



**Pennsylvania Manufacturers' Association**

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Pennsylvania House Majority Policy Committee  
*Public Hearing on Gov. Wolf Budget Plan: What Does It Really Mean for Small Business?*

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Chairman Causer and members of the House Majority Policy Committee – thank you for the opportunity to discuss the impacts of Governor Wolf’s proposed fiscal year 2021-22 budget on our commonwealth’s employers and employees.

I am Carl A. Marrara, Vice President of Government Affairs for the Pennsylvania Manufacturers’ Association. Founded in 1909 by Bucks County industrialist Joseph R. Grundy, the Pennsylvania Manufacturers’ Association is the nonprofit, statewide trade organization representing the manufacturing sector, its 565,000 employees on the plant floor, millions of additional jobs in supporting industries, and more than \$93 billion in gross state product in Pennsylvania’s public policy process. Headquartered at the Frederick W. Anton III Center, just steps from the State Capitol in Harrisburg, PMA works to improve Pennsylvania’s ability to compete with other states for investment, jobs, and economic growth. PMA’s mission is to improve Pennsylvania’s economic competitiveness by advancing pro-growth public policies that reduce the baseline costs of creating and keeping jobs in our commonwealth, including spending restraint, tax relief, limits on lawsuit abuse, regulatory reform, and ensuring a prepared workforce.

Governor Wolf’s budget proposal cannot be analyzed in a vacuum but must be placed in the present-day context amidst the COVID-19 pandemic. The budget address that the Governor presented on February 3, 2021 was indifferent to the reality of struggling Pennsylvanians as he proposed an increase to the state Personal Income Tax by nearly 50 percent, a job-killing government-mandated wage hike, additional taxes on Pennsylvania energy production, and heightened complexity to our business tax system, amongst other reckless ideas.

Pennsylvania’s economic lockdown measures were swifter, broader, and lasted longer than almost any other state. Supply chains were disrupted, critical industries that were changing manufacturing lines to make much needed personal protective equipment were forced to close. And all of this was enforced with little to no notice from state government officials.

Gov. Wolf was amongst the first in the nation to abandon the “flatten the curve” goal. Instead, on May 20, 2020, he suddenly moved the goal post to vaccination, saying, “. . . that’s what it’s going to take to really get our economy back to normal, and I really think that can’t happen fully, 100%, until we have a vaccine that is foolproof.”

Yet, despite that self-created goal, there were 3,267 words in his budget address and not one of them were “vaccine” or “vaccination.” If the intent behind his 2021 Budget Proposal is to put Pennsylvania back on track economically, why avoid the very thing that he said we rely upon the most? This is especially puzzling when you consider that Pennsylvania continually ranks at the very bottom of states in terms of vaccination deployment, lacks a centralized registration system, and is relying on a department that is rapidly losing the public’s trust.

The manufacturers that are present here today will discuss the impact that this proposal would have on their business. And they aren’t alone. As you listen today, consider that most small businesses, over 80 percent, are sole owners, partnerships, LLCs, and S-Corporation – they are paying the Personal Income Tax rate. Approximately 855,000 small business owners paid the Personal Income Tax in 2018.

Also consider that the manufacturing sector pays some of the highest average wages of any industry in the commonwealth, but that workforce development remains a hinderance to our industries growth. 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. 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. One major reason for this is the declining rate that young adults are entering the workforce. According to the Bureau of Labor statistics, in 1978 the percentage of the workforce ages 16-24 was 24.5 percent. In 2018 that same age demographic only makes up an estimated 12.5 percent. The reasons for this are complex, but added barriers, such as a more than doubling of the current minimum wage, will make a bad situation worse.

Furthermore, Governor Wolf's proposal for an additional tax on Pennsylvania energy production threatens our commonwealth's business competitiveness and America's role as a global energy leader.

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. Natural gas is also the primary feed stock for medical equipment and supplies being used to combat the COVID-19 pandemic as it's used to produce hypodermic needles, respirators, and personal protective equipment needed by our frontline workers.

The best way for state government to get more revenue out of the natural gas industry is to help it grow. Developing 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.

Just as coal and steel and the railroads were the great multiplier in the early 1900s, natural gas and natural gas liquids present that same opportunity in Pennsylvania today. Manufacturers locate near affordable and reliable fuel sources, and in locations where these feed stocks are readily available, bringing unbound economic opportunity with them.

Pennsylvania is second only to Texas in total natural gas production, and our contribution to the nation's energy portfolio has made America number one in the world. A new, additional tax on energy production weakens the geopolitical positioning of the United States and undermines American industrial strength.

Governor Wolf did propose a decrease to the Corporate Net Income Tax (CNI) rate. Our 9.99 percent is the highest non-graduated rate in the country. While we certainly appreciate the proposal to lower this rate, this is a slight-of-hand trick by coupling an issue known as Mandatory Unitary Combined Reporting (MUCR). The lowering of the CNI needs to be decoupled from the debate about MUCR. As the Compete PA Coalition, a coalition of more than 160 businesses and

organizations of which PMA is a part, said to Governor Wolf following his proposal, Mandatory Unitary Combined Reporting “is a policy that adds complexity, uncertainty, and cost to business – ultimately further negatively impacts Pennsylvania’s competitive standing.”

COVID-19 has had an undeniable impact on our commonwealth and its finances. We certainly can’t tax our way out of this situation, but with every challenge comes an opportunity. We do have the opportunity to grow our way out of this situation. Working at maximum capacity and efficiency to distribute COVID-19 vaccines, lowering tax rates, normalizing tax treatments on issues such as depreciation expense provisions and net operating losses, finding way to move Pennsylvania government at the speed of business, small business tax reforms, ensuring a prepared workforce, and maximizing our energy opportunities will make Pennsylvania a destination for business investment. But Governor Wolf’s budget proposal as presented is certainty not that.

Thank you for your time and attention.