



**Testimony before the
Senate Majority Policy Committee
Taxpayer Protection Act**

**Presented by
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**Leedy Theatre, Lebanon Valley College
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On behalf of the Pennsylvania Club for Growth I want to thank you for the opportunity to testify today. My name is Kathryn English and I am the Executive Director of the PACFG, which was founded to represent the interests of Pennsylvania's taxpayers in the public policy process in Harrisburg.

In particular, I want to thank Senator Regola and Senator Folmer for their leadership in addressing the problem of overspending by Pennsylvania state government. PACFG believes this is the most important public policy issue facing the commonwealth.

There is much rhetoric and concern that controlled spending would require cuts in education and many of the social programs. However controlled spending only slows the growth of government to a much more manageable budget. Like businesses and households the government would be required to live within its means.

I would like to quote Bill Owens, former governor of Colorado, who's administration governed quite successfully under controlled spending. "Not a single day goes by without some pundit warning us of the dire consequences of reduced government spending: the poor will suffer, those without a job will suffer...even Barney and the Muppets will suffer. I guess we will all be in horrible shape when we are allowed to keep more of our earnings. Or so the myth would have you believe."

Yet, Colorado's controlled spending generated over \$3.2 billion in tax rebates from 1997 to 2001. According to an analysis of the Tax Foundation, Colorado's budget deficit in FY 2002 would have been 6 times larger without controlled spending. Colorado was 43rd among states in median family income growth in the 8 years before controlled spending, in the years since, it ranks 7th. Before controlled spending Colorado was 33rd in job growth and now is 6th. Colorado is in the top 10 in economic growth per capita, yet before controlled spending it was 43rd.

Over the last five years (2001-2005), Pennsylvania did not experience our fair share of the national economic recovery. Our Gross State Product – the totality of all economic life in Pennsylvania – grew at less than three-quarters of the national average. This “growth gap” represents billions of dollars in lost investment and tens of thousands of missing jobs – wealth that Pennsylvania should have gained over those five years but didn't.

Last year (2005), Pennsylvania's job growth rate was less than half the national average. These are not abstract numbers; these are signs that the future is not happening here.

For over thirty years, Pennsylvania has had a population of roughly twelve million people. Pennsylvania state population is one of the slowest growing in America, not far above absolute zero. The U.S. Census Bureau recently reported a series of startling facts. First, the Bureau predicts that Pennsylvania will once again lose representation in Congress after 2010. Also, the Bureau reported that Phoenix, Arizona has eclipsed Philadelphia as the nation's fifth-largest city. And, finally, the Census Bureau reported that the Pittsburgh metropolitan area had the greatest population loss of any region other than New Orleans.

Why is this happening? Well, stagnant wage growth and job growth result in younger Pennsylvanians building lives and careers where the opportunities are both more plentiful and more promising.

But why is our economy growing so slowly? This is the subject that brings us together today. Our economy is growing so much slower than the nation's because of decisions made in Harrisburg that render Pennsylvania less competitive. Out of all the factors hurting employers –

lawsuit abuse, regulatory overkill, escalating healthcare costs – I believe the most damaging is chronic government overspending. When the politicians in Harrisburg spend money faster than the taxpayers can earn it, it suffocates the economy and locks in place Pennsylvania's very high business taxes.

The problem of overspending by Pennsylvania state government has gone on for decades under administrations and General Assemblies of both parties. During the last four years, the overspending problem has grown into a crisis and the only solution is to reign in the growth of state spending with a Taxpayer Protection Amendment to Pennsylvania's Constitution. Until and unless state government growth is limited by real-world economic indicators like population growth and the rate of inflation, we will not be able to provide the tax relief that Pennsylvania's economy must have in order to grow.

If we can limit spending, we can lower taxes. If we can lower taxes, the economy will grow. If the economy grows, there will be more and better jobs here at home so folks don't have to move away. And if younger Pennsylvanians have careers here, they'll raise their families here. One thing follows the other.

But fiscal discipline is the first, hardest, and most necessary step.

That's why we need the Taxpayer Protection Act.

Thank you very much for your time and I'll do my best to answer your questions.

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