



Pennsylvania Manufacturers' Association

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Public Hearing on Inflation

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Thank you, Chairman Causer and members of the committee, for the privilege of testifying today. I am David N. Taylor, President & CEO of the Pennsylvania Manufacturers' Association (PMA), the statewide non-profit trade organization representing the people who make things here in the commonwealth.

Today's topic is especially urgent: how can state government help fight inflation?

Let me please explain the best way forward, both in what to do and what NOT to do.

End all economic stimulus. There are a number of bad ideas in circulation that should be resisted, like \$2,000.00 stimulus checks or \$250 per vehicle gasoline checks. Payments of that type will only make the inflation problem worse, as inflation is fed by too many dollars chasing too few goods.

Don't interfere in the wage market. When convenience stores are offering employees \$18 per hour, it would be counterproductive to inflate wages further with a hike in the state-mandated minimum wage. Instead of focusing on entry-level jobs, Pennsylvania's decision-makers should instead help workers gain the skills needed to fill the thousands of high-paying, family-sustaining manufacturing jobs that are open. Building out the workforce and helping people achieve employment would lessen the inflationary pressures that are worsened by our current labor shortage.

Pay down debt and limit new spending. We are headed for hard times. The U.S. economy is likely already in recession. Just as the public could not imagine what a pandemic would be like, many Pennsylvanians do not remember the stagflation of the 1970s and are unprepared for the economic realities that are about to overtake us.

State government should work to eliminate debt, like stopping the growth in the unfunded liabilities of Pennsylvania's public pension systems by putting all new hires into a defined contribution plan.

State government should also limit the growth of spending by consolidating all extraneous "special" government accounts into the General Fund and enacting the Taxpayer Protection Act to cap spending increases at population-growth-plus-inflation. Cost savings and efficiencies should be extracted from every agency and department, with a cap on government hiring.

Maximize domestic energy production. Just like in the 1970s, inflation is fueled by high energy prices. Because every step of production requires energy, high energy prices increase the cost of every good and service consumers purchase. The high price of gasoline eats away at the paychecks of working people and makes it harder for them to make it to the end of the month. Record-high diesel prices and a crucial shortage of Diesel Exhaust Fluid (DEF) – plus a shortage of drivers – make trucking hugely expensive, further raising the costs of industrial inputs and consumer goods.

Pennsylvania can help bring down energy prices by increasing supply to satisfy consumer demand. This can be done with electricity, coal, natural gas, and petroleum/gasoline.

We must keep our existing power plants online by stopping Governor Wolf's new electricity tax under the Regional Greenhouse Gas Initiative (RGGI). PMA, the PA Chamber, NFIB-PA, the Industrial Energy Consumers of Pennsylvania, and the Pennsylvania Energy Consumer Alliance have jointly filed a brief in support of the lawsuit against RGGI in Commonwealth Court. As legal action continues, the legislative branch must continue to bring pressure on Governor Wolf to force him to withdraw his electricity tax.

Stopping RGGI will give Pennsylvania's coal-fired power plants more years of useful life and with it the chance to adopt future technologies like carbon capture or hydrogen production. The continued operation of those plants will not only keep the electrons flowing into the grid, but it will also sustain demand for Pennsylvania's coal mines. It's important to note that all of the Pennsylvania power plants that would be destroyed by RGGI are in compliance with all DEP and EPA regulations. We will need an all-of-the-above, pro-production energy agenda to maintain Pennsylvania's role as America's number one electricity exporting state. Protecting Pennsylvania's competitive market for electricity is another critical factor in resisting price increases for industrial, commercial, and residential consumers.

As you know, Pennsylvania is America's second-largest producer of clean-burning natural gas. To increase natural gas production, state government can help by expediting permits, accelerating deployment of pipeline infrastructure, and expanding use in homes, businesses, and factories. We can also help strengthen our European allies by replacing Russian natural gas with American Liquefied Natural Gas (LNG). Pennsylvania should seek investment for an LNG terminal on the Delaware River to deliver American energy to Europe, which would increase U.S. revenues and liberate our allies from dependence on Putin, all while defunding the Kremlin.

Pennsylvania also has a role in sustaining America's ability to refine petroleum into other products, including gasoline. The high price of gasoline is worsened by a lack of refining capacity. There has only been one new refinery built in the United States since 1977. In that context, you can appreciate the significance of losing the Philadelphia Energy Solutions facility, formerly Sunoco, which had been in service for 150 years. Insofar as private investors like Hilco Redevelopment Partners are willing to maintain – or even rebuild – some of the processing and storage operations along the Schuylkill in South Philly, state regulators should work with the private sector to make that possible.

Maximizing Pennsylvania energy production means earning private sector investment, which means stable market conditions – including predictable tax, regulatory, and legal costs. Governor

Wolf's longstanding threat to impose a new, additional tax on natural gas production has rendered our investment environment uncertain, which has discouraged new investment. Pennsylvania needs to adopt a pro-growth, pro-production, pro-deployment agenda for domestic energy that will benefit employers, workers, and consumers. With the massive advantages we have in natural resources, location, access to market, mature financial and educational institutions, and superabundant energy reserves, Pennsylvania's leaders could choose to make the commonwealth an engine of prosperity and a major contributor to American global leadership as an energy superpower.

To conclude, state government can help fight inflation by ending stimulus, not interfering in the wage market, helping to build the workforce, paying down debt & limiting new spending, and by maximizing domestic energy production.

Thanks very much, and when my colleagues conclude their presentations I will do my best to answer your questions.