

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

FINANCE COMMITTEE HEARING

STATE CAPITOL  
HARRISBURG, PA

IRVIS OFFICE BUILDING  
ROOM G-50

WEDNESDAY, SEPTEMBER 19, 2012  
1:06 P.M.

PRESENTATION ON HB 2181, HB 2182,  
HB 2183, AND HB 2184  
TAX CREDITS

BEFORE:

HONORABLE KERRY A. BENNINGHOFF, MAJORITY CHAIRMAN  
HONORABLE RYAN P. AUMENT  
HONORABLE SCOTT W. BOYD  
HONORABLE JIM COX  
HONORABLE GORDON DENLINGER  
HONORABLE C. ADAM HARRIS  
HONORABLE FRED KELLER  
HONORABLE DUANE MILNE  
HONORABLE MICHAEL PEIFER  
HONORABLE PHYLLIS MUNDY, DEMOCRATIC CHAIRMAN  
HONORABLE MATTHEW D. BRADFORD  
HONORABLE TIM BRIGGS  
HONORABLE MARGO L. DAVIDSON  
HONORABLE MADELEINE DEAN  
HONORABLE FLORINDO J. FABRIZIO  
HONORABLE SID MICHAELS KAVULICH

ALSO IN ATTENDANCE:

HONORABLE DWIGHT EVANS

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*Pennsylvania House of Representatives  
Commonwealth of Pennsylvania*

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COMMITTEE STAFF PRESENT:  
TAMARA L. FOX  
MAJORITY EXECUTIVE DIRECTOR  
JERI G. DAVIS  
MAJORITY LEGISLATIVE ADMINISTRATIVE ASSISTANT  
  
CHARLES W. QUINNAN  
DEMOCRATIC EXECUTIVE DIRECTOR  
KRISTEN M. BERNARD  
DEMOCRATIC COMMITTEE LEGISLATIVE ASSISTANT

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## P R O C E E D I N G S

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MAJORITY CHAIRMAN BENNINGHOFF: Seeing the hour of 1 o'clock coming and starting to pass, I'd like to get things started. If all the Members would get their seat.

Roll will be taken by Representative Aument as we bring this meeting to order.

(Roll was taken.)

MAJORITY CHAIRMAN BENNINGHOFF: Thank you, Representative Aument.

Having a quorum to proceed, we will do so.

I want to invite all -- not invite; actually, I want to welcome back all the Members, and as we get prepared for the final weeks of this session, Representative Dwight Evans has talked to me several times about some issues that are important to him, as we all look to find ways to create additional jobs here in Pennsylvania.

And if the prime sponsor would like to come forward and present an overview of his bills, preferably not word by word. But I think you know these issues well. If you want to give the committee a synopsis, and then we'll have our other testifiers, some of who are here and some who are in writing, and we'll go from there.

1                   REPRESENTATIVE EVANS: Thank you.

2                   MAJORITY CHAIRMAN BENNINGHOFF: When you're ready,  
3 proceed.

4                   REPRESENTATIVE EVANS: First, I want to thank you,  
5 Mr. Chairman, for this opportunity to have this discussion,  
6 which I do not believe it is Democrat or Republican; it is an  
7 issue that I think we all are very much concerned about, and  
8 the issue is about jobs. And I think that it's essential, in  
9 terms of how we begin to move this State forward, how we work  
10 together.

11                   So today what I have here is a package of bills and  
12 what I call "Made in Pennsylvania," and they are incentives  
13 around manufacturing, construction, renovation, renewal, and  
14 clean energy. Essentially that's the direction that I am  
15 raising in these particular issues.

16                   As I said to you, Mr. Chairman, in the discussions,  
17 as you could just see from the Chairman of the Federal Reserve  
18 just last week, he had a quote where he said, "We want to see  
19 more jobs," and if we understand clearly, it will only be  
20 through jobs that we will fundamentally make change.

21                   A gentleman who is an economist from the Hoover  
22 Institute, Edward Paul Lazear of Stanford, wrote in the  
23 Wall Street Journal that the problems in the labor market are  
24 not structural; they are the result of slow economic growth and  
25 not a cure in a decent recovery. The gentleman who wrote the

1 piece in the Wall Street Journal, he stated that from 2007 to  
2 2009, unemployment grew drastically in a few industries. These  
3 changes contribute to the rise in overall unemployment.

4           The increase in unemployment in construction was  
5 19 percent. The increase in manufacturing was 19 percent. The  
6 increase in retail was 13 percent. What Mr. Lazear said in the  
7 Wall Street Journal is that fundamentally we need to figure  
8 out, how do we make the economy grow faster and what exactly do  
9 we do?

10           The President of the United States said on the day  
11 that he was elected in 2008 that it will take awhile to figure  
12 out how we rebuild this economy towards the future. And what  
13 he said is that it would be something that would be block by  
14 block, brick by brick, calloused hand by calloused hand. The  
15 package that I have before you I believe fits with that theme  
16 of step by step, efforts that we need to build long term. The  
17 problems that we have in Pennsylvania did not happen overnight.  
18 It is something that we will have to work on.

19           Mr. Chairman, what's ironic about you having this  
20 hearing at this time is just last week, the Governor's  
21 Manufacturing Advisory Council issued their report, and in the  
22 report it reminds us that Pennsylvania remains the sixth  
23 largest State in the country in terms of manufacturing.  
24 Pennsylvania outranks industrials such as Michigan, Indiana,  
25 New York, New Jersey. Pennsylvania is now producing more

1 products than any other State in the time of history.

2           Also what this report indicated is that Pennsylvania  
3 has nearly 15,000 manufacturing establishments. I want to  
4 repeat that: Pennsylvania has 15,000 manufacturing  
5 establishments. Manufacturers employed 574,000 Pennsylvanians,  
6 about a 10-percent workforce. Now, remember what I said  
7 earlier in terms of the 19 percent growth, that the problem was  
8 in manufacturing. So obviously, manufacturing is extremely  
9 essential to the growth of this State as well as to this  
10 country when you really begin to look at it.

11           So I bring this package to you on the basis of, how  
12 do we help create an environment that will allow this to happen  
13 in terms of growth? I also want you to understand that I look  
14 at this as a part of the toolbox. I am the first one to say to  
15 you that it's not a perfect package, but it is something that  
16 we need to look at.

17           In the report that came out of the Governor's  
18 Advisory Council, he talks about considering the inheritance  
19 tax, the research and development tax. We should look at all  
20 those things. We as government need to play a bigger part in  
21 this picture, and it will not be solved by any one single  
22 particular approach.

23           So the package I have here, Mr. Chairman, is  
24 incentives that, if used right, I believe can contribute to  
25 existing in a growth that is necessary. So I want to be clear

1 and I close with this statement: I'm flexible. I mean, I'm  
2 willing to try to work out whatever objectives that we have,  
3 but I believe this could be a part of our toolbox as we try to  
4 make Pennsylvania a more competitive State.

5 I thank you, Mr. Chairman.

6 MAJORITY CHAIRMAN BENNINGHOFF: I appreciate the  
7 comprehensive overview. You did a nice job on that.

8 Questions from the Members?

9 Chairwoman Mundy.

10 MINORITY CHAIRMAN MUNDY: Thank you, Mr. Chairman.

11 Good afternoon, Mr. Evans.

12 REPRESENTATIVE EVANS: Good afternoon, Madam  
13 Chairperson.

14 MINORITY CHAIRMAN MUNDY: The package of bills that  
15 you've put before us are largely tax credits -- manufacturers'  
16 tax credits, the resort property construction and renovation  
17 tax credit. So the one that really concerns me and that I have  
18 questions about is the manufacturers' tax credit, because  
19 that's my background.

20 For the 10 years before I was elected, I ran a  
21 manufacturing company, and the only time that I hired new  
22 employees was when I had a demand for my goods, my product,  
23 that I couldn't meet with the existing workforce. So I'm  
24 really not sure how a tax credit to hire new employees would  
25 have made me hire anybody, because I didn't need a new employee



1 to generate my product, to manufacture my product.

2 So that takes me back to the comment that you made  
3 about, and I think you quoted someone as saying the problems  
4 are structural.

5 REPRESENTATIVE EVANS: No, the problems are not  
6 structural.

7 MINORITY CHAIRMAN MUNDY: Oh, they're not  
8 structural.

9 REPRESENTATIVE EVANS: They're not structural,  
10 because structural would be where there would be a disconnect  
11 between the existing workforce being matched with the skills.  
12 The question is that we're not getting the growth that we need  
13 to happen.

14 I don't disagree with you about the demand question  
15 that you have raised, but what I'm saying to you is that the  
16 manufacturing tax credit would be a part of the toolbox, not  
17 necessarily mandating that it be used but that it would be  
18 available to be used as you try to put together certain types  
19 of opportunities.

20 So when I read that, and a good thing to do is to  
21 read the Governor's report---

22 MINORITY CHAIRMAN MUNDY: Right.

23 REPRESENTATIVE EVANS: ---he just came out with the  
24 aspect of manufacturing. So by having this manufacturing tax  
25 credit be a part of that toolbox, as the Secretary of DCED, the

1 Secretary of Labor, whoever is there available, this would be a  
2 part of the toolbox, if it is needed. There's a difference.

3 The other thing you've got to keep in mind, the  
4 difference between tax credits and tax incentives, in my view,  
5 is it can be more targeted, and it also can be sensitive to our  
6 overall economic situation. Because I know we have pressure  
7 with prisons, pensions, health care, so a tax credit is  
8 different than an overall tax cut. There's a distinction  
9 there.

10 MINORITY CHAIRMAN MUNDY: So that's what you meant  
11 by a tax incentive.

12 REPRESENTATIVE EVANS: Correct.

13 MINORITY CHAIRMAN MUNDY: A tax cut as opposed to a  
14 tax credit.

15 REPRESENTATIVE EVANS: Correct. It's different,  
16 because, you know, I mentioned about research and development;  
17 I mentioned about inheritance. I mean, all of those elements,  
18 I think, can be more of a go-slow approach rather than saying  
19 to yourself that this is forced upon someone. That's why I  
20 look at it more from a different strategy.

21 MINORITY CHAIRMAN MUNDY: And are your tax credit  
22 bills tied to jobs for Pennsylvanians?

23 REPRESENTATIVE EVANS: That's the focus I have  
24 attempted to do. I've read some of the comments where some  
25 people raised some concerns. But like anything, you as a

1 committee would have the ability to put back clawback  
2 provisions, things of that nature, if we don't meet the kinds  
3 of obligations you think. So that's why I said to you I'm open  
4 for negotiations in terms of trying to meet the objectives that  
5 I have started out with.

6           MINORITY CHAIRMAN MUNDY: Well, it's nice to see  
7 that we're looking to add to the toolbox for job creation. I  
8 do think that any tax credit should be tied to jobs for  
9 Pennsylvania citizens, and I look at the Marcellus Shale  
10 industry and I worry that, you know, all these people from out  
11 of State who come here and rent homes and are here for a short  
12 period of time and then leave, go back to their home State, I  
13 certainly wouldn't want to be giving Marcellus Shale drillers a  
14 tax credit for that kind of job creation. It should be tied to  
15 jobs for Pennsylvanians, and it should be over a period of  
16 time, not just 1 year or -- do you have any comments about  
17 that?

18           REPRESENTATIVE EVANS: You know, the clear thing to  
19 understand about the economy is that it's global and  
20 international and that, you know, we, both parties, need to  
21 recognize that I don't care where you live, the issue is about  
22 jobs.

23           So I don't profess to be an expert, but what I  
24 wanted to do by putting this before you, Madam Chairperson, is  
25 have it be considered in the overall mix as we talk about

1 strategies, about jobs. Because for a person to stay in the  
2 middle class, it's about having a job, and that's what we need  
3 to essentially try to figure out, what can we do? I mean, I  
4 don't think there's a quick answer.

5 Look, the reason I brought up the Chairman of the  
6 Federal Reserve, Mr. Bernanke's comment last week, is because  
7 he said that from his perspective, the number-one issue was how  
8 do we create jobs? Now, I have a Pew Foundation report in  
9 here, and the Pew Foundation said the same thing. A gentleman  
10 from the Hoover Institute said the same thing. So you've got  
11 all kinds of people of all different persuasions recognizing  
12 that what we must do is figure out how do we make this State a  
13 very competitive thing for investment and people? You know,  
14 how do we do that? That's the question.

15 MINORITY CHAIRMAN MUNDY: Thank you.

16 MAJORITY CHAIRMAN BENNINGHOFF: Thank you, Madam  
17 Chairwoman.

18 Next, I believe, is Representative Boyd.

19 REPRESENTATIVE BOYD: Thank you, Mr. Chairman.

20 Mr. Evans, good to see you. Hope you had a good  
21 summer.

22 REPRESENTATIVE EVANS: Good to see you, too.

23 REPRESENTATIVE BOYD: Thanks.

24 Actually looking over HB 2181, which I believe is  
25 the piece that Chairman Mundy was also talking about, the

1 manufacturers' tax credit, so if I could just ask you a couple  
2 of questions.

3 REPRESENTATIVE EVANS: Go ahead.

4 REPRESENTATIVE BOYD: On page 4 where you sort of  
5 get to the heart of the tax credit program, and let me preface  
6 the questions with, generally speaking, I believe the  
7 Chairwoman and Chairman of the committee would recognize I'm a  
8 tax credit fan, so.

9 "General rule.--A qualified manufacturing facility  
10 may retain, upon approval of a notice of intent by the  
11 department, 50% of the amount of tax required to be withheld  
12 under section 316...." Can you just elaborate for me on what  
13 Section 316 is? Please forgive me, but off the top of my head  
14 I don't know. What's the incentive for me as an employer? How  
15 much am I being able to hold back? I mean, what's my credit?

16 REPRESENTATIVE EVANS: I don't actually have the  
17 actual bill where you're reading, but from what I have here  
18 it's that your credit is based on your hiring in terms of the  
19 number of people you'll be hiring in the State. And what I  
20 read here -- at least what I have; I don't have the actual bill  
21 -- is where it says "Benefit for Qualified Manufacturing  
22 Facility and Qualified Supplier." So the idea is that  
23 ultimately, as you know, this would lead up to regulations from  
24 the department, and the department itself would work in  
25 conjunction -- when I say "the department," the Department of

1 Community Affairs in terms of qualifications. So what we would  
2 do is pass the framework, and the reality of it is, the  
3 department itself would be the lead in terms of figuring out  
4 exactly how we quantify that.

5 REPRESENTATIVE BOYD: Maybe if I could inquire of  
6 staff, Section 316, is that employment taxes?

7 Employer withholding, so -- say again?

8 Of PIT; okay. So it would be the employer could  
9 actually then enjoy a tax credit of a portion of actually the  
10 income tax that would be being paid traditionally by the  
11 employee?

12 REPRESENTATIVE EVANS: Correct. That's what I have  
13 down.

14 REPRESENTATIVE BOYD: So the employee would continue  
15 to owe the same amount of tax, but the employer would recognize  
16 a tax benefit. Am I understanding it correctly? I'm just  
17 asking staff, just so I know what -- I'm not trying to make any  
18 editorial comment; I just want to understand what the tax, and  
19 that would be for any new employee hired? Is that the way this  
20 would work?

21 REPRESENTATIVE EVANS: Yes.

22 REPRESENTATIVE BOYD: Okay; very good.

23 A couple other questions, if I can, Mr. Chairman.

24 I noticed in one section here there's a reference to  
25 some of the requirements that would be placed on the employer

1 to have a qualified employee, and one of them is, "Provides  
2 health insurance to employees and pays at least 50% of the  
3 premiums of the insurance." Under the Affordable Care Act, my  
4 understanding is there's a provision that basically an employer  
5 isn't required to pay to have health benefits, the individual  
6 gets them separately, kind of on their own. In other words,  
7 there's a capacity for an employer to make a contribution  
8 towards them picking up health benefits. So my question is,  
9 those health benefits are not -- I guess my fundamental  
10 question is, how does that provision overlay with the Patient  
11 Protection and Affordable Care Act?

12 REPRESENTATIVE EVANS: One, I don't have an answer  
13 to that because I don't know enough about the Federal act, so I  
14 couldn't answer that particular question.

15 REPRESENTATIVE BOYD: Okay.

16 REPRESENTATIVE EVANS: But what I am suggesting is,  
17 when you begin to look at our tax structure in Pennsylvania, it  
18 was created in a different era in terms of our manufacturing  
19 base. One of the good things that the Governor did do is by  
20 having this Advisory Committee and focusing on manufacturing,  
21 he's highlighting manufacturing.

22 I think that we have to do some realignment between  
23 what's happening at the State and what's happening at the  
24 national level so that we can ensure that we do not impede what  
25 has taken place with manufacturing but we also get the best

1 benefit out of it. So that's why I can't answer the question  
2 from a national perspective. But what I'm saying to you, if  
3 you look at our tax code and when our tax code was done, over  
4 the period of time when it was done, depending on how  
5 manufacturing was structured at a certain time, it is different  
6 today. That's what I'm attempting to address.

7 REPRESENTATIVE BOYD: Okay. I think maybe just for  
8 staff's benefit, I think it's something that if this bill does  
9 get considered either this session or next session, we really  
10 ought to consider how that overlays with that provision, that  
11 requirement.

12 Mr. Chairman, I don't want to take up a lot more  
13 time, but I do have a number of more questions. May I go on,  
14 or are there other people who would like to ask questions?

15 MAJORITY CHAIRMAN BENNINGHOFF: If you'd like, I'm  
16 going to come back to you. We have two other people and then  
17 we'll circle back.

18 REPRESENTATIVE BOYD: Thank you, Mr. Chairman.

19 MAJORITY CHAIRMAN BENNINGHOFF: Thank you,  
20 Representative Boyd.

21 Next is Representative Denlinger.

22 REPRESENTATIVE DENLINGER: Thank you, Mr. Chairman.  
23 Chairman Evans?

24 REPRESENTATIVE EVANS: Yes?

25 REPRESENTATIVE DENLINGER: It's good to see you,



1 Dwight.

2 REPRESENTATIVE EVANS: Good to see you, too.

3 REPRESENTATIVE DENLINGER: I appreciate your package  
4 here. One of the things that is our responsibility on this  
5 committee is, of course, impacts to State revenue. We're all  
6 about tax policy here. And I'm wondering, as I'm reading down  
7 through some of the language, do you have or could staff help  
8 us with an estimated impact to State receipts, State revenue,  
9 from each of these four bills? Do we have a hard cap in place  
10 for the impact of the credit? And the last part of the  
11 question would be sunset provisions. Is there anything along  
12 those lines?

13 REPRESENTATIVE EVANS: I think you raise,  
14 Representative, some great questions, and I think that that  
15 would obviously be up to the purview of this committee as well  
16 as the Appropriations Committee as to how do we mesh that  
17 together? I would agree with you that we do need to keep that  
18 in consideration on the revenue growth side.

19 On one, I know in the manufacturing I only talked  
20 about in the ballpark of \$35 million with the manufacturing.  
21 On the other three, that's not there, but what I had suggested  
22 -- I have not suggested it. I do agree with sunset provisions,  
23 because I do think things should have sunset provisions so you  
24 can evaluate it from an accountability standpoint. Because  
25 there's no sense in putting something on the books that we have

1 on the books forever and we don't know exactly if it works. So  
2 I personally would not have a problem with the sunset provision  
3 as well as having the flexibility.

4 But to me, the key to any of this legislation would  
5 be driven with the Secretary of DCED, the Secretary of Labor,  
6 and the Governor and how the economic strategy in that if they  
7 had this in their toolbox and available, that ultimately we  
8 would pass the law and they would have the flexibility to make  
9 that determination.

10 I'll give you an example of something we just did  
11 this year. The historical tax credit, we passed it, but it  
12 doesn't kick in until next fiscal year. So you have the  
13 historical tax credit on the books, but the reality of it is,  
14 it doesn't kick in until next year. And the level it is is at  
15 \$10 million.

16 So you've got an historical tax credit on the books.  
17 It doesn't kick in until the next fiscal year. That's the kind  
18 of -- I think that would address your concerns about the fiscal  
19 aspect and not have something that fully would blow the budget  
20 on the other side, and then I think to Chairwoman Mundy's  
21 concern about the budget.

22 REPRESENTATIVE DENLINGER: Very good. I appreciate  
23 those comments.

24 On the idea of the sunset provisions, I appreciate  
25 your remarks there. With your general agreement, I'd like to

1 approach staff about possibly adding that kind of thought.

2 REPRESENTATIVE EVANS: No problem; no problem.

3 REPRESENTATIVE DENLINGER: Very good. Thank you.

4 Thank you, Mr. Chairman.

5 MAJORITY CHAIRMAN BENNINGHOFF: Thank you,  
6 Representative Denlinger.

7 Next, we have Representative Dean.

8 REPRESENTATIVE DEAN: Thank you, Mr. Chairman, and  
9 good to see you, Mr. Chairman.

10 REPRESENTATIVE EVANS: Good to see you,  
11 Representative.

12 REPRESENTATIVE DEAN: Thank you.

13 I wanted to, just by way of comment, say something  
14 that I think many of us have already said or will echo over and  
15 over, is the focus of this kind of package of legislation. I  
16 think and what I read in some of these pieces is a direct  
17 connection to giving tax incentives or credits and connecting  
18 it to jobs and making that measurable and making it  
19 accountable. And in one piece of the legislation in  
20 particular, it's to making good-paying jobs.

21 REPRESENTATIVE EVANS: Correct.

22 REPRESENTATIVE DEAN: I think we absolutely, any  
23 time we want to craft this kind of legislation, this toolbox,  
24 as you call it, we have to focus on creating jobs, creating  
25 good-paying jobs, make sure there is limitation, that there are

1 sunsets, and that there is accountability.

2 I contrast that with what we did with the resource  
3 manufacturing tax credit where we did not connect that directly  
4 to jobs. We did not directly cap that. So it's not going to  
5 be measurable in terms of the jobs that it returns here to  
6 Pennsylvania or brings and invests here in Pennsylvania.

7 So I like the spirit of your toolbox, and I think as  
8 we move forward we've got to focus on those elements of job  
9 creation.

10 REPRESENTATIVE EVANS: Thank you, Representative.

11 I want to piggyback. Representative Denlinger said  
12 it: The responsibility of this committee is to -- I'm not  
13 telling the Chairman what to do -- is to mold into shape. I  
14 may put a concept on the table, but that's where you tweak; you  
15 accomplish the principles, as you talked about.

16 But the three things I want you to keep in mind is  
17 what I attempted to do. Manufacturing is the issue for not  
18 just this country but the entire world. The President of the  
19 United States in his last budget address mentioned the word  
20 "manufacturing" 17 times, and manufacturing is ultimately where  
21 as a great country we are only going to do unless we make  
22 something.

23 Construction. If you look at the issue about  
24 construction, you're talking about sustainable jobs. You're  
25 talking about things that take place; you build; you see.

1           Energy. What can you say about energy? If you read  
2 the Governor's advisory report, he talks about the issue about  
3 energy -- renewable, clean energy jobs.

4           So energy, construction, manufacturing. Those three  
5 elements are the elements that fundamentally drive the economy.  
6 Those are family-sustaining, middle-class types of jobs. And  
7 because we're in a global situation and because we need to  
8 figure out what kinds of tools that we need to make available,  
9 because my whole idea is that ultimately the sustainability  
10 comes from customers. I'm feeding back to what Chairwoman  
11 Phyllis Mundy said.

12           The tax aspect, in my view, should be temporary in  
13 nature, not something that continues forever but should be  
14 temporary in nature, but that where it picks up is with the  
15 customers, with the demand. So you start out with the  
16 incentive, because if anybody understands what is occurring  
17 with this economy, it is really on the financing side. It is  
18 really on the financing side in terms of inducing. And through  
19 public and private, you will get private investment with using  
20 temporary incentives, not some incentives that are going to  
21 subsidize something forever.

22           So what I have here, and I don't profess that it is  
23 the answer. I think as a committee, in open discussion, that  
24 manufacturing, construction, renovation, renewable energy, are  
25 the areas that I think we should focus on.

1           REPRESENTATIVE DEAN: Thank you very much for your  
2 comments.

3           MAJORITY CHAIRMAN BENNINGHOFF: Thank you both.  
4 Representative Peifer.

5           REPRESENTATIVE PEIFER: Thank you, Mr. Chairman.

6           One last question for the Chairman. Dwight, could  
7 you talk to me a little bit about HB 2182, and you did bring up  
8 the historical tax credit.

9           REPRESENTATIVE EVANS: Yes.

10          REPRESENTATIVE PEIFER: Is this similar to that in  
11 nature? Because we talk about the expansion of a credit for  
12 hotel and resort property construction.

13          REPRESENTATIVE EVANS: No, it's not similar to the  
14 historical. The reason I brought this, the reason I brought  
15 this, if you talk to any developer or any hotel operator,  
16 tourism and hospitality are an extremely important element in  
17 moving this State forward. And most of the projects that I  
18 know, at least in the city of Philadelphia, RCAP, redevelopment  
19 assistance money, was a part of making those deals happen.  
20 They were not 50 percent of the deal, maybe they were like  
21 10 percent of the deal. But the point of it is, one led the  
22 other. The historical tax credit is different than when we  
23 talk about construction and renovation.

24          REPRESENTATIVE PEIFER: Okay.

25          REPRESENTATIVE EVANS: That's completely different

1 on the historical tax credit.

2           So the aspect of this is connected with the whole  
3 aspect of hospitality, is what we're trying to kind of build on  
4 in our State. When we really look at convention centers that  
5 have built hotels, all of these aspects, you could talk about  
6 from up in Erie in terms of the convention center that they  
7 have there, or in Lancaster, or in Pittsburgh, or in  
8 Philadelphia, all of those are anchors. Every one of them had  
9 some sort of incentive from the State. There's not a single  
10 convention center that has been built in this State that did  
11 not have some sort of incentive from the State. So that was an  
12 anchor, and as a result of that anchor, that then brought you  
13 your hotels. One connected to the other.

14           So what I'm only saying to you is that, going back  
15 to what Representative Denlinger said, it should be targeted,  
16 it should be accountable, and it should be measurable.  
17 Anything we shouldn't pass, we shouldn't be able to show the  
18 results of. So I'm not interested in just passing something to  
19 be passing it. I'm interested in, as you raise the point, at  
20 the end of the day, that we get the outcome we're looking for  
21 -- that we get the outcome we're looking for.

22           But I'm not looking to stranglehold anybody in terms  
23 of their expertise. Because I don't profess to be -- look, I  
24 haven't built hotels. I haven't done manufacturing. I don't  
25 profess to be an expert. But the framework, we set the

1 framework in the department. To Representative Boyd's point,  
2 the department, the DCED, in my view, you know, they're sort of  
3 like the experts. You need a toolbox -- I'm just giving you  
4 some advice -- you need a toolbox today when you start talking  
5 about expansion or growth. The toolbox needs to be available.

6 REPRESENTATIVE PEIFER: On the grand scale, maybe  
7 your scale obviously in Philadelphia is much bigger than the  
8 grand scale of Pike County where I represent, but there is a  
9 need in our resort towns---

10 REPRESENTATIVE EVANS: Correct.

11 REPRESENTATIVE PEIFER: ---for infrastructure costs,  
12 all these additions to resorts. I mean, we're trying to  
13 attract people.

14 REPRESENTATIVE EVANS: Correct.

15 REPRESENTATIVE PEIFER: The way you attract people  
16 is you add attractions that would invite families or for people  
17 that want to come visit our area.

18 REPRESENTATIVE EVANS: Correct; correct.

19 REPRESENTATIVE PEIFER: But technically, a lot of  
20 those are large capital projects. We've got a lot of water  
21 issues -- sewer and water. Those are projects that cost a lot  
22 of money and they're deducted over a period of time.

23 On page 3 you actually talk about the accelerated  
24 cost recovery system just reduces the basis in the property.  
25 So I'm getting a deduction immediately; for spending money on



1 an asset that gets deducted over a long period of time, I'm  
2 getting that immediately. I think that's a huge incentive for  
3 business owners and resorts that can say, look, when we spend  
4 this money, which we need to do to attract our visitors---

5 REPRESENTATIVE EVANS: Correct.

6 REPRESENTATIVE PEIFER: ---the State is going to  
7 help us and give us the deduction for it right away. I think  
8 it's a great idea.

9 REPRESENTATIVE EVANS: Okay. I appreciate that.

10 REPRESENTATIVE PEIFER: Thank you.

11 REPRESENTATIVE EVANS: Thank you.

12 MAJORITY CHAIRMAN BENNINGHOFF: Thank you,  
13 Representative Peifer.

14 And as an editorial note, I want to let you know the  
15 Department of Revenue does have a representative here for some  
16 of the fiscal issues that have been raised. I know she's  
17 acutely taking notes that we'll discuss with her later. Wake  
18 up, Revenue.

19 Last, I believe Representative Boyd has a second  
20 brief question.

21 REPRESENTATIVE BOYD: I got the editorial comment,  
22 so I'll be brief.

23 First of all, Dwight, 2182 I think is a great bill.  
24 It's something that, being from Lancaster County with the  
25 tourism industry, there are a lot of products, and I really

1 commend you for that. On a quick glance, I would like to talk  
2 to you a little bit more maybe about adding some things that  
3 would apply to that.

4 REPRESENTATIVE EVANS: All right. No problem.

5 REPRESENTATIVE BOYD: Now, being similar to Chairman  
6 Mundy and coming from a manufacturing background, on 2181 I've  
7 got other questions/concerns.

8 REPRESENTATIVE EVANS: I understand.

9 REPRESENTATIVE BOYD: One of them is in the  
10 qualified manufacturing facility. I'm just going to mention a  
11 couple of things that as we work on these bills I would like  
12 you to consider maybe amending.

13 REPRESENTATIVE EVANS: No problem.

14 REPRESENTATIVE BOYD: One is, you're requiring  
15 10 percent of the goods to be exported.

16 REPRESENTATIVE EVANS: I understand.

17 REPRESENTATIVE BOYD: A small manufacturing company,  
18 our company, does somewhere between \$5 and \$8 million a year.  
19 I don't think we export 10 percent. I still think we should  
20 qualify. That's just as an example.

21 REPRESENTATIVE EVANS: Sliding scale would be one  
22 to, you know.

23 REPRESENTATIVE BOYD: Yeah. I guess I understand  
24 that the goal is to try and be exporting as opposed to  
25 importing, and I recognize that. I just wanted to bring it up.

1           REPRESENTATIVE EVANS:   Okay.

2           REPRESENTATIVE BOYD:   I think there are a lot of  
3 small manufacturers that aren't the big guys---

4           REPRESENTATIVE EVANS:   Right.

5           REPRESENTATIVE BOYD:   ---that probably do a lot of  
6 business domestically that could benefit from this.  That's  
7 one.

8           You're requiring that for each job that they add,  
9 that they also do \$50,000 worth of capital improvements.  I  
10 don't necessarily know that a guy that's hiring four or five  
11 new people is going to be in a position to dump a quarter  
12 million dollars in capital investment.  I don't know, again,  
13 theoretically, you want to see I'm spending money because it  
14 generates income, but I think you're going to limit who would  
15 qualify for the tax credit and who would actually go after it.

16           And the next part of it is "Manufactures a new  
17 product that has not been manufactured in this Commonwealth by  
18 the company that owns the facility...."  I guess my question  
19 would be defining a "new product."  The company that I believe  
20 the Chairwoman refers to oftentimes, I think, correct me if I'm  
21 wrong, is injection molding.  I mean, injection molding is a  
22 product.  Their business was built on injection molding  
23 something new.  Is that a new product?  Do you see what I'm  
24 saying, Chairman Mundy?

25           MINORITY CHAIRMAN MUNDY:  It would only have been a

1 new product for us if it was a new customer sending us their  
2 mold. So we didn't choose what products we made, except that,  
3 you know, we took on new customers who would send us their mold  
4 and we made products from their mold.

5 REPRESENTATIVE BOYD: Yeah. I guess my -- do you  
6 see the point that I'm getting at? It's like, you know,  
7 Harley-Davidson, as an example, could have been a potential  
8 customer and you would have been molding the new style tail  
9 lamp for them, but you did the old style tail lamp. Is that a  
10 new product? I think you really need to refine this  
11 requirement for a new product.

12 So all of those things I think we could work on and  
13 get the language. The last one I know is going to be a bit  
14 controversial, but I'm at least going to bring it up, coming  
15 from the background that I come in -- the established required  
16 wage rate. I'm not sure what the NAICS wage rates are, but  
17 you're specifically requiring that the new jobs that qualify  
18 for the tax credit have a wage that meets those standards. If  
19 I as an employer, we live in a very diverse State, and the wage  
20 rate in Lancaster County is clearly different than the wage  
21 rate in the suburban Philadelphia area.

22 REPRESENTATIVE EVANS: Correct.

23 REPRESENTATIVE BOYD: I don't know if the NAICS has  
24 geographically worked, those kinds of things. I have a  
25 tendency to be more of a little bit of a free market guy.

1 REPRESENTATIVE EVANS: Right.

2 REPRESENTATIVE BOYD: The wages in Philly, people  
3 get paid what they get paid. They earn it.

4 REPRESENTATIVE EVANS: I understand.

5 REPRESENTATIVE BOYD: It's different in Lancaster.  
6 I don't know that we'd want to necessarily tie it to a wage  
7 rate.

8 REPRESENTATIVE EVANS: Okay.

9 REPRESENTATIVE BOYD: Those are my comments. I love  
10 2182. I think 2181 needs some work.

11 REPRESENTATIVE EVANS: Okay. Let me -- if I can,  
12 Mr. Chairman? -- let me say this to you, Representative Boyd:  
13 I can't disagree with anything that you're saying, because the  
14 whole idea is the mission, and it started out with the idea  
15 about jobs. I find that we can collectively, both sides of the  
16 aisle, figure out some ways to accomplish the objective. This  
17 is the beginning of the process. I thank the Chairman for  
18 giving the opportunity. I mean, he knows I was talking to him  
19 a lot about this.

20 Just this discussion, because this is the way the  
21 process starts: You have this discussion. You bring people  
22 before you. You'll have them have that exchange, and they'll  
23 be better experts than myself being able to speak to you. But  
24 I don't want anybody to lose the focus on what the mission is.  
25 The mission is, how do we grow and expand on jobs? That's kind

1 of where my head is.

2 MAJORITY CHAIRMAN BENNINGHOFF: Thank you. I think  
3 we've had some good dialogue. I thank the Chairman for coming  
4 and testifying, and we look forward to having you join us for  
5 the rest of the comments.

6 REPRESENTATIVE EVANS: Thank you.

7 MAJORITY CHAIRMAN BENNINGHOFF: As an editorial  
8 note, we have a gentleman, Joe Houldin, who is with the  
9 Delaware Valley Industrial Resource Center, which had to pull  
10 out and has not been able to send a replacement, so actually we  
11 are on time.

12 And if Katrina Currie, Policy Analyst from the  
13 Commonwealth Foundation, would like to join us at the 1:40 time  
14 slot, we're ready to roll.

15 When you're comfortable, feel free to proceed.

16 MS. CURRIE: Good afternoon.

17 MAJORITY CHAIRMAN BENNINGHOFF: Good afternoon.

18 MS. CURRIE: My name is Katrina Currie. I'm a  
19 Policy Analyst at the Commonwealth Foundation. We're  
20 Pennsylvania's free-market think tank. I would like to thank  
21 Chairman Benninghoff and Chairwoman Mundy for the opportunity  
22 to testify today.

23 The package of bills before the committee today  
24 really fits into the larger discussion of government-directed  
25 economic development. So I will briefly start with discussing

1 this larger issue and then, if time permits, move on to the  
2 specifics of the bills.

3 Targeted tax incentives and tax credits. They have  
4 a clear seen and unseen effect. I mean, the seen effect is the  
5 ribbon-cutting. It's the hotel in your community that says, I  
6 can expand or develop or have these renovations. But there is  
7 an unseen effect to that, and the unseen effect is in order to  
8 give tax breaks to some companies, you have to keep taxes high  
9 on all companies, and that, the high taxes, prevents those  
10 other companies from creating jobs in Pennsylvania if they  
11 don't qualify for those particular incentives.

12 Part of the reason this package of bills was  
13 introduced is because it's trying to alleviate the high tax  
14 burden, and I know most of you are aware that Pennsylvania has  
15 the highest flat corporate net income tax. But as you're also  
16 aware, and I think the Tax Foundation says it best: Paying  
17 corporate net income taxes is kind of like buying a car; no one  
18 pays the same rate.

19 But one thing that the Tax Foundation did was look  
20 at not just the corporate net income tax, which could vary  
21 depending on the company, but they looked at the overall taxes  
22 paid by businesses depending on if you were a research and  
23 development, manufacturing, et cetera, and also the type of  
24 firm you were, so if you've been mature 10 years or if you were  
25 a new 3 years. What they found was that Pennsylvania has the

1 highest tax burden for mature firms in the entire U.S. and that  
2 we have the second highest taxes on new businesses; so again,  
3 3 years or less. So one of the reasons why we're not seeing  
4 Pennsylvania's economy grow is because the tax burden in  
5 Pennsylvania is very significant.

6           So we're looking at, what is the best solution? Is  
7 it the tax credit incentives for certain companies, or should  
8 we alleviate choosing which companies get it and lower the  
9 overall tax burden for every company in Pennsylvania to be able  
10 to create jobs?

11           The idea of tax credits is not new in Pennsylvania.  
12 I'm going to list just a couple; we have a lot. We have  
13 \$60 million for the film tax credit. The job creation tax  
14 credit gets a little over \$10 million; research and development  
15 tax credit; keystone opportunity zone; keystone innovation  
16 zone; alternative energy production tax credit.

17           On the table, in my testimony, you'll see that over  
18 the last 6 years, Pennsylvania has spent more on economic  
19 development than any other State in the country, and that is  
20 according to the Council for Community and Economic Research.  
21 But what we don't see is that the companies that spend more on  
22 incentivizing economic development through tax credits perform  
23 better in the economy.

24           So what we did in the table you see before you is it  
25 has the U.S. Bureau of Labor Statistics, and what we did is we



1 looked at job growth for the States, the top 10 States using  
2 the most economic development programs, and we compared them  
3 with the States, the 10 lowest, and what we found is the States  
4 that use more economic development programs actually performed  
5 worse in job growth than the States that didn't use those  
6 programs.

7           And as I mentioned, there is an unseen effect to  
8 using the tax credits, but there is also a seen effect, and  
9 I've listed examples. I'm going to just go over a couple. But  
10 what we do see in Pennsylvania is that oftentimes these aren't  
11 creating long-term jobs in Pennsylvania. So a few examples:

12           Under Bob Casey, Sr., Pennsylvania gave Sony  
13 \$40 million to come to Pennsylvania. That lasted 15 years.  
14 Under Governor Rendell, we gave them \$1 million. That lasted a  
15 year. The plant is now in Mexico.

16           Amazon.com, they got funding to build a distribution  
17 center in Hazleton. They subsequently closed a distribution  
18 center in Chambersburg, creating barely any net job growth.

19           Harley-Davidson got \$4 million in 2000 to stay in  
20 Pennsylvania "forever," but then again in 2009 we gave them  
21 \$15 million and they cut a lot of their staff.

22           Another example is, an audit of the Pennsylvania  
23 Opportunity Grant found numerous cases of companies receiving  
24 grants and loans, going out of business, and not creating the  
25 promised jobs.

1           And I think we see this is consistent whether we're  
2 talking tax credits or other tax incentives. And this is  
3 actually what the 2010 Legislative Budget and Finance Committee  
4 report found looking at Pennsylvania tax programs. It found  
5 that of the companies that qualify their programs, many of the  
6 companies did not submit the required material. They didn't  
7 submit affidavits. They were supposed to submit base numbers  
8 in order to compare job growth. They did not submit it.

9           Of the information that was submitted, they  
10 questioned whether or not it was even authentic, because there  
11 is no follow-up. So these companies report the numbers, but  
12 the Department of Community and Economic Development doesn't  
13 actually verify that those jobs were created, and so the report  
14 questioned whether or not even the jobs created were there.

15           So just a summary of the Pennsylvania job creation  
16 tax credit. Of the 26 companies it looked at, 10 employers  
17 reported exceeding their employment goals. So it's comparing  
18 the jobs they said they committed to create to the jobs they  
19 later reported creating. So 10 employers said they exceeded  
20 employment; 7 created no jobs; 8 did not meet the employment  
21 requirements; 1 employer lost jobs; and then overall, the jobs  
22 that were created were 25 percent below what they committed to  
23 create.

24           The report also goes on to talk about scholars'  
25 positions on this particular issue of tax credits, finding that

1 many don't believe, kind of similar to what was mentioned with  
2 manufacturing, that the incentivized new job growth, that a lot  
3 of companies will use a tax credit if they're already going to  
4 create the job versus new job growth, that often it can be used  
5 for gaming the system and that there's little evidence that  
6 these companies are being held accountable for the money  
7 they're getting.

8           The package that you see today, a lot of those bills  
9 are going to face the same problems. I mean, they don't have a  
10 directive of how they're going to be held accountable. A lot  
11 of it is up to the DCED to decide, and you're going to run into  
12 the same problems that the Legislative Budget and Finance  
13 Committee found were the problems with Pennsylvania's tax  
14 credits.

15           In some of the comments mentioned, these bills are  
16 very narrowly focused, so you're really going to benefit very  
17 few companies who might need the insurance. They have the  
18 right, they're paying the employees high enough wages, and so  
19 you're really looking at benefiting a very few companies at the  
20 expense of the overall business climate in Pennsylvania.

21           Two of the bills, HB 2183 and HB 2184, deal  
22 specifically with renewable energy. So I won't go over it, but  
23 I put information about that in, because I think it serves as  
24 an excellent case study, because we have been for a long time  
25 in Pennsylvania heavily subsidizing and using incentives for

1 these programs to show their effects on the economy. We think  
2 that a far better approach than using these specific economic  
3 development tools is to reduce the overall tax burden, to allow  
4 all companies, even if they didn't make the particular list  
5 listed, to create jobs in the Commonwealth.

6 And I'd be happy to take any questions from the  
7 committee.

8 MAJORITY CHAIRMAN BENNINGHOFF: Thank you, Katrina.  
9 That was pretty enlightening.

10 Questions?

11 Chairwoman Mundy, and then Representative Denlinger.

12 MINORITY CHAIRMAN MUNDY: I agree with a lot of what  
13 you said, and I find myself astounded by that.

14 MS. CURRIE: Thank you.

15 MINORITY CHAIRMAN MUNDY: Hey, I've always been a  
16 fiscal conservative.

17 I believe in investment, and I think my initial  
18 comment, again, coming from manufacturing, my experience in  
19 manufacturing, is that what creates jobs is demand for goods  
20 and services. So when you have a lot of people in the  
21 community who are laid off, furloughed from their jobs either  
22 by State government, local government, or the private sector,  
23 you have less demand for goods and services. So all companies  
24 who provide those goods and services suffer, and it's a  
25 downward spiral. They aren't making product, they aren't

1 providing services, so they lose money, and then you have more  
2 people who are laid off.

3           So I guess my concern is that with tax incentives or  
4 tax credits, we're taking money out of our General Fund that  
5 perhaps we should be investing in infrastructure. A new  
6 highway program in Pennsylvania would generate lots of jobs for  
7 lots of people, not just in the construction industry but also  
8 for those who provide the raw materials that go into that, the  
9 equipment that goes into fixing our roads and bridges. There  
10 is a huge ripple effect when you invest in our infrastructure.

11           I also think, and Representative Evans mentioned it  
12 earlier, the Governor's report that came from his economic  
13 advisory council talked about the lack of quality workforce,  
14 and that's another place where we should be investing. And  
15 quality workforce and demand for goods and services, investment  
16 in our infrastructure, I think, would be the best approach to  
17 growing jobs in the Commonwealth.

18           The only thing I did not agree with in your  
19 testimony is, I do not believe that Pennsylvania is a high-tax  
20 State. I do not believe that the overall tax burden, State and  
21 local on businesses, is terribly high. In fact, as I read even  
22 the Tax Foundation report, I find us to be somewhere in the  
23 middle of the pack. I don't find us -- I mean, maybe you can  
24 find isolated areas where they're saying that we're high; for  
25 example, our corporate net income tax rate at 9.9 percent.

1 Well, nobody pays that. Truly, nobody pays that.

2           And in my community, even some of the biggest  
3 companies, I just had a conversation a couple of weeks ago with  
4 one of the biggest companies in my area who sells nationally  
5 and internationally. They think that the Delaware loophole and  
6 those kinds of tax avoidance strategies help to keep their  
7 taxes higher. So there are things that we could do, but again,  
8 demand for goods and services is what grows jobs and grows the  
9 economy, and it helps support the middle class.

10           So I am not the big tax-credit advocate that  
11 Representative Boyd is, and I brought up the LB&FC report on  
12 tax credit programs months ago when we were doing a lot of  
13 that. But again, you know, even the LB&FC report does indicate  
14 what kinds of conditions you can put on tax credit programs  
15 that do make them a valuable tool, again, in the toolbox. It  
16 can't be all there is, but it could be a valuable tool if it's  
17 tied to job creation, if it's accountable, if there are sunsets  
18 and you truly evaluate whether you're accomplishing the goal of  
19 the tax credit, which should be stated very clearly in the  
20 legislation.

21           So there is a lot that you said that I really find  
22 very valuable and agree with. I do think that our job creation  
23 strategy can't simply be tax credits or tax incentives. So  
24 that's -- but I think your testimony was excellent, and I thank  
25 you for coming.

1 MAJORITY CHAIRMAN BENNINGHOFF: Representative  
2 Denlinger.

3 REPRESENTATIVE DENLINGER: Thank you, Mr. Chairman.  
4 And thank you for your testimony. We appreciate it.

5 I'm wondering, and I realize you may not have this  
6 information in front of you immediately, but if we were to  
7 eliminate all of the tax credits that we've put in place and  
8 that currently exist, and you were delineating some of them for  
9 us here, but if we were to eliminate all of them and truly  
10 attempt to flatten out the structure and level the playing  
11 field, how much of a CNI cut could we put in place? So that's  
12 my question. And I recognize you may need to get back to us on  
13 what that number actually would be, but I think it would be  
14 helpful to both sides up here to know what lowering of the CNI  
15 could occur under that scenario. So that I'll ask for some  
16 feedback on.

17 Secondly, can you share with us States where what  
18 you're proposing has occurred, where in fact there has been a  
19 removal of credits and a lowering of rates to level the playing  
20 field. Or nations; it could be, you know, obviously we're in a  
21 global environment at this point, so States or nations where  
22 that has occurred, the role of the Executive in that effort,  
23 and the results -- jobs creation, revenue growth to the State.  
24 If you could share that information with us as a follow-up, I  
25 would greatly appreciate it.

1 MS. CURRIE: Absolutely. I will have to follow up  
2 with you, the corporate tax reduction, if we were to eliminate  
3 it.

4 I think a lot of the States, we haven't seen so much  
5 States move from having a significant tax credit program to  
6 eliminating them as a whole. We've seen particular, say the  
7 film tax credit, they've gotten rid of a component versus a  
8 State just wiping them all out. What we do see is some States  
9 have less originally, and those are the States, when we were  
10 looking at the example of how many over the last 6 years have  
11 used an economic development, and for some of those reasons,  
12 they have less originally. But I would be happy to find out  
13 more about States that have eliminated significant numbers.

14 REPRESENTATIVE DENLINGER: That would be  
15 appreciated. And I think it's a frustration to all of us that  
16 we get into these bidding wars with other States. And, you  
17 know, everybody loses under this scenario, but if you're not in  
18 the game, then, you know, you watch significant chunks of  
19 industry, jobs, you know, the future, go to another State. Yet  
20 there's a flaw in the theory; we all do lose at the end of the  
21 day. So any insights that you can share with us. Again,  
22 getting back to us about States that have successfully moved to  
23 what you're recommending I think would be appreciated.

24 MS. CURRIE: Right. And I would add, it's important  
25 to keep in mind, I mean, businesses, they're looking at their



1 bottom line. So while the tax credit is a component, they're  
2 looking at overall what is going to get them the best deal of  
3 where they locate their State. And so I think -- or where they  
4 locate their business. So that's one reason why you might have  
5 States that don't have the significant tax credit programs, but  
6 if they do have a better tax climate, they are competitive  
7 without that.

8 REPRESENTATIVE DENLINGER: Excellent point.

9 Thank you, Mr. Chairman.

10 MAJORITY CHAIRMAN BENNINGHOFF: Thank you,  
11 Representative Denlinger.

12 I believe Mrs. Dean has a question or a comment.

13 REPRESENTATIVE DEAN: Just a question.

14 Thank you very much for your testimony. It's very  
15 interesting, very enlightening, and I wonder if you could  
16 offer, you offered a list of some significant failures of tax  
17 credits. Can you offer us examples of times that it worked,  
18 companies where it worked?

19 MS. CURRIE: I would not be the best at listing  
20 that. I mean, I think what we see sometimes, you do have the  
21 initial, you know, they'll be in the State for a period of  
22 time. But the question is the long term of, how long is this  
23 \$5 million, \$10 million taxpayer subsidy going to stay in  
24 place? So I think there are examples of, maybe they just gave  
25 money to Hershey, you know, like ribbon-cuttings of a company

1 staying, but the question is, how long will they be there and  
2 how significant was the need for the taxpayer contribution?

3 REPRESENTATIVE DEAN: Okay. I'm curious about that,  
4 because I know anecdotally companies that I know who were  
5 incentivized to come to Pennsylvania from out of State and  
6 they're still here and they're still creating jobs. So I  
7 really appreciate your argument; I think it provides this great  
8 balance, but I think we want to look at both sides of that  
9 balance.

10 Thank you very much.

11 MAJORITY CHAIRMAN BENNINGHOFF: Last but not least,  
12 our consistent questioner, Representative Boyd.

13 I'm going to miss you.

14 REPRESENTATIVE BOYD: Wait a second; wait a second.  
15 These two have been on everyone, too, so don't just rag on me.  
16 And I'll be really, really quick.

17 MAJORITY CHAIRMAN BENNINGHOFF: Well, you're our  
18 cleanup batter, and we appreciate that role that you play. You  
19 do a good job in it.

20 REPRESENTATIVE BOYD: I think Chairman Mundy will  
21 appreciate this question. If I can just ask you, what tax rate  
22 would be low enough that businesses would stop asking us for  
23 tax credits?

24 MS. CURRIE: Well---

25 REPRESENTATIVE BOYD: Well, my point is, my point is

1 that we'll take it down to 2.5. Take CNI down to whatever.  
2 They're still going to want to take advantage of every tax  
3 incentive they can. That's the nature. We want to pay the  
4 lowest amount of tax possible. So I guess your argument is, if  
5 you got taxes low enough, then we could do away with tax  
6 credits. I'm saying, how low do you want to get it before  
7 somebody, no business walks in my office and has an idea on a  
8 tax credit to generate jobs or to renovate properties?

9 MS. CURRIE: That's two things to respond.

10 I don't think because companies will continue to ask  
11 for lower costs or carve-outs that that necessitates giving  
12 that to them. I think when you're looking at companies, it's  
13 not just the tax credit that they're looking at. I mean, it's  
14 part of an overall business climate that includes a lot of  
15 different, what is the tort reform? There are several  
16 components that you need to consider that make your State  
17 competitive, and I think as long as companies have the option,  
18 the ability, to get special treatment and incentives, they're  
19 going to ask. They will continue to look for ways to reduce  
20 their own competition. But that doesn't necessitate doing it,  
21 because it hasn't proven to benefit the overall economy when  
22 you have more carve-outs.

23 MAJORITY CHAIRMAN BENNINGHOFF: Very well done,  
24 young lady. Ms. Currie, we appreciate your testimony.

25 Anyone else? Okay; great questions. We appreciate

1 your testimony and look forward to your continual input.

2 MS. CURRIE: Thank you.

3 MAJORITY CHAIRMAN BENNINGHOFF: Next on the agenda,  
4 as I told you, Joe Houldin is not going to be able to join us  
5 from the Delaware Valley Industrial Resource Center, so we have  
6 Kevin Shivers, our Pennsylvania State Director of the National  
7 Federation of Independent Business.

8 When you're comfortable, proceed.

9 MR. SHIVERS: Good afternoon, Chairman Benninghoff  
10 and Chairman Mundy. I appreciate the opportunity to appear  
11 before you on behalf of Pennsylvania small business owners and  
12 their workers. NFIB represents 14,000 small and independent  
13 businesses across the State. We have 350,000 small business  
14 owners in our membership across the nation.

15 And, you know, the issue of tax credits, as our last  
16 witness talked about, is a significant point in the efforts, in  
17 the role of economic development and how can we jump-start our  
18 economies. And our membership, you know, we actually took a  
19 look at some research that was provided, prepared by the  
20 U.S Small Business Administration's Office of Advocacy in which  
21 they made some observations about our economic climates in the  
22 States.

23 And something to consider, you know,  
24 entrepreneurship and new business startups are at a 25-year  
25 low, and a number of economists have pointed out, you know,

1 healthy economies have a lot of business churn -- businesses  
2 that are started, sold, some that fail, some that succeed and  
3 are passed on in different iterations -- but it's that type of  
4 business churn that's important for the health of an economy.  
5 And the Small Business Administration's Office of Advocacy  
6 suggested to States that if they really want to jump-start  
7 their economies, they ought to stop looking to land the big  
8 fish and instead focus on what they can do to create an  
9 environment for existing businesses in their communities to  
10 grow and thrive and prosper and also create an environment that  
11 encourages entrepreneurs to take the risk to start a company  
12 and to grow and to thrive. They talk about it in terms of  
13 economic gardening versus economic hunting, and that really is  
14 the framework on which my comments today regarding this package  
15 of bills relate.

16 Economic gardening is the idea of doing those things  
17 to your climate, whether it's changing the regulatory climate,  
18 whether it's changing laws and statutes, but it's doing things  
19 in a way to promote the growth of small businesses and  
20 entrepreneurship within your own local communities as opposed  
21 to investing tens of millions, I daresay billions of dollars to  
22 try and land out-of-State companies to come here and locate.  
23 And, you know, all of the data shows that when you're looking  
24 at your return on your investment, the investments that are  
25 made in those types of economic development programs where

1 we're trying to land the big fish, they don't necessarily, you  
2 know, that return on investment isn't as strong as if you were  
3 able to reduce a tax or a regulatory burden and help those  
4 small businesses in your communities to grow and thrive.

5           NFIB has long been concerned about tax credits,  
6 because they're only used typically by the companies that  
7 already are in a financial position to make an investment. And  
8 the challenge right now within our economy is that you have  
9 small employers that are struggling because people, customers,  
10 aren't going into their stores and buying stuff, and as a  
11 result, we see the stagnation within our economy and that, you  
12 know, those companies don't have the available resources in  
13 which to hire somebody. They don't have available resources in  
14 which to invest in new equipment. So a tax credit is going to  
15 do them -- it's worthless to them, because they don't have the  
16 available cash right now with which to, you know, use those  
17 dollars to be able to do those things to be able to start up.  
18 So really what we're talking about when we're talking about tax  
19 credits is we're talking about taking tax dollars from those  
20 struggling companies and then giving it to businesses that have  
21 the financial wherewithal to already invest in those types of  
22 jobs and that kind of machinery and equipment.

23           So really, if we want to stimulate the economy and  
24 to grow the economy here in Pennsylvania, we ought to be  
25 looking at how can we reduce the tax and regulatory burden on

1 those existing businesses that are stagnating right now, that  
2 are literally treading water, that don't have the resources to  
3 move forward, and there are a number of ways that the  
4 Legislature could do that, and I've outlined them in my letter  
5 to you.

6           Let's try and simplify the tax code. And not only  
7 should we try and simplify the tax code, let's make the tax  
8 code more consistent with Federal law. It's something that we  
9 talked about on a number of occasions before this committee,  
10 and I know that Representative Peifer, being an accountant in  
11 his own right, I'm sure can attest to the challenges that many  
12 small employers and entrepreneurs have with the inconsistencies  
13 in our State laws versus the Federal law.

14           If, for an example, I build a company, I grow that  
15 company, and I finally get to a point where I want to sell that  
16 company and then use the profits to build another company or to  
17 start another company, I get taxed on the profits that I've  
18 made from the sale of one business and I'm using to, you know,  
19 start up a new business. They're called like-kind exchanges.  
20 But we should have some type of consideration for  
21 entrepreneurs, serial entrepreneurs, who are starting  
22 businesses, selling them off, and then using the profits from  
23 those companies to invest in new businesses to get those  
24 businesses up and running, that kind of thing. That business  
25 churn is good for a healthy, robust economy.

1           Another issue is the tax on corporate loans. And,  
2 you know, you say the word "corporate" and, oh my God, big  
3 business. No. We're talking about Federal law requires that  
4 employers have to take a salary, but many small businesses are  
5 struggling, and so many of those companies, those owners, will  
6 take a salary, because they're required to by law, but then  
7 they'll turn around and they'll loan that company back to their  
8 business so they can make payroll for the week. Imagine that,  
9 they're actually taxed on taking that salary and loaning it  
10 back to the company. We should be, if we're really trying to  
11 stimulate small business and trying to, you know, create that  
12 type of economic churn, we should be doing things to eliminate  
13 barriers that entrepreneurs and employers have to be able to  
14 take those dollars and to be able to plow them back into their  
15 company and to keep their company operating, or to be able to  
16 incent them to use those dollars to be able to invest in new  
17 machinery, new equipment, what have you.

18           Another issue is one, and I know Representative Boyd  
19 has been pushing this for a number of years, and we'll promise  
20 to carry the torch for you, is regarding, you know, paying  
21 taxes on installment sales of companies; that, you know, as a  
22 small business owner you sell a company, but you have to pay  
23 the taxes on the proceeds of that company all upfront as  
24 opposed to, you know, even though that business transaction  
25 might be conducted over a period of years. You might actually



1 be paying taxes on a company that your successor could have run  
2 into the ground, but that you are essentially paying taxes for  
3 that company even though it no longer exists because of  
4 somebody else's mismanagement. Again, those are all Federal  
5 law, those are all provisions in Federal law that could be used  
6 here at the State level to make State law consistent with  
7 Federal law.

8           The point of that is this: One of the biggest  
9 challenges, one of the biggest expenses for small business is  
10 the cost of compliance. It costs about \$74 per hour for a  
11 small business to comply with Federal tax laws and rules and  
12 regulations. And if you think about it, if we can do things to  
13 make that kind of compliance easier and cheaper and more  
14 efficient for those small employers, those are more resources  
15 and dollars that they have available that they can again plow  
16 into their companies, et cetera.

17           We think that, you know, by simply providing tax  
18 credits, you're only picking certain industries that government  
19 decides are the ones that we need to invest in, and with this  
20 package of bills, we're talking about hotels, we're talking  
21 about renewable energy, we're talking about manufacturing. But  
22 there are a host of industries in Pennsylvania that are hurting  
23 or that we should be trying to support to encourage them to  
24 grow -- agriculture; you know, financial services. You know,  
25 other than hospitality, there are a whole host of services and

1 industries, retail businesses out there, that we could be  
2 promoting. With this package of bills, we're only selecting  
3 just a handful of them and then we're taking tax dollars to try  
4 and plow them in, and instead of taking a holistic view and  
5 trying to do things, you know, trying to lay out a strategy  
6 across the board, how are we going to be able to promote these  
7 companies?

8 So those are a few of my thoughts, and I'm happy to  
9 take questions from you.

10 MAJORITY CHAIRMAN BENNINGHOFF: Thank you,  
11 Mr. Shivers.

12 Questions from the Members?

13 You have them spellbound.

14 MR. SHIVERS: How about it. You know, the sugar  
15 high has worn off from lunch, right?

16 MAJORITY CHAIRMAN BENNINGHOFF: Just so you don't go  
17 away without any questions---

18 MR. SHIVERS: Uh-oh.

19 MAJORITY CHAIRMAN BENNINGHOFF: Just out of  
20 curiosity, is there any one single question that your members  
21 proliferate or a thing that they feel business could do to  
22 assist them, whether in tough economic times or---

23 MR. SHIVERS: That government could do to help them  
24 out?

25 MAJORITY CHAIRMAN BENNINGHOFF: Other than getting

1 out of their way.

2 MR. SHIVERS: You know, again, I mean, the two  
3 biggest costs that employers are facing right now are the cost  
4 of health care and the cost of regulatory compliance.

5 Now, the General Assembly did take some important  
6 steps in this last legislative session that ended in July,  
7 June; you know, that being regulatory flexibility for small  
8 business and giving small employers a seat at the rulemaking  
9 table. That is going to be an extraordinary help as  
10 regulations are developed, and I thank you, all of you, who  
11 voted for that.

12 Another important step that you took was that you  
13 repealed the inheritance tax on transfers of family farm  
14 assets, and for farm families in Pennsylvania, well, for all  
15 businesses and all individuals, you know, the death tax, as  
16 it's also known, is especially burdensome and particularly  
17 burdensome to small businesses and farm families. At least now  
18 we've taken a step in the right direction where we've relieved  
19 that burden. And I argue that you're actually going to see a  
20 reduction in sprawl, because now family farmers or, you know,  
21 those farm families are going to be able to keep that property  
22 within their own family as opposed to having to sell it off in  
23 order to raise money to be able to pay the taxes. So I think  
24 that's a good thing.

25 And then again, I think, you know, working with you

1 to continue the phaseout of the capital stock and franchise  
2 tax. You know, those are things that we're doing and we need  
3 to continue to do more. Like I said, we would love to work  
4 with you to be able to continue to make our Federal and State  
5 tax laws more congruent.

6 MAJORITY CHAIRMAN BENNINGHOFF: Thank you, Kevin,  
7 and thank you to your organization. You've been instrumental  
8 in a lot of those things that we've been able to get done. I  
9 think the committee is proud of the bipartisan manner when we  
10 did do the repeal of the inheritance tax. And as I think  
11 Chairman Evans says, if we can do a lot of this stuff in a  
12 bipartisan manner, it's better for Pennsylvania. So thanks for  
13 your enthusiastic testimony.

14 We will move on to Michael Wood, Research Director  
15 of the Pennsylvania Budget and Policy Center.

16 MR. WOOD: Good afternoon.

17 MAJORITY CHAIRMAN BENNINGHOFF: Good afternoon.  
18 Thank you for joining us.

19 MR. WOOD: Thank you for having me.

20 Good afternoon, Representatives Benninghoff and  
21 Mundy as well as other Members of the Finance Committee. Thank  
22 you for the opportunity to comment on HBs 2181 through 2184.

23 The Pennsylvania Budget and Policy Center is a  
24 nonprofit, nonpartisan policy research organization that  
25 evaluates tax and budget policy with an emphasis on revenue

1 adequacy and tax fairness. With unemployment hovering near  
2 8 percent, the public and elected officials are looking for  
3 strategies that stimulate the economy and create jobs.

4 Tax credit programs are a popular tool in the  
5 toolbox. However, many have not earned their good reputation.  
6 In Pennsylvania and across the nation, tax credit programs too  
7 often are poorly designed, lack clear goals, and fail to make  
8 good on promises. Often, the programs pay for activity that  
9 would have otherwise occurred.

10 HBs 2181 to 2184 propose a series of tax credits in  
11 an effort to add to the State's economic incentive toolbox and  
12 to attract more investment. Portions of the bills have merit  
13 but, as currently proposed, do not offer the Commonwealth the  
14 "bang for the buck" necessary to warrant their enactment.

15 It is important to note from the onset that the  
16 Commonwealth has made billions of dollars in business tax  
17 reductions and enacted hundreds of millions of dollars in tax  
18 credits in an effort to spur development. There is little  
19 information to judge whether these large tax expenditures have  
20 borne fruit before enacting new tax credit programs the  
21 Commonwealth needs to determine whether this strategy has been  
22 effective.

23 Making the most out of business incentives. Before  
24 discussing the merits of the particular proposals, I would like  
25 to discuss eight commonsense principles for effective and

1 accountable business incentives. It is against these  
2 principles that these and other tax credit programs should be  
3 evaluated.

4 Tax credits have the same impact on State budgets as  
5 expenditure programs. Both reduce revenue available for other  
6 State priorities such as education and health care and should  
7 be subject to annual evaluation. This can be done by setting  
8 credit amounts every year based on available resources or  
9 through rigorous program evaluation.

10 An issue that came up in the Legislative Budget and  
11 Finance Committee's 2010 review of credit programs is that  
12 program monitoring was not adequately staffed. If these  
13 programs exist, the government needs to devote resources to  
14 make sure that they are being operated effectively.

15 In the testimony I list eight commonsense principles  
16 from our perspective, and I'll just talk about them very  
17 briefly.

18 • Get a money-back guarantee on subsidies. That  
19 means have clawbacks if people don't live up to their  
20 promises.

21 • Match subsidies to the goal. If the goal of the  
22 subsidy is to create employment, provide subsidies that  
23 help reduce the cost of labor rather than lowering the  
24 cost of capital improvements. Often, capital  
25 improvements lead to the need for less labor.

1           • Number 3, focus subsidies not only on job creation  
2 but on the creation of high-quality jobs. Paying  
3 market-based wages with health insurance or other  
4 benefits, for example.

5           • Set clear goals for economic development programs  
6 and draw clear conclusions on their evaluation. The LBFC  
7 study was cited by the Pew Center on the States as doing  
8 an excellent job of that.

9           • Insist on transparency for subsidy programs.

10          • Ensure subsidy programs are held accountable for  
11 results.

12          • Make program reporting as uniform as possible. We  
13 have a myriad of tax credit programs. Each one has its  
14 own set of requirements. One thing that could be done is  
15 making these things much more similar. It would be  
16 easier for companies and it would be easier for the State  
17 to administer.

18          • And then set program limits and sunsets.

19               There are also a number of policy considerations  
20 that we think lawmakers should consider when evaluating these  
21 programs.

22               In some cases, writing checks is more effective than  
23 creating tax credit programs. If you're looking at a single  
24 company or a single project, sometimes just writing a check to  
25 them instead of having a new kind of program that goes on for

1 years is a better deal for the State. And then also with the  
2 tax credits being sellable, in many cases there's a middleman  
3 in that, so they don't actually end up getting the actual  
4 benefit that they would if you just gave them a check. You  
5 kind of have to look at it on a case-by-case basis.

6 Investment in public goods can be the best  
7 development route. Rather than subsidizing specific companies,  
8 Pennsylvania should strengthen its efforts to grow its own  
9 companies by investing in public goods of a 21st century  
10 economy. These 21st century public goods start with education  
11 and traditional infrastructure but also include technological  
12 infrastructure and amenities, cultural assets, and natural  
13 endowments that make Pennsylvania an attractive place to live  
14 and work. Today's public goods include institutions that  
15 support specific industry sectors such as training partnerships  
16 and sector-specific innovation centers that build on  
17 Pennsylvania's higher education institutions. One particular  
18 benefit of training partnerships is that workers retain the  
19 skills even if particular companies come and go.

20 Another thing that people should think about is  
21 keeping companies invested in Pennsylvania can be more  
22 effective than paying companies to relocate to Pennsylvania.

23 Sometimes when you try to have a specific company  
24 come in, if a company is willing to move to Pennsylvania based  
25 on incentives, they may be the most likely to leave when the



1 incentives come out. It really depends on how you set up the  
2 program.

3 Aggressive smokestack chasing and pirating of jobs  
4 from other States feeds a destructive race to the bottom on  
5 business taxes, shifting the joint responsibility for paying  
6 for government services to individuals.

7 And when the incentives are poorly defined,  
8 targeted, and administered, the government subsidies really can  
9 be money for nothing.

10 Looking at the specific bills that Representative  
11 Evans proposed, HB 2181 creates a new type of tax credit that  
12 has never been used before in Pennsylvania. The manufacturing  
13 jobs tax credit would be available to manufacturing facilities  
14 that retain jobs and for suppliers of those manufacturers that  
15 create a minimum of five jobs. As was discussed before, with  
16 the manufacturer, they would be able to retain a portion of the  
17 personal income tax being withheld from their employees. This  
18 is effectively employees paying for the tax incentives received  
19 by their employer. The Commonwealth loses out in this also  
20 from the standpoint that tax dollars are diverted from the  
21 General Fund.

22 While this proposal includes a number of reasonable  
23 accountability provisions, the overall costs of the bill vastly  
24 outweigh its benefits, particularly if no new jobs are created  
25 at the manufacturing facility. The legislation sets a low bar

1 for manufacturing facilities to receive credit in terms of  
2 jobs. It doesn't have to increase employment. It's only  
3 required to make capital investments and relocate or create a  
4 new business product line, not create jobs.

5           The bill violates one of the principles that we  
6 talked about earlier, and that's if it's going to be a jobs  
7 bill, it needs to subsidize jobs, not capital, as investing  
8 more in capital can actually lead to an overall reduction in  
9 jobs.

10           And this kind of subsidy for a manufacturer may be  
11 unnecessary if it's reorganizing its product line due to market  
12 conditions with or without the credit. Additionally, credits  
13 may be awarded to facilities where employment actually  
14 decreases, a strange feature for a tax credit supposedly aimed  
15 at manufacturing jobs.

16           The standards for the suppliers are higher. The  
17 suppliers must create new jobs to receive the credit and must  
18 pay at least an industry average wage and partially  
19 employer-paid benefits to qualify. If they paid higher than  
20 the average wage, they would get more of a benefit.

21           The proposal has several thoughtful accountability  
22 provisions. It sets annual tax credit limits. It has specific  
23 annual reporting requirements and sets wage and benefit  
24 standards. It would also exclude qualified manufacturing firms  
25 from double-dipping through participation in other Commonwealth

1 tax credit programs.

2           On the negative side, it doesn't have a clawback  
3 mechanism for previously awarded credits. If the manufacturer  
4 or a supplier fails to retain jobs maintained or created in  
5 previous years, no further credits are awarded, but no money is  
6 brought back to the State.

7           HB 2182 creates a hotel and resort property  
8 construction and renovation tax credit. The program provides  
9 up to \$50 million per year in tax credits for qualified hotel  
10 and resort construction projects. The cost of the construction  
11 project must range between \$10 million and \$100 million to  
12 qualify. Credits are awarded at 10 percent of the construction  
13 or renovation costs. The program has no specific goals such as  
14 increasing employment or anything like that stated in the bill.

15           The proposal includes a strict time limit, 2012  
16 through 2015. It prevents doubling-dipping with Federal tax  
17 credits and expensing provisions and has a cap on the amount of  
18 credits that can be awarded. Despite these features, it is  
19 difficult to identify the public interest served through this  
20 legislation. It contains no job-creation criteria of any kind.  
21 It also seems designed to subsidize certain types of projects  
22 without a clear public interest being served.

23           Commercial construction has clearly suffered through  
24 the recession, but the remedy to this problem is to invest  
25 public funds in public construction projects, not for-profit

1 hotels and resorts. Schools, libraries, parks, and historic  
2 sites are in need of renovation and restoration and are also in  
3 the need of State dollars. It is difficult to see how spending  
4 \$50 million per year on a hotel project, which will be built  
5 based on demographics and consumer demand rather than tax  
6 breaks, outweighs the need to restore school funding or other  
7 critical public needs.

8           The bill has no public reporting requirements,  
9 making it difficult to gauge the payback the State receives for  
10 its potential \$200 million contribution to these projects.

11           HB 2183 proposes a \$2,000 renewable energy job  
12 creation tax credit. Under the plan, companies receive tax  
13 credits for each new "renewable energy job." Each job can  
14 generate credits in three tax years if it continues to be  
15 filled, for a total of \$6,000 per job.

16           While encouraging the development of renewable  
17 energy as a worthwhile endeavor, this proposal has a number of  
18 issues. It contains no reporting requirements to help  
19 lawmakers assess its effectiveness or to indicate to taxpayers  
20 how many jobs have been created. It contains no limits on the  
21 amount of credits that can be awarded in a year or to a single  
22 company. Furthermore, it contains no sunset date for the  
23 program.

24           It is also confusing if jobs created in specific  
25 industries or if jobs created in specific occupations will

1 actually generate the credits under the proposed program. The  
2 bill defines "renewable energy job" as being specific  
3 industries that create these jobs and generate the tax credits.  
4 However, in Section 1803-E, later it states the Department of  
5 Revenue and the Department of Community and Economic  
6 Development will create a detailed list of occupations that  
7 qualify for the credit. That's something that could be fixed  
8 as the legislation goes through.

9           The broad manner in which renewable energy jobs are  
10 defined could make workers in many industries eligible for the  
11 credits, as they are just related to renewable energy  
12 development. This bill contains no pay or benefit standards  
13 for qualifying jobs.

14           Like other credits, it's hard to determine if these  
15 credits are necessary or if they're subsidizing something that  
16 would already occur without the public subsidy. Public dollars  
17 may be better used for reducing consumers' cost of  
18 transitioning to renewable energy rather than lessening labor  
19 costs for firms.

20           HB 2184 is very similar to 2183. It creates a clean  
21 energy jobs credit for basically the same industries with a  
22 couple different ones added. Hydrogen and fuel cell  
23 technology, landfill gas, and wind systems are also added to  
24 that list. As is the case with 2183, the bill lists industries  
25 where the jobs must be created but later says individual jobs

1 or individual occupations qualify for the credit.

2 HB 2184 includes a number of provisions that make it  
3 preferable to 2183. The credit is limited to jobs that pay at  
4 least \$50,000, and the credit is limited to \$500 per job for up  
5 to 5 years. Each company may receive a credit for a maximum of  
6 350 jobs, and the program sunsets in 2017.

7 One failure of the program is it allows  
8 double-dipping of tax benefits. A company could operate in a  
9 keystone opportunity zone where activity would be largely tax  
10 free for State and local tax purposes and still receive clean  
11 energy job credits.

12 The bill could be improved with the addition of  
13 annual reporting, a program cap, and a more defined list of  
14 occupations/industries that qualify for the credits.

15 In conclusion, the number and scope of tax credits  
16 offered by the Commonwealth of Pennsylvania have mushroomed  
17 over the last decade. These proposals follow that pattern.  
18 Rather than developing a new tax credit for every new business  
19 that the State wants to support, a more cost-effective path  
20 would be to create a more unified economic development policy  
21 with common standards and reporting requirements. This policy  
22 could help link economic development with workforce development  
23 and help ensure the State's finite resources are being used in  
24 ways that maximize the State's "bang for the buck."

25 MAJORITY CHAIRMAN BENNINGHOFF: I appreciate your

1 concise presentation. I appreciate the layout of your  
2 notation, too. It's very nice and easy to follow. So I  
3 appreciate that.

4 MR. WOOD: Thanks.

5 MAJORITY CHAIRMAN BENNINGHOFF: Questions?  
6 Representative Dean.

7 I feel like I'm at an auction. Sometimes they  
8 really wave and other times they just kind of head-nod.

9 REPRESENTATIVE DEAN: I didn't buy anything, did I?  
10 Thank you, Mr. Chairman. Thank you, Mr. Wood.

11 MR. WOOD: Certainly.

12 REPRESENTATIVE DEAN: I appreciate your testimony,  
13 and I appreciate your call, number one, that none of these  
14 kinds of legislation should relieve us of our primary goal of  
15 investing in what you call the public goods -- infrastructure,  
16 education, cultural aspects of our society. So I think that  
17 really has to be re-highlighted, and I think maybe that gets  
18 lost in the number of pieces of legislation we see that try to  
19 create tax incentives.

20 The other piece that I think is so important is the  
21 failure of uniformity, each and every one of these coming up  
22 with different regulations and how difficult to track, how  
23 difficult to achieve. And so if there is some way, some wise  
24 set of uniformity rules that we could come up with, that would  
25 be so much better.

1           But maybe I'll ask you what I asked the other policy  
2 analyst, Ms. Currie, which is, are there model pieces of  
3 legislation that create tax incentives that you would look to  
4 or have us look to that we would craft some of these after?

5           MR. WOOD: Well, I think even just going by what the  
6 recommendations were in the LBFC report I think would be a  
7 really good step. I think going through the programs that we  
8 already have or new programs that come out and try to say, hey,  
9 let's have a set of criteria that every program, if you're  
10 getting State dollars, you've got to jump through these hoops  
11 to receive the tax dollars.

12           REPRESENTATIVE DEAN: Okay.

13           MR. WOOD: And then like at some time take, you  
14 know, spend some time evaluating these programs and making sure  
15 that they work. I think if we do that, I think that would just  
16 help immensely.

17           Other States have what they developed as, they have  
18 like an annual economic development policy that they had come  
19 up with, and they try to see how their tax credit programs fit  
20 with the overall, it's like an overall package of things that  
21 they try to offer. With that, they try to have the reporting  
22 requirements be the same. So I think that's one thing that  
23 could be very helpful.

24           REPRESENTATIVE DEAN: Okay.

25           And the other question, which one of my colleagues



1 asked previously, do you have any sense of, if we eliminated  
2 these kinds of incentives, what impact that would have on the  
3 corporate tax rate?

4 MR. WOOD: Off the top of my head, I don't have a  
5 precise number of what the tax credits, if you add up in the  
6 expenditure section of the budget, they list them out, which is  
7 nice, that you can go through and see how much they are. It's  
8 in the range of, I'm guessing it's in the range of \$500 million  
9 to a billion dollars, and if you look at that, and it depends  
10 on which tax you're talking about reducing, if you got rid of  
11 that what you would be able to do to the tax rate. If it's  
12 \$500 million, that ends up being, it would be equivalent to  
13 about 2 1/2 percent of the corporate net income tax rate.

14 But again, you know, I think the question goes back  
15 to what Representative Boyd said. Like, you know, even if you  
16 get rid of all these things, is it going to stop people from  
17 asking for them, and my guess is probably no, so.

18 REPRESENTATIVE DEAN: Great. Thank you very much  
19 for your comments.

20 MAJORITY CHAIRMAN BENNINGHOFF: Thank you,  
21 Representative Dean.

22 Representative Denlinger.

23 REPRESENTATIVE DENLINGER: Thank you, Mr. Chairman.  
24 Thank you, Michael. I appreciate your thorough  
25 testimony.

1 MR. WOOD: Sure.

2 REPRESENTATIVE DENLINGER: And I do appreciate the  
3 depth that you go into with these. I had asked earlier if  
4 there was in fact a total cost or revenue impact. You've  
5 provided some pieces of that in the sections on the bills, but  
6 do you have a total number?

7 MR. WOOD: I don't, because one of the bills, the  
8 manufacturing tax credit, if I remember correctly, doesn't have  
9 a program cap, and the way it's set up with the export  
10 requirements for certain manufacturers and with the suppliers  
11 of having to sell to these ones, I think it's hard to see which  
12 companies would actually qualify. It's not really a  
13 manufacturing tax credit that every manufacturer out there  
14 would be able to get. So in terms of that, it's kind of hard  
15 to see what the scope of that one is.

16 With the other ones, the hotel tax credit, it's  
17 \$50 million per year for that one. And then one was  
18 \$35 million, and then I don't think there was a program cap on  
19 the other. But I think that you probably would end up doing,  
20 if they were all enacted, I would imagine you would either do  
21 2183 or 2184. I don't know if you would end up doing both of  
22 them. So unfortunately, I don't have an answer on that.

23 REPRESENTATIVE DENLINGER: And then the same  
24 question, and Representative Dean and I were probably going  
25 down the same road to some degree in this questioning, but I

1 had put it to Ms. Currie earlier. I'm just wondering, are  
2 there other States out there or nation-states that have  
3 radically reformed their tax credit universe and, you know,  
4 things that we could look at and the results of that, what it  
5 did for jobs creation and overall economic activity.

6 MR. WOOD: There have been States that have gone  
7 through and redone their tax credit programs. I don't have at  
8 my fingertips what the impact of that was. Sometimes it ends  
9 up being what Pennsylvania did a couple of years ago in the  
10 budget situation when tax credits were reduced for a couple of  
11 years because there just wasn't money to pay for them. But  
12 again, with that, there was not an evaluation of what the  
13 impact of that was in terms of the efficacy of those programs.

14 REPRESENTATIVE DENLINGER: As a follow-up question,  
15 if you can find anything along those lines---

16 MR. WOOD: Certainly.

17 REPRESENTATIVE DENLINGER: ---I think we would all  
18 benefit from it, and I would appreciate it.

19 MR. WOOD: Definitely.

20 REPRESENTATIVE DENLINGER: So thank you.

21 Thank you, Mr. Chairman.

22 MAJORITY CHAIRMAN BENNINGHOFF: Thank you,  
23 Representative Denlinger. You always have good questions.

24 Anyone else?

25 Michael, thank you very much. As always, great job.

1 MR. WOOD: Certainly. Thank you.

2 MAJORITY CHAIRMAN BENNINGHOFF: I thank the peanut  
3 gallery in the back row.

4 Last but not least, we have a gentleman, the Manager  
5 of Economic Development from PECO. Phil Eastman was not able  
6 to join us today, so we have another gentleman on his behalf,  
7 Mark Haas, who is the Director of Governmental Affairs, who we  
8 know and know will do a fine job.

9 I appreciate Phil making his choice. He's trying to  
10 deal with some storm damage duty issues, and he is serving his  
11 customers. So we commend that, and give him our best regards.

12 MR. HAAS: That we are.

13 Thank you, Chairman. And Chairman Mundy, thank you  
14 very much, and Members of the Committee, for having me testify  
15 today, or having our company testify today, honestly.

16 Right now we are, PECO, in a storm restoration mode.  
17 We serve the southeast portion of our State. We serve six  
18 counties -- Philadelphia, Bucks, Montgomery, Chester, Delaware,  
19 and parts of York County. And as of 5 o'clock yesterday we  
20 had, or rather as of noon today, since 5 o'clock yesterday,  
21 we've restored over 95,000 customers, and we still have about  
22 2,000 to go. And those numbers are from 12 noon. I suspect  
23 we're running pretty close to having most of them on by now.

24 Our Economic Development Director, who was supposed  
25 to testify today and is our expert in these type matters, like

1 everyone else at PECO, when there's a major storm, he performs  
2 a role outside of his normal duties. Everyone has a job to do  
3 when the lights are off in helping to restore and get the  
4 lights back on. So his role, I know, in the reporting  
5 structure is reaching out to our major customers that don't  
6 have service, our priority customers -- hospitals, prisons,  
7 switch pumping stations, and such.

8           And as I said, everyone plays a role, from attorneys  
9 sitting on downed wires at times to lobbyists performing  
10 functions such as communications director with the news media  
11 outlets. We all have a role to play, and it's on a rotating  
12 basis. So Phil Eastman could not make it, so I'm here to offer  
13 his testimony. If I can't answer any questions, I'll make sure  
14 you do get the answers, but his testimony is important, I  
15 think, to the issue at hand.

16           PECO Energy, as I mentioned, provides electric  
17 service to 1.6 million customers in southeast Pennsylvania, and  
18 we also supply gas to approximately a half a million customers  
19 outside the city boundary to those four and a half other  
20 counties that we serve.

21           Promoting economic development has always been a  
22 critical element of our company's mission, as our success as a  
23 company is fundamentally linked to the success of a region.  
24 Typically, our company's service grows about 1 1/2 to 2 percent  
25 a year, and it's based on the growth of the region. It's

1 pretty much where the Delaware Valley seems to grow each year.

2           With a long commitment to economic development, PECO  
3 has established the reputation as a key player in the economic  
4 development network in this State, and in our region, we often  
5 work with the State and regional and economic development folks  
6 to attract new business to our region. I heard something  
7 mentioned earlier today about where the growth of business  
8 comes. We recognize that most of the growth is organic within  
9 our area, so we work with the existing customers to make sure  
10 they remain in our region as they grow.

11           On behalf of PECO, I commend you for holding this  
12 important hearing today and would like to commend  
13 Representative Dwight Evans for his leadership in introducing  
14 this series of bills, HBs 2181 through 84, designed to promote  
15 economic development in the Commonwealth through the use of  
16 targeted tax incentives.

17           In general, PECO believes that proactive, targeted  
18 tax incentives to promote economic development are the best  
19 tool for attracting jobs and investment in the Commonwealth. A  
20 tax credit that can be placed on a project balance sheet is  
21 something companies looking to locate facilities and  
22 consultants generally prefer. These types of tax credits  
23 provide greater certainty and require less investment of time  
24 and legal resources to bring projects to execution than ad hoc  
25 approaches.

1           I would like to emphasize, the bills themselves  
2 would not directly benefit PECO Energy, however, because as a  
3 regulated utility, our rates are adjusted for the taxes we do  
4 pay, so these types of incentives typically do not apply to  
5 us. However, to the extent that incentives spur investment,  
6 job creation, and a more vital economic climate, PECO would  
7 expect favorable impacts for our company in the area of load  
8 growth and employment for the region and for all of  
9 Pennsylvania.

10           We would, however, encourage the committee and the  
11 Legislature to look at the issue of potential economic  
12 development tax incentives in the context of all of  
13 Pennsylvania's economic development policies, including  
14 benchmarking against other States in the region and best  
15 practices analysis.

16           We would like to offer a few recommendations in  
17 terms of the goals of these tax credits:

- 18           • 1. Establish tax credits that support achievement  
19 of broad public policy goals. For example, a tax credit  
20 that supports new capital investment in  
21 emissions-reducing technologies would generally be  
22 preferable to tax credits that support specific  
23 industries or products. We think it's important that  
24 government not pick winners and losers in business but  
25 good public policy broad-based goals.

1           • Tax credits also to investments in long lived  
2 capital assets that demonstrate a long-term commitment to  
3 Pennsylvania and cannot be easily or cheaply relocated  
4 after the requirements period of the credit is satisfied.

5           • Target tax credits to areas where multiple public  
6 policy priorities can be achieved at the same time, such  
7 as investing in areas where existing infrastructure is  
8 underutilized or where there are opportunities for re-use  
9 of abandoned or underutilized property. The Commonwealth  
10 has done some work in that area. We would encourage  
11 more.

12           And finally, we think the development of the  
13 Marcellus Shale should provide economic growth opportunities  
14 throughout the Commonwealth, and there are a couple of  
15 opportunities here that I could talk about.

16           First, while the amount of natural gas that is being  
17 produced in Pennsylvania is growing dramatically, efforts to  
18 bring more gas to more Pennsylvanians will require significant  
19 capital investment. This is a classic "first mover" issue  
20 where upfront costs of investments create market barriers.

21           At PECO, we are working aggressively to implement a  
22 gas growth strategy to make natural gas available to more of  
23 our customers who live or operate businesses along the mains.  
24 The strategy is limited, however, by the significant capital  
25 costs of extending service mains.



1           The best way of overcoming this is through the  
2 identification of first movers, or "anchor tenants," for main  
3 expansion who can make major commitments to expansion projects.  
4 Once these anchor tenants make the commitments, a new main can  
5 be extended and gas service becomes an economical option for  
6 smaller commercial and residential customers. Thus, a tax  
7 credit for commercial or industrial customers who pay upfront  
8 costs of main extensions could enable much more Pennsylvania  
9 gas to fuel jobs and growth and allow more Pennsylvanians to  
10 use gas for their own energy needs.

11           Second, there are some specific industry segments  
12 that are high opportunity targets for natural gas-fueled  
13 production or export. The review of economic development  
14 policies mentioned earlier should include a particular focus on  
15 these opportunities.

16           And as an aside, I know the Public Utility  
17 Commission is currently looking at alternative means to further  
18 gas infrastructure growth. There are some discussion groups  
19 going on right now. This capital investment issue is a large  
20 one and something that the State has to succeed in, because we  
21 have such an abundance of gas and the idea of getting it to  
22 customers is proving extremely capital intensive.

23           The bills that Representative Evans has introduced  
24 represent a great starting point in the discussion of how to  
25 promote economic development in Pennsylvania through targeted

1 tax incentives, and we're pleased that the committee is working  
2 on a bipartisan basis to develop legislation that will achieve  
3 these goals.

4 I thank the committee for its interest in this  
5 public policy initiative and the willingness to allow us to  
6 testify. And I'm happy to answer any questions the committee  
7 may have, and if I can't answer them, I'll make sure our  
8 Economic Development Director does answer them.

9 Thank you very much.

10 MAJORITY CHAIRMAN BENNINGHOFF: Thank you. You  
11 always do a fine job, and we appreciate it.

12 MR. HAAS: Thank you.

13 MAJORITY CHAIRMAN BENNINGHOFF: Please tell Phil his  
14 testimony is very helpful.

15 I ironically have a similar situation that we're  
16 working on in Centre County trying to get the infrastructure  
17 expanded to our gas customers. And I know one suggestion  
18 that's being touted in front of the PUC is to allow customers  
19 to roll maybe their upfront costs in an installment plan, like  
20 through their payment like you would almost in a car loan or  
21 escrowing your taxes.

22 And I think that the excitement is there. We're  
23 getting stopped more and more by people, especially when  
24 they're paying \$4 a gallon for fuel oil and they see the  
25 significance in the clean energy that it can produce with

1 natural gas. So we're anxious and excited to hear that PECO is  
2 also looking into that.

3 MR. HAAS: That we are.

4 MAJORITY CHAIRMAN BENNINGHOFF: I'd be glad to talk  
5 with you a little bit more about that at a later date, because  
6 we want to get that to our local customers.

7 Gentlemen? Ladies? Anybody, questions?

8 Representative Gordon Denlinger.

9 REPRESENTATIVE DENLINGER: Thank you, Mr. Chairman.

10 Not wanting to belabor the meeting here, but the  
11 heart of Dwight's, Chairman Evans's package obviously is jobs  
12 creation. You've highlighted some potential opportunities in  
13 energy development. And my district is not within the PECO  
14 service territory; I'm just outside, but I'm wondering if you  
15 could share with us, you mentioned industry and conversions. A  
16 significant success story or two, if you could, about  
17 conversion from one of the older-age fuels into natural gas  
18 that's going to spur jobs growth within the southeastern  
19 corridor.

20 MR. HAAS: One of the projects that I was involved  
21 in most recently was the conversion of a former steel  
22 generation facility in Bucks County. We ran a pipeline from  
23 the landfill, GROWS landfill, over to the USX facility to a  
24 generation plant that was not operating by USX -- we now  
25 operate the plant -- and it's now running on natural gas.

1 Great capital investment by both companies. It serves a  
2 different purpose than I think what I had testified about. But  
3 nonetheless, it was probably a good use of using more gas to  
4 benefit some of the customers within that industrial park.

5 It's already within a keystone opportunity zone.  
6 And the generation that's being used there is mostly used by  
7 USX, and some of the other companies have been able to locate  
8 within that keystone opportunity zone. That's probably the  
9 last project that I was involved in directly, but we see a  
10 whole host of potential with natural gas and getting  
11 infrastructure build-out to attract more business and industry.

12 And honestly, in the southeast there are some old  
13 sections of not only Philadelphia and Bucks and I'm thinking of  
14 the Norristown area. They still have a fair amount of oil that  
15 people are just dying to get natural gas, and the ability to  
16 finance those projects is just not there right now.

17 The idea of an anchor would be, I'm thinking of a  
18 very specific example: There's a group of homes located close  
19 to some auto dealers, and they wanted there to see if they can  
20 go to cast so they can get a main down their street. That  
21 particular group of homeowners, we had given them an estimate.  
22 It's about a mile and a half away, the gas main. The estimate  
23 to getting them gas is in that above \$300,000. If they can get  
24 one of those anchor tenants, one of those---

25 REPRESENTATIVE DENLINGER: \$300,000 for the whole

1 group or---

2 MR. HAAS: \$300,000 for the group to be divided  
3 amongst the homeowners.

4 REPRESENTATIVE DENLINGER: Okay.

5 MR. HAAS: And for homeowners, that's significant.  
6 That still doesn't include the cost of getting the gas in your  
7 home and making the conversion to heat or to gas heat and such  
8 if they have oil or if they have electric. The capital cost is  
9 daunting for most of those folks. So they're in the process of  
10 trying to convince, there are two car dealers and there's a  
11 produce wholesaler nearby to get gas, and if they can do that,  
12 that's going to help offset those costs. But convincing those  
13 folks to do that, it's a challenge for the customers.

14 REPRESENTATIVE DENLINGER: I think you've answered  
15 my question, my follow-up question, and that was, for residents  
16 of southeastern PA, the benefits of all of this natural gas  
17 drilling activity probably are primarily going to be  
18 transportation much more than any access to home heating.

19 MR. HAAS: Representative, that's a great question.  
20 Tomorrow, I'm due to attend the grand opening of a natural gas  
21 fueling station in the southeast. It is growing, and we have  
22 made it a practice to reach out to as many folks as we can. We  
23 have approached SEPTA and some other folks about conversion to  
24 their buses for natural gas. They have some internal and  
25 political challenges they face within our area.

1           But honestly, I think the biggest impact that  
2 natural gas has had at this point is on the cost to consumers  
3 for electricity. Wholesale electricity prices have plummeted  
4 over the past year and a half, so much so that we can just look  
5 at any utility company's stock and see that their prices are --  
6 ours is a third of what it was 2 years ago, and honestly, it  
7 has been great for consumers, the build-out of natural gas.  
8 But they're seeing it in their electricity prices more so than  
9 in their gas prices, because most customers, natural gas makes  
10 up about 22 percent of our customers' heating, and a lot of it  
11 is oil, a lot of it is electric, and a lot of it is propane.  
12 So the more we can build it out, the more Pennsylvania citizens  
13 can see that benefit.

14           And what we're thinking of, make the end-users,  
15 allow them to get tax credits, like the first customers out  
16 there, not us so much. As you know, utility costs are  
17 recoverable, but honestly, customers' costs are not, so we're  
18 trying to make things cheaper for them to achieve. What they  
19 can get through lower energy savings we think would be helpful.

20           REPRESENTATIVE DENLINGER: Very good. Thank you.

21           Thank you, Mr. Chairman.

22           MAJORITY CHAIRMAN BENNINGHOFF: And last but not  
23 least, Chairwoman Mundy has a question.

24           MINORITY CHAIRMAN MUNDY: I wanted to ask you about  
25 your DSIC in terms of extending new services and distribution

1 lines. Is that what you're using it for?

2 MR. HAAS: No, ma'am.

3 MINORITY CHAIRMAN MUNDY: Why not?

4 MR. HAAS: Because we're not permitted. The DSIC  
5 can be used for main replacement, cast-iron replacement. It  
6 will allow us to put more funds or more capital into main  
7 extensions, but directly, it can't benefit us. And it has got  
8 to be a secondary benefit in the sense of if we can recover the  
9 cost of replacing the aging infrastructure that we have in,  
10 I'll say Norristown, the Conshohocken area in Montgomery  
11 County. It's our most critical area. We have a fair amount of  
12 cast-iron pipes still in the ground, which, as you know, it's  
13 the most -- it's the easiest to break with temperature shifts  
14 and changes. So we're having an increased program to replace  
15 that, and that's the primary use of the DSIC, to get that cast  
16 iron out of the ground and get replaced with either steel or  
17 plastic-coated steel.

18 MINORITY CHAIRMAN MUNDY: But as you retire that old  
19 infrastructure, it reduces your maintenance costs on the new  
20 infrastructure and it also frees up money to invest in new---

21 MR. HAAS: Yes, ma'am.

22 MINORITY CHAIRMAN MUNDY: Right.

23 MR. HAAS: Right.

24 MINORITY CHAIRMAN MUNDY: Okay.

25 MR. HAAS: Yeah; it's more of a secondary benefit,

1 but you're right.

2 MINORITY CHAIRMAN MUNDY: Right. And it also, I  
3 mean, in this era of very low interest rates, you should be  
4 golden with your DSIC.

5 MR. HAAS: Well, honestly, for us in the southeast  
6 and in the PECO service territory, we're probably not going to  
7 make use of that mechanism for a number of years yet. We just  
8 were in for a rate case last year, and prior to the passage of  
9 that, we had put in for recovery of a fair amount of our  
10 cast-iron replacement.

11 MINORITY CHAIRMAN MUNDY: So you haven't filed  
12 for---

13 MR. HAAS: The commission has been a very close  
14 watchdog of overcollecting, and we want to make sure that we  
15 stay true to what we said we would do in our rate case before  
16 we make use of the DSIC.

17 MINORITY CHAIRMAN MUNDY: So when was your last rate  
18 case?

19 MR. HAAS: Last year -- 2011.

20 MINORITY CHAIRMAN MUNDY: Okay. Thank you.

21 MAJORITY CHAIRMAN BENNINGHOFF: Mark, again, thank  
22 you very much. We appreciate you filling in. You did a great  
23 job.

24 Representative Chairman Evans, I don't know if you  
25 have any closing comments, but we also want to thank you, and I



1 think you have stimulated some good dialogue and some thought  
2 on some exciting issues.

3 REPRESENTATIVE EVANS: Mr. Chairman, I would like to  
4 thank you and Chairman Mundy and all the Members of the  
5 committee.

6 What I hope will happen, and it's up to your  
7 discussion, is that I don't think anybody was wrong today in  
8 the testimony that they provided. I don't think it's an  
9 either/or, and I don't think we need to get caught up into the  
10 language of the specific bills and look at the overall  
11 objective.

12 Just listening to Mr. Haas, he indicated some  
13 opportunities, and I think that's the way we have to look at  
14 it. And I think sometimes what happens, Mr. Chairman -- and  
15 I've been here a long time -- you know, people look at the  
16 legislation and it's like they take their particular side  
17 rather than look at the objective.

18 You know, I don't believe it's an either/or with  
19 anything. You know, when I hear people say about picking  
20 winners and losers, I mean, clearly manufacturing is something  
21 we have lost as a country. Energy is very clear. You know,  
22 there's no question you hear the debate of energy. And  
23 construction, I mean, what can you say without doing  
24 construction? So I don't think it's an either/or. I think  
25 that these tools are a part of it. I don't think there's one

1 simple, clear answer.

2           And I think we should have accountability. I think  
3 everything should be accountable. I think if we haven't done a  
4 good job on tax credits in the past, we only have to look at  
5 ourselves in the mirror, Democrats and Republicans alike --  
6 Democratic Governors, Republican Governors. We can do a better  
7 job with it. To me, it doesn't mean we shouldn't do it because  
8 we haven't done it.

9           Now, I'm for sunsets, I'm for accountability, and  
10 I'm for all of those kinds of things that would make at the end  
11 of the day, that we say to the taxpayers of this State that we  
12 know that this is not our money, that this is their money and  
13 everything should be accountable.

14           So I want to thank you, Mr. Chairman, seriously, for  
15 having this discussion. I hope we can work together over the  
16 next couple of months when we start a new session to tweak,  
17 re-change, whatever we can do, because we really need to do  
18 something about these jobs. Clearly, I mean, jobs is the  
19 issue, and we need to figure it out.

20           Again, I thank you and all of the Members.

21           MAJORITY CHAIRMAN BENNINGHOFF: Very good.

22           This meeting is adjourned. Thank you for all of  
23 your attendance.

24

25           (The hearing concluded at 2:53 p.m.)

1                   I hereby certify that the foregoing proceedings are  
2 a true and accurate transcription produced from audio on the  
3 said proceedings and that this is a correct transcript of the  
4 same.

5  
6                   Debra B. Miller

7                   Committee Hearing Coordinator/

8                   Legislative Reporter

9                   Notary Public

10  
11                  Nedra A. Applegate

12                  Transcriptionist

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