
B– First Series of 2026	\$775,000,000	April 1, 2037 – April 1, 2046	10:30 AM Eastern Time
C– First Series of 2026	\$795,000,000	April 1, 2027 - April 1, 2036	11:00 AM Eastern Time

Prior to the acceptance of bids the Commonwealth may modify or amend any provision of this Notice of Sale (this Notice of Sale, together with any modifications or amendments, is referred to herein as the “Notice of Sale”), including (but not limited to):

- (i) the date and/or time it will receive and open electronic bids to purchase the Bonds;
- (ii) the aggregate principal amount of each Bid Group;
- (iii) the principal amount of each maturity in a Bid Group; and

---

\* Preliminary, subject to change and adjustment as provided in this Notice of Sale.

- (iv) the requirements relating to the interest rates on, or initial issue prices or purchase price of, a Bid Group or Bid Groups.

Any such modifications or amendments will be disseminated via The Bond Buyer Wire and posted on the Bid Service (as defined below) not later than 4:00 p.m. Eastern Time on the last business day prior to the Bid Date. Any delay in making such modification or amendment or the failure of any bidder to receive such notice shall not affect the validity of the sale of the Bonds. Bidders are required to bid upon the Bonds in accordance with this Notice of Sale as it may be modified and amended. The Commonwealth reserves the right to postpone or cancel the sale of one or more Bid Groups at any time.

Any questions on the bidding procedures and sale terms set forth in this Notice of Sale, or any modification or amendment thereof, or any postponement or cancellation of the sale of one or more of the Bid Groups, should be directed to PFM Financial Advisors LLC, Philadelphia, Pennsylvania, telephone (215) 557-1412, Attention: Daniel Kozloff (email: kozloffd@pfm.com); and Sustainable Capital Advisors, Washington, DC, telephone (917) 868-4938, Attention: Jerome Cox (email: coxj@sustainablecap.com) (“Co-Municipal Advisors”).

<b>ISSUE:</b>	The Bonds are described in the Preliminary Official Statement of the Commonwealth dated January 9, 2026 (the “Preliminary Official Statement”).
<b>BID DATE:</b>	January 21, 2026*, or such other date as shall be specified in this Notice of Sale as it may be modified and amended.
<b>DELIVERY OF BIDS:</b>	All bidders must electronically deliver bids as described under “ELECTRONIC BIDS” below.
<b>SECURITY:</b>	As described herein, the Bonds are direct and general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged for the payment of principal of and interest on the Bonds. See also “SECURITY AND SOURCE OF PAYMENT FOR BONDS” in the Preliminary Official Statement.
<b>REDEMPTION:</b>	<p>As described herein, the First Series 2026 Bonds are subject to optional redemption prior to maturity.</p> <p>The First Refunding Series 2026 Bonds are <b>not</b> subject to optional redemption prior to maturity.</p> <p>The Bonds may be subject to mandatory sinking fund redemption prior to maturity as described herein. See also “THE BONDS – Redemption Provisions” in the Preliminary Official Statement.</p>

---

\* Preliminary, subject to change and adjustment as provided in this Notice of Sale.

## TERMS RELATING TO THE BONDS

**EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED THE PRELIMINARY OFFICIAL STATEMENT PRIOR TO BIDDING FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.**

**BOND DETAILS:** The Bonds will be dated the date of issuance and delivery, will be issued in authorized denominations of \$5,000 or any integral multiple thereof, and will bear interest at such rate or rates as the Commonwealth shall approve on the Bid Date.

Principal will be payable in serial maturities (or mandatory sinking fund redemptions of term bonds as described under “MANDATORY SINKING FUND REDEMPTION AT THE OPTION OF THE BIDDER” hereinbelow) in the amounts, subject to adjustment as provided in “ADJUSTMENT OF PRINCIPAL AMOUNTS AFTER THE RECEIPT OF BIDS” hereunder, on the dates and in the years set forth below:

### **Preliminary Schedule of Interest Payment Dates**

<u>Series</u>	<u>Interest Payment Date</u>
First Series 2026 Bonds	April 1 and October 1, commencing October 1, 2026*
First Refunding Series 2026 Bonds	February 1 and August 1, commencing August 1, 2026*

[Remainder of page intentionally left blank]

---

\* Preliminary, subject to change and adjustment as provided in this Notice of Sale.

**Preliminary Schedules of Maturities <sup>(1)(2)</sup>**

	<b>First Refunding Series 2026 Bonds</b>	<b>First Series 2026 Bonds</b>	<b>First Series 2026 Bonds</b>
	<b><u>Bid Group / Bid Time</u></b>		
	<b><u>Maturity Date</u></b>		
<b>Maturity Years</b>	<b><u>A / 10:00 AM</u></b>	<b><u>B / 10:30 AM</u></b>	<b><u>C / 11:00 AM</u></b>
	<b>August 1</b>	<b>April 1</b>	<b>April 1</b>
2026	\$35,925,000	\$0	\$0
2027	17,465,000	0	79,500,000
2028	18,365,000	0	79,500,000
2029	19,305,000	0	79,500,000
2030	20,500,000	0	79,500,000
2031	21,765,000	0	79,500,000
2032	23,105,000	0	79,500,000
2033	24,330,000	0	79,500,000
2034	0	0	79,500,000
2035	0	0	79,500,000
2036	0	0	79,500,000
2037	0	77,500,000	0
2038	0	77,500,000	0
2039	0	77,500,000	0
2040	0	77,500,000	0
2041	0	77,500,000	0
2042	0	77,500,000	0
2043	0	77,500,000	0
2044	0	77,500,000	0
2045	0	77,500,000	0
2046	0	77,500,000	0
<b>Aggregate Principal Amount</b>	<b>\$180,760,000</b>	<b>\$775,000,000</b>	<b>\$795,000,000</b>

<sup>(1)</sup> Preliminary, subject to adjustment by the Commonwealth as described under “ADJUSTMENT OF PRINCIPAL AMOUNTS AFTER THE RECEIPT OF BIDS” below.

<sup>(2)</sup> These amounts will constitute principal maturities unless the bidder designates all or a portion of such maturities as a mandatory sinking fund redemption portion of a Term Bond. See “MANDATORY SINKING FUND REDEMPTION AT THE OPTION OF THE BIDDER.”

**INTEREST RATE AND BIDDING DETAILS:** Interest on the Bonds will accrue from the Closing Date to, but not including, the respective maturity dates. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable on the dates set forth in the Preliminary Schedule of Interest Payment Dates set forth above.

Each bidder shall designate a rate of interest per annum to be paid on the Bonds of such Bid Group of each maturity subject to the following limitations:

- (i) all Bonds of the same maturity within a series must bear the same rate of interest and no one Bond shall bear more than one rate of interest;
- (ii) no interest rate shall be other than a whole multiple of one-twentieth (1/20) or one-eighth

- (1/8) of one percent (1%) and a zero rate of interest may not be named;
- (iii) with respect to the Bonds, no interest rate shall exceed five percent (5.000%); and
- (iv) the issue price of the Bonds of any maturity must be greater than or equal to 98½% of that maturity's par value.

No bid for the Bonds of any Bid Group at a price less than 98½% of their par value, exclusive of accrued interest, will be considered. Bids may specify any number of interest rates subject to (i) through (iii) above. No bid will be considered which does not offer to purchase all of the Bonds within such Bid Group.

**INITIAL OFFERING PRICES:** Upon a request from the Commonwealth or its agent, bidders must promptly, in any case not later than 60 minutes after receiving the notice of award, submit information specifying the initial offering price of each maturity in their bid for the Bonds in the applicable Bid Group. See also "PROMPT AWARD; SUBMISSION OF SIGNED BID" and "CERTIFICATES TO BE COMPLETED BY THE PURCHASER(S) PRIOR TO CLOSING" below.

**OPTIONAL REDEMPTION:** The First Series Bonds, or portions thereof in integral multiples of \$5,000, maturing on and after April 1, 2037\* are subject to redemption at the option of the Commonwealth prior to scheduled maturity on and after April 1, 2036, as a whole at any time or in part from time to time, if in part in such order of maturity and in such principal amount within a maturity as may be designated by the Commonwealth in its sole discretion, and within a maturity by lot, on at least 30 days (but not more than 60 days) notice, at a redemption price equal to par (100% of stated principal amount) plus accrued interest to the date fixed for redemption.

The First Refunding Series 2026 Bonds are **not** subject to optional redemption prior to maturity.

**MANDATORY SINKING FUND REDEMPTION AT THE OPTION OF THE BIDDER:** Bidders may elect to structure their bid to include term bonds, which term bonds, if selected by the bidder, will be subject to mandatory sinking fund redemption prior to maturity, in the years and amounts shown above in the Preliminary Schedule of Maturities upon payment of 100% of the principal amount of such Bonds to be redeemed, together with accrued interest to the date fixed for redemption. Bonds within a maturity of a particular series to be redeemed shall be selected by lot by the Loan and Transfer Agent. If the Bonds are awarded and no term bonds are designated in the applicable winning bid, such Bonds will mature serially as shown in the Preliminary Schedule of Maturities.

**SECURITY:** The Bonds are direct and general obligations of the Commonwealth to which the full faith and credit of the Commonwealth have been pledged for payment of the interest thereon and the payment of the principal thereof at maturity or prior redemption. The Bonds are a first priority obligation of the Commonwealth. See the Preliminary Official Statement — "AUTHORIZATION FOR THE BONDS" and "SECURITY AND SOURCE OF PAYMENT FOR BONDS."

**BOOK ENTRY SYSTEM:** All bidders for the Bonds must be participants of DTC or affiliated with its participants. The Bonds will be issued in fully registered form to DTC, and registered in the name of DTC's nominee, Cede & Co. DTC or its agent will hold the Bonds. Bonds will not be physically distributed to DTC participants or beneficial owners of the Bonds. The Commonwealth will not be responsible or liable for payments by DTC to its participants or by DTC participants or indirect participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. The Commonwealth will pay principal of and interest on the Bonds directly to DTC so long as DTC or its nominee, Cede & Co, is the bondholder. See the Preliminary Official Statement — APPENDIX D — "INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM."

**TAX EXEMPTION:** Eckert Seamans Cherin & Mellott, LLC of Harrisburg, Pennsylvania, Gosfield Law LLC of Gladwyne, Pennsylvania, and Cox, Stokes, and Lantz, P.C. of Wellsboro, Pennsylvania, Co-Bond Counsel to the Commonwealth (“Co-Bond Counsel”), will render their opinions that, based upon an analysis of existing statutes, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds, including interest in the form of original issue discount, if any, will not be includible in gross income of the holders thereof for federal income tax purposes and will not be a specific preference item for purposes of computing the federal alternative minimum tax imposed on individuals. However, ownership or disposition of the Bonds may result in other federal tax consequences to “applicable corporations” (within the meaning of Section 59(k) of the Code enacted as part of the Inflation Reduction Act of 2022) for tax years beginning after December 31, 2022, in that interest on the Bonds may be included in the calculation of the alternative minimum tax imposed on applicable corporations under Section 55(b) of the Code. Other provisions of the Code may affect the purchasers of the Bonds. See “TAX MATTERS” and APPENDIX G – “PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL” contained in the Preliminary Official Statement. See also “CERTIFICATES TO BE COMPLETED BY THE PURCHASER(S) PRIOR TO CLOSING” below.

**LEGAL OPINIONS ON THE VALIDITY AND PAYMENT OF THE BONDS:** The opinions of Co-Bond Counsel and the Attorney General of the Commonwealth referred to in the Preliminary Official Statement under “LEGAL MATTERS,” the proposed forms of which are included in APPENDIX F – “PROPOSED FORM OF OPINION OF THE OFFICE OF ATTORNEY GENERAL OF THE COMMONWEALTH” and APPENDIX G – “PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL” to the Preliminary Official Statement, will be furnished to the Commonwealth and available to each bidder awarded Bonds (each a “Purchaser”) on the Closing Date.

**CLOSING DOCUMENTS:** The Bonds are offered subject to the delivery at settlement by the Commonwealth of (i) a certificate stating that there is no litigation pending affecting the validity of the Bonds or their issuance and sale to the Purchaser; (ii) a certification by the Secretary of the Budget that the financial statements contained in the Official Statement accurately reflect the conditions and facts they purport to reflect, that the estimates contained therein, in light of the information available, are believed to be reliable and that there have been no material adverse changes in the financial position of the Commonwealth since the dates of such financial statements that have not been disclosed in the Official Statement; (iii) a certification by the Governor, the Auditor General and the State Treasurer that the Official Statement, except as to the financial statements contained therein, contains no untrue statement of a material fact and does not omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; and (iv) a Continuing Disclosure Agreement to provide or cause to be provided certain annual financial information and timely notices of the occurrence of certain events with respect to the Bonds.

Prior to settlement the Purchaser will be required to deliver the certificates referred to under the caption “CERTIFICATES TO BE COMPLETED BY THE PURCHASER(S) PRIOR TO CLOSING” and in the forms hereafter attached.

**ADDITIONAL INFORMATION:** Prospective bidders are advised to read the entire Preliminary Official Statement. Copies of the Preliminary Official Statement and additional information may be obtained from the Office of the Secretary of the Budget by calling Brandy McLendon, Telephone (717) 214-5815. Copies of the Preliminary Official Statement are also available electronically from the Office of the Budget’s website, <https://www.pa.gov/agencies/budget.html>.

### **TERMS OF THE SALE**

**ELECTRONIC BIDS:** The Commonwealth will only accept bids delivered electronically through

Parity® (“Bid Service”). Further information about Parity, including any fee charged and applicable requirements, may be obtained from:

55 Water Street  
New York, NY 10041  
Phone: (212) 894-5021

All bids must be delivered electronically via Parity. If any provision of this Notice of Sale conflicts with information provided by Parity, this Notice of Sale shall control. Each bidder submitting an electronic bid agrees by doing so that it is solely responsible for all arrangements with (including any charges by) Parity, that the Commonwealth does not endorse or encourage the use of Parity, and that Parity is not acting as an agent of the Commonwealth. Instructions for submitting electronic bids must be obtained from Parity, and the Commonwealth does not assume any responsibility for ensuring or verifying bidder compliance with the procedures of Parity. The Commonwealth shall be entitled to assume that any bid received via Parity has been made by a duly authorized agent of the bidder. Acceptance of electronic bids shall be subject to the limitations set forth in **“WARNINGS REGARDING ELECTRONIC BIDS”** below.

**WARNINGS REGARDING ELECTRONIC BIDS:** The Commonwealth and Co-Bond Counsel assume no responsibility for any error contained in any bid submitted electronically, or for failure of any bid to be transmitted or received at the official time for receipt of bids. The Commonwealth assumes no responsibility for informing any bidder prior to the deadline for receiving bids that its bid is incomplete or not received.

The Commonwealth will accept bids in electronic form only through Parity. Each bidder, by submitting an electronic bid, understands and agrees that in doing so it is solely responsible for all arrangements with Parity, that the Commonwealth neither endorses nor explicitly encourages the use of Parity, and that Parity is not acting as agent of the Commonwealth. Instructions and forms for submitting electronic bids must be obtained from Parity, and the Commonwealth assumes no responsibility for ensuring or verifying bidder compliance with the procedures of Parity. The Commonwealth shall assume that any bid received through Parity has been made by a duly authorized agent of the bidder.

**RECEIPT OF BIDS. THE COMMONWEALTH SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY THE BID SERVICE AS THE OFFICIAL TIME. THE COMMONWEALTH ASSUMES NO RESPONSIBILITY FOR INFORMING ANY BIDDER PRIOR TO THE DEADLINE FOR RECEIVING BIDS THAT ITS BID IS NONCOMPLIANT OR NOT RECEIVED.**

**GOOD FAITH DEPOSIT:** Each Purchaser of each Bid Group is required to provide to the Commonwealth a good faith deposit in the amount of \$1,000,000 (each, a “Good Faith Deposit”), in the form of a wire transfer, which must be received no later than 11:00 A.M. Eastern Time on the next business day following the verbal award of the respective Bonds in the applicable Bid Group. If the Good Faith Deposit for the applicable Purchaser/Bid Group is not received by such time, the Commonwealth, at its sole discretion, may revoke its acceptance of such Purchaser’s proposal. No interest on the Good Faith Deposit will accrue to any Purchaser or be paid by the Commonwealth. The Good Faith Deposit will be applied to the purchase price of the applicable Bonds in the respective Bid Group. In the event a Purchaser fails to honor the accepted proposal, the applicable Good Faith Deposit will be retained by the Commonwealth.

**BASIS OF THE AWARD:** The Bonds in each Bid Group will be awarded to the bidder whose bid for such Bid Group will result in the lowest true interest cost (“TIC”) to the Commonwealth for the Bonds of such Bid Group. The TIC will be calculated as the nominal interest rate which, when compounded semiannually and used to discount the debt service payments on all of the Bonds in the applicable Bid Group to the Closing Date, results in an amount equal to the purchase price bid for such Bid Group. In the



event that two or more bidders offer bids at the same lowest TIC for the Bonds of a Bid Group, the bidder that submitted the winning bid first, as determined by the Commonwealth, will be awarded the Bonds of such Bid Group.

**REVOCABLE BIDS ARE NOT PERMITTED.**

The Commonwealth reserves the right in its sole discretion to waive any minor errors or irregularities in form or content of any bid. No sealed, telephone, facsimile, telegraph or personal delivery bids will be accepted. All bids must be submitted electronically through the Parity web site.

**MULTIPLE BIDS FROM A SINGLE BIDDER FOR A PARTICULAR BID GROUP:** Each bidder may submit a bid for one or more Bid Groups at its option, provided they adhere to all of the requirements set forth in this Notice of Sale. In the event multiple bids are received for a Bid Group from a single bidder, the Commonwealth shall be entitled to accept the bid with the lowest TIC for the Bonds of such Bid Group, calculated in accordance with this Notice of Sale, as determined by the Commonwealth, from among all such bids, and each bidder agrees by submitting any bid to be bound by such lowest bid unless such bid is expressly withdrawn prior to the deadline for receiving bids. See "BASIS OF THE AWARD."

**RIGHT OF WAIVER OR REJECTION:** The Commonwealth reserves the right to reject any or all bids. The Commonwealth may reject all bids for any Bid Group(s) while accepting any bids for other Bid Group(s). The Commonwealth also reserves the right to waive, without limitation, any irregularity or informality with respect to any bid, except the time of receipt of bids.

**PROMPT AWARD; SUBMISSION OF SIGNED BID:** The Commonwealth will take prompt action awarding the Bonds within each Bid Group or rejecting all bids for such Bonds. Formal notice of award will be given promptly by telephone or e-mail by the Commonwealth to each Purchaser and shall constitute acceptance by the Commonwealth of such Purchaser's offer to purchase all the Bonds in the awarded Bid Group on the terms contained herein and in such bid. Bid evaluations or rankings by any Bid Service are not binding on the Commonwealth.

**BOND INSURANCE:** If a Purchaser arranges municipal bond insurance for any Bonds in a Bid Group, the Purchaser does so at its own risk and expense and the obligation of the Purchaser to pay for the Bonds in such Bid Group may not be conditioned upon the issuance of such municipal bond insurance policy. Such Purchaser shall also promptly advise the Commonwealth of the cost of such municipal bond insurance and shall provide or cause to be provided such further information, certifications and legal opinions related thereto as the Commonwealth may request in forms reasonably satisfactory to the Commonwealth and its Co-Bond Counsel, including, but not limited to, certifications relevant to the treatment of such municipal bond insurance as a "qualified guarantee" pursuant to Treasury Regulation §1.148-4(f). The Commonwealth will not enter into any additional agreements with any insurance provider. NEITHER THE FAILURE OF ANY INSURANCE PROVIDER TO ISSUE ITS POLICY NOR ANY CHANGE IN THE CREDIT RATINGS PROVIDED BY ANY RATING AGENCY WITH RESPECT TO THE RELATED INSURANCE PROVIDER OCCURRING BETWEEN THE TIME OF THE AWARD OF THE BONDS AND THE TIME OF THEIR DELIVERY SHALL BE GROUNDS FOR A PURCHASER TO FAIL OR REFUSE TO ACCEPT DELIVERY OF, OR PAY FOR, ALL OF THE BONDS OF THE RELATED BID GROUP. MOREOVER, IF A MUNICIPAL BOND INSURANCE POLICY IS PURCHASED BY A PURCHASER, THE COMMONWEALTH DISCLAIMS ANY OBLIGATION TO MAINTAIN SUCH MUNICIPAL BOND INSURANCE POLICY AND IS UNDER NO OBLIGATION TO REPLACE IT SHOULD IT BE TERMINATED PRIOR TO THE MATURITY DATE OF ANY INSURED BOND OR TO REPLACE IT SHOULD THERE OCCUR A CHANGE IN THE CREDIT RATINGS PROVIDED BY ANY RATING AGENCY WITH RESPECT TO THE

RELATED INSURANCE PROVIDER. See also “CERTIFICATES TO BE COMPLETED BY THE PURCHASER(S) PRIOR TO CLOSING” below.

**CUSIP NUMBERS:** The Co-Municipal Advisors will timely apply for CUSIP numbers with respect to the Bonds as required by Municipal Securities Rulemaking Board’s Rule G-34. Each Purchaser will be responsible for the cost of assignment of such CUSIP numbers and any CUSIP Service Bureau charges. Each Purchaser shall also notify the CUSIP Service Bureau as to the final structure of the Bonds awarded to such Purchaser.

It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such identification numbers on any Bond nor any error with respect thereto will constitute cause for a failure or refusal by a Purchaser to accept delivery of and pay for Bonds of a Bid Group in accordance with the terms contained herein and in the accepted bid.

**EXPENSES OF PURCHASER:** In addition to the cost related to CUSIP numbers, each Purchaser will be responsible for The Depository Trust Company charges and all other expenses related to the purchase and delivery of the Bonds awarded to such Purchaser. The cost of preparing the Bonds will be borne by the Commonwealth.

**ADJUSTMENT OF PRINCIPAL AMOUNTS AFTER THE RECEIPT OF BIDS:** The principal amounts of the Bonds set forth herein under Preliminary Schedules of Maturities reflect estimates of the Commonwealth as to the estimated interest rates, offering prices and purchase prices of the Bonds. After selecting the Purchaser of the First Refunding Series 2026 Bonds (the winning bid for Bid Group A), the aggregate principal amount of the First Refunding Series 2026 Bonds and the principal amortization schedule may be adjusted as determined by the Commonwealth in \$5,000 increments to reflect the actual interest rates and any premium/discount in such winning bid for Bid Group A, maximize savings and to create a more desirable debt service structure for the First Refunding Series 2026 Bonds and the Commonwealth’s outstanding bonds.

Such adjustments shall be made at the sole discretion of the Commonwealth. Any adjustments pursuant to this paragraph will not reduce or increase the aggregate principal amount of the First Refunding Series 2026 Bonds to be issued by more than 15%. Adjustments in excess of these limitations can be made with the approval of the Purchaser of the First Refunding Series 2026 Bonds. Any such adjustments will be communicated to the Purchaser of the First Refunding Series 2026 Bonds within 24 hours after the opening of the bids for Bid Group A. **The aggregate principal amount or principal amortization schedule of the First Series 2026 Bonds is not subject to adjustment.**

**QUALIFICATION FOR SALE; COMPLIANCE WITH BLUE SKY:** The Commonwealth will furnish or cause to be furnished such information, execute or cause to be executed such instruments and take or cause to be taken such other reasonable action in cooperation with each Purchaser, as such Purchaser may deem necessary in order to qualify the Bonds of the related Bid Group for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as such Purchaser may designate; provided, however, that the foregoing shall not require the Commonwealth to register as a dealer or broker or execute a consent to service of process or to qualify as a foreign corporation in connection with such qualification, in any foreign jurisdiction or to comply with any other requirements reasonably deemed by the Commonwealth to be unduly burdensome.

**No Purchaser may sell, offer to sell or solicit any offer to buy Bonds in any jurisdiction where it is unlawful for such Purchaser to make such sale, offer or solicitation, and each Purchaser shall comply with the Blue Sky and other securities laws and regulations of the states and jurisdictions in which such Purchaser sells the Bonds.**

**NO SALES OUTSIDE OF THE UNITED STATES:** Each Purchaser will not sell any of the Bonds of the Bid Group awarded to them outside of the United States.

**ESTABLISHMENT OF ISSUE PRICE:** Each Purchaser of Bonds shall assist the Commonwealth in establishing the issue price of the Bonds and deliver to the Commonwealth prior to closing an issue price certificate (described below), together with the supporting pricing wires or equivalent communications, which may be appropriate or necessary, in the reasonable judgment of such Purchaser, the Commonwealth and Co-Bond Counsel, to assist in establishing the issue price of the Bonds in their respective Bid Group.

The Commonwealth intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining a “competitive sale” for purposes of establishing the issue price of tax-exempt bonds) to apply to the initial sale of the Bonds because:

- (1) the Commonwealth shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Commonwealth shall have separately received at least three (3) bids for each awarded Bid Group of the Bonds from underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Commonwealth anticipates awarding the sale of the Bonds to the bidder who in each case submits a firm offer to purchase the Bonds in the respective Bid Group at the lowest TIC, as set forth in this Notice of Sale.

**In the event that provision (3) above is not satisfied for any Bid Group of the Bonds, the Commonwealth shall advise the Purchaser that the Commonwealth intends to treat the Initial Public Offering Price of each maturity of the Bonds as the issue price of that maturity (the “Hold-the-Price Methodology”). Bidders of such Bid Group should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Price Methodology in order to establish the issue price of the Bonds.**

By submitting a bid for the Bonds, each such bidder is certifying that (i) such bidder is an underwriter of municipal bonds who has an established industry reputation for underwriting new issuances of municipal bonds, (ii) its bid is a firm offer to purchase all of the Bonds in the respective Bid Group, (iii) its bid is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements, (iv) its bid was determined without consultation with any other bidder, and (v) such bidder had no opportunity to review other bids submitted by other potential bidders before providing its bid.

**CERTIFICATES TO BE COMPLETED BY THE PURCHASER(S) PRIOR TO CLOSING:**

***Issue Price Certificate.*** Prior to closing, each Purchaser of Bonds must submit to the Commonwealth a certificate (the “Issue Price Certificate” further described below) in substantially the form attached hereto as Exhibit 1 or Exhibit 2, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Commonwealth and Co-Bond Counsel. In the event the Commonwealth determines that Hold-the-Price Methodology must be applied to establish the issue price of the Bonds, the Issue Price Certificate shall be revised by Co-Bond Counsel to conform with the requirements of Treasury Regulation Section 1.148-1(f)(2)(ii). Additionally, if a Purchaser arranges municipal bond insurance for Bonds purchased by such Purchaser, such Purchaser will also be required to certify as to the net present value savings on such Bonds resulting from the payment of the related insurance premium, as shown on Exhibit 1 or Exhibit 2.

***Closing Receipt and Certificate Concerning the Preliminary Official Statement and the final Official Statement.*** As a condition of delivery of the applicable Bonds each Purchaser will be required to execute and deliver to the Commonwealth, prior to the Closing Date, a certificate in substantially the form attached hereto as Exhibit 3.

**DELIVERY AND PAYMENT:** Specimen copies of the Bonds will be made available to each Purchaser for inspection by electronic means, at least one business day prior to the Closing Date. Payment for the Bonds must be made by wire on the Closing Date no later than 11:00 A.M. Eastern Time on the Closing Date, in immediately available funds for credit at U.S. Bank Trust Company, National Association, Loan and Transfer Agent, in Philadelphia, Pennsylvania, or at such other place and time as may be agreed upon with such successful bidder for each Bid Group.

**PRELIMINARY OFFICIAL STATEMENT/OFFICIAL STATEMENT:** Based in part on certificates delivered by the Commonwealth set forth under the caption “CLOSING DOCUMENTS,” the Commonwealth deems the Preliminary Official Statement for purposes of subsection (b)(1) of Securities and Exchange Commission Rule 15c2-12 (the “Rule”), to be final as of its date, except for information permitted by the Rule to be omitted from the Preliminary Official Statement. The Preliminary Official Statement shall be subject to amendment or modification as deemed necessary by the Commonwealth.

Within seven business days after the award of the Bonds and at least one business day prior to the delivery of the Bonds, the Commonwealth will furnish to each Purchaser an electronic copy of the Official Statement, including any supplements prepared by the Commonwealth, in a portable document format (PDF) configured to allow the Official Statement to be saved, viewed, printed and retransmitted by electronic means.

Until the earlier of twenty-five (25) days from the “end of the underwriting period” (as defined in the Rule) or the date when all of the respective Bonds have been sold by the Purchaser(s), if, in the reasonable opinion of the Commonwealth and her counsel any event shall occur as a result of which it is necessary to amend or supplement the Official Statement so that it does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading, the Commonwealth, may, and if requested by the Purchaser(s) will, forthwith prepare and furnish to each Purchaser any amendment of or supplement to the Official Statement (in form and substance satisfactory to the Commonwealth’s counsel), which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The Commonwealth will presume that the “end of the underwriting period” occurs on the Closing Date and all of the respective Bonds have been sold by each Purchaser as of the Closing Date unless notified

otherwise in writing by a Purchaser on the Closing Date. After the earlier of twenty-five (25) days from the “end of the underwriting period” or the date when all of the Bonds have been sold by the Purchaser(s), the Commonwealth will no longer be obligated to amend or supplement the Official Statement.

By making a bid for one or more Bid Groups, each Purchaser agrees to:

(i) promptly file a copy of the Official Statement, including any supplements prepared by the Commonwealth, with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) website, unless such information has already been filed by another Purchaser,

(ii) provide to the Commonwealth, in writing, within 24 hours of the award of the Bonds, pricing and other related information with respect to their respective Bonds necessary for completion of the Official Statement,

(iii) disseminate to all members of such Purchaser’s underwriting syndicate copies of the Official Statement, including any supplements prepared by the Commonwealth,

(iv) promptly notify the Commonwealth as soon as all of the Bonds in their respective Bid Group have been sold if such Purchaser has notified the Commonwealth in writing on the Closing Date that there are unsold amounts of the respective Bonds as of such date, and

(v) take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds in their respective Bid Group.

**CONTINUING DISCLOSURE:** In order to assist the Purchaser(s) in complying with the Rule, the Commonwealth will undertake, pursuant to a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), to provide certain annual financial information and notices of the occurrence of certain enumerated events. A form of the Continuing Disclosure Agreement is set forth in APPENDIX H to the Preliminary Official Statement and will also be set forth in the Official Statement. The Office of the Budget, on behalf of the Commonwealth, will deliver the Continuing Disclosure Agreement on the Closing Date. For further information about the Commonwealth’s continuing disclosure undertaking, see “CONTINUING DISCLOSURE” in the Preliminary Official Statement.

[Remainder of page intentionally left blank]

**Josh Shapiro**  
*Governor*

**Stacy Garrity**  
*State Treasurer*

**Timothy L. DeFoor**  
*Auditor General*

Dated January \_\_, 2026

## **EXHIBIT 1**

**\$1,750,760,000\***  
**Commonwealth of Pennsylvania**  
**General Obligation Bonds,**  
**\$1,570,000,000 First Series of 2026**  
**\$180,760,000\* First Refunding Series of 2026**

### **BID GROUP [A/B/C]**

### **ISSUE PRICE CERTIFICATE**

This certificate is furnished by [\_\_\_\_], as purchaser (the “Purchaser”) of the \$[\_\_\_\_] Commonwealth of Pennsylvania General Obligation Bonds shown on the attached Schedule 1 (collectively, “Bid Group [ ] Bonds”) to establish the “issue price” of the Bid Group [ ] Bonds within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”).

#### **THE UNDERSIGNED HEREBY CERTIFIES AS FOLLOWS:**

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bid Group [ ] Bonds to the Public by the Purchaser are the prices listed on Schedule 1 (the “Initial Offering Prices”). The Initial Offering Prices are the prices for each Maturity of the Bid Group [ ] Bonds used by the Purchaser in formulating its bid to purchase the Bid Group [ ] Bonds as set forth on Schedule 1. Attached as Schedule 2 is a true and correct copy of the bid provided by the Purchaser to purchase the Bid Group [ ] Bonds .

(b) The Purchaser submitted its bid pursuant to and in accordance with the terms and conditions of the Official Notice of Sale of the Issuer, dated as of the Sale Date. The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bid Group [ ] Bonds . [If the Bid Group [ ] Bonds will be insured:

2. The Purchaser has arranged for a municipal bond insurance policy (the “Bond Insurance”), issued by [\_\_\_\_] (the “Bond Insurer”) for the Bid Group [ ] Bonds.

(a) The present value of the amounts paid to obtain the Bond Insurance is less than the present value of the interest reasonably expected to be saved as a result of having the Bond Insurance, using the yield on the Bid Group [ ] Bonds as the discount factor for this purpose.

(b) To the best knowledge of the undersigned, the amount to the Bond Insurer for the Bond Insurance is within a reasonable range of premiums charged for comparable credit enhancement for obligations comparable to the obligation evidenced and represented by the Bid Group [ ] Bonds .

(c) The fees paid and to be paid to obtain the Bond Insurance were determined in arm’s-length negotiations and were required as a condition to the issuance by the Bond Insurer of the Bond Insurance.

(d) To the best of knowledge of the undersigned, the fees paid and to be paid for the Bond Insurance represent a commercially reasonable charge for the transfer of credit risk. Such fees do not include any direct or indirect payment for a cost, risk or other element that is not customarily borne by guarantors of tax-exempt bonds in transactions in which the guarantor has no involvement other than as guarantor. No non-guarantee services are being provided by the Bond Insurance.]

### 3. Defined Terms.

(a) Issuer means the Commonwealth of Pennsylvania.

(b) Maturity means principal payment dates with the same credit and payment terms. Bid Group [ ] Bonds with different payment dates, or Bid Group [ ] Bonds with the same payment date but different stated interest rates, are treated as separate Maturities.

(c) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bid Group [ ] Bonds is January 21, 2026.

(e) Underwriter means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bid Group [ ] Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bid Group [ ] Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser’s interpretation of any laws, including specifically Sections 103 and 148 of the Code and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bid Group [ ] Bonds, and by Eckert Seamans Cherin & Mellott, LLC of Harrisburg, Pennsylvania, Gosfield Law LLC of Gladwyne, Pennsylvania, and Cox, Stokes, and Lantz, P.C. of Wellsboro, Pennsylvania, Co-Bond Counsel, in connection with rendering its respective opinion that the interest evidenced by the Bid Group [ ] Bonds is excluded from gross income for federal income tax purposes, the preparation and filing of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bid Group [ ] Bonds. The certifications contained herein are not necessarily based on personal knowledge but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.



Schedule 1  
to Issue Price Certificate  
(Initial Offering Prices)

Schedule 2  
to Issue Price Certificate  
(Copy of Bid)

## **EXHIBIT 2**

### **Form of Issue Price Certificate**

#### **[IN CASE OF RECEIPT OF LESS THAN 3 QUALIFIED BIDS FOR THE BONDS]**

**\$1,750,760,000\***  
**Commonwealth of Pennsylvania**  
**General Obligation Bonds,**  
**\$1,570,000,000 First Series of 2026**  
**\$180,760,000\* First Refunding Series of 2026**

**BID GROUP [A/B/C]**

### **ISSUE PRICE CERTIFICATE**

This certificate is furnished by [\_\_\_\_], as purchaser (the “Purchaser”) of the \$[ \_\_\_\_] Commonwealth of Pennsylvania General Obligation Bonds shown on the attached Schedule 1 (collectively, “Bid Group \_ Bonds”) to establish the “issue price” of the Bid Group \_ Bonds within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”).

1. **Sale of the General Rule Maturities.** As of the date of this certificate, for each Maturity of the Bid Group \_ of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. **Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) Purchaser offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bid Group \_ Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Official Notice of Sale of the Issuer, dated as of the Sale Date, Purchaser has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bid Group \_ Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Hold-the-Offering Price Maturity of the Bid Group \_ Bonds during the Holding Period.

3. The Purchaser has arranged for a municipal bond insurance policy (the “Bond Insurance”), issued by [\_\_\_\_] (the “Bond Insurer”) for the Bid Group \_ Bonds.

(a) The present value of the amounts paid to obtain the Bond Insurance is less than the present value of the interest reasonably expected to be saved as a result of having the Bond Insurance, using the yield on the Bid Group \_ Bonds as the discount factor for this purpose.

(b) To the best knowledge of the undersigned, the amount to the Bond Insurer for the Bond Insurance is within a reasonable range of premiums charged for comparable credit enhancement for obligations comparable to the obligation evidenced and represented by the Bid Group \_ Bonds.

(c) The fees paid and to be paid to obtain the Bond Insurance were determined in arm's-length negotiations and were required as a condition to the issuance by the Bond Insurer of the Bond Insurance.

(d) To the best of knowledge of the undersigned, the fees paid and to be paid for the Bond Insurance represent a commercially reasonable charge for the transfer of credit risk. Such fees do not include any direct or indirect payment for a cost, risk or other element that is not customarily borne by guarantors of tax-exempt bonds in transactions in which the guarantor has no involvement other than as guarantor. No non-guarantee services are being provided by the Bond Insurance.

**4. Defined Terms.**

(a) *General Rule Maturities* means those Maturities of the Bid Group \_ Bonds listed in Schedule A hereto as the "General Rule Maturities."

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bid Group \_ Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth (5<sup>th</sup>) business day after the Sale Date January 21, 2026, or (ii) the date on which Purchaser has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the Commonwealth of Pennsylvania.

(e) *Maturity* means Bid Group \_ Bonds with the same credit and payment terms. Bid Group \_ Bonds with different maturity dates, or Bid Group \_ Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. A purchaser of any of the Bid Group \_ Bonds is "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bid Group \_ Bonds. The Sale Date of the Bid Group \_ Bonds is January 21, 2026.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bid Group \_ Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bid Group \_ Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bid Group \_ Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Code and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the foregoing tax certificate and with respect to compliance with the federal income tax rules affecting the Bid Group \_ Bonds, and by Eckert

Seamans Cherin & Mellott, LLC of Harrisburg, Pennsylvania, Gosfield Law LLC of Gladwyne, Pennsylvania, and Cox, Stokes, and Lantz, P.C. of Wellsboro, Pennsylvania, in connection with rendering their opinion that the interest on the Bid Group \_ Bonds is excluded from gross income for federal income tax purposes, the preparation and filing of the Internal Revenue Service Form 8038-G and other federal income tax advice that they may give to the Issuer from time to time relating to the Bid Group \_ Bonds.

[NAME OF PURCHASER]

By: \_\_\_\_\_

Name:

Dated: [ISSUE DATE]

**SCHEDULE A**  
**SALE PRICES OF THE GENERAL RULE MATURITIES AND**  
**INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE**  
**MATURITIES**  
(Attached)

**SCHEDULE B**  
**PRICING WIRE OR EQUIVALENT COMMUNICATION**  
(Attached)

**EXHIBIT 3**

January 21, 2026

Commonwealth of Pennsylvania

U.S. Bank Trust Company, National Association  
Loan and Transfer Agent of the  
Commonwealth of Pennsylvania

Re: Commonwealth of Pennsylvania  
General Obligation Bonds,  
[First Series of 2026/First Refunding Series of 2026]

Ladies and Gentlemen:

We hereby acknowledge receipt of \$ \_\_\_\_\_ aggregate principal amount of Commonwealth of Pennsylvania General Obligation Bonds, [First Series of 2026/First Refunding Series 2026 Bonds] (the “Bonds”), numbered and maturing as set forth in the attached Schedule A. The Bonds are registered in the name of Cede & Co., as nominee for The Depository Trust Company, securities depository for the Bonds, with whom the Bonds have been deposited.

The undersigned also acknowledges receipt of electronic-only copies of the Preliminary Official Statement dated January \_\_, 2026 and of the Official Statement dated January \_\_, 2026, with respect to the Bonds, together with one manually or electronically signed copy of the respective opinions of David W. Sunday, Jr., Attorney General of the Office of Attorney General of the Commonwealth of Pennsylvania, and of Eckert Seamans Cherin & Mellott, LLC of Harrisburg, Pennsylvania, Gosfield Law LLC of Gladwyne, Pennsylvania, and Cox, Stokes, and Lantz, P.C. of Wellsboro, Pennsylvania, Co-Bond Counsel, which opinions are dated the date hereof. Such Official Statements and opinions have been received in full satisfaction of the number of copies thereof to be furnished by the Commonwealth to us, as the Purchaser (the “Purchaser”), without expense to the Purchaser.

Such Purchaser, as the initial purchaser of such Bonds, has provided to the Commonwealth the initial issue prices or yields on such Bonds as printed in the Official Statement.

Such Purchaser has not undertaken any responsibility for the contents of the Preliminary Official Statement or the Official Statement; provided, however, that in accordance with and as part of its responsibilities under Federal securities laws, such Purchaser has reviewed the information in the Preliminary Official Statement and the Official Statement, and the Purchaser did not notify the Commonwealth of the need to modify or supplement the Preliminary Official Statement on or before the Bid Date and has not notified the Commonwealth of the need to modify or supplement the Official Statement on or before the Closing Date. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Notice of Sale, Appendix I to the Preliminary Official Statement.

Very truly yours,

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**SCHEDULE A**

**COMMONWEALTH OF PENNSYLVANIA  
GENERAL OBLIGATION BONDS,  
[FIRST SERIES OF 2026/  
FIRST REFUNDING SERIES OF 2026]**

<b><u>Maturity Date</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>CUSIP</u></b>
-----------------------------	--------------------------------	-----------------------------	---------------------