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PA House Republican Policy Committee  
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Good morning. I am Christian Malesic, Executive Officer of the Home Builders Association (HBA) of Berks County. Though I am before you as but one man, I actually represent over 350 business that are members of one of the proudest, strongest, most hard-working, and quintessentially American industries – the construction industry. We are the folks – the builders, remodelers, plumbers, electricians, roofers and all of the various trades, as well as the suppliers and other professionals – that bring the American Dream to life. We build, fix, maintain, and remodel houses – allowing fellow Americans to have a place to call “Home Sweet Home.”

As a CEO, I spend most of my time with other CEOs, much like you probably spend a good deal of your time with other legislators and government employees. Our members range from one-man-show sole-proprietors to employers of hundreds of employees. We bring you one common, unified, loud message – get the government off our backs!

You don't need to fix the economy – we'll do that! Let us.

You don't need to try to create jobs – that's what we do! Stop the over-taxation so we can hire.

You don't need to build the businesses or the homes of tomorrow – that's our job! Cut the over-burdensome regulation and red tape so we can do OUR JOBS!

Every year Chief Executive magazine, through a survey of its CEO subscribers, ranks the 50 states in order of the Best States for Business from the CEO's perspective. In 2011, PA was in 39<sup>th</sup> place... not because of workforce quality or living environment – in those areas we received high marks – but because of over-taxation and over-regulation. In 2011, companies had 38 other states in which they would rather work than ours.

On May 2<sup>nd</sup> of 2012, this year's results were released and can be found online at chiefexecutive.net. We fell 4 spots to 43<sup>rd</sup> place. There's not much further to fall. The only good news is that we have a long way to go before we are as bad as last place California, 2<sup>nd</sup> to last place New York, or 3<sup>rd</sup> to last place Illinois.

With that in mind, consider how regulatory restrictions continue to expand despite the evident harm they have on economic development. Some regulatory handcuffs from which the economy must try to escape:

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- As the US Environmental Protection Agency (EPA) continues to implement the Chesapeake Bay Tributary Strategy, it has a profound effect on the entire eastern portion of the Commonwealth. New requirements for effluent discharge from any point source continue to create more and more protected waterways in eastern Pennsylvania, restricting developable land.
- In concert with EPA's regulations, the PA Department of Environmental Protection (DEP) implemented a 150-foot buffer for protected waterways in 2009, which restricts not only potential sites for new home construction (since nearly 90% of the waterways in northeastern Pennsylvania are protected), but also limits the ability of a property owner to utilize his/her own property (In fact, some legal experts have considered the possibility of these restrictions as a legal "taking" of property by the Commonwealth).
- Current proposals that allow DEP to regulate the construction of private water wells, an essential ingredient in the structure of a new home in many areas, as well as mandates for green or energy efficient construction elements, would further exacerbate the economic downturn and destroy any chance of short-term economic recovery.

As if over-regulation wasn't enough: in Pennsylvania, the tax burden is also back-breaking:

- Pennsylvania sadly remains one of the most notorious states for discouraging the growth and birth of business through its draconian taxation policies. In March of 2012, Investor's Business Daily reported that not only is Pennsylvania one of the 5 most unfriendly states to businesses, but the effective tax rate is 45% higher than the national average.
- PA's Corporate Net Income Tax (CNIT) rate is 9.99% and contributes to the relocation of hundreds of businesses every year. Some southeastern homebuilders have, while continuing to build in Pennsylvania, relocated to Delaware to escape the burdens of the tax system.
- In addition to heavy state and federal taxes, Pennsylvania also assesses a cumbersome local taxation system through the property tax system. While the system provides for public education, it also discourages home sales and construction. In Berks County, the property tax rates are often so high that annual property tax payments equal the mortgage payments for a home.
- The legislature has already taken steps to address this problem, but much more must be done. The so-called "Act 1 restrictions" passed in 2011 limited the local school board's ability to raise taxes and were a step in the right direction. But, speaking as a past-president of the Central Dauphin School Board, the 13<sup>th</sup> largest of 500 school districts in the state, the Act 1 restrictions are not strong enough! School Property Taxes are already way too high and continue to rise much higher to fast!

Why does any of this matter? Why do we care? We care, not only as citizens of the Commonwealth, business owners, CEOs; but, also as drivers of the economy:

- The homebuilding industry is on the forefront of job creation and economic development; nationally recognized economists attribute cycles in other industries to trends in the homebuilding industry. If new construction falls off, the economy follows. As new home construction begins to become more prevalent, the economy shows signs of recovery.

- Estimates from our parent organization, the National Association of Home Builders (NAHB), project that every newly constructed home generates at least 3 full-time jobs to service and maintain the house and approximately \$90,000 in public revenue during its lifetime (more than 25% of which is state and local taxes). In addition, these jobs are American jobs that will never be outsourced in core industries like construction and manufacturing.
- In 2011, new home starts totaled roughly 609,000 nationwide, down 1.1 million from the annual average. This loss represents a shortfall of 3 million jobs in the workforce.
- In January of 2012, Pennsylvania's Independent Fiscal Office (IFO) issued a report on the state of industry throughout the Commonwealth. The report failed to identify definitive economic growth in only two industry sectors, with new home construction being one. (Car sales being the other)

We're all in this together. You want to help. You want to serve and make a difference. That's why you ran for office. What can you do? Government can best serve its citizens by reducing regulatory burdens and by making sound, efficient investments in infrastructure improvements, education, and training of the workforce of tomorrow.

- Allow us to do what we do – reduce regulatory burden and reduce taxes so we can do it.
- Open infrastructure improvement projects to private, merit-shop based contractors (we do a better job, faster, and less expensive).
- Assist with education and training.
- Continue programs like the EITC.

Working with private business to allow the implementation of necessary infrastructure such as roads, utilities, and power will bring home building to new areas of the Commonwealth and allow builders to be more efficient in their growth.

Government's investment in education must include sound planning for the future. The workers of the home building industry are aging and proper training is essential for a new generation of builders, dry-wallers, manufacturers, HVAC technicians, and masons. Recognizing and supporting the value of career and technical centers (CTCs) by providing appropriate funding and leveling the playing field for these educational institutions will accentuate economic goals of growth.

Growing programs such as the Educational Improvement Tax Credit (EITC) program, which allows businesses to invest in scholarship-based non-profits in return for a reduction in business taxes, creates an ideal synergy by encouraging private investment in public education.

We must approach these issues eyes & ears wide-open... And then, make the tough decision to get Pennsylvania growing again. I am available to you if I can be of assistance in helping you, help the citizens of Pennsylvania. Together we can grow and be stronger than we ever were before. Thank You.