



**PACP February Column
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Pro-Growth Policies Needed to Move Pennsylvania's Economy Forward

The 2021-22 legislative session is officially underway, and this week marks the start of the state's budget process for the upcoming fiscal year. In just another example of how the COVID-19 pandemic has altered the way in which traditional events occur, this year's budget address will be delivered virtually by Gov. Wolf via a pre-recorded video. While we won't know the full scope of the Wolf administration's budget proposal until Tuesday (including how much he'd like to spend in FY 2021-22), the governor did give a preview of his legislative priorities for the session last week during a news conference. We agree with many of the overarching goals the governor listed, including moving the economy forward and rebuilding our workforce. Unfortunately, several of his proposed policies would place additional burdens on job creators and would slow the Commonwealth's economic recovery.

One of the items that raised a red flag for the business community was how the governor is planning to pay for some of his initiatives. For the seventh year running, he is calling for a severance tax on the natural gas industry. There are a litany of reasons as to why the energy sector should not be unfairly singled out for additional tax burdens, but the pandemic has only highlighted the critical role that natural gas plays in our state's energy supply and on our economy, as an emphasis on teleworking continues. Pennsylvania's prolific natural gas reserves have helped to keep energy costs low throughout the state, and oil and gas are vital feedstocks to manufacturing sanitizer, PPE, medical equipment, and shipping the vaccine - and, most notably, one of the ingredients in the coronavirus vaccines used to deliver the molecule into the body is derived from petrochemicals. Indeed, targeting this industry for additional taxes puts one of our greatest competitive advantages at risk.

We are also concerned about other facets of the governor's plan that would make our business climate more unwelcoming. Linking a much needed reduction in the state's Corporate Net Income Tax – which is one of the nation's highest – to the implementation of mandatory unitary combined reporting is not the way to move Pennsylvania forward. This complex, overly broad tax reporting system will lead to increased costs, putting Pennsylvania job creators at a greater competitive disadvantage. Rather, we encourage lawmakers to enact substantial state tax reforms that are based on the principles of competitiveness, fairness, predictability and simplicity.

Additionally, the administration's aggressive proposal to more than double the state's minimum wage to \$15 will increase labor costs and lead to further job loss. As many of our members can attest – especially the small business community – government wage mandates threaten the vitality of businesses and job growth, and this is especially true as they continue to struggle in the pandemic landscape. A report by the nonpartisan Congressional Budget Office found that a \$15 minimum wage could lead to as many as 3.7 million lost jobs. Rather than continuing the push for misguided minimum wage hikes, lawmakers should pursue policies that target support to low-income earners without risking jobs.

Through the PA Chamber's "Bringing PA Back" initiative, we are promoting policy initiatives that will help improve the state's short-term and long-term economic outlook. A key component to our economic recovery is the safe and widespread deployment of the COVID-19 vaccine. To that end, we

are calling on our local chamber partners and employers to join us in publicly supporting the COVID-19 vaccine and encouraging all eligible individuals to get vaccinated. We have added a vaccination page to our [Bringing PA Back website](#), which includes information on the state's vaccination distribution plan. The site's vaccination page gives an overview of each of the Department of Health's distribution phases and a map of vaccine providers throughout the Commonwealth. This website is a user-friendly resource for businesses and provides the most current information and guidelines from the state and CDC.

As we collectively aim to jumpstart our economy and rebuild the Commonwealth's workforce, it is counterintuitive to place additional burdens and hardships on the same people we're relying on to drive our economic recovery forward. Working together, we can move Pennsylvania through this pandemic and set the state on a brighter fiscal path.

Gene Barr
President and CEO
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