

**Testimony of Robert J. Blair,
President
The Pennsylvania Economic Development Association
Before the Joint Hearing of
The Senate Community, Economic and Recreational Development
Committee
Hon. Jane Earll, Chair
And
The House of Representatives Finance Committee
Hon. David Levdansky, Chair
On
SB 1279 and HB 2340
Tuesday, June 29, 2010**

Good Morning.

Madame Chairwoman Earll and Chairman Levdansky, thank you for the opportunity to testify regarding SB 1279 and HB 2340. I am Robert J. Blair, President of the Pennsylvania Economic Development Association. (PEDA). I am also the President /CEO of the Tioga County Development Corporation, a local industrial development corporation in the Northern Tier of Pennsylvania.

I am testifying here today on behalf of the nearly 400 Members of PEDA consisting of Industrial Development Professionals, Regional Development Organizations, Utilities, Developers, Municipalities and Engineers directly involved with the local economic development delivery system in Pennsylvania. Our statewide economic development association has been in existence for over 35 years promoting economic development. PEDA has developed an individual and organizational Professional Certification process in order to provide our Members with a uniform professional framework for serving the economic development needs of our clients and the private sector that creates and retains jobs and wealth to support our local and state economy.

PEDA has always believed that accountability is key to maintaining the integrity of Commonwealth economic development programs and to ensure the prudent use of tax payer dollars. In addition, each of us in our own organizations is accountable to our Boards, Our Members and our local residents. For these reasons, PEDA supports the goals expressed by SB1279 and HB 2340. However, we are concerned with many of the administrative burdens included in this legislation that may discourage program use by local municipalities and business. While Pennsylvania has had an extensive toolbox of economic products, these same programs have suffered severe funding reductions, not just by a few percent but in many cases cut in half or more. We are competing with states with similar programs and better program funding, not to mention in some

cases lower tax burdens or warmer climates. Program accountability should be pursued with an emphasis on making use for job creation easier, not harder.

In addition, the staff running programs at the Pennsylvania Department of Community & Economic Development has been reduced greatly. Now does not seem to be the best time to require the DCED or other Departments to institute another level of reporting. Speaking from the local level and from a county of 42,215 people and 39 municipalities, the bill places added mandates on our local governments that may be counter productive.

For the sake of time, my written testimony includes a few examples of PEDDA's concerns with SB 1279. I will not enumerate them in my oral presentation. However, I need to clearly state that PEDDA does not support these bills in their present form. Job creation is tough enough without additional reports and redundancies, administrative burdens and new subsidy limits. We stand ready to discuss approaches to better reporting and accountability. We ask, however, that the General Assembly consider that we are attempting to create business growth in an economic head wind with less resources every day.

On behalf of PEDDA we appreciate the opportunity to testify before the Committees and for considering our concerns on these bills. I am pleased to take any questions.

PEDA CONCERNS WITH SB 1279

- Section 4 on page 6 requires a “Unified report of property tax reductions and abatements and other local subsidiaries.” In both the urban as well as the rural areas of Pennsylvania this bill requires a comprehensive property tax report that includes listing EVERY property that receives a property tax abatement, reduction, exemption or subsidy with a FULL schedule of tax reductions and tax revenue not paid to the political subdivision. This will create a heavy administrative burden on the tax assessor’s office. This bill is another example of the state mandating additional local municipal administrative expenses without compensating the municipalities for these added costs.
- Section 5 on page 8 requires an “Application for economic development subsidies”. There are 18 components to this application. This ‘pre-application’ is in addition to the program application which is required through both legislation and regulation. There is a redundancy in this requirement and further discourages businesses from growing or being attracted to the state. With unemployment rates continuing to hover near 10% in many municipalities business needs to be encouraged to grow, not discouraged by overburdening them with redundant and intrusive requirements.
- Section 6 on page 10 requires “Reports”. This requirement increases bureaucratic oversight and thus increases the state’s cost of administering programs without providing meaningful economic business growth within the commonwealth. Not only are there Annual Reports, but also a Biennial report which appears to reiterate the information contained in the “annual report’. Additionally, industrial parks and multiproject sites also require reporting that is redundant in the information that is already issued under the Annual and Biennial Reports. All of these reports add up to time consuming and costly administrative overhead in a time of budget cutting and cost reductions.
- Section 7 on page 13 requires “Subsidy limit and job quality standards”. The state of Pennsylvania is competing against the world for business and jobs, however, this section limits the state from providing any meaningful incentives for business. Whether it is the North Carolina, Tennessee, Germany or China the Commonwealth of Pennsylvania must be able to offer incentives that will grow the state’s economy. It is not realistic to limit a subsidy to \$35,000 per job especially when most of these programs are loans and not grants.