



Manufacturing Alliance of Philadelphia

Government Relations



Budget Hearings: “Who’s on First?”

The constant question dodging, “I’ll-get-back-to-you-on-that,” and blame-shifting answers by the Wolf Administration during the on-going budget hearings lends itself to a sketch comedy with a tragic ending. It remains unclear whether department heads are keeping information from the General Assembly or if they are simply unprepared for what lawmakers view as the most important hearings of the legislative calendar.

For example, Tom Wolf’s acting secretary of Labor & Industry last week unwittingly offered up additional evidence that the administration is no more fit to lead us post-pandemic than it has been at leading us through it. Acting Secretary Jennifer Berrier told Appropriations Committee members during a budget hearing that Pennsylvania lost 500,000 jobs permanently during the extreme state-imposed lockdowns, and the kicker is “we don’t know why they were lost or if they are coming back,” she said.

Worse, she added that she was not included in discussions with the governor’s office about how his proposed increase in the Personal Income Tax (PIT) would impact small businesses, an estimated 855,000 of which pay their business taxes at the PIT rate, not the corporate rate.

To which State Rep John Lawrence (R-Chester) replied: “The first person I would talk about a 46 percent income tax increase would be my cabinet secretary in the Labor and Industry Department.”

In his February budget address, the governor proposed not only increasing the PIT, but ratcheting up the state’s minimum wage, and imposing an additional tax on the energy industry – the latter incredibly as part of his “Back to Work PA” plan. In reality, PMA President & CEO David N. Taylor said the proposals are merely the governor’s post-lockdown effort to consolidate the power he seized at the outset of the pandemic.

“The PIT hike and the additional energy tax would stifle the recovery from the governor’s lockdown orders, which were stricter, lengthier, and damaged more businesses than in any other state,” Taylor said. “It is preposterous to propose a new, additional tax on a vital industrial input at a time when manufacturers are only beginning to recover and are assisting with pandemic response.”

Pennsylvania is in the company of states that have not only managed to wreck their economies through strict lockdowns, but have fared no better against the virus and, in some cases, worse than states that have left their economies open. According to Statista, PA is at 190 deaths per 100,000 as of March 8. Florida, which opened its economy months ago, is at 148 deaths per 100,000. Florida’s death rate among seniors is 20 percent lower than California’s and 50 percent lower than New York’s, two other states that imposed strict lockdowns.

In Pennsylvania, pandemic restrictions forced 30% of businesses to close, at least temporarily, as of September, the Commonwealth Foundation reports citing federal data. The number is substantially higher than the national rate and second only to Michigan.

Overall, the [Independent Fiscal Office](#) (IFO) found, compared to the previous year, a 7.8% decrease in payroll employment and 477,000 lost jobs as of September 2020, mirroring national data of 459,000 fewer (-7.3%) payroll jobs in November compared to January 2020.

Wolf's proposed tax and minimum wage increases will only add to the economic misery.

"The budget proposed by the governor is really out of touch with the reality facing business owners in all sectors across the state," state Rep. Martin Causer (R-Cameron/McKean/Potter), chair of the House Majority Policy Committee, said during a committee meeting last week. "Increasing taxes and artificially inflating wages – on top of the revenue losses caused by COVID-19 mitigation efforts – would significantly increase the cost of doing business in the Commonwealth and the end result would be the loss of thousands of jobs."

"There is absolutely no question we need to enact a budget that is supportive of the people who employ our citizens and make our economy go, rather than the governor's plan, which does nothing more than kick our employers while they're down," he added.

Joseph A. Aldcowski, chief financial officer for Diaz Manufacturing Company LLC and the Diaz Group of Companies based in Montrose, told the committee that the increased tax burden would make his business less competitive and increase costs to customers.

"Many of these customers have the option to source comparable products from other suppliers in states with more business-friendly tax structures. We are presently operating at a disadvantage with competing foreign products, primarily from China, and Gov. Wolf's proposal would only serve to worsen our position," Aldcowski said.

The minimum wage and energy tax proposal are growth killers as well, Carl A. Marrara, PMA's Vice President of Government Affairs, said in testimony submitted to the policy committee.

"Inflating the government-mandated wage to \$12 an hour now and \$15 in the immediate future will further delay entry of young people and those beginning careers into the workforce," Marrara said. "At any one moment there are more than 6,000 manufacturing positions open on our shop floors in Pennsylvania and many manufacturers are struggling to find those trainable to do the work."

And the additional energy tax energy production threatens our commonwealth's business competitiveness and America's role as a global energy leader, he said.

"Manufacturers rely on natural gas and natural gas liquids as a fuel source and as feed stock. All modern manufacturing that creates the products we use every day – plastic, rubber, Styrofoam, paints, glazes, coatings, solvents, and adhesives – have their foundational footprint in natural gas or a related natural gas liquid."

The best way forward is for government to earn additional tax revenue by supporting business growth, not squashing it.

For example, the downstream industries powered by natural gas and using natural gas feedstocks can bring a new prosperity to Pennsylvania: a \$60 billion expansion in Pennsylvania's gross state product, more than 100,000 new family-sustaining jobs, and an increase in natural gas demand of 4-5 trillion cubic feet – all generating more than two billion dollars in additional tax revenue for the commonwealth every year going forward. A pro-growth, pro-production energy agenda in Harrisburg can maximize this opportunity for Pennsylvania, helping us reclaim our historic role as the manufacturing powerhouse of the world.

At the same hearing, Guy Berkebile, President and founder of Guy Chemical Company Inc., in Somerset, PA, said, "Pennsylvania has an opportunity to attract and retain manufacturing investment, but Governor Wolf's budget proposal will make that a challenge." He then challenged the committee, "Shouldn't we instead be talking about ways to make Pennsylvania's business taxes more competitive to bring new investment here and to retain the industries we currently have?"

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