

**Testimony
of
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Chamber of Commerce for Greater Philadelphia**

before the

Pennsylvania Senate Majority Policy Committee

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Pittsburgh Technology Council**

Good morning, Mr. Chairman and members of the committee.

My name is Anselm Sauter, Vice President of State and Regional Affairs for the Chamber of Commerce for Greater Philadelphia. I want to express my gratitude for the opportunity to present today and discuss how the Commonwealth of Pennsylvania can harness its innovation strengths to become a globally recognized hub for innovation-based industries and talent.

The Chamber of Commerce for Greater Philadelphia is committed to regional development, promoting business-friendly public policies, and fostering economic prosperity. Our core mission is to create a thriving business environment that champions economic inclusion, enhances regional improvements, and empowers talent initiatives, all with the ultimate goal of making Greater Philadelphia an outstanding place for businesses to thrive.

As you've heard my colleagues on today's panel explain, Pennsylvania possesses a wealth of innovation assets that most states in our nation can only aspire to have. We have world-class anchor institutions, strong research and development inputs, and a diverse pool of top-tier talent. These strengths position Pennsylvania to uniquely lead in the development of groundbreaking technologies.

Yet, there remains a challenge that must be addressed. While Pennsylvania excels in research and development (R&D), we are failing to translate that into thriving enterprises with employment growth. Regrettably, companies stemming from our academic institutions and robust R&D ecosystems are increasingly opting to scale and create jobs in other states.

To put this issue into perspective, let's consider recent population trends. According to the U.S. Census Bureau, only seven states have experienced more domestic outmigration than Pennsylvania between 2021 and 2022. When we factor in death and birth rates, Pennsylvania ranks fourth-highest in total population loss. A recent Homebay study echoes this trend, ranking Pennsylvania among the top four states with the most outbound moves in the first half of 2023. Talent is pursuing jobs where they exist outside our state.

Increasing the net operating loss carryover limit would help more start-ups and early-stage companies overcome the significant risk in the initial years of businesses when they are less profitable. When these companies subsequently turn profitable, a competitive corporate net income tax (CNIT) will help grow and retain them in our state. Currently, Pennsylvania's scheduled phasedown of the CNIT will take it from among the highest corporate income tax rates in the nation to a much more competitive tax rate by 2031.

A more competitive tax structure goes a long way to reversing Pennsylvania's concerning trend, but we believe state investments in our economic strengths are also necessary to compete with peer states standing up large economic development programs such as the \$2.3 billion, 20-year-old Ohio Third Frontier or the \$1.6 billion, 15 year-old Massachusetts Life Sciences Center which is in line for a third reauthorization and investment this year, further demonstrating its success.

Similar to these programs, we are calling for a bold public-private sector innovation economy strategy through the creation of at least a \$2 billion, 10-year investment program to leverage and scale Pennsylvania's existing strengths and build capacity in a state-wide, multi-industry innovation ecosystem. This investment would support the development of diverse talent and career pathways across the innovation ecosystem; accelerate research, commercialization and manufacturing activity; and promote Pennsylvania's identity and narrative among a national and global audience.

An annual appropriation of \$200 million over ten years could yield an economic impact of up to \$40 billion and generate as many as 75,000 jobs within Pennsylvania's advanced industries. This public funding would also attract additional public and private investment, further accelerating economic growth and innovation.

Investing in our workforce by attracting, retaining, and developing diverse talent is paramount. A enhanced commitment to innovation by the Commonwealth would fund partnerships between educational institutions, training organizations, and companies that provide high-demand skills to our workforce. Incentives would help talent to stay in or relocate to Pennsylvania after graduation or gaining experience.

Facilitating access to capital is vital for fostering innovation growth. Lawmakers should consider expanding or restoring successful state programs like R&D tax credits, Keystone Innovation Zones, KOZs, and the new jobs tax credit; restoring previous levels of support for initiatives like the Pennsylvania Life Sciences Greenhouse or the Ben Franklin Technology Development Authority; and establishing grant or loan programs to accelerate research, capital purchase, early-stage technologies, and innovative companies.

Leveraging our existing assets requires marketing campaigns, lead generation activities, and opportunities for collaboration at key conferences, trade shows, and business competitions. These efforts will help showcase Pennsylvania's full potential on a global stage.

This vision is not a mere fantasy; it's an attainable goal that merely requires Pennsylvania to align with its immense potential. Our Chamber hopes to be an important partner in this effort to seize this opportunity and harness our strengths to transform Pennsylvania into a global hub of innovation and economic growth.

Thank you for your attention and consideration.