

MOVING PENNSYLVANIA FORWARD THROUGH INNOVATION

When Pennsylvania policymakers take all the right steps to encourage innovation, they will foster business development and job creation that benefits all. Pennsylvania needs a positive atmosphere of collaboration, where policy makers unleash the creative and animal spirits of business owners willing to take significant risks, where inspiration and experimentation can take place, where businesses can focus their efforts on innovation, sales and growing the economy.

What is required to innovate? If Pennsylvania can lower the hurdles to innovation, then we will get more of it. Just think of the innovations made by physicians and scientists from pharmaceutical companies who worked together and created COVID-19 vaccines in record speed.

Action is required now, not next year, and not the year after. The Pennsylvania business climate can be super-charged by adopting policies that support innovation and level the playing field for smaller and mid-sized businesses through health insurance made affordable by Association Health Plans, fair taxes, fair regulations, a trained workforce, and a reliable and affordable energy supply.

CONSIDER the IMPACT of the PANDEMIC on JOBS:

Larger companies have been able to weather the pandemic better than many smaller businesses, just as some families' finances have remained strong while others have been severely distressed.

- In December 2020 there were 455,000 fewer people employed than in November 2019.
- The state's labor force contracted by 260,000 workers compared to a year earlier.
- The state's job losses will likely take years to recover with some jobs never coming back.

.... Budget Outlook for Fiscal Years 2020-21 to 2025-26, Pennsylvania Independent Fiscal Office, January 2021

PROBLEM: How will Pennsylvania move forward with the economy still in the grips of the pandemic?

SOLUTION: Through innovation: Innovation is the key to more economic growth over the long-term. We live in a global economy, the land is shifting beneath our feet, and the thinking necessary to solve problems must shift and stretch beyond Pennsylvania's borders. The old ways of thinking must be challenged and the hard barriers that divide us must give way.

ASSOCIATION HEALTH PLANS: REDUCE HEALTH INSURANCE PREMIUMS and HEALTH CARE COSTS

Smaller employers need access to affordable health insurance and in many cases, they do not have it. The cost of health care services continues to rise and drives the cost of health insurance premiums higher. Anything that can reduce the cost of health care for small employers and employees helps around the periphery, but innovation is needed. Association Health Plans (AHPs) are that innovation. Good benefits and health insurance coverage are inextricably intertwined with the ability for smaller employers to hire and retain workers. AHPs will help level the playing field with larger businesses.

DECREASE the PERSONAL INCOME TAX RATE and IMPLEMENT TAX PARITY for PASS-THROUGH BUSINESSES

In today's uncertain economy, state tax policy is an important tool that can be used to encourage growth, investment, and feed innovation. It is a simple equation: Lower taxes equal more resources for business owners to invest in employees, equipment, research and development all which help them maintain a competitive edge in a global economy. Reductions in the Personal Income Tax and Corporate Net Income tax rates will help create a business-friendly tax climate and prevent job loss and business migration to more business-friendly states. Implementing Section 179 expensing will give a major boost to Pennsylvania's 850,000 businesses who file at the pass-through rate. That group does not enjoy the same Section 179 expensing benefits given to Pennsylvania's C corporations.

TRAIN the WORKFORCE of the FUTURE

Pennsylvania needs a willing and qualified workforce trained for jobs of the future. The need for workers is one of the most common issues raised by employers who are seeking to maintain or expand their businesses. Employers are straining to hire whether they are large or small, but it is especially challenging for smaller and medium-sized businesses.

In some communities there are signs “Help Wanted” everywhere from Main Street to the local industrial park. People must be trained to replace the years of senior talent lost by the avalanche of retiring baby boomers. Some of the jobs lost during the pandemic may never come back. People who lost those jobs must be trained for jobs of the future.

LET EMPLOYERS DETERMINE WAGES

A mandated increase in the minimum wage to \$12 per hour would impact small and medium-sized businesses more than any other segment of the economy because they offer more entry-level jobs. It is in direct conflict with the need to build a qualified workforce because those who will bear the brunt of the mandate are young people who desperately need starter jobs for an introduction to the world of work. That first job exposes them at an early age to the soft skills which many employers cite as lacking.

BUSINESSES NEED AFFORDABLE and RELIABLE ENERGY

It is critical to maintain affordable, varied, and reliable energy sources. Abundant, safe, and competitively priced energy production and delivery are important components of a healthy economy for businesses. Energy costs can be a significant portion of any business operation and in certain energy-intensive industries, these costs account for more than 50% of total operating costs. We are fortunate to have a wide variety of energy sources and should consider that a strength.

A BARRIER to INNOVATION: PENNSYLVANIA’S REGULATORY CULTURE

Pennsylvania needs regulatory policies that balance public safety and protect our economy without placing undue financial burdens, red tape, and compliance mazes on businesses. State regulations multiply when we are not watching and, unfortunately, federal, and local regulations are stacked on top resulting in an accumulation of rules with a smothering effect. Pennsylvania’s economy would benefit by improving the regulatory culture; stopping bad regulations before implementation, systematically reviewing existing regulations for those that are duplicative or no longer necessary and easing the navigation maze and cost of compliance for businesses and innovators, the source of new jobs.

Who is MBA, the Manufacturer and Business Association?

The Manufacturer & Business Association (MBA) founded in 1905, has over 3,000 members representing around 120,000 employees in 57 counties. The MBA is dedicated to helping employers face challenges by delivering services that lower the cost of doing business, ease the burden of compliance and increase productivity for its members. The MBA is recognized as a trusted resource for employers across Pennsylvania, northeastern Ohio, and southwestern New York. <http://www.mbausa.org/>

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Association Health Plans

How do Association Health Plans work?

- Association Health Plans (AHPs) are group health plans that employer groups and associations offer to provide health coverage for employees.
- AHPs allow small employers to band together to purchase the types of coverage that are available to large employers. This spreads out risk to create less expensive plans. Why should big business have an unfair advantage over small business to purchase health insurance for their employees?

Cost Savings

- Health insurance has remained one of the highest costs of doing business for employers. A recent Pennsylvania business survey found increases to existing high priced group insurance plans and lack of access to an AHP are preventing small business from affording to give employees a raise.
- After the first five years AHPs were discontinued, 25 percent of small businesses providing health insurance were no longer financially able to provide this benefit and that number has grown. Small employers account for 47.5% of the country’s total employee workforce.

- A recent Avalere report noted AHP premiums will have significant savings advantages over alternative insurance options. They predicted that AHP premiums will be “between \$1,900 to \$4,100 lower than the yearly premiums in the small group market and \$8,700 to \$10,800 lower than the yearly premiums in the individual market by 2022.
- The non-partisan Congressional Budget Office determined 20 percent (roughly 1 million people nationally) of those enrolled in health insurance coverage under an AHP will be newly insured for the first time. Most importantly, estimates premiums for AHPs will be roughly 30% lower than the premiums employers and their employees currently pay under the “small group market.”
- Currently over 30 states already allow for AHPs in some form.

Legislation

- HB 555 and SB 235 would provide employees of small businesses similar health insurance options employees of larger businesses enjoy. Very simply, this legislation would allow business with less than 50 employees to aggregate together to form an AHP and purchase health insurance on the large group market the same way businesses with 51+ employees currently do.

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BACKGROUND:

Pennsylvania has historically been an energy exporter due to the richness of traditional sources such as coal, oil, hydroelectric, nuclear, and natural gas. Traditional sources and renewable energy sources such as solar, wind, biofuels and biomass form a diverse portfolio of energy sources. All these forms of energy are key products of our Commonwealth. The production of competitively priced energy helps fuel our economy while generating significant employment. Pennsylvania energy is generated from the following sources according to recent data from the U.S. Energy Information Administration.

PA % Generation by Year			
Energy Source	2020	2019	2018
Natural Gas	49	43	35
Nuclear	32	36	39
Coal	15	17	20
Wind & Solar	3	2	3
Hydro	1	2	2
Other	0	0	1
Total	100	100	100

Source: US EIA Website

PROBLEM: Businesses are keenly interested in the cost and reliability of energy. Businesses acknowledge we are in the early stage of a transition from fossil fuels to renewables. While MBA supports reduction of our carbon footprint the problem is how do we transition from fossil fuels to renewables without wide swings and price spikes that harm businesses. Care must be taken not to eliminate major sources since renewables are still a small portion of our power generation portfolio.

Pennsylvania has a renewable problem. We do not have the capability to develop large scale power generation sources such as solar and wind because of topography and weather. We cannot go from one extreme to the other. It is unrealistic to believe we can rely solely on renewable energy sources. It threatens the reliability of our electricity grid.

Pennsylvania can look at what has happened in California and learn from the results of their environmental policies which have led to darkness and rolling blackouts and high electricity prices. Those problems could have been avoided by not

mandating fuel sources for power generators. Emissions can be reduced and cleaned up without going as far down the path as they have gone.

SOLUTION: The challenge is to reduce emissions rather than reduce energy sources. Fossil fuels cannot be eliminated during the early stages of the transition. Instead, recognize the current situation and encourage evolution towards more efficient solutions but not by eliminating fossil fuels. As we move toward a cleaner and more sustainable energy future the way to get there is with an “all of the above” strategy. Move forward with what we know today, embrace all of the options, and give the markets the opportunity to develop them. There are many impacts to consider; the impacts on the economy, people’s livelihoods, and to the customer because people cannot afford to pay higher and higher electricity bills.

The right policy would both significantly reduce emissions and keep the economy strong and competitive at the same time. There are steps we can take to do better and clean up emissions that will benefit society economically, socially, and environmentally.

It is important to recognize that we are still very dependent on fossil fuels. We embrace good ideas dealing with pollution and believe sensible regulations are needed that consider the environment and reduce the carbon footprint.

MBA State Energy Policy

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

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

- *Allowing the marketplace to select the most appropriate energy sources and avoiding governmental actions that select or force the choices of particular energy sources.*
- *Incentivizing new technologies that make fossil fuels cleaner- coal, oil, gas.*
- *Ensuring that energy policies and actual practices are competitive with other states and no more restrictive than federal law.*
- *Encouraging greater use of domestic natural resources while using appropriate, reasonable, and currently achievable environmental controls based on sound and verifiable science.*
- *Supporting cost-effective energy efficiency and storage.*
- *Avoiding price controls on any energy sources.*
- *Encouraging the development of renewables that reduce carbon emissions. Supporting programs that encourage research into new technology for energy development of power generation and fuels.*
- *Creating state policies that can leverage federal programs aimed at encouraging growth and energy technology adoption by small business.*
- *Reducing regulatory and other governmental hurdles to the utilization of all energy sources and to the implementation of energy infrastructure while ensuring appropriate environmental protection.*
- *Ensuring new or revised regulations adhere to Act 76 of 2012 - Regulatory Flexibility for Small Businesses.*
- *Ensuring that our energy supply and delivery systems have the appropriate physical and cyber security standards and enforcement mechanisms.*

MBA STATEMENT

Pennsylvania’s entrance to the Regional Greenhouse Gas Initiative (RGGI), 1/2021

Pennsylvania policy makers should protect, not undermine Pennsylvania’s competitive advantage derived from its abundance of coal and natural gas resources and should acknowledge the tremendous benefits derived from fossil fuel production and use. RGGI will trigger the near immediate closure of all coal plants and the closure or reduced generation from many natural gas plants in Pennsylvania. The economic impacts will be devastating.

We oppose legislative and regulatory initiatives that would tax or limit carbon dioxide emissions from Pennsylvania manufacturers operations, fossil fuel electric generation, and/or motor fuels. These carbon tax proposals will threaten users with significant price hikes on electricity rates.

We support legislative and regulatory policies that embrace Pennsylvania's robust industrial and diverse energy culture and encourage the continued utilization of Pennsylvania produced fossil fuels to maintain and grow competitive energy markets and our economy.

Above all else, we encourage innovation. Innovation is critical to economic growth. Innovation depends on inspiration and experimentation. We encourage continued private and public support for research and development of new technologies that would allow for ongoing and possibly increased fossil fuel consumption with lower carbon dioxide emissions.

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PROBLEM: Health insurance costs top the list of employers' concerns. A 2020 survey of Manufacturer & Business Association (MBA) members showed **88%** of respondents viewed health insurance costs as the number one concern that keeps them up at night. When asked "What are the next steps if insurance prices continue to increase?" the top responses include: 1) 68%—Share the cost of the increase with employees; 2) 60% – Move to a higher deductible plan than last year; and 3) 30% – No raises or bonuses for employees. None of these responses bode well for employers who want to retain existing employees and attract new workers.

We cannot ignore that in the first five years after Association Health Plans (AHPs) were discontinued, 25 percent of small businesses providing health insurance were no longer financially able to provide this benefit and that number has grown.

BACKGROUND:

Health Insurance Premium Costs

- "On average, small businesses paid about 8% to 18% more than large firms for the same health insurance policy."
...*Small and Large Business Health Insurance: State & federal Roles, National Conference of State Legislatures, September 12, 2018.*
- Since 2006, the average annual family premium for covered employees in small firms increased 78% from \$11,480 in 2006 to \$20,438 in 2020.
...*Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2020*

Health Insurance Offer Rates

- 30.8% of small employers with less than 10 employees offer health insurance.
- 48.3.8% of small employers with less than 50 employees offer health insurance.
- 78.9% of small employers with 25-99 employees offer health insurance.

...*Agency for Healthcare Research and Quality, Center for Financing, Access, and Cost Trends, 2017 Medical Expenditure Panel Survey- Insurance Component*

Employees Share of Health Insurance Premium

- Workers in small firms on average contribute 35% of the premium for family coverage.
- 28% of workers in small firms are in a plan where they must contribute more than 50% of the premium for family coverage.
- The average deductible for workers at small firms is \$2,295.

...*Kaiser Survey of Employer-Sponsored Health Benefits, 2020*

MBA believes improvements can be made at the state level.

Surprise/Balance Billing

PROBLEM: Patients may suffer balance billing financial consequences as a result of very narrow provider networks – 5 of Pennsylvania’s counties have only one insurer and many health care plans have narrow provider networks with very limited choices in order to cut down on costs. Networks may have a limited number of specialists such as anesthesiologists and radiologists and possibly only one hospital. A financial problem occurs when an insured patient unknowingly receives services from an out-of-network provider and the patient is billed.
...Kaiser Family Foundation 2020 Insurer Participation on ACA Marketplaces

BACKGROUND:

“Balance bills” primarily occur in two circumstances:

- When an enrollee receives emergency care either at an out-of-network facility or from an out-of-network provider or
- When an enrollee receives elective nonemergency care at an in-network facility but is inadvertently treated by an out-of-network health care provider.

Since the insurer does not have a contract with the out-of-network facility or provider, it may decide not to pay the entirety of the bill. In that case, the out-of-network facility or provider may then bill the enrollee for the balance of the bill. Even though such a bill may be resolved without payment by the patient, the process itself can lead to long months of emotional and financial stress and damage the patient's credit.

...State Balance-Billing Protections, The Commonwealth Fund NOVEMBER 30, 2020

SOLUTION: Support Surprise/Balance Billing protection for consumers – At least 32 states now have laws protecting patients from surprise out-of-network bills. It provides for the protection of consumers of health care coverage against health care providers' surprise "balance" bills. While Pennsylvania is one of the 32 states, we are classified by the Commonwealth Fund as having as having partial balance billing protections. Federal legislation was passed in December 2020, but Pennsylvania is seeking additional consumer protections. Legislation should

- Ensure that consumers are only responsible for their in-network cost-sharing obligations.
- Instruct providers to bill insurers directly, while also allowing consumers to trigger protections if they do receive a balance bill.
- Establish a fair reimbursement amount for specialists who provide services on an out-of-network basis.
- Enhance the existing safety measures established in the Commonwealth with respect to health care and the growing costs for patients.

Restrictive Scope-of-Practice laws

BACKGROUND:

Scope-of-practice laws are state-specific restrictions that determine what tasks nurses, nurse practitioners, physician's assistants, pharmacists, and other healthcare providers may undertake in the course of caring for patients.

In one study pharmacists and lab technicians conducted low-cost medical tests and results showed they could accommodate routine medical testing in their current job duties. A broader scope-of-practice for these healthcare professionals can increase access to care without increasing cost.

Many studies also show that nurse practitioners (NPs) provide high-quality care, cost-effective care. In one analysis NPs in a physician practice, reduced the cost of patient visits by up to 33%.

PROBLEM: Pennsylvania has restricted scope-of-practice laws for NPs. They allow NPs to be primary care providers, diagnose medical conditions, develop, and implement treatment plans, order, and perform diagnostic tests, and deliver other health care services, but ONLY with a signed document called a written Collaborative Agreement with two licensed physicians. In contrast 23 states allow nurse practitioners to operate full practices. The mandated Collaborative Agreements are the remains of decades-old policy, established before the NP profession adopted proven, national standards. Fewer primary care givers mean higher costs, longer wait times, and patients who may have to drive much farther to see a doctor.

INNOVATIVE SOLUTION: During the pandemic Governor Wolf lowered the number of signed agreements obtained from a physician, from two to one. Pennsylvania should take the next step and permanently eliminate the mandate and move

to a modern process for NP licensure: By increasing the number of providers, Pennsylvania could reduce the cost of care for residents and **increase access to care**. If all states allowed NPs to practice autonomously without physician oversight, one estimate puts the potential cost savings at \$810 million.

Transparency of Prescription Drug Costs

PROBLEM: Prescription drug cost transparency must be addressed at the state level.

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

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

INNOVATIVE SOLUTION: Create an independent board to review high-cost prescription drug products. They can develop recommendations for addressing affordability burdens faced by residents, state and local government agencies, commercial health plans, health care providers, employers, pharmacies.

LET EMPLOYERS DETERMINE WAGES

A mandated increase in the minimum wage to \$12 per hour would impact small and medium-sized businesses more than any other segment of the economy because they offer more entry-level jobs. It is in direct conflict with the need to build a qualified workforce because those who will bear the brunt of the mandate are young people who desperately need starter jobs for an introduction to the world of work. That first job exposes them at an early age to the soft skills which many employers cite as lacking.

PROBLEM: Governor Wolf proposes a minimum wage increase to \$12 per hour starting July 1, 2021. The wage will increase until it reaches \$15 per hour on July 1, 2027. It is hard to imagine worse timing and a more destructive policy for pandemic-battered businesses. The increase is especially difficult in rural areas of Pennsylvania with lower wage levels and very detrimental considering the share of the workforce that will be most impacted.

According to the Independent Fiscal Office (IFO), Pennsylvania is down 472,000 jobs due to the pandemic. The losses were in manufacturing, retail and trade, education, and accommodation and food service industries. By age group, individuals 19-24 make up for 18 percent of the job losses, showing that job losses are concentrated in younger lower wage workers.

...*PA House Commerce Committee Hearing, March 11, 202, Pennsylvania Legislative Services,*

SOLUTION: Commit to targeted training for young people by giving them entry-level job experience and train others to transition them from lower wage jobs to better paying jobs. They need skills, experience, and education that will make their labor more valuable to an employer.

UNINTENDED CONSEQUENCES of an INCREASE IN THE MINIMUM WAGE

Thoughts from an MBA member with fifty plus employees who manufactures medical equipment etc.

- “It is not the \$7.25 that is the issue, but we have to look at what will change if the bottom increases to \$15 per hour. I start workers at \$17 and within 90 days they are making \$18.50.
- What is going to happen is that the higher base wage makes my company less competitive nationally and globally.
- If a teen can find work at Tastee-Freeze for \$15 per hour, we will need to increase our base wage well above \$20 per hour to attract employees. Higher labor costs will make our business less competitive globally and accelerate automation to compensate.
- Once pay hits \$25 per hour it will push the move to automation significantly; automation becomes very attractive and affordable.”

BACKGROUND:

Who earns minimum wage?

- 1.5 percent of all jobs in Pennsylvania are minimum wage jobs.
- Of that group 78 percent do not have kids.
- 55 percent are high school and college aged.
- According to the Independent Fiscal Office half of Pennsylvania's minimum wage workers are between the ages of 16 and 24.

....**PA House Commerce Committee Hearing, March 11, 2021, Pennsylvania Legislative Services**

What are the possible negative impacts of a minimum wage increase to \$12 per hour?

- **Consumers will pay higher prices** because businesses may have no choice but to pass on the costs of increased wages.
- **Employers' profits will be decreased** not only by increased wages, but also by increased costs for workers comp insurance and social security. Lower profit levels mean less dollars to reinvest in business operations.
- **Fulltime employees may have their hours reduced; part-time employees may have reduced or zero hours.**
- **Employee benefits may be reduced.**
- **Potential employees may have fewer opportunities.** From the employers' perspective there is more value in hiring an experienced and trained worker. This will make job hunting more challenging for inexperienced workers, especially part-time high school, and college students.

What will young people, unable to find a job, be missing out on? Hard skills vs. soft skills.

Hard skills can be acquired through Career and Technical Education (CTE) classes, training, and apprenticeships. Soft skills, however, are learned through real world experience on the job. The longer young people remain on the street corner, then the longer they are delayed from gaining that first entry-level job and exposure to critical, basic soft skills.

Basic soft skills may include a work ethic, showing up regularly and on time, understanding the customer, good communication skills, the ability to work with teammates, conscientiousness, a good attitude, staying engaged throughout the workday, using basic manners, and following instructions.

SUPPLY and DEMAND

What is happening nationally as large employers compete for workers?

Larger employers are increasing their wages without a mandate. They are driven by market forces. because competition for new workers is fierce. They want to retain their existing employees and recruit new ones.

- "The country's largest private employer Walmart.... said its targeted raises would increase pay for its hourly U.S. workers to an average above \$15 per hour..."
...**"Walmart to Boost Wages for 425,000 U S Workers,"** *The Wall Street Journal, February 19, 2021 Sarah Nassauer*
- "In August Best Buy, raised its minimum wage to \$15 per hour."
...**"Best Buy gives pandemic-related bonuses to employees amid company lay-offs."** www.cnbc.com
February 23, 2021.
- Costco Wholesale Corp. will pay its US workers at least \$16 per hour March 2021.... The warehouse retail chain's minimum wage has been \$15 per hour, the same as starting wages at Amazon.com and Target Corp...."
...**"Costco to Raise its Minimum Wage,"** *The Wall Street Journal, February 26, 2021, Sarah Nassauer*

Covid-19 has also put pressure on employers, large and small, to increase wages.

"Among Covid-19 's weird effects: despite high unemployment levels, many employers are having trouble hiring enough workers.... For manufacturers, staffing shortages have been caused by factors including a surge in new jobs tied to e-commerce - many of which offer better pay than factory work - and absences caused by Covid or family obligations such as childcare."

- A company in Wisconsin raised the hourly rate for new hires by about 25% to \$17...
- An Ohio company now has entry level positions starting at \$13 and \$15 per hour up from \$10.00 a year ago.
- A company with locations in Massachusetts and Virginia with 1,700 workers was struggling to fill 400 positions. They raised hourly wages which previously ranged from \$13.50 to \$20 by 7.6%

... Adapted from **“Help Wanted on the Factory Floor,”** *The Wall Street Journal*, January 9, 2021, Sharon Terlep, Ben Foldy and Bob Tita

AUTOMATION and the MINIMUM WAGE

As automation increases some jobs go away especially those for the low-skilled hourly workers.

“Automation has always been most disruptive to the lives of blue-collar workers. But as robots transition from displacing people on the factory floor to displacing them in the service industry, which in the US is many times larger than manufacturing, it could affect the lives of millions of people.”

... **“The Reality of Robots Sprints Past Fiction,”** *Wall Street Journal*, Christopher Mims, January 23, 2021

“Total employment is down 10 million jobs from February 2020, predominantly among low wage workers... Research has found that employers respond to a minimum wage in a number of ways... Some will absorb the higher wage. Some will pass it on... The McKinsey Global Institute separately noted robot installation shot up after the 2007-2009 recession and expects a similar rush now. The firm found 68% of executives world-wide accelerated investment in automation and artificial intelligence since the covid-19 outbreak began.”

... **“Wage Boost During Pandemic Carries Risks,”** *Wall Street Journal*, Greg Ip, *Capital Account* March 4, 2021

- Five Below plans to respond to potentially higher labor costs in part by continuing to increase the number of employee assisted self-checkout stations as opposed to traditional check out stations.
- Good Times restaurants Inc in Colorado, with 60 locations, plans to raise some menu prices to offset a higher minimum wage ...and they are also considering investing in technology such as hand-held devices so that customers can do everything- place their own orders and pay their own bills without any staff involved.
- 1-800-Flowers.com, Inc. a floral and gift retailer plans to automate more tasks in its manufacturing and distribution operations to become less reliant on seasonal labor.

... Adapted from **“CFOs lay Plans for Higher Minimum Wage,”** *Wall Street Journal*, Mark Mauer, February 23, 2021

“Rousu explained that this (an increase in the minimum wage to \$12 per hour) would cause a lot of businesses to look for automated technology that could do the work of employees in order to avoid the costs of minimum wage, like fast food kiosks that do the work of cashiers. He noted that it is much cheaper for a large corporation such as McDonald's to order machinery in bulk, reducing the unit cost, while small businesses would have to pay more for the same type of machine in a smaller number. He noted that this advantage could lead some CEOs of big businesses to advocate for raising the minimum wage because it will run smaller competitors out of business.”

... **PA House Republican Policy Committee,** Matthew Rousu, Dean, *Sigmund Weis School of Business at Susquehanna University*, February 24, 2021

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MBA member businesses ranked their top five business concerns. When asked **“What Keeps You up at Night?”** 62 percent said regulations, second only to 88 percent who cited health insurance costs.

... **2020 Government Affairs Survey,** *Manufacturer & Business Association,*

“Pennsylvania's administrative law code measured 13,093,618 words in total length in 2020 and contained 162,937 distinct regulatory restrictions. **Compared with 43 other states for which data are available, Pennsylvania ranks 11 (California ranks 1, as the state with the most regulatory restrictions...)**”

... **“The Regressive Effects of Regulations in Pennsylvania,”** *Mercatus Center, George Mason University, Dustin Chambers,* 1/7/21

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

SOLUTION: The regulatory culture can be improved by stopping bad regulations before implementation, basing new regulations on cost-benefit analyses and sound science, systematically reviewing existing regulations and removing those that are duplicative or unnecessary, easing cost of compliance, and by requiring legislative approval of the costliest and most consequential new regulations. Pennsylvania can provide:

- Accountability of the financial impact of new economically significant regulations, that is, regulations with an impact or cost to the state and the private sector that exceeds \$1 million. Greater public comment and input on government regulations decisions strengthens political accountability for regulatory policy.
- A process of continuous review of existing regulations and statutes to identify those that may require modification, revision, or repeal. This will allow the sun-setting of many outdated regulations. Follow what other states have done to clean up -- for every new regulation, an agency proposes, two existing regulations must be offered for repeal.

Assistance with navigation and compliance. In smaller businesses, it is often the owner, who wears many different hats, who must be the compliance expert, almost an impossible task. As an example, other states may have regulations that are demanding, but they may provide assistance and their system that provides compliance information may be easier to navigate which helps make the whole process less burdensome and more efficient for the business.

CONSIDER THE FACTS:

“James Broughel, Mercatus Center, George Mason University, produced a report on the regulatory environment in Pennsylvania...

It would take someone 18 weeks to read the entire Pennsylvania Code.

Pennsylvania has a higher restriction count than some of its neighbors such as West Virginia and Maryland.

- Regulatory reform is essential because of the effects regulations have on economic growth and living standards.
- Pennsylvania has a modern system but could do more to analyze the consequences of old regulations.
- Pennsylvania can learn from other states like Kentucky, Nebraska, Missouri, and Illinois who are prioritizing the review of regulations on the books.
- Pennsylvania can consider a policy being followed by Texas and the United Kingdom such as “one in, one out” where an old regulation is removed for every new regulation introduced.”

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

MORE FACTS:

Pennsylvania’s State-Level Regulations

In terms of the number of state-level regulatory restrictions, Pennsylvania ranks 11 of 44 states, with 162,937 regulatory restrictions (where a rank of “1” is most regulated).

Although Pennsylvania cannot unilaterally reduce federal regulatory burdens impacting the state, it can reduce homegrown red tape. An example of state-level red tape is occupational licensure, which can impose a costly barrier to entering a profession. **Pennsylvania requires a license to work in 51 low-income occupations** and requires an average of 117 days of education, training, or apprenticeships to obtain a license.

While we have limited impact on federal regulations, MBA can have an impact on state regulations. Action is needed because regulations -- like every other rule or tax imposed by different levels of government -- are cumulative. Federal regulations stack on top of state regulations and they pose barriers to innovation especially when it comes to entrepreneurs who create new jobs.

Federal Regulations - Key Findings in Pennsylvania

Regulations have unintended consequences. Research shows that a greater regulatory burden....is associated with increased poverty rates, higher levels of income inequality, reduced entrepreneurship, and increased consumer prices. The impact of federal regulations from 1997 to 2015 on the Pennsylvania economy is associated with the following regressive effects:

- 153,499 people living in poverty
- 2.3 percent higher income inequality
- 361 fewer businesses per year – impact on entrepreneurship
- 5,195 lost jobs annually – impact on entrepreneurship

- 7.35 percent higher prices

This link describes each of these regressive effects in Pennsylvania:

<https://www.mercatus.org/publications/regulation/regressive-effects-regulations-pennsylvania>

Entrepreneurship

The average annual growth rate of industry-specific federal regulations from 1999 to 2015 is associated with an annual loss of 361 small firms and 5,195 jobs in Pennsylvania.

One reason a greater regulatory burden may increase poverty and inequality is that regulation can reduce entrepreneurship and job creation. Researchers matched data from the Mercatus Center on industry-level federal regulation ... with Census Bureau data on the number of small and large firms and the number of employees per industry. They estimate that a 10 percent increase in the number of regulatory restrictions pertaining to an industry is associated with a 0.42 percent reduction in the total number of small firms in that industry and a corresponding 0.55 percent reduction in small firm employment....

In 2017, Pennsylvania had 225,751 small firms, employing 2,512,633 workers. Between 1999 and 2015, industry-level federal regulatory restrictions increased, on average, by 3.78 percent per year. The research suggests that in an average year, if industry level federal regulations uniformly increase by 3.78 percent, Pennsylvania loses about 361 small firms and 5,195 jobs annually.

...*MORE FACTS adapted from "The Regressive Effects of Regulations in Pennsylvania," Mercatus Center, George Mason University, Dustin Chambers, 1/7/21*

DECREASE the PERSONAL INCOME TAX RATE and IMPLEMENT TAX PARITY for PASS-THROUGH BUSINESSES

In today's uncertain economy, state tax policy is an important tool that can be used to encourage growth, investment, and feed innovation. It is a simple equation: Lower taxes equal more resources for business owners to invest in employees, equipment, research and development, helping them to maintain a competitive edge in a **global** economy. Reductions in the Personal Income Tax and Corporate Net Income tax rates will help create a business-friendly tax climate and prevent job loss and business migration to more business-friendly states. Implementing Section 179 expensing will give a major boost to Pennsylvania's 767,620 businesses who file at the pass-through rate. That group does not enjoy the same Section 179 expensing benefits given to Pennsylvania's C corporations.

PROBLEM: Governor Wolf's 2021-22 budget took a blunt instrument to PA's smaller and medium-sized businesses by proposing a 46% increase in the Personal Income Tax (PIT) rate from 3.07% to 4.49%. That subjects all those pass-through entities who file at the PIT to the 46% tax increase. Pass-throughs include Subchapter-S corporations, sole proprietorships, partnerships, LLC's, and independent contractors. As noted above, according to PA's Independent Fiscal Office, 2018 PIT statistics 767,620 businesses would file at the increased rate. For some of Pennsylvania's small businesses, still struggling due to the pandemic, the tax increase could be the death blow.

It is time to dispel the myths held by those who have never run a business or met a payroll. They mistakenly think businesses solve everything by "writing it off," and all business owners have a money spigot they can turn on and off at will. Nothing could be further from the truth.

- **Before the pandemic small businesses created 57,377 new jobs in 2019.**
- **Firms employing fewer than 20 employees experienced the largest gains, adding 34,585 new jobs.**

...U.S. Small Business Office of Advocacy, 2020 Pennsylvania Profile

BACKGROUND

One need only look as far as the findings from PNC's Spring Economic Outlook Survey, March 1, 2021 to see the overall impact of the pandemic across the country. The survey was conducted by telephone from 1/2/2021 to 2/2/2021, among small and mid-sized businesses with self-reported revenue of \$100,000 to \$250 million. Below you can see some of the damage uncovered by the 500 interviews.

- **Almost half (48%) say that they are facing challenges to stay in business.**
- **Nearly one-in-four (24%) small businesses do not believe they can stay afloat for another year under current economic conditions.**

- Nearly one in four (24%) small businesses reported they reduced their workforce last year and while most are not anticipated to be permanent layoffs, rehiring will be a slow process.
- Only 7% expect to increase the number of full-time employees in the next six months.
- 40% indicated that they plan to increase prices in the next six months.

Unfortunately for Pennsylvanians and the Commonwealth, according to Gus Faucher, Chief Economist, The PNC Financial Services Group, **"Business owners indicated that they would have to cope with these challenges in two ways that are potentially harmful for the broader economic recovery, slowing the rate of hiring and increasing prices for their customers."**

...*"With Small Businesses Permanently Changed By The Pandemic, Owners Looking To Vaccine-Driven Recovery, PNC Survey Shows"* <https://pnc.mediaroom.com/2021-03-01-With-Small-Businesses-Permanently-Changed-By-The-Pandemic-Owners-Looking-To-Vaccine-Driven-Recovery-PNC-Survey-Shows>

That does not have to happen if Pennsylvania's policy makers think creatively.

INNOVATIVE SOLUTION: Now is the time to reduce the 3.07% PIT rate, not increase it 46% to 4.49%. Small and mid-sized employers in the Commonwealth are experiencing enormous challenges as a result of the pandemic, economic fallout, and restrictions on business. Lowering the PIT rate may help mitigate some of the harm brought on by the pandemic.

It is important to help small business and medium-sized businesses because we are the backbone of the Pennsylvania economy. Consider the following statistics:

- 99.6% of all employers in Pennsylvania are small businesses defined as less than 500 employees.
- There are more than 1.1 million small businesses in Pennsylvania.
- Small businesses employed nearly 46.2% of Pennsylvania private-sector labor force in 2017 or 2.5 million employees.

...U.S. Small Business Office of Advocacy, 2020 Pennsylvania Profile

PROBLEM: Pennsylvania has not increased the Section 179 Expensing allowance for pass-throughs to conform with federal tax law like corporations under Pennsylvania law. Decoupling this change discourages business expansion, adds to overhead costs to separate Pennsylvania capital expense deduction calculations, and adds to significant on-going tracking of depreciation.

INNOVATIVE SOLUTION: MBA supports conforming to Section 179 Expensing to federal law. Section 179 is an important tool for small businesses and manufacturers because it allows the immediate expensing of the cost of qualifying property rather than depreciating these acquisitions over multiple tax years. When the total purchases in a year exceed a specific cap, the direct expensing allowance cannot be used. Pennsylvania Section 179 expensing should conform to the same amount permitted under the 2017 Tax Cuts and Jobs Act.

Now taxpayers can deduct \$1,000,000, with a phase-out threshold of \$2,500,000 on their federal taxes. This increase enjoyed bipartisan support and it is now a permanent part of the federal tax code. However, the same Pennsylvania taxpayers with pass-through businesses can deduct only \$25,000 with a phase-out of \$200,000 on their state taxes.

Pennsylvania is unique in being the only state that allows for full Section 179 expensing for large businesses while not allowing small businesses to do the same. This has created an inequity for small businesses in Pennsylvania and a barrier to innovation.

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

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

BACKGROUND:

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

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

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

Pass-Through characteristics:

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

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

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

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

PROBLEM: Pennsylvania's high Corporate Net Income tax rate is one of several red flags observed by businesses looking to move to PA. "Pennsylvania has one of the least competitive business tax environments in the country. For 2021, we rank 43rd in the nation in the Tax Foundation's "Corporate Tax Ranking." At 9.99 percent, we have the highest non-graduated Corporate Net Income Tax (CNIT) rate in the country. While we appreciate your proposal to lower this rate, tying the rate reduction to combined reporting – a policy that adds complexity, uncertainty, and cost to business – ultimately further negatively impacts Pennsylvania's competitive standing."

...Compete PA's letter to Governor Wolf, February 15, 2021

SOLUTION: MBA, in concert with the Compete PA Coalition, supports a reduction in the 9.99% Corporate Net Income (CNI) tax rate.

...Compete PA is a coalition comprised of statewide and regional business groups, small and medium-sized businesses, as well as Fortune 500 companies. The coalition, which represents more than half the Commonwealth's private sector employers, was formed in 2005 to help create a competitive business tax climate that encourages job growth in Pennsylvania.

2021 TRAIN the WORKFORCE of the FUTURE

Pennsylvania needs a willing and qualified workforce trained for jobs of the future. The need for workers is one of the most common issues raised by employers who are seeking to maintain or expand their businesses. Employers are straining to hire whether they are large or small, but it is especially challenging for smaller and medium-sized businesses. In some communities there are signs "Help Wanted" everywhere from Main Street to the local industrial park. People must be trained to replace the years of senior talent lost by the avalanche of retiring baby boomers. Some of the jobs lost during the pandemic may never come back. People who lost those jobs must be trained for jobs of the future.

Given the state's demographic outlook it is important to focus on creative, non-traditional ways to build the workforce. Pennsylvania needs to find and train underutilized workers. That points to a continued focus on criminal justice reform and the reduction of barriers that make it difficult to train and rehabilitate the incarcerated.

BACKGROUND:

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

...The Wall Street Journal "Utah's Labor Force Fuels Its Economy," Sarah Chaney and Sharon Nunn, 1/19/19.

PROBLEM: There is a shortage of skilled workers and entry level workers with a work ethic and soft skills.

When MBA member businesses were asked “What issues could help your business in the short-term?” the top reply was “Access to a pool of qualified workers,” 74 percent, of seven possible choices.

... *2020 Government Affairs Survey, Manufacturer & Business Association.*

INNOVATIVE SOLUTION: Pennsylvania can identify and train workers. **MBA agrees that workforce training is needed, however, that does not get at the root of the work force problem.** There simply are not enough people in the pipeline. Pennsylvania needs to find and train underutilized workers. That points to a continued focus on criminal justice reform and the reduction of barriers that make it difficult to train and rehabilitate the incarcerated. They can be educated, trained, and shown a path to employment and a better life. For the incarcerated there are larger issues that need to be resolved that are not adequately addressed by traditional job training programs.

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

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

THE INCARCERATED

INNOVATIVE SOLUTION: The incarcerated are an underutilized resource and can be trained and rehabilitated for a productive re-entry into the community and the workforce.

Approximately 70-100 million men and women in the U.S. have a criminal record – which means that nearly one in three individuals will struggle to obtain meaningful employment. Businesses have the power to turn this around. More and more businesses are considering the idea of second chance employment – hiring individuals with a criminal record. Employers benefit by having a highly motivated and eager talent pool of individuals hungry for a second chance and willing to do what it takes get the job done.

... *“Second Chance Hiring - How Employment Can Change Some One’s Life,” Teisha Sanders, 4/29/19, Society of Human Resource Managers*

“The program called The Last Mile aims to help inmates find work and stay out of prison once they are released. ...The Last Mile, founded in 2014, operates in Indiana as well as in six correctional facilities in California. All 50 people who have completed the program in California and been released are employed and none have returned to prison.”

...*“In Indiana, Inmates Learn How to Code,” The Wall Street Journal, Kris Maher, 8/29/18*

PENNSYLVANIA HAS ADOPTED SOME SOLUTIONS BUT MORE ARE NEEDED

More education and workforce training are needed during incarceration. Data shows that every \$1 spent on education in prison saves taxpayers \$5 in related incarceration costs. In addition, Pennsylvania should remove barriers to post-prison employment to ensure inmates that receive job training can use it after their release.

BACKGROUND:

Education: There is hope. Data have shown the value of education for inmates. According to the World Population Review, 2021, Pennsylvania’s recidivism rate is 46 percent meaning ex-offenders returning within a year. However, a 2014 RAND Corporation study concluded that people who participated in educational programs while incarcerated “had a 43 percent lower chance of recidivating than those who did not.” In other words, with some education nearly half would not have returned to prison. That is the return on investment for education of the incarcerated.

Workforce Training: People currently in prison in Pennsylvania can participate in programs to qualify to practice cosmetology, electrical engineering, plumbing, welding, and other skilled vocations. They should be able to utilize those skills and qualifications to gain stability in their lives after incarceration. Not only does helping people in prison learn job

skills improve their chances of not reoffending once released, but it also provides an opportunity to train more people for careers that need workers.

PROBLEM: Training is not available in all facilities. There were roughly 46,000 inmates in 2018-2019. As of December 2019, there were only 5,789 inmates in Pennsylvania prisons who had earned vocational certifications. Many people walk in with nothing and many walk out with nothing and find the only way to survive is to revert to criminal behavior.

*“Factors contributing to recidivism include a person’s social environment and community, their circumstances before incarceration, events during their incarceration, and **one of the main reasons, difficulty adjusting back into normal life. Many of these individuals have trouble reconnecting with family and finding a job to support themselves.**”*

...<https://worldpopulationreview.com/state-rankings/recidivism-rates-by-state>

INNOVATIVE SOLUTION: Pennsylvania prisons need to do better. Otherwise, it is only perpetuating a vicious, useless cycle. A better path is to have workforce training available for the incarcerated. Training is not for everyone; but some can be incentivized to take advantage of it so they can move into the workforce more easily upon their release. Training in trade skills learned through apprenticeships ideally will result in an adequate level of competency to pave the way to a living wage on release.

One of employers’ top concerns is the lack of soft skills. Training can emphasize soft skills such as teamwork, communication, dependability, being on time, meeting goals, all part of a good work ethic.

Everyone needs a job. A good job makes it possible to survive financially outside of prison, and equally as important, a good job contributes to self-esteem.

PROBLEM: Although there is a shortage of skilled and willing workers, employers may be reluctant to hire ex-offenders. Some may have tried unsuccessfully in the past and may not be willing to try again. Many will be uncertain and legitimately concerned about the “what ifs.”

INNOVATIVE SOLUTION: What would really alleviate the unease for employers’ is a financial incentive and more important, liability protection for hiring an ex-offender.

Providing narrow liability insurance to employers who hire individuals with criminal records will expand the workforce pool and provide such individuals with job training and stable, long-term employment.

A Northwestern University 2017 study finds that—despite more difficulty obtaining legitimate employment—once hired, *employees with criminal backgrounds are much less likely to quit their jobs, have longer job tenure, and no more likely to get fired or commit workplace misconduct than their non-ex-offender counterparts.*¹

Employers most strongly justify not hiring ex-offenders because they would be vulnerable to negligent hiring lawsuits, as most insurance companies do not cover people with criminal records for workplace misconduct.

Therefore, pursuing innovative reforms to offer liability coverage will diminish barriers to hiring ex-cons—benefiting both community employment and public safety. Such liability protection, which could be implemented through legislation or a trial study/grant, will require clear definitions and parameters, including:

- Employers would be protected from lawsuits based *solely* upon an employee’s criminal record.
- An employee’s criminal record can only be introduced into a liability suit if the conviction was directly related to the nature of the employee’s work and conduct forming the basis of the suit. In other words, liability would not protect employers who knowingly deploy employees whose underlying criminal offenses reasonably preclude work safety.

A HISTORY of CRIMINAL JUSTICE REFORM LEGISLATION in PENNSYLVANIA

The term “criminal justice reform” refers to efforts to change facets of the criminal justice system to make it fairer and more equitable for all defendants. In Pennsylvania, this change has also been undertaken with the intent to reduce corrections costs.

¹ Dylan Minor, Nicola Persico, Deborah Weiss, “Criminal Background and Job Performance,” Northwestern University (2017), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2851951&download=yes.

- The United States incarcerates the largest share of its population of any country in the world. Approximately 700 out of every 100,000 residents is behind bars. Pennsylvania's rate is even higher, at roughly 725 per 100,000 people.
- The state Department of Corrections spent \$2.6 billion in the 2018 -19 fiscal year to incarcerate approximately 46,000 people.
- Roughly \$101 million of that total is spent every year to incarcerate people who have committed no new crimes but have instead technically violated their probation or parole by, for example, missing curfew.

Justice Reinvestment Initiative (JRI 1)

The state launched its JRI 1 effort in 2015. It was preceded by JRI in 2011-2012 when PA started the process of employing a data driven JRI approach to reduce corrections spending and reinvest a portion of the savings generated to increase public safety. The primary goals of Act 122 were to address:

- The size of Pennsylvania's incarcerated population
- Recidivism rates
- Inefficient parole processes

Since the passage of JRI 1, Pennsylvania's prison population has declined significantly. According to the Department of Corrections, prison population is 26.8 percent lower than projections without JRI 1, and the \$2.6 billion annual budget is 23.3 percent lower than projections without JRI 1 — resulting in an estimated savings of roughly \$543 million.

- Approximately 46,000 people were incarcerated in 2019, a 10.8 percent decrease since JRI 1 was passed and implemented in 2012.

Justice Reinvestment Initiative JRI 2

The bulk of JRI 2 was passed by the General Assembly in December 2019 and became law. The intent of this legislative initiative was the same as JRI 1: to reduce corrections spending and reinvest savings in strategies to reduce recidivism and improve public safety.

The list of Pennsylvania's criminal justice reforms is long and revolutionary. Pennsylvania leads the nation with steady advancement of commonsense, bipartisan criminal justice reforms. Governor Wolf signed the following legislation between 2018 and 2020.

- Passed a Clean Slate Law, the first state in the nation to do so. It helps those who have committed low-level offenses and have paid their penalty get back on the path to a blemish-free record. It removes some types of criminal records from public databases. It makes it easier for people convicted of nonviolent crimes that occurred more than 10 years ago to move past the stigma of having a criminal record. Clean Slate prevents employers and landlords from using criminal cases against potential employees and tenants by removing those cases from public view.

¹ Dylan Minor, Nicola Persico, Deborah Weiss, "Criminal Background and Job Performance," Northwestern University (2017), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2851951&download=yes.

- Created a fair chance hiring policy for state government. The policy removes the criminal conviction question, known as "banning the box" from non-civil service employment applications for agencies under the governor's jurisdiction.
- Eliminated driver's license suspensions for non-driving infractions.
- Extended the time a convicted individual has to file a post-conviction relief action to one year, from 60 days.
- Updated Pennsylvania's DNA testing law to reflect significant advances in technology and the lessons learned by criminal justice professionals since 2002. The legislation removes the supervision requirement that only people serving a sentence can apply for DNA testing.
- Created a victim protection bill regarding housing options and emergency transfers.
- Created a county adult probation and parole advisory committee to review county programs and have oversight of the justice reinvestment grants ear-marked to help supplement county probation and parole programs.
- Created expungement of the criminal history record of individuals who have been unconditionally pardoned or fully acquitted following a trial. This helps break down barriers that prevent some ex-offenders from becoming gainfully employed.

- Removes restrictions for individuals with certain convictions so they can obtain state-issued occupational or professional job licenses. Pennsylvania's outdated occupational licensing laws have denied many qualified residents the right to work because of an old or irrelevant criminal record.

Sources of information if not otherwise specified come from the following:

.... **"Criminal Justice Reforms to Improve Lives and Save Money,"** Auditor General Eugene Pasquale, 6/9/20

https://www.paauditor.gov/Media/Default/Reports/RPT_CJR_060920_FINAL.pdf

.... **"Auditor General DePasquale Calls for New Criminal Justice Reforms to Improve Lives, Reduce Taxpayer Costs, Tackling technical probation violations differently could save more than \$100 million annually"** 6/9/20

https://www.paauditor.gov/Media/Default/Print/RLS_DePasquale_CJR_Report_060920_REV_FINAL.pdf

.... **"Gov. Wolf Signs Bipartisan Criminal Justice Reinvestment Initiative Bills,"** 12/18/19

<https://www.governor.pa.gov/newsroom/gov-wolf-signs-bipartisan-criminal-justice-reinvestment-initiative-bills/>

.... **"Gov. Wolf to Lead National Criminal Justice Discussion at Governors Meeting in D.C."** 2/19/19

<https://www.governor.pa.gov/newsroom/pennsylvania-gov-wolf-to-lead-national-criminal-justice-discussion-at-governors-meeting-in-d-c/>