



MBA/SMC* 2019 State Position Papers

Manufacturer & Business Association
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** SMC Business Councils merged with the Manufacturer & Business Association, 3/1/2019.*

2019 Grassroots Lobbying Trip



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This document is online at:
<https://mba.mmp2.org/state>

I. Prescription to Grow Pennsylvania's Economy

Align Government Policy to Capitalize on our Strengths and Reduce Hurdles to Innovation to make Pennsylvania more Competitive and Attractive to Businesses

Top quote from a small business owner:

// **Small businesses are busy enough just keeping their companies running, trying to grow and succeed or just stay alive."**

It's important to consider small business input in decision-making because we are the backbone of the Pennsylvania economy.

- 99.6% of all employers in Pennsylvania are small businesses defined as less than 500 employees.
- There are more than 1 million small businesses in Pennsylvania.
- Small businesses employed nearly 46.7% of Pennsylvania private-sector labor force in 2015 (2.5 million).

...U.S. Small Business Office of Advocacy, 2018 Pennsylvania.

The Manufacturer and Business Association researched states with a similar profile to Pennsylvania to find out where we stand as an attractive location for businesses, why or why not, where we excel and how we can improve in the future. Here's what we found.

THE PROBLEMS:

- **Pennsylvania suffers from a perception problem.** Pennsylvania is a rust-belt state. We have the 2nd highest, corporate tax rate in the U.S. at 9.9%, the 6th worst funded public pension system in the country which is one of the main reasons behind six credit downgrades (five by May, 2017). Based on the population's median age, (40.7 years in 2017), Pennsylvania was the 7th oldest state in the nation according to the Independent Fiscal Office, Economic and Budget Outlook Report, November, 2018.
- **Pennsylvania suffers from an economic health problem.** Pennsylvania was not included in Site Selection Magazine's 2016 or 2017 "Top 25 State Business Climate Rankings," however, in the "2018 Top 25 State Business Climate Rankings, we were 25th." Our business tax policy consistently lags other states.
 - o 34th – Tax Foundation's "2019 Business Tax Climate Index."
 - o 38th – ALEC-LAFFER "2018 State Economic Competitive Index: Economic Outlook."
 - o 40th – Wallet Hub's "2018 Economic Health Index"
 - o 24th – Independent Fiscal Office, "State and Local Taxes - Total Tax 2018" as of December, 2018.(ratio of total taxes to personal income).

THE SOLUTIONS:

- **Capitalize on our strengths. Pennsylvania can grow our way out of our perception and economic health problems by capitalizing on our strengths.** There are very few areas where Pennsylvania is in the Top 10, HOWEVER, Pennsylvania ranked 8th in the National Association of Manufacturers Total Manufacturing Output." It's important for Pennsylvania to take advantage of our natural gas resources, the Commonwealth's competitive edge. We are home to the world's largest unconventional natural gas field, the 2nd largest producer of natural gas in the U.S. and the 3rd largest producer of energy in the U.S. (The Pennsylvania Advantage, Department of Community and Economic Development). **Manufacturing and plentiful gas go hand-in-hand in with job creation by downstream businesses.**

- **Align pro-growth public policies with our strengths and reduce the hurdles to innovation to ignite the economy.** Encourage innovation; Reduce the hurdles faced by small businesses and we will get more innovation – making better products for less. What’s needed in Pennsylvania is a climate where inspiration and experimentation can take place and where businesses can focus resources on innovation, sales, and growing the economy.

TAX PARITY for PASS-THROUGH BUSINESSES

- State tax policy is an important tool that can be used to attract growth, feed innovation, and encourage businesses to invest no matter what type of business they are. Lower taxes mean more resources for business owners to invest in and grow their business. However, when it comes to Section 179 Expensing and Net Operating Loss small businesses do not have the same tax benefits as larger Pennsylvania corporations. Reform would go a long way toward giving Pennsylvania’s small businesses the ability to innovate, expand, and succeed in today’s competitive economy.

WORKFORCE PROGRAMS, WORK SKILLS and MINIMUM WAGE

- Pennsylvania needs a willing and qualified workforce trained for jobs of the future. A holistic approach is needed. Unless we take the time to rectify the problems that are faced by today’s small businesses and manufacturers in finding their skilled workforce, Pennsylvania will suffer major setbacks. Workforce program coordination, focus and accountability will make them more effective. It is imperative to retrain displaced workers, attract and train young people to replace the retiring baby boomer workforce and given given state demographics, it is imperative to tap and train new pools of potential workers and groups currently overlooked.
- An increase in the minimum wage would impact small businesses more than any other segment of the economy because they offer more entry-level jobs. It is in direct conflict with the need to build a qualified workforce. Those most impacted are young people who desperately need starter jobs for an introduction to the world of work. That first job exposes them at an early age to the soft skills which many employers cite as lacking.

HEALTH CARE COSTS and HEALTH INSURANCE PRMIUMS

- Small employers need access to affordable health insurance and in many cases they don’t have it. The cost of health care services continues to rise and drives the cost of health insurance premiums higher. Anything that can reduce the cost of health care for small employers and employees helps around the periphery but major change is needed. The limits of reducing health insurance premium through plan design have been reached. The remaining paths to cost reduction involve disruptive cultural change; 1) Consumer/patients must be educated to engage with physicians and ask questions regarding their own care; 2) Consumer/patients require price and quality transparency so they can shop for services; and 3) Consumer/patients can be encouraged to adopt emerging technologies.

ENERGY and REGULATIONS

- Pennsylvania is not likely to adopt a long-term energy policy. In lieu of a long-term energy policy it is critical to maintain affordable, varied, and reliable energy sources. Abundant, safe, reliable and competitively priced energy production and delivery are important components of a healthy economy for small businesses. Energy costs can be a significant portion of any business operation and in certain energy-intensive industries, these costs account for more than 50% of total operating costs.
- Pennsylvania needs regulatory policies that protect our economy from undue burdens on business and job creation while balancing public safety with ease and cost of compliance. That means improving the regulatory culture by stopping bad regulations before implementation and systematically reviewing existing regulations with an eye to remove those that are duplicative or unnecessary.

II. TAXATION PARITY for PASS-THROUGH BUSINESSES

State tax policy is an important tool that can be used to attract growth, feed innovation, and encourage businesses to invest no matter what type of business they are. Lower taxes mean more resources for business owners to invest in and grow their business. However, when it comes to Section 179 Expensing and Net Operating Loss small businesses do not have the same tax benefits as larger Pennsylvania corporations. Reform would go a long way toward giving Pennsylvania's small businesses the ability to innovate, expand, and succeed in today's competitive economy.

PROBLEM: Pennsylvania has not increased the Section 179 expensing allowance for pass-throughs to conform with the new federal tax law nor are they allowed to deduct Net Operating Losses (NOLs) like corporations under Pennsylvania law. Decoupling this change discourages business expansion, adds to overhead costs to separate Pennsylvania capital expense deduction calculations and adds to significant on-going tracking of depreciation.

SOLUTION: MBA supports conforming to Section 179 Small Business Equipment Deductions to federal law. Section 179 is an important tool for small businesses and manufacturers because it allows the immediate expensing of the cost of qualifying property rather than depreciating these acquisitions over multiple tax years. When the total purchases in a year exceed a specific cap, the direct expensing allowance cannot be used. Pennsylvania Section 179 expensing should conform to the same amount permitted under the Tax Cuts and Jobs Act. Now taxpayers can deduct \$1,000,000, with a phase-out threshold of \$2,500,000 on their federal taxes. This increase enjoyed bipartisan support and it is now a permanent part of the federal tax code. However, the same Pennsylvania taxpayers with pass-through businesses can deduct only \$25,000 with a phase-out of \$200,000 on their state taxes. Pennsylvania is unique in being the only state that allows for full Section 179 expensing for large businesses while not allowing small businesses to do the same. This has created an inequity for small businesses in Pennsylvania.

Conformity of Pennsylvania Section 179 with Section 179 of the federal tax code will provide relief for small businesses and small manufacturers. Currently, without conformity, multiple sets of books are required adding to overhead costs. For example, Maryland builds their state tax code off of the federal tax code so only one set of books is required.

We fought long and hard at the federal level for permanency of Section 179 because the expensing allowance and the phase-out threshold changed at least 10 times between 2000-2017. Permanency helps manufacturers and small businesses that make expensive capital acquisitions because it helps with cash flow, provides certainty for business planning, and simplifies and reduces the cost of compliance with the tax code.

BACKGROUND

Sole proprietorships, Sub Chapter S corporations, limited liability companies (LLCs), and partnerships are called pass-through businesses because their net profits are passed directly through to the business owner and taxed on the owners' individual income tax returns.

	U.S. Businesses Utilizing Section 179 on the 2014 Federal Tax Form
C corporations	244,200
S corporations	945,900 (pass-throughs helped by Section 179)
Partnerships	296,200 (pass-throughs helped by Section 179)
Sole proprietors, farmers, rental	4,403,000 (pass-throughs helped by Section 179)

...Adapted from the "PA Fiscal Update, Compete PA Retreat," (Independent Fiscal Office, 2/27/2018)

Pass-Through characteristics:

- They are more likely to be smaller firms.
- Most pass-through employment is either self-employment (33.6%) or at firms with 1 to 100 employees (38.7%).
- The vast majority of manufacturing firms are pass-through businesses.

...adapted from *The Tax Foundation*, (“Overview of Pass-through Businesses in US,” Kyle Pomerleau, 2015, Based on 2011 census data)

- Almost 66% of manufacturers are organized as pass-through entities in the most recent data. The remainder are C corporations.

...*National Association of Manufacturers*, (*NAM Manufacts*)

SOLUTION: **MBA supports the use of the Net Operating Loss (NOL) deduction by small businesses to reduce their tax liability and conform to Pennsylvania corporate tax law.** This change would allow small businesses to deduct losses in one year against income recorded in subsequent years and would help level the playing field for small businesses and manufacturers. NOL deductions help them cope with downturns which is especially helpful for start-ups and for small businesses that typically experience cyclical markets for their products. Small businesses don't have the access to capital that corporations have. Their ability to use such tax strategies will help them have greater control over their financial position. Manufacturing is capital intensive and this change would allow these firms to stay in business and ultimately profit allowing for growth expansion and hiring and investment. It is already permitted for corporate taxpayers in Pennsylvania state law.

PROBLEM: **Pennsylvania has one of the least competitive corporate tax environments in the country.**

SOLUTION: **MBA supports a reduction in the 9.99% Corporate Net Income (CNI) tax rate.** Overall, we have one of the least competitive corporate tax environments in the country. The Commonwealth is ranked 43rd out of 50 states in the 2019 Tax Foundation's Corporate Tax Rank; only seven states were listed as having a worse corporate tax environment. Pennsylvania has the highest non-graduated Corporate Net Income (CNI) tax rate in the country, at 9.99%. We support a reduction in the CNI rate and understand the current budgetary complexities with reducing the CNI rate.

PROBLEM: **Pennsylvania is one of seven states with no statute of limitations for collection of personal income taxes.**

SOLUTION: **Conform to the federal statute of limitations on the collection of tax debts by establishing a ten year time period for the Pennsylvania Department of Revenue to collect assessed personal income tax.** The IRS can look back three years. If income is under-reported the time frame can be extended to six years. The statute of limitations for the federal government to collect tax debts is ten years. Pennsylvania should conform to the federal statute.

PROBLEM: **Since 2014, Governor Wolf has proposed a severance tax each year.** This proposal would add a 4% tax on natural gas companies and add an estimated \$4.5 billion to Pennsylvania government's revenue. However, there is already an "impact fee" charged to these companies. Since its implementation Pennsylvania has been the recipient of more than \$1.7 billion in revenue. The severance tax, when added together with the existing impact fee, would make Pennsylvania the highest taxed state in the industry. This will greatly discourage those companies to continue to drill in the state costing jobs and potential job growth.

SOLUTION: **Do not institute a severance tax and encourage pro-growth policies where we can capitalize on our resources.** The economic study "Forge the Future" does just that. It found maximizing Pennsylvania's energy opportunity could expand GDP by \$60 billion a year, create 100,000 additional jobs and increase receipts to the state Treasury by \$2 billion to \$3 billion annually.

III. WORKFORCE and WORK SKILLS



Without people, you can't have jobs, and without jobs, you can't have an economy," said Mark Zandi, Chief economist at Moody's Analytics."

"Economic growth is a function of gains in the number of workers and their productivity. More workers means more output, income and consumer spending. These trends, in turn attract more employers and workers, fueling a virtuous cycle of growth...But analysts agree that for the US economy to expand faster, it is going to need more people working. 'Without people, you can't have jobs, and without jobs, you can't have an economy,'" said Mark Zandi, Chief economist at Moody's Analytics."

...The Wall Street Journal, ("Utah's Labor Force Fuels Its Economy," by Sarah Chaney and Sharon Nunn, January 19-20, 2019)

PROBLEM: Shortage of skilled workers. The U.S. unemployment rate is 3.8% (March 2019) the lowest in nearly 50 years. The state's March unemployment rate at 3.9% (4.4% March 2018) is the lowest point since 1976, when the state began keeping records. Employers are straining to hire whether they are large or small but it is especially challenging for small businesses and manufacturers.

SOLUTION: MBA supports workforce training. The need for a qualified and available workforce is one of the most common issues raised by employers who are seeking to expand or remain in Pennsylvania. Unless we take the time to rectify the problems that are faced by today's small businesses and manufacturers in finding a skilled workforce, Pennsylvania will suffer major setbacks. It is imperative for the state to retrain displaced workers, attract and train young people to replace the retiring baby boomer workforce, and given state demographics, it is critical to tap new pools of potential workers.

BACKGROUND

"Workforce development is important because small businesses hire almost half of the workforce and create two out of every three new jobs. As a result, the unavailability of qualified workers to fill open positions is truly a crisis that is holding the economy back."

...Rebecca Oyler, NFIB PA Legislative Director, House Labor and Industry Committee, February 19, 2019

"Owners are trying to hold on to the employees that they have in a highly competitive labor market. Sixty percent reported hiring or trying to hire but 90% of those hiring or trying to hire reported few or no qualified applicants for the positions they were trying to fill."

...NFIB March 2019 Small Business Economic Trends, LABOR MARKETS

"The PA Chamber conducts an annual survey...The most recent survey of 650 Pennsylvania employers ...were asked to name the single most important issue facing their company ...the top response, for the first time ever, was Workforce Development/ the inability to find qualified employees."

... Alex Halper, Director, Government Affairs, Pennsylvania Chamber of Business and Industry, House Labor and Industry Committee, February 19, 2019

"PA has a long-term demographic problem that is negatively impacting growth: From 2015-2025 the number of retirees is estimated to increase by 667,000 residents or 31%. We have a workforce that we think could contract over the next decade and that's a major driver of economic growth: From 2015-2025 the working age population (20-64) will contract by 181,000 residents. (-2.4%)"

....2017 House Appropriations Budget Hearing, Matthew Knittel, Director, Independent Fiscal Office

SOLUTION: Create an inventory of workforce development programs. Require the Pennsylvania Department of Education to create an inventory of workforce development programs offered at secondary and post-secondary institutions to coordinate state-level career exploration and workforce development opportunities.

PROBLEM: There is insufficient employer engagement in Career and Technical Education (CTE) community workforce development programs.

SOLUTION: Create a Career and Technical Education (CTE) Investment Incentive Program. Encourage private investment in CTE and support businesses who make contributions to CTE and partnership organizations. Business contributions can increase technical education enrollment expansion, and repair, maintain and replace industry-grade materials and instructional equipment. The program is modeled after the Educational Improvement Tax Credit (EITC) program with tax credits for businesses that contribute.

PROBLEM: There is lack of awareness of other opportunities beyond a four year college degree path.

SOLUTION: Expose youths at an early age to other opportunities. House Bill 425, Career Bound, would create an innovative workforce development program that permits trade groups, businesses, and institutions of higher learning to partner with middle and high schools to offer students early exposure to an array of career opportunities through career expos, job shadowing, internships, and other career-education integration initiatives. Local workforce investment boards, businesses and schools will work together to develop innovative school-to-work pilot programs that exposes youths to high-priority occupations.

PROBLEM: Students may lack of awareness of occupations in need of workers.

SOLUTION: The Department of Education will identify High Priority Occupations programs of study. They will train individuals with a focus on those that provide industry recognized credentials, including both credit and non-credit programs that can be earned in less than two years.

IMPROVING THE WORKFORCE DEVELOPMENT SYSTEM

PROBLEM: Pennsylvania's workforce development system is a complex myriad of programs run by at least seven state agencies administering funding streams with hundreds of millions of state and federal taxpayer dollars. "It's a jumbled mess," PMA President & CEO, David N. Taylor said ... We have dozens of programs... that often work at cross purposes and are not attuned to what businesses need. They are pumping nearly \$2 billion of the taxpayers' money a year into these programs. We must do better...

...Many consider Pennsylvania's workforce development system as dysfunctional...it is spread across many state agencies, with each agency independently setting its own targets and goals. This...has led to duplication of effort and missed opportunities...Looking to consolidate workforce training programs under a single overseer would help ensure state and federal workforce training funds are used effectively."

.... *PMA Bulletin*, ("Thousands of high-paying PA manufacturing jobs await the workers with the skills to fill them," David Taylor, President & CEO, Pennsylvania Manufacturers Association, March 22, 2019)

SOLUTION: Governor Wolf is to be commended for proposing as part of his budget initiative the creation of a Keystone Economic Development and Workforce Command Center. This initiative seems to recognize some of these issues because it brings agencies together to coordinate workforce programs more effectively, reduce duplication of efforts, provide more transparency, and track outcomes.

MBA agrees that reform of the workforce system is needed and legislation to improve and augment current workforce programs is required. We are concerned that those moves are not attacking the root of the workforce problem; there just aren't enough people. What's needed is a more holistic approach to the problem. Pennsylvania needs to innovate and find and train untapped pools of workers.

THE UNINFORMED

“With the acknowledgement that the 2% at the bottom of the pool will always be unemployable/unemployed, we have to go after the next group of people who are potential workers. They are not aware of or due to their circumstances they cannot take advantage of the many job and workforce training opportunities.”

...*David Ross, CEO & President, Anago of Western PA*

PROBLEM: The uniformed. David Ross teaches several classes at the Energy Innovation Center and Bedford House, in the Hill District, Pittsburgh. Some of his students are veterans. He assists people in starting building service businesses, with the goal always to get people into the workforce. The obstacles to employment for that group are 1) People don't know where to go; 2) People have no direction; and 3) People do not have current information. There are barriers to the flow of information, locating training programs, job hunting skills, getting the training and learning how to get through the hiring process.

Some lack high school diplomas and personal education necessary to enter workforce. This often means they received no career counseling in high school and have no knowledge and means to connect with workforce training opportunities.

Some lack electronic access to information and there is no access to central points of information in their communities.

Many have serious road blocks to employment opportunities, such as court garnishments, lack of a driver's, license, no access to public transportation, and no consistent child care etc.. Those with backgrounds of petty drug crimes and crimes from 20 years ago are cut off at the knees by their records. In most cases there is not adequate public transportation to job fairs, workforce training sites, interview sites, or job sites.

PENNSYLVANIA CAN ADOPT CREATIVE SOLUTIONS.

SOLUTION: Place Career Link in libraries to increase awareness and make the services convenient to use. This needs to be in the communities. They can provide post high school career counseling in the communities, information on training opportunities, and Interview training as well as electronic access to information. Follow up counseling may be needed. For instance European countries have mentors to assist every person to get in the daily routine of working, and get direction from interviewing to starting work.

THE INCARCERATED and EX-OFFENDERS

PROBLEM: The incarcerated and ex-offenders. They are an untapped resource and can be trained and rehabilitated for a productive re-entry into the community and the workforce.

SOLUTION: Focus on rehabilitative services and workforce development opportunities for those groups. That means reform of the post-trial criminal justice system to ensure work towards rehabilitation of individuals and preparation to re-enter society rather than creating further risks to recidivism. Over 400 GEDs were completed last year and Pennsylvania is one of the states participating in the Pell grants for prisoners.

The Department of Corrections is looking to partner with community colleges to figure out what the workforce needs are in certain areas to develop the right programs for inmates.

PENNSYLVANIA CAN ADOPT PROVEN, SUCCESSFUL CREATIVE SOLUTIONS.

SOLUTION: “The program called The Last Mile aims to help inmates find work and stay out of prison once they are released. Researchers at Rand Corporation have found that inmates who participated in educational programs were 43% less likely to return to prison than inmates who didn’t.

Ex-inmates are typically among the last groups on the sidelines of the jobs market. ...Officials in Maine which had a 3% unemployment rate in July, are inviting employers to the state prison in Warren for a seminar on hiring prisoners in September. Organizers expected between 25 and 50 employees. So far 114 have signed up...

SOLUTION: The state is proposing that employers send their own managers into prisons to train inmates....”

...*The Wall Street Journal* (“In Indiana, Inmates Learn How to Code,” Kris Maher, August 29, 2018)

SOLUTION: An organization, Uplift Solutions, operates a program in Philadelphia for ex-offenders and finds jobs for them in grocery stores. According to Atif Bostic, Executive Director, their metrics show greater success among similar programs. A cohort of 30-35 ex-offenders is selected from 100 applicants. The six week program includes four weeks of remediating issues, such as child care, health care, a place to live, psychological help, and transportation. The last two weeks are spent training on equipment used in grocery stores. www.upliftsolutions.org

- After six weeks 25 of the original 30-35 cohort graduate.
- After 90 days 92% are employed.
- After six months 84% are employed.
- After one year 79% have had uninterrupted employment.
- 41% are promoted or go on to work in another location at a higher level.
- The usual recidivism rate in the general population of ex-offenders is 40-60%. The Uplift Solutions recidivism rate is an amazing 3%.

SOLUTION: Legislation – Criminal justice reform: Justice Reinvestment Initiative (JRI 2) “...Pennsylvania is leading the nation with steady advancement of commonsense, bipartisan criminal justice reforms. Among his accomplishments: First to pass a Clean Slate law; creating a fair-chance hiring policy for state government; eliminating driver’s license suspensions for non-driving infractions, and joining business and entertainment leaders to announce REFORM Alliance, a national criminal justice reform organization...”

...*“Pennsylvania Gov. Wolf to Lead National Criminal Justice Discussion at Governors Meeting in D.C.”*
February 19, 2019

- “As the Commonwealth looks to become a friendlier environment for job creators, we should embrace any policy that positively impacts the bottom line for businesses. Criminal justice reform fits the bill.

- Continuing to “lock away potential” – whether by imprisoning low-risk offenders or blocking the economically-disadvantaged from assistance – hinders Pennsylvania’s capability as a force of innovation, education, industry, and vitality. Criminal justice reform is an innovative policy solution that spread hope in Pennsylvania – for those seeking “smart on crime” policies as well as those seeking second chances after reform. In return, business owners benefit greatly from the decrease in crime rates, increase in available workers, and lower government spending and taxes.
 - In an era where we are looking for smart ways to get an advantage on our competition, being smart on crime is one policy among others to make Pennsylvania better.”
- ...SMC Business Councils Newsletter (“When Criminal Justice Reform Pays,” Lenny McAllister, Director, Western Pennsylvania, The Commonwealth Foundation, March 2019)
- **JRI 2 (Justice Reinvestment Initiative-2)** allows low-risk offenders the opportunity to re-enter society, pursue work (and self-sufficiency), and contribute to society as employees, parents, and community members. Being “smart on crime” can lower the human services and criminal justice costs that drive government spending. These costs comprise a 45% chunk of the proposed 2019-2020 state budget, contributing to why your corporate tax is the second highest in the nation.
 - Coupled with pro-growth policies such as work requirements and education reform initiatives to increase the flow of qualified candidates into local job markets, criminal justice reform provides an other avenue to identify, train, and retain motivated Pennsylvanians at a time when opportunities for businesses and workers are increasingly available.

THE DISABLED

PROBLEM: The Disabled. “The reality is that more and more people with disabilities are leaving high school and college with degrees and a high level of academic success. But far too many are graduating to the couch rather than to a job,” according to Pennsylvania Rep. Dan Miller who co-chairs the National Task Force on the Future of the Workforce for the Council of State Governments in partnership with the U.S. Department of Labor and the National Conference of State Legislatures.

SOLUTION: Employment opportunities for people with disabilities should be advanced. Opportunities such as internship programs should be developed.

PENNSYLVANIA CAN ADOPT PROVEN, SUCCESSFUL CREATIVE SOLUTIONS.

SOLUTION: “Like many adults with disabilities, Nathan Mort has often struggled to find and hold a job... The 37 year old...has a high-functioning form of autism ended up living with his parents and dependent on government payouts....His fortunes changed...when a local food distributor, **Gordon Food Service, found itself short of entry-level workers and developed an internship program for adults with disabilities**...Mr. Mort is part of a wave of disabled Americans joining or returning to the U.S. labor force, breaking a long-running trend that had pushed millions to the sidelines of work...The average monthly jobless rate for the disabled in 2018 is 8%, down 4.6 percentage points from 2014... two factors are at play. First, the tight labor market is causing employers like Gordon Food Service to expand their search for job candidates. Second, social security disability benefits-which for many became a de facto second form of unemployment insurance after the last recession ended in 2009 - have become harder to access.”

...The Wall Street Journal (“Lost Labor Now Found,” Eric Morath, January 26-27, 2019, EXCHANGE)

ANYONE OVER THE AGE OF 55

According to Pennsylvania Auditor General, Eugene DePasquale, more than 25% of Pennsylvania workers are over the age of 55.

PROBLEM: As lifespans increase, the U.S. needs more working seniors contributing to the economy. “Americans over age 65 work at a much lower rates than their younger counterparts, meaning that as they increase as a share of the population, the labor-force participation rate will likely decline. Just about 20% of Americans over 65 work or look for work.”

...*The Wall Street Journal*, (“Labor Force Rate Defies Declines-For Now,” *The OUTLOOK*, By Nick Timiraos and Sarah Chaney, March 25, 2019)

SOLUTION: Encourage retirees to work part-time, extending the working age population.

BACKGROUND

“Greg Miller, 65 years old, a former environmental engineer and contract administrator was laid off in 2017. He recently gave up looking for full-time work after sending out more than 400 resumes. ...This kind of late-career employment is part of a paradox that is deepening the worst retirement shortfall in decades.

Even though the official unemployment rate is just over 3% for older workers, the actual jobs environment is surprisingly bleak. Nearly 8 million older Americans are out of work or stuck in low quality jobs that offer little opportunity to prepare for retirement, a **Wall Street Journal** analysis of government data shows.

The figures include nearly 2.1 million Americans who are out of work, working part time because they can't find full-time job or they have stopped looking for work because they don't think anyone will hire them. Another 5.8 million -or 23% of full time workers ages 55 and older- are employed in what economists describe as “bad jobs” that offer no health benefits and typically pay poorly.

Some job placement specialists say age discrimination is a factor. Employers may consider older workers more expensive, even at the same pay, because of health insurance costs....such difficulties come at a time when companies around the country are struggling to find workers...”

...*The Wall Street Journal*, (“Booming Job Market Can't Fill Retirement Shortfall,” Ruth Simon, December 21, 2018)

PENNSYLVANIA CAN ADOPT PROVEN, SUCCESSFUL CREATIVE SOLUTIONS.

SOLUTION: “Ultra Machining Co in Minnesota is working hard to retain veteran employees by offering shorter hours and is launching a training program for candidates with little or no manufacturing experience...”

SOLUTION: ...Some states are experimenting with ways to connect experienced job seekers with willing employers. The Southeast Michigan Community Alliance in Taylor, Michigan held its first 50+ job fair this spring with AARP MI. Job seekers skills were reviewed before the event to make sure they had the needed skills. 31 received job offers on the spot.”

...*The Wall Street Journal*, (“Booming Job Market Can't Fill Retirement Shortfall,” Ruth Simon, December 21, 2018)



Without people, you can't have jobs, and without jobs, you can't have an economy,” said Mark Zandi, Chief economist at Moody's Analytics.”

IV. HEALTH CARE COSTS and HEALTH INSURANCE PREMIUMS

Small employers need access to affordable health insurance and in many cases they don't have it. The cost of health care services continues to rise and drives the cost of health insurance premiums higher. Anything that can reduce the cost of health care for small employers and employees helps around the periphery but major change is needed. The limits of reducing health insurance premium through plan design have been reached. The remaining paths to cost reduction involve disruptive cultural change. Consumer/patients...

- Require price and quality transparency so they can shop for services;
- Must be educated to engage with physicians and ask questions regarding their own care; and
- Can be encouraged to adopt emerging technologies.

Pennsylvania must codify the federal Department of Labor rule allowing small businesses to take part in Association Health Plans.

PROBLEM: Insurance costs are not sustainable. “Sixty-two percent of employers say they provide health care coverage for employees, a sharp decline from a high of 74% in 2013. Moreover, 76% say premiums have increased, while 66% say “controlling the costs of healthcare” should be the top priority...No single legislative issue ranks higher.”

...PACOC 28th Annual Pennsylvania Economic Survey 8/2018 Conducted by Susquehanna Polling and Research, Inc., the 28th Annual Pennsylvania Economic Survey includes interviews with 650 Pennsylvania employers and management-level employees.

https://pachamber.org/assets/pdf/annual_economic_survey_2018.pdf

BACKGROUND: Small Businesses and Health Insurance Premiums

Small Businesses Pay an Inordinate Amount for Health Insurance Compared to Larger Businesses

- “On average, small businesses paid about 8% to 18% more than large firms for the same health insurance policy... As both workers and small employers feel the financial squeeze, fewer are able to afford to offer, or purchase, health insurance coverage.”

...*Small and Large Business Health Insurance: State & federal Roles, National Conference of State Legislatures, September 12, 2018.*

<http://www.ncsl.org/research/health/small-business-health-insurance.aspx>

Health Insurance Premium Costs

- Small-business owners rank the cost of health insurance as their most severe problem and it is the main reason for 52% of small employers not offering health insurance.
- ...*National Federation of Independent Business 2017 Health Insurance Fact Sheet...Wade, Holly, Small Business Problems and Priorities, August 2016.*
- Since 2006, the average annual family premium for covered employees in small firms increased 58% over ten years. Family coverage insurance premiums for small firms increased from \$11,480 in 2006 to \$18,142 in 2016.

...*National Federation of Independent Business, 2017 Health Insurance Fact Sheet ...Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2016.*

BACKGROUND (cont'd.)

Health Insurance Offer Rates

- 22% of small employers with less than 10 employees offer health insurance.
- 29% of small employers with less than 50 employees offer health insurance.
- Since 2010 the health insurance offer rate among small employers with less than 50 employees has declined 10% from 39% to 29%.
- 71% of small employers with less than 50 employees do not offer health insurance.

...National Federation of Independent Business, 2017 Health Insurance Fact Sheet, Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, 2016 Medical Expenditure Panel Survey- Insurance Component

MBA believes improvements can be made at the state level.

CONSUMERS/PATIENTS NEED DATA.

PROBLEM: Patients/consumers can rarely determine in advance their cost and value for medical procedures and other provider services. We've been talking about talking about shopping for health care services for the last decade but the tools are not in place.

INNOVATIVE SOLUTION: Price and quality transparency is required so patients/consumers can shop for services.

BACKGROUND

December, 2009

"It's long been hard for health-care consumers to learn how much doctor visits or hospital stays will cost them. That's now beginning to change, as a growing array of web sites try to lift the veil on pricing..."

...The Wall Street Journal, ("How to Research Health Care Prices," December 4, 2009)

March 8, 2019

"The Trump administration is sounding out the medical industry on requiring hospitals, doctors and other health care providers to publicly disclose the secretly negotiated prices they charge insurance companies for services, a move that would expose for the first time the actual cost of care....Mandating public disclosure of the rates would upend a longstanding industry practice and put more decision making power in the hands of patients.....Commercial health-care markets are rife with complex systems of hidden charges and secret discounts. Policy makers, employers and patients are often unable to see clearly which hospital systems and doctor practices are driving high costs...

...The administration's visionis to arm patients with information needed to make health care decisions much like shopping for other consumer services....Once publicly available, patients may have the benefit of third-party technology companies aggregating the price data and building shopping tools that show the negotiated costs for services charged by various hospitals and providers..... Hospital are likely to push for insurers to be under the same transparency rules and be required to release the negotiated discounts they pay for patient care..."

...The Wall Street Journal, ("New Push Calls for Disclosing Medical Prices," by Stephanie Armour and Anna Wilde Mathews)

BACKGROUND (cont'd.)

March 12, 2019

“Hospitals and insurers are gearing up to battle a Trump administration plan that could require the public disclosure of negotiated prices for medical services, part of an effort to lower U.S. health care costs. Patient advocates have largely cheered the idea, saying consumers should be able to price shop before they pick a doctor or undergo treatment. But industry groups are attacking the administration's legal authority to mandate price disclosure which could upend hospitals negotiations with insurers, and are criticizing any requirement as too complex to implement...

...The negotiated rates that insurers pay hospitals and other health-care providers often vary widely. In Ohio, the average price of a pregnancy ultrasound in Cleveland was \$522, almost three times the \$183 charged in Canton, Ohio, just 60 miles away according to a 2016 study in Health Affairs. These negotiated rates are typically closely held secrets, often shielded by contractual gag clauses.”

...*The Wall Street Journal*, (“Hospitals, Insurers Set to Resist Price Transparency Proposal”
Stephanie Armour and Anna Wilde Mathews)

SOLUTION: Health care data on costs: Reauthorize and Modernize the PA Health Care Cost Containment Council (PHC4). PHC4 was created in 1986 as an independent state agency to collect data on health care costs to stem the rapidly growing cost of health care procedures. PHC4 has proven to be a valuable tool in bringing a level of transparency to our health care system to the benefit of consumers. In some cases consumers/patients have used the PHC4 data and analysis to make informed health care decisions. Legislation will re-establish PHC4, which has been authorized by Executive Order since 2014 and will also make changes to provide more flexibility to PHC4 data and reports.

- PHC4 website shows how much Medicare pays local hospitals and outpatient centers for 78 common outpatient treatments, services and procedures. Realistic cost information based on likely insurance carrier adjustments would be more helpful.

PROBLEM: **Small employers in the fully-insured commercial market, unlike employers in the self-insured market, do not have access to their claims data.**

SOLUTION: **Small employers with less than 100 employees in the commercial, fully-insured market should have access to aggregate data to bargain with insurers.** Small group market claims are aggregated for each plan, but that information can still be helpful in understanding renewal rates and providing a basis to push for an adjustment. Some carriers base increases on the previous year's premium and tack on a 10% increase regardless of utilization. If claims don't increase why should the employer pay 10% more? Without access to their claims data the employer is hand-cuffed and cannot provide any evidence to question the increase because they have no access to their claims data. They should have access to the amount of aggregate claims and know if the increase is justified.

- **Fully Funded Health Insurance Plans**

- o Eight-three (83) percent of offering small firms with less than 100 employees purchase health insurance in the fully insured market.

...*Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. 2016 Medical Expenditure Panel Survey-Insurance Component*

PROBLEM: Prescription drug cost transparency must be addressed at the state level. Gag clauses block the flow of information to consumers/patients. Under pharmacy gag clauses, Pharmacy Benefit Managers (PBMs) have contractually prohibited pharmacists from:

- Telling consumers when their prescription would cost less if they paid for it out-of-pocket rather than using their insurance plan;
- Disclosing the availability of equivalent alternative medications; and
- Selling a more affordable alternative.

SOLUTION: The most valued step for small employers and employees is the banning of the use of “gag clauses”. A pharmacy or pharmacist should have the ability to provide that information and they should not be prohibited or penalized by a PBM for discussing the cost of a prescription drug.

President Trump signed a “gag clause” bill to end that practice and at least 28 states enacted laws prohibiting “gag clauses” in contracts that restrict pharmacists.

...*National Conference of State Legislatures*

BACKGROUND: Prescription Drug Costs

...“The fastest rising cost in the health care system is the cost of prescription drugs, and slowing or reversing this trend will help control health care costs nationwide. More troubling is that prescription drug prices are projected to continue to grow year over year for the foreseeable future, and they are growing at a rate faster than any other area of health care spending... Due to the interstate nature of pharmaceutical transactions, states are limited in their ability to tackle the issue of rising drug prices, with state solutions thus far mostly limited to addressing the need for transparency in pharmaceutical pricing”...

....*Adapted from Governor Wolf’s March 1, 2019 letter to U.S. Senator Lamar Alexander, Chair, Health, Education, Labor and Pensions Committee*

PROBLEM: Patients may suffer financial consequences as a result of very narrow provider networks.

Ten of Pennsylvania’s counties have only one insurer and many health care plans have narrow provider networks with very limited choices in order to cut down on costs. Networks may have a limited number of primary care and specialist providers and possibly only one hospital.

...*Kaiser Family Foundation, 2019, Insurer Participation on ACA Marketplaces*

- A financial problem occurs when an insured patient unknowingly receives services from an out-of-network provider and the patient is billed. It happens most often when a patient sees an in-network provider for care but related services are handled by out-of-network providers. It also arises in emergency situations, where a patient has little or no choice in their care provider. Patients can find themselves with unexpected bills that run into thousands of dollars when providers are out-of-network. Even though such a bill may be resolved without payment by the patient, the process itself can lead to long months of emotional and financial stress and damage the patient’s credit.

SOLUTION: Support Surprise/Balance Billing protection for consumers. At least 25 states now have laws protecting patients from surprise out-of-network bills. Another 20 states are considering legislation. It provides for the protection of consumers of health care coverage against health care providers’ surprise “balance” bills. Consumers/patients should be held harmless for surprise bills.

CONSUMERS/PATIENTS MUST BE EDUCATED TO ENGAGE WITH PHYSICIANS AND ASK QUESTIONS REGARDING THEIR OWN CARE.

PROBLEM: The third party payment system provides no incentives for consumers to take an active role in their own health care decisions. Employers want to provide attractive benefits to retain and attract employees and health insurance is a prized benefit. As the cost of health benefits spirals upward, employers in many cases have no choice but to shift more costs onto employees and increase the use of high-deductible plans. Health insurance premiums, co-pays, deductibles and out-of-pocket costs continue to increase, however, employees are shielded from knowledge of costs because of the third party payment system. What actions can be taken to engage employees in their own health care?

INNOVATIVE SOLUTION: MBA supports the education of employers and employees to engage with physicians and ask questions regarding their own care so they better consumers of health care services. When employees are more fully engaged in their own health care they will understand that more health care is not better health care and more expensive health care is not better health care. The health care marketplace does not operate like other market places. In this market cost and quality are not related. It is important for the consumer/patient to understand that concept.

One of the best ways to educate employees to take a more active role and make informed decisions about purchasing health care services is simple. They can ask providers questions about tests, procedures, prescriptions etc., just as they ask car salesman questions about a car before they make a purchase

Consumers must have information on cost, quality, and access to make good health care decisions. The format must be understandable, accurate, and readily available.

WALLET CARDS: The “Choosing Wisely” program publishes wallet cards, “5 Questions to ask your doctor before you get any test, treatment or procedure.” The card helps patients ask questions so they can get the most appropriate care.

- Do I really need this test or procedure?
- What are the risks and side effects?
- Are there simpler, safer options?
- What happens if I don't do anything?

...*American Board of Internal Medicine (“Choosing Wisely Program.”)*

The goal is to get doctors and patients talking to each other. To learn more about this concept read “Healing People, Not Patients” by Jonathan Weinkle, MD, September 2018.

Another important question to ask your insurer is “How much does it cost, is the provider in my network, and will my insurance pay for it?”

CONSUMER/PATIENTS CAN BE ENCOURAGED TO ADOPT EMERGING TECHNOLOGIES.

Data and technology are improving the health care system.

INNOVATIVE SOLUTION: Educate employers and employees about emerging technologies such as telemedicine. They can be utilized to reduce cost and improve quality of care and access for small employers in rural communities. The remote delivery of health care services and medical information using telemedicine technology is a rapidly growing component of health care. Specialists and other providers can expand their reach, helping rural patients stay in their communities and avoid traveling long distances for specialized care. Legislation will define telemedicine, offer guidelines outlining who can provide telemedicine services, assure providers have professional liability coverage, are not fraudulent actors, and provide clarity around insurance company reimbursement for these services.

INNOVATIVE SOLUTION: “In the coming years, 5G will make it possible for doctors to have more interactions with their patients through new telemedicine avenues, such as high quality videoconferencing and virtual reality...”

... *The Wall Street Journal, February* (“*Journal Report: 5 G What’s Next, Adapted from A New Doctor Patient–Relationship,*” February 27, 2019)

ASSOCIATION HEALTH PLAN (AHP) PENNSYLVANIA MUST CODIFY DOL RULE ESTABLISHING AHPs

PROBLEM: Health insurance has remained one of the highest costs of doing business for employers. Rates continue to sky rocket with the most severe impact affecting small to mid-size companies. The majority of companies with fewer than 50 employees are paying a disproportionate amount with the increases becoming unsustainable. Many companies have passed the increased costs on to their employees or made the difficult decision to eliminate health insurance as a benefit all together. Those who chose to absorb the increases, eliminated the potential for pay raises and froze hiring efforts.

INNOVATIVE SOLUTION: AHPs allow small businesses to band together and be rated in the large group market where they would have larger buying power to negotiate for discounted coverage, something those rated in the small group market are unable to do. The U.S. Department of Labor in a recent rule change has made these available for the first time in years. Pennsylvania needs to codify the federal rule change and adopt statutory language to afford employers with the less than 50 employees the same competitive advantages those with over 50 currently enjoy.

BACKGROUND: Truth versus Myth

First, the new AHP regulations will not return the health care market to a “Pre-ACA” world. In fact, every AHP is, by definition, a “group health plan” subject to consumer protections under an array of federal laws. In effect, an AHP is the same type of health plan a large employer offers, subject to the same rules and requirements applicable to a large employer plan.

Second, Pennsylvania fails to recognize that AHPs WILL provide comprehensive coverage. Small employers – just like large employers – want to attract and retain talented workers and keep their employees healthy and productive. Since they lack the resources and bargaining power of big employers, however, the majority of small employers are unable to offer comprehensive coverage at an affordable price.

Lastly, Pennsylvania is concerned there is potential for fraudulent plans. However, since 1983 regulatory framework has been in place to prevent this very thing. The ACA, which is still the law of the land, established improvements in reporting and stronger enforcement tools designed to reduce fraud and abuse. There is no factual basis for concluding the past is a prelude here. The nature of the market itself has changed, in a way which strongly incentivizes current and future AHPs not to engage in fraud and abuse their predecessors committed.

In fact, before it was discontinued, the MBA offered this benefit for nearly 50 years without fraudulent interference and our fully-insured programs covered up to as many as 50,000 lives.

Most can agree quality coverage is important, want to offer it, and protections should allow for this. However, we cannot ignore that in the first five years after AHPs were discontinued, 25% of small businesses providing health insurance were no longer financially able to provide this benefit and that number has grown.

V. MINIMUM WAGE

An increase in the minimum wage would impact small businesses more than any other segment of the economy because they offer more entry-level jobs. It is in direct conflict with the need to build a qualified workforce. Those most impacted are young people who desperately need starter jobs for an introduction to the world of work. That first job exposes them at an early age to the soft skills which many employers cite as lacking.

PROBLEM: Governor Wolf proposes minimum wage increase to \$12 per hour in July 2019. The wage will increase \$.50 per hour each year until it reaches \$15 per hour in 2025. This is an immediate 65% increase in July 2019 and a 107% increase overall.

- Pennsylvania unemployment is at an all-time low of 4% and there are more jobs than workers, why would PA place an artificial higher hurdle that shuts off young people, the workforce of the future, from gaining early entry-level job experience?
- Pennsylvania would have the second highest minimum wage of any state in 2019 and fifth highest in 2020.

SOLUTION: Commit to 1) a focus on training young people by giving them entry-level job experience; and 2) training and retraining others to transition them from minimum wage jobs to better paying jobs. The key is helping workers to acquire skills, experience, and education that will make their labor more valuable.

SOFTSKILLS VS. HARD SKILLS

“...When asked for the most common problems experienced when interviewing and considering job applicants, the two most popular responses by far were ‘Lack of soft skills’ (43 percent) and ‘Lack of hard skills’ (35 percent)...”

...PA House Labor and Industry Committee Hearing, Workforce Development, February 19, 2019, Alex Halper Director, Government Affairs, Pennsylvania Chamber of Business and Industry

Hard skills are taught through Career and Technical Education (CTE) classes, skills training and apprenticeships. Soft skills, in contrast, are learned by young people through real world experience by working part-time jobs. The longer young people remain on the street corner, then the longer they are delayed from gaining that first entry-level job and exposure to critical, basic soft skills.

- | | |
|---------------------------------|--|
| • Work ethic | • Focus and conscientiousness |
| • Showing up on time regularly | • Dedication and a good attitude |
| • Understanding the customer | • Staying engaged throughout the workday |
| • Adequate communication skills | • Basic manners |
| • Ability and team work | • Following instructions |

2017 MINIMUM WAGE SURVEY

SMC Business Councils conducted a minimum wage survey in 2017 to determine where small employers stood in regard to Governor Wolf’s mandated increase to \$12.00 per hour. 450 survey replies were received from ten business organizations. Key findings:

- Survey results show that few small businesses would go out of business if the minimum wage was increased to \$12.00 per hour on July 1, 2017. However, the actions that small employers take would hurt workers more than help them and would have unintended consequences. More money will be put into the pockets of fewer workers with less hours and benefits.
- When asked about Governor Wolf’s proposal to increase the minimum wage from \$7.25 to \$12.00 per hour effective July 1 with no phase-in period a whopping 85% of survey respondents disagreed.
- Ninety percent of the employers in the survey paid above \$7.25 per hour. Some employers noted that they don’t know how they could get someone to work for \$7.25. The market was showing entry level employees starting at \$9-10 per hour. The starting wage numbers reflect a market price for wages not a government mandated number.

BACKGROUND

NEGATIVE IMPACT OF The MINIMUM WAGE INCREASE ON YOUNG POTENTIAL WORKERS

ANALYSIS FROM PENNSYLVANIA'S INDEPENDENT FISCAL OFFICE (IFO)*

**The IFO provides nonpartisan revenue projections for use in the state budget process, and also offers impartial and timely analysis of fiscal, economic and budgetary proposals to assist in the evaluation of policy decisions.*

Analysis of Revenue Proposals Fiscal Year 2019-20, Executive Budget, March 2019

“Similar to other policy changes, policymakers face tradeoffs from a higher minimum wage. There will be many who benefit from the change, but a smaller group will be adversely impacted too.

Policymakers will need to decide whether the projected gains outweigh the drawbacks. The analysis found the following drawbacks from the proposal:

- **More difficult entry into the labor market for inexperienced workers, especially part-time high school and college students.**
- An employment reduction of 34,000 positions, 26,000 part-time and 8,000 full-time.
- Stronger effects for rural areas that have a lower cost of living and a greater share of small, regional employers.
- Lower profit levels that can be reinvested in business operations.”

SUPPLY and DEMAND

“CVS Health reports it will increase its starting hourly pay to \$11 per hour for U.S. workers... Wal-Mart, Inc. the country's biggest private employer, said last month it would lift its starting pay to \$11.00 per hour.”
...*The Wall Street Journal* (“CVS to Raise Starting Wage,” Sharon Terlep, February 9, 2018).

“In Oct. 2017 Wal-Mart retail rival Target Corporation lifted its starting pay to \$11 per hour...and Costco Wholesale Corporation now starts hourly staff at \$13 per hour.”
...*The Wall Street Journal*, 2018

Last week Target said it has raised starting wages for store workers to \$13 per hour and has previously said it will raise starting wages to \$15 next year. Last month, Costco Wholesale Corp. raised starting wages...for store workers to \$15...”
...*The Wall Street Journal* (“Walmart Employs Robots in Effort to Control Labor Costs,” Sarah Nassauer and Chip Cutter, April 8, 2019)

... As wages go up, automation increases. Some jobs go away especially those for the low-skilled hourly workers.

“Walmart Inc. is expanding its use of robots in stores to help monitor inventory, clean floors and unload trucks, part of the retail giant's efforts to control labor costs as it spends more to raise wages and offer new services like online grocery delivery....Retailers and other companies that hire large numbers of low-skilled hourly workers are increasingly looking to automation as they face higher labor costs and aim to improve retention amid the lowest unemployment in decades.....

...*The Wall Street Journal* (“Walmart Employs Robots in Effort to Control Labor Costs,” Sarah Nassauer and Chip Cutter, April 8, 2019)



Several years ago, Duquesne University adopted a minimum wage of \$15 per hour...within months of announcing the wage hike, the university replaced parking attendants with electronic access cards...” The minimum wage hike didn’t raise those workers to \$15 an hour. It dropped them to zero..”

...PA House Labor and Industry Committee Hearing, Economic Impacts of Minimum Wage Increase, February 6, 2019 Testimony, Dr. Antony Davies, Associate Professor of Economics, Duquesne University.

TESTIMONY: PA House Labor and Industry Committee Hearing, Workforce Development, February 19, 2019

“...Unfortunately, youth unemployment remains a serious problem throughout Pennsylvania and the country... Youth unemployment in July 2018 was 9.2% and specifically African American youth unemployment was over 16%. Public policy should allow and encourage employers to create new and maintain existing part-time, lesser skilled jobs that are often filled by the 16-19 year old demographic...”

... Alex Halper Director, Government Affairs, Pennsylvania Chamber of Business and Industry

“...We must emphasize that the Governor’s proposal to increase the hourly minimum wage to \$12 this summer, and to \$15 over the next few years, undermines his stated commitment to workforce development... The positions that will be eliminated are the exact jobs that allow workers to get their foot in the door and gain the critical soft skills they need to get ahead. This will ultimately exacerbate the workforce problem over the long-term because fewer workers will be able to gain critical starter skills.”

... Rebecca Oyler, PA Legislative Director, National Federation of Independent Business

VIEW FROM AN EXPERT ECONOMIST

An increase in the minimum wage impacts consumers, employers and potential and current employww

When employers have no more dollars to spend they have to reallocate dollars. Here’s where the dollars may come from:

- CONSUMERS: Pay higher prices
- EMPLOYERS: Profits are reduced by increased wages plus workers comp insurance and social security taxes
- CURRENT EMPLOYEES:
 - o Layoffs to reduce the number of employees
 - o Reduced hours for fulltime employees; fewer hours for part-time employees or zero hours
 - o Reduced employee benefits
- **POTENTIAL EMPLOYEES: Fewer opportunities for the young entry-level workers be**

cause there is more value in an experienced, trained worker.

... National Federation of Independent Business (NFIB) Small Business Day at the Capitol, April 9, 2019 Holly Wade, NFIB Research and Policy Analysis Department

VI. ENERGY and REGULATIONS

PROBLEM: Pennsylvania does not have a long-term energy policy for our most valuable commodity. Lack of a comprehensive energy policy creates uncertainty of costs and reliability of energy sources. This will leave our state and its small businesses at the mercy of global politics, commodity markets and short-term extremes in availability and cost of energy.

SOLUTION: In lieu of a long-term energy policy it is critical to maintain affordable, varied, and reliable energy sources. Abundant, safe, reliable and competitively priced energy production and delivery are important components of a healthy economy for small businesses. Energy costs can be a significant portion of any business operation and in certain energy-intensive industries, these costs account for more than 50% of total operating costs.

BACKGROUND

Pennsylvania has long been an energy exporter due to our historic strengths in traditional sources such as coal, oil, hydroelectric, nuclear and natural gas. Traditional sources and renewable/alternative energy sources such as solar, wind, biofuels and biomass can form a diverse portfolio of energy sources. All these forms of energy are key products of our Commonwealth, and the production of competitively priced energy helps fuel our economy while generating significant employment.

We are fortunate to have a wide variety of energy sources and should consider that a strength. Resiliency and reliability are required. Those energy sources can provide great wealth.

Successful development of “downstream” industries such as heat and power generation, petrochemicals, advanced materials, advanced manufacturing, export and infrastructure hold the potential for significant economic growth:

- A \$60 billion increase in Pennsylvania GDP;
- Addition of more than 100,000 jobs;
- An increase in natural gas demand of 4-5 trillion cubic feet – all of which would generate several billion dollars in additional tax revenue for the Commonwealth.

...“*Forge the Future: Ideas for Action*”

MBA State Energy Policy

MBA supports balanced policies that allow producers and suppliers from all energy sectors located in our Commonwealth to compete and enable business to secure a reliable supply of energy produced and delivered on a competitively priced basis. This can be best accomplished by the following:

- Ensuring that energy policies and actual practices are competitive with other states and no more restrictive than federal law.
- Encouraging greater use of domestic natural resources while using appropriate, reasonable, and currently achievable environmental controls based on sound and verifiable science.
- Supporting cost-effective energy efficiency and storage.
- Avoiding price controls on any energy sources.
- **Allowing the marketplace to select the most appropriate energy sources and avoiding governmental actions that select or force the choices of particular energy sources.**
- Supporting programs that encourage research into new technology for energy development of power generation and fuels.
- Creating state policies that can leverage federal programs aimed at encouraging growth and energy technology adoption by small business.

- Reducing regulatory and other governmental hurdles to the utilization of all energy sources and to the implementation of energy infrastructure while ensuring appropriate environmental protection.
- Ensuring new or revised regulations adhere to Act 76 of 2012 - Regulatory Flexibility for Small Businesses.
- Ensuring that our energy supply and delivery systems have the appropriate physical and cyber security standards and enforcement mechanisms.

SOLUTION: MBA supports increasing energy efficiency for Pennsylvania by the removal of the cap on utility energy efficiency investment. This will allow our utilities to eliminate more energy waste. In the first seven years of Pennsylvania’s energy efficiency law, Act 129, programs have delivered \$6.4 billion in economic benefits at a benefit-to-cost ratio of nearly 2-to-1. The programs have helped businesses remain competitive, meet corporate sustainability goals, and create good-paying jobs. Pennsylvania’s annual savings from utility energy efficiency programs lag behind other states due in part to Act 129 which limits utility investment in energy efficiency program to 2% of 2006 utility revenues, thereby restricting the level of energy efficiency investment that utilities can make to eliminate energy waste.

MBA STATEMENT – GREENHOUSE GAS EMISSIONS

MBA understands that addressing greenhouse gas emissions is challenging and will involve innovative solutions, practices and technologies from the private sector. Real-world experience has shown that competitive markets do a better job driving growth and reducing emissions than cap-and-trade schemes.

Governor Wolf’s Executive Order proposes very aggressive regulations to gradually reduce and eliminate greenhouse gas emissions across the state to net zero by 2052. It is a cap and trade program, modeled after a California program, and would require certain industries to purchase emission allowances at auction. It is also very similar to the program proposed by environmental groups and other activists. They recently petitioned the Environmental Quality Board (EQB) at the Department of Environmental Protection (DEP) to establish a cap and trade program to eliminate emissions in the state. The EQB voted in mid-April to accept and review the petition. DEP will evaluate the proposal and consider the environmental, economic, competitive, and legal implications which may take months.

A coalition of major state business and industry groups sent a letter to the EQB board urging they take little or no action on the petition until the implications of such a broad environmental regulatory program are determined and along with the effect on the Pennsylvania economy. MBA strongly agrees with this stance. There are many important questions that require answers and little detail is available and unknown.

If the DEP report recommends that the board approve the petition and Governor Wolf accepts it, a comment period will be scheduled. The enacted program will impact many large and small businesses and individuals directly and indirectly. Some of the businesses initially affected will include those producing cement, glass, paper, certain metals and gasses. Energy producers and some energy storage facilities will be impacted if they handle petroleum, electricity, coal, and natural gas. The costly program if enacted, which essentially amounts to a new fee/ tax, will have successfully circumvented the entire legislative process.

MBA STATEMENT – NUCLEAR ENERGY

In 2017, Pennsylvania ranked second in the nation in electricity generation from nuclear power, which supplied 42% of the state’s net electricity generation, more than from any other energy source.

...*Energy Information Administration, PA Profile, Updated July 19, 2018*

MBA’s energy policy points to the need for an “all-of-the-above” strategy and competitive energy markets. As some who advocate migration to sectors other than fossil fuels it is important to keep in mind that we should not put “all of our eggs in one basket.” The problem that occurs when “all of the eggs are in one basket” and the energy landscape changes was recently illustrated by China. Previously China used mostly coal for power

generation but because they had tremendous problems with smog, they moved to natural gas. Now they do not have adequate gas supplies for both industry and home heating. No energy source is without consequence. So rather than eliminate any energy source, especially abundant, affordable and reliable energy sources, we should foster innovation and technological advances that allows safe and environmentally respectful utilization of our energy sources to support our economy and jobs.

To reiterate, MBA firmly adheres to the principles stated in our energy policy and we are staunchly committed to competitive energy markets without government interference:

- *“Allowing the marketplace to select the most appropriate energy sources and avoiding governmental actions that select or force the choices of particular energy sources.”*

Competitive energy markets would be severely undermined by the current proposed legislation to subsidize nuclear power. It would increase the regulated, non-competitive share of the electricity market from less than 20% to nearly 70%, leaving less than one third of the market subject to competition. In addition, MBA opposes government subsidies of industry; they raise serious questions about the validity of using taxpayer money to pick industry winners and losers in lieu of free market competition.

REGULATIONS

PROBLEM: Pennsylvania has a multitude of old regulations and a development process for new regulations that can lead to a disproportionate economic impact especially on smaller businesses.

SOLUTION: Pennsylvania needs regulatory policies that protect our economy from undue burdens on business and job creation while balancing public safety with ease and cost of compliance. That means improving the regulatory culture by stopping bad regulations before implementation, basing new regulations on cost-benefit analyses and sound science, and systematically reviewing existing regulations with an eye to remove those that are duplicative or unnecessary.

- **Provide for accountability of the impact of new regulations on small businesses. MBA supports legislation providing for “Economically Significant Regulations.”** This will enhance the General Assembly’s role in the regulatory approval process by requiring both the General Assembly and the Governor to approve economically significant regulations, that is, regulations with an impact or cost to the state and the private sector that exceeds \$1 million. Greater public comment and input on government regulations decisions strengthens political accountability for regulatory policy.
- **Provide for the review of existing regulations. MBA supports the process of the Independent Office of the Repealer.** This would undertake an ongoing review of existing regulations and statutes to identify those that may be appropriate for modification, revision or repeal. This will insure the sun setting of many outdated regulations that inhibit the growth of the economy. For example, for every new regulation an agency proposes, two existing regulations must also be offered for repeal.

“James Broughel from the Mercatus Center at George Mason University stated he produced a report on the regulatory environment in Pennsylvania. The Pennsylvania Administrative Code has about 13 million words with over 153,000 restrictive words. According to Broughel:

- *It would take someone 18 weeks to read the entire Pennsylvania Code.*
- *Pennsylvania has a higher restriction count than some of its neighbors such as West Virginia and Maryland.*
- *Regulatory reform is essential because of the effects regulations have on economic growth and living standards.*
- *Pennsylvania has a modern system but could do more to analyze the consequences of old regulations.*
- *Pennsylvania can learn from other states like Kentucky, Nebraska, Missouri, and Illinois who are prioritizing the review of regulations on the books.*
- *Pennsylvania can consider a policy being followed by Texas and the United Kingdom such as “one in, one out” where an old regulation is removed for every new regulation introduced.”*

... Pennsylvania Legislative Services, (“Republican Representatives Announce Regulatory Reform Legislation,” 1/16/2018)



NOTES

Manufacturer & Business Association (MBA)

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www.mbausa.org



NOTES

Who is MBA, the Manufacturer & Business Association?

The Manufacturer & Business Association (MBA) believes small businesses and manufacturers are the backbone of Pennsylvania's economy. The MBA, founded in 1905, is dedicated to helping employers face challenges by delivering services that lower the cost of doing business, ease the burden of compliance and increase productivity for its members. This mission is accomplished by providing exclusive, valued-added services that can help businesses navigate ever-changing federal and state laws and can provide them with the training to take their workforce to the next level. The MBA is recognized as a trusted resource for employers across Pennsylvania, northeastern Ohio and southwestern New York. <http://www.mbausa.org/>

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