

**Testimony of
Kevin Shivers
State Director
National Federation of Independent Business**

**Before the
Senate Majority Policy Committee
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Mr. Chairman and members of the committee, my name is Kevin Shivers. I am the state director of the National Federation of Independent Business. NFIB represents a broad range of small employers and independent businesses in virtually every sector of Pennsylvania's economy. Our typical member employs five workers and generates annual sales of about \$400,000.

Earlier this month, the state Revenue secretary reported that incoming tax payments were running ahead of official projections. Despite this promising fiscal news, Pennsylvania taxpayers still cannot keep pace with state bureaucrats' insatiable appetite for more spending.

Last February, Gov. Rendell proposed seven tax increases to pay for a massive new spending plan totaling nearly \$28 billion. Since 2003, state spending has risen nearly 31 percent -- almost twice the rate of inflation. During the same period, small employers and workers have endured higher personal income taxes and a host of other costly fee increases and mandates.

This tax-and-spend phenomenon is not unique to Pennsylvania. A recent NFIB study found that unbridled spending was the basis for budget shortfalls in state capitals across the country. Invariably state officials choose to raise taxes to cover these budget shortfalls.

Small employers simply cannot afford another tax increase. As the General Assembly begins to debate the governor's budget, our members urge you to carefully evaluate whether taxpayers would be better served if some of the programs run by government could be run more effectively by the private sector. One cost-saving proposal NFIB members support is to get Pennsylvania out of the liquor business.

NFIB members have long supported the idea that private entities could do some of the work done by government -- and do it less expensively. Pennsylvania is one of the last states to control wholesale and retail sales of wine and spirits. Most observers believe the state would generate \$1 billion by transferring the state-run liquor stores to commercial operators. Some observers believe the state could generate even more depending how the deal was structured. That's a lot of money in a tight fiscal year like this one.

Aside from the sound fiscal considerations, Pennsylvania should privatize its liquor business as a matter of principle. The retail liquor business is not a proper function of government. With Pennsylvania's liquors stores in private hands, total revenues to the Commonwealth should rise from the payment of state personal income or corporate net income taxes by privately-owned stores. Private ownership also might create more jobs and promote lower prices and greater selection for consumers.

Thank you for the opportunity to appear before you today. I am happy to answer any questions that you may have.

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