

HOUSE REPUBLICAN POLICY COMMITTEE MEETING

Monday, July 30, 2012

Shawnee Inn

Comments of W. Andrew Worthington, President and CEO, Bushkill Group Inc.

Mr. Chairman, Members of the Committee, my name is Andy Worthington and I am the President and CEO of Bushkill Group Inc. located in Bushkill, PA. We own and operate Fernwood Resort, The Villas at Tree Tops and Fairway and Minisink Financial Corporation providing jobs for approximately 470 people from the Monroe and Pike County region.

Fernwood Resort is one of the oldest operating resorts in the Pocono Mountain region opening its doors in 1921 as a roadside mom and pop roadhouse that served chicken dinners. It has grown into a 400 acre resort that offers an 18 hole golf course, a Winter Fun Center with snowtubing, spa services, canoeing on the Delaware River, year round horseback riding, five indoor and outdoor pools, paintball, live entertainment, Wintergreens Restaurant and 694 one to four bedroom villas that house almost 4,000 guests when fully occupied. We are a mixed use property with both timesharing and general public rentals. Our timesharing division is one of the largest single site independent timeshare resorts in the mid-Atlantic region with over 18,000 owners. Visitation to our property from guests of our amenities and accommodations exceeds 300,000 annually. Those guests frequent other local businesses, pay tax on their purchases and do not send a single child to our schools.

I have spent most of my career in the Pocono Mountain Resort business and most recently finished a three year term as the Chairman of the Pocono Mountains Visitors Bureau. I am Vice-Chairman of the Pocono Health System. I hold a Law degree, which has served me well as the owner and operator of the Fernwood Resort. I say this because

many of the issues we face as a business require those skills. I am here today to express my opinions on how the State could better help us with the growth and operation of our business and thereby the creation of much needed jobs for our region.

Let me start with three simple yet significant measures that could help job growth in our area.

1. Get the Pennsylvania Department of Labor to designate Tourism as a High Priority Occupation. That would help students in our Monroe County Career and Technical Institute Hospitality programs as well as all of the employers. Tourism is the largest employer in the Pocono Mountains and second largest in the state. Tourism drives the economy in the Poconos and could use some help.
2. Take statewide action on post labor day schools openings. In 2006, the Commonwealth reported over \$350 million lost with an early start date. Businesses can't service guests without staff and if staff has returned to school, everyone suffers. Many businesses won't hire students or teachers who can't work through the busy Labor Day weekend, further damaging job creation. The economic benefits to students, business and state revenues is obvious. But the legislature has not acted. Think about how much cheaper it would be to cool a building through one more week in June rather than in August. Estimates for energy savings for a post labor day opening are around \$100 million.
3. Take Tourism funding from DCED. Tourism generates \$33 billion annually in economic activity. Let us grow our industry. State funds to tourism have dropped from \$35 million to \$4 million in four years. We went from 5th among states in tourism funds to 46th. If you want to grow jobs you must support industry. Instead of support, we suffer taxes and the threat of even more. Help support Rep. Stern's bill and support Pennsylvania's second largest industry.

Now I would like to discuss the difficulties in development due to permitting.

Let me give you our most recent example of our difficulties with the construction of a simple convenience store on one of the corners of our property. It took three years and thousands of dollars to get this project approved. The permitting process was so long and onerous in spite of doing everything we were told, we almost couldn't open on the day we had announced and it was down to the wire because of new requirements from our government.

How did this happen? We play by the rules. There is no accountability on so many levels that the submission of a project gets reviewed, re-reviewed with new comments and re-reviewed again and again.

At each submission new and different comments were added. We had to keep answering a new list of comments unrelated to the original comments each time we resubmitted. Costly, frustrating, unproductive and totally unnecessary. Three years for a convenience store that created jobs. It is not uncommon in my discussions with other business owners to hear that they are passing on job creating opportunities not because of the expense of building them, but because of the added expense and time of permitting and approvals.

We have just been through one of the longest road projects in the history of PennDOT with the long delayed opening of the Marshall's Creek By-Pass. For over 20 years the project was talked about and in the works. For over four years we have had our customers subjected to construction with many days having customers sit in traffic jams that lasted almost an hour just to get to check in at our Resort. The by-pass was recently opened and completed but the cooperation in general between PennDOT and Pocono Mountain tourism is not well coordinated, with non emergency projects closing roads during peak travel times for visitors.

I do not believe that Penn DOT and DEP have an official policy encouraging delay and added expense to frustrate those of us who are trying to grow our business and add jobs. But the result is the same as if they did. We have met many, in fact the majority, of the employees of those organizations who work hard and who, I am sure, would like to see the process improved. One immediate step the Legislature could take to improve job growth would be a mandate to your departments to get things approved in a timely manner. Stop using the regulations to delay. Stop requiring businesses to waive current approval times or face denials. Get leadership that values speed, that recognizes what it costs the taxpayers in terms of lost opportunities and the Commonwealth in lost revenue when projects are delayed. Streamline your practices. Make it a priority to get projects approved quickly and at a lower cost to the developer.

The percentage of any construction budget attributable to permitting and approvals has grown faster than any other component, including labor and materials, while at the same time the approval process has stretched into years. That is a major reason why job growth has stalled. Those of us who can't move our businesses to friendlier locations can't get new projects done. And those that can locate anywhere don't choose Pennsylvania. You can change this dynamic with a commitment to speed the process. Stop allowing unrestricted reviews that introduce new comments after initial comments are returned. And I am not talking about comments related to the changes. I am talking about comments that could have been submitted with the original comments to the application, but are for some reason held until later. These endless delays are severely limiting new projects and job growth.

But my biggest frustration and what has impacted our business and the tourism industry in the Pocono Mountains most significantly has been the issue of school taxes. The Pocono Mountains region is unfairly burdened with taxation that has undoubtedly

contributed to the closing of many resorts in the region including Penn Hills, Pocmont, Mountain Manor, and in its original ownership, Mt. Airy. Currently Split Rock is in receivership and many other small resorts have closed or are on the brink of closing. We all pay taxes. We have to pay taxes for the system to run. I get it. I pay them. I just want to pay a fair share. And I don't. The school funding formula favors some areas over others. And as a taxpayer in an area where we are paying far more than we should I want to say enough. Fix it now. Fair share is the only fair way. End this favoritism.

Compounding the damage to taxpayers caused by the state funding formulas is the unbridled tax and spend behavior of the local school boards. There is no accountability. Money is no object. We pay over \$3.6 million annually in taxes on a 400 acre property that sends not one child to school. That is unsupportable. Yet there has been no willingness on the part of the "haves" in the state legislature to make the system fair. That is not good government and all of the people of Pennsylvania deserve better.

The math is not very difficult to do. The consuming public is feeling the crunch of the recession therefore our ability to charge for overnight rooms has dropped significantly or been frozen over the past four years. Our ability to charge more in our restaurants and amenities has also dropped or remains the same as four years ago while fixed expenses such as health care, propane, insurance, food goods, cleaning products and diesel continue to rise. We can't raise prices, our profitability takes the brunt of the crunch and taxes continue to go up.

Where does that impact fall? Directly on our ability to keep and hire employees. Over the past three years we were forced to cut our labor force by 30%, reduce then freeze wages, and put a moratorium on all hiring. Thankfully, we have recently been able to once again give cost of living increases to our remaining workforce but have not yet been able to get their level of pay back to where it was three years ago and have had to pass some of

the ever growing health care costs on to our employees. We used to pay 100% of their health care expense and now can only afford to pay 70%.

This represents a real impact on the voting public. Being able to work and earn a fair wage is what puts food on their table and keeps them in their homes. Neither the Legislature nor the local School Boards recognize the deep impact of their unfettered tax and spend policies. All taxpayers, whether individuals or small businesses, are not an unlimited well of cash. We have been pushed beyond the breaking point. The system is broken and needs serious Legislative attention.

Finally, I have a few thoughts on our government that I would like to share with you as you are the ones in a position to make it better.

Public service is a simple concept. Citizens agreeing to serve for the benefit of the public. Yet, the process has been distorted into something the Founding Fathers would not recognize. They all had careers outside of public service that provided the means for them to give back through service. Once “politician” became a career, reelection became an understandably major goal. And taxpayers suffer when legislators are forced to spend most of their time protecting their careers. When you need to be reelected every two years, that becomes the focus and you are running all the time. Your efforts on behalf of your constituents are colored by what will sell to promote reelection. It results in short term thinking and a fear of being bold, of doing those things that, over time, would benefit the Commonwealth and its residents. And it will take bold leadership to fix our problems. Term limits is the most important. When your legislative leaders start getting charged and going to jail in large numbers, you know the system is broken. Term limits would help prevent anyone from amassing the power and influence required for them to believe that they are above the law. If you know you have a limited time in office, then you can think long term and can always do the right thing. Extend your election cycle terms if you have

to. If you had only one or two four year terms you could again work on our Commonwealth's issues and not on reelection.

Is there any reason for Pennsylvania to have one of the most expensive state legislatures in the nation? Not when you look at any objective measure of government success. Business climate, unemployment, job growth and economic outlook are all indicators where Pennsylvania does not excel. But you can fix that as well. Cut the size of the legislature in half. By increasing the geographic base of every legislator, you have reduced their need to focus solely on local issues, requiring them to take a view that will benefit more citizens of the Commonwealth. Any time influence can be reduced, your job gets easier because you can focus on what is good for all and not just what is good for a group that could get you reelected. This goes hand in hand with term limits.

And please work on keeping your focus. I have decided that discretion is the better part of valor so I will not use examples of focus from your legislative sessions. But Mayor Bloomberg has provided some illustrative moments recently. Is it a primary directive of government to limit the size of Big Gulps? Are there bigger issues facing our country than how baby formula is made available to new mothers? Why does Governor Christie's approval ratings keep going up among both Republicans and Democrats? Because he is focused on reducing spending and on New Jersey's government providing only those services that his citizens require. Roads and infrastructure, schools and public safety should be the focus. There is enough government intrusion into the lives of our residents on things that don't matter. Does anyone else cringe every time Congress opens a new probe into major league sports or cable television? Fix the economy. Cut waste. Speed your processes. Focus on what is needed. By being the best of us you can make all of our lives better. Good jobs will follow from good government.

Thank you for your time.

