

**Jenn Beer, Vice President of Government Affairs
Greater Pittsburgh Chamber of Commerce
Senate Finance Committee Hearing
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Iron Mountain Data Center, Boyers, PA**

Thank you Chairman Hutchinson and members of the Committee for the opportunity to talk to you today about the importance of a competitive tax policy, as well as the vital role that technology-based economic development has in our state and regional economy, and specifically how the tech industry fits into a broader economic growth agenda that we want to start talking more about for our region and our Commonwealth.

I am Jenn Beer, Vice President of Government Affairs at the Greater Pittsburgh Chamber of Commerce. As you may know, the Greater Pittsburgh Chamber is the advocacy affiliate of the Allegheny Conference on Community Development.

For nearly 75 years, the Allegheny Conference has played an important role in convening public- and private-sector leaders in southwestern Pennsylvania to drive a regional discourse around improving our economy and quality of life.

We believe there is an opportunity to leverage our region's inherent assets – a talented workforce, internationally recognized university systems, world-class manufacturing, energy and also technology industries, to name a few – in order to ignite a dialogue around a broader growth agenda for our community, region and Commonwealth.

Economic growth not only is essential to put Pennsylvania's state government on firm financial footing, but it is also essential for addressing – and tackling – the issues facing our region. From education to health care to economic equity, no matter what the problems or issues we as a region desire to address, it is easier to design and implement solutions within the context of a robust economy. Thus, the need to adopt policies and practices that improve and grow our economy.

Consider this: over the past 17 years, the state's annual tax revenue consistently returned about 5.3 percent of its total gross domestic product. Through an economic boom and the Great Recession, while tax rates have gone up and down, or even as new taxes have been created, Pennsylvania has continued to collect about \$53 million in taxes for each \$1 billion of state GDP.

Based on this understanding, the best and only avenue to solve the state government's fiscal challenges is to adopt policies and practices that grow GDP. Therefore, we believe a dialogue focused on growth will encourage public and private leaders to come together to discuss the best way to move our region and commonwealth forward. Two critical pieces of this dialogue are being addressed today: first, a competitive tax structure and also, new and innovative tech-centered economic development.

We are keenly aware of the importance of tax policy to business investment. Programs and policies that encourage capital and infrastructure investment to ensure robust infrastructure, transportation and broadband networks will help grow Pennsylvania's economy and connect our region's job centers. In order to encourage current businesses to expand here and to entice new industries to set up shop here, we have been managing a state-wide coalition for more than 10 years called "CompetePA".

CompetePA currently has more than 130 members state-wide – including nearly all of the statewide and regional business groups, small businesses and Fortune 500 companies. The goal of the coalition is to help solve the serious business tax competitiveness problem in PA. Overall, we have one of the least competitive corporate tax environments in the country. In 2017, the Commonwealth ranked 44th out of 50 states in the Tax Foundation’s Corporate Tax Rank. Additionally, Pennsylvania is one of only a few states in the nation that caps the usage of net operating losses (NOLs), and we have the highest non-graduated Corporate Net Income (CNI) tax rate in the country, at 9.99 percent. Addressing the high CNI rate and the NOL cap are two of the coalition’s priorities. The coalition encourages policy makers to consider any tax reform holistically and through a pro-economic growth lens.

As we consider our region’s economic future, we cannot overlook the impact of policy on the industries that will be key drivers of growth. Increasingly, the information technology sector – which includes robotics, artificial intelligence, autonomous vehicles, software and hardware engineering and cybersecurity ... to cite only a few examples – is propelling our region into new frontiers for business investment, wealth creation and talent attraction.

The IT industry, broadly defined as hardware, software and services, contributes nearly \$16 billion annually to Pennsylvania’s economy, and since 2010, this sector’s GDP has increased by 46.7 percent, which is nearly twice the growth rate for the entire state economy. In our Pittsburgh region, IT has generated \$3.6 billion in GDP in 2017, which is nearly double the GDP generated almost a decade ago in 2010. What’s more, in this same period of time, the IT sector grew at nearly four times the total regional economy.

Information technology only continues to grow as an employer. Last year, 92,000-plus people statewide were employed in IT, nearly 30 percent more than in 2010. In southwestern Pennsylvania, nearly 19,000 individuals worked in IT – an employment number that’s nearly 50 percent higher than in 2010 and that exceeds the national growth rate. As a point of comparison, the total regional employment across all industries grew by just 2.8 percent.

This quick review of some key numbers underscores that IT, on numerous levels, is absolutely fuel for the economy: the Commonwealth’s and our region’s. In 2017, IT generated \$9.7 billion in total wages in Pennsylvania and \$2 billion in total wages in the region – the latter an amount that’s nearly double what it was in 2010. And information technology’s impact is far-reaching – supporting 183,052 jobs on a direct, indirect and induced basis. Statewide, this sector generates \$36.6 billion in total sales and \$16.8 billion in compensation. Regionally, IT supports 43,439 direct, indirect and induced jobs and generates \$5.2 billion in total sales and \$2.3 billion in compensation. Notably, the IT sector is a wealth creator – a critical generator of high wage jobs in the state and the region. For example, a typical IT job in Pennsylvania paid \$105,234 annually in 2017 – a figure that’s nearly double the average wage for all jobs in the state. In the Pittsburgh region last year, a typical IT job paid \$104,154, which also was nearly twice the average for the region.

At the Allegheny Conference, IT’s impact on our economy – at this time and looking forward – is indisputable. That’s why the agenda that guides the Conference’s work has sharply focused the efforts of our public, private, academic and nonprofit partners on how to best meet the demands of a technology-intensive and innovation-driven 21st-century economy. We are strategizing with these same partners, as well as other key stakeholders – including leaders from established businesses and startup and entrepreneurial ventures – about how to more completely harness the benefits of technology and innovation – both direct and indirect.

The endgame is to create a next generation economy for all in southwestern Pennsylvania – an economy that will ultimately benefit the entire Commonwealth. The Pittsburgh region and Pennsylvania have incredible potential to fully transform into globally recognized hubs of innovation and centers of opportunity for all who want to have a role in advancing technology’s seismic impact on every industry and every aspect of the economy.

It is our belief that if we all move forward together, consider tax policies through a more holistic lens and engage in a larger growth dialogue that includes the tech sector, it will lead to an even stronger economy and better quality of life for all of us.

Thank you, and I will be happy to answer any questions you may have.