

PACP March Column
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PA Chamber Applauds Governor's Focus on Workforce Development in 2019-20 Budget Proposal, Warns Against Policies That Will Hurt State's Competitiveness

The 2019-20 budget process is officially underway and with it has come a renewed sense of optimism that a budget will be finalized by the June 30th constitutional deadline. With year-to-date revenue collections currently \$290 million above estimate, the governor's budget proposal does not include any broad-based tax increases. While making it clear there were some items in which they disagreed on, Republican legislative leaders have been quick to commend the governor for setting a bipartisan tone and emphasizing the issues on which elected officials can find common ground on.

As I noted in last month's column, workforce development was a major theme of the governor's address. This is an issue that crosses party lines and brings together groups that aren't often on the same page when it comes to policy issues – a fact that the governor highlighted in his speech. As part of the administration's efforts on this issue, the governor has signed an Executive Order creating the Keystone Economic Development and Workforce Command Center – which aims to bring together the various elements of state government that oversee workforce development programs with the private sector to identify ways to close the jobs skills gap; fill the many open positions that exist throughout the state and make Pennsylvania more competitive on a national and global scale. I'm honored that the governor has asked me to help lead this effort. Joining me as a co-chair is Pennsylvania AFL-CIO President Rick Bloomingdale. With workforce development a cornerstone of the PA Chamber's mission, we look forward to continuing to partner with the Wolf administration, elected officials and our counterparts in the labor community to develop innovative solutions to address the Commonwealths' workforce challenges.

There are, however, some components of the governor's budget proposal that cause concern for the state's broad-based business community. Once again the Wolf administration has proposed tying a reduction in the state's Corporate Net Income tax rate with the implementation of mandatory unitary combined reporting. While the PA Chamber has long argued that the state's CNI tax rate – which is one of the highest effective rates in the nation – needs to be lowered, we disagree that it should be linked to a combined reporting proposal. This complex, overly broad tax reporting system will only lead to increased administrative and litigation costs and will put Pennsylvania at a greater competitive disadvantage.

Additionally concerning is the administration's push for an aggressive increase to the state's minimum wage rate. The administration's plan calls for employers, in just a few months, to increase entry level wages by more than 65 percent. Restaurants – many of whom already operate on thin profit margins – would see their wages increase by more than 235 percent and ultimately by more than 500 percent, due to the governor's plan to eliminate the tipped wage. We are warning lawmakers of the negative unintended consequences that result from mandated wage increases – which can include increased labor costs; reduced hours and even job loss. Also, it's important to note that the actual demographics of the state's minimum wage earners paint a much different picture than what wage proponents would have you believe. According to the PA Department of Labor and Industry's Minimum Wage Advisory Board's "2019 Minimum Wage Report," the vast majority of minimum wage earners have no children and almost 60 percent are under the age of 25.

As part of our advocacy efforts on this issue, we are encouraging employers statewide to let us know how this proposal would impact their individual businesses. Being able to provide real-life examples from Pennsylvania job creators will help us make the case to lawmakers that they must pursue alternative solutions to help low-income Pennsylvanians without risking job loss and other negative impacts. Employers can share their feedback – which can remain anonymous – on the PA Chamber's [website](#).

Over the coming weeks, the PA Chamber will be working closely with our local chamber partners to urge lawmakers to enact a responsible spending plan that doesn't place undue burdens on the backs of the Commonwealth's job creators. Check the PA Chamber's [website](#) for more information on all of these issues, as well as for updates on our advocacy efforts.

Gene Barr
President and CEO
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