

THE KEYSTONE — INITIATIVE —

 PA Chamber[™]
Foundation



Dear Reader,

Pennsylvania is at a turning point. As a coalition of business leaders invested in this state's future, we see the opportunities ahead—but we also recognize the urgent challenges we must address to remain competitive in a fast-changing world.

With one of the most diverse economies in America, our Commonwealth has consistently overcome challenges that have tested our resilience. But today, we face significant headwinds, including a shrinking workforce, an aging population, and an economy that has failed to keep pace with other states.

At the same time, Pennsylvania remains remarkably well-positioned to lead. With our innate geographic advantages, abundant natural resources, world-class health care and educational institutions, and talented people, Pennsylvania has all the ingredients for long-term success—if we are willing to act boldly and decisively.

That's why we are proud to help lead the Keystone Initiative, an effort to chart a course for Pennsylvania's economic future. The following report reviews the forces shaping our state's competitiveness and provides practical, actionable recommendations to address the challenges ahead. From advancing permitting reform and improving infrastructure to strengthening workforce development and building thriving communities, the Keystone Initiative is a comprehensive plan to ensure that Pennsylvania can compete and lead in a modern, 21st-century economy.

As leaders representing Comcast/NBCUniversal, Essential Utilities, PPL Electric Utilities, Erie Insurance, Highmark Health, and EQT Corporation, we believe the solutions outlined in the following pages reflect the vision and determination necessary to move Pennsylvania forward.

This report is a blueprint for action, aimed at bringing the business community and leaders from across Pennsylvania together to shape a stronger future for Pennsylvania. We encourage you to explore the insights and solutions outlined here and to join us in shaping the policies and strategies that will secure Pennsylvania's economic prosperity for generations to come.

Sincerely,



CHARLES DUNCAN
Vice President
Comcast



CHRIS FRANKLIN
Chairman & CEO
Essential Utilities



CHRISTINE MARTIN
President & CEO
PPL Electric Utilities



TIM NECASTRO
President & CEO
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TOBY RICE
CEO
EQT Corporation

The Keystone Initiative is a roadmap to strengthen the state's economic competitiveness and make it a great place to live, work, raise a family, attend school, and grow a business. The plan was led by the Keystone Initiative Co-Chairs and developed by collecting input from the Economic Competitiveness Leadership Council, key stakeholders from all industry sectors, and other businesses from across Pennsylvania. The PA Chamber conducted a series of interviews, meetings, and surveys to seek feedback and gather input from Chamber members and business leaders.



Additionally, the PA Chamber collaborated with Economic Leadership Consultants (ELC), a national consulting firm, to develop recommendations for how to improve Pennsylvania's economic competitiveness. Throughout 2024, ELC conducted proprietary research for Pennsylvania. Thanks to everyone for their expertise, collaboration, and ideas that made this vision possible.

Sincerely,

LUKE BERNSTEIN
President & CEO
Pennsylvania Chamber of Business and Industry

Overview

Pennsylvania has played a significant role in the economic and political history of the United States. We were a leader in innovation and the center of political and economic activity during the 18th century. During the Industrial Revolution, the Commonwealth led production of iron and steel, textiles, ships, lumber, and tobacco. Our nickname, the Keystone State, refers both to our central location among the original 13 states as well as our leadership uniting the nation and its people.

Today, Pennsylvania maintains that strategic position, as the fifth most populous and ninth most densely populated state in the United States. The state is home to 20 Fortune 500 companies¹ and 1.1 million small businesses.² It possesses one of the nation's largest and most important economies, as measured by factors such as its gross domestic product (GDP) and total employment.

However, Pennsylvania is at a crossroads. Recent trends in population, job growth, and GDP growth indicate that the state is stagnating. Pennsylvania is competing for people, jobs, and businesses across the country and around the globe. The Commonwealth cannot be complacent as other states and nations are constantly working to be more competitive. We must continually strive to improve our competitiveness, foster a climate of entrepreneurship, attract new investment, and create and retain jobs for Pennsylvanians.

To secure our economic future, the PA Chamber has developed a plan to ensure we realize our full potential and be known as a place that spurs economic opportunity for businesses and prosperity for its residents.

This plan—the Keystone Initiative—is a private sector-led, long-range strategic vision for Pennsylvania to foster economic growth and prosperity. Based on data and analysis from various sources, economic experts, and input from hundreds of Pennsylvania business leaders, the Keystone Initiative suggests areas in which Pennsylvania must focus to make the Commonwealth a competitive state to do business.

As part of this work, the PA Chamber contracted with Economic Leadership Consultants (ELC) to recommend actions that Pennsylvania should take to improve its competitiveness. ELC conducted a thorough analysis of Pennsylvania and other states and made recommendations that are included in the Keystone Initiative. Some of the recommendations made by ELC and other stakeholders require public and private investment, or propose new or increased funding. Recommendations that may require the expenditure of state funds are noted with an asterisk (*) and should be considered by lawmakers in the context of budget discussions.

A recommendation with an asterisk (*) should not be construed as a call for new spending or additional revenue. These recommendations should be considered when they can be integrated into existing programs or existing funds can be retargeted.

The Keystone Initiative also includes several recommendations that suggest the use of tax credits to accomplish policy objectives.

Generally, the PA Chamber advocates for and prefers advancement of comprehensive policies to improve the Commonwealth's business climate in order to achieve competitiveness and business attraction goals. However, as the PA Chamber and lawmakers work towards those goals, we recognize that tax credits and other economic development tools may be effective to consider as we compete with other states.

The priority areas and recommendations included herein are a starting point for collaborative action by state, regional, and local partners to build a better Pennsylvania. The Keystone Initiative is based on the knowledge and experience of Pennsylvania's business leaders, coupled with expertise and data from external sources. The recommendations are key priorities and examples of public policy and strategies Pennsylvania can pursue to encourage growth and opportunity. The Keystone Initiative contains comprehensive policy recommendations addressing vast economic challenges and opportunities, but it is not exhaustive. The PA Chamber will continue to review and refine the Keystone Initiative, ensuring it remains the most effective roadmap for Pennsylvania to thrive.



Fiscal Stability

Securing Pennsylvania's future requires the Commonwealth to maintain a strong financial foundation. Before considering any funding or policy recommendations, the Commonwealth must ensure its fiscal stability by adopting a comprehensive fiscal policy that emphasizes accountability and sustainability.



RECOMMENDATIONS:

- Maintain appropriate and responsible General Fund spending levels.
- Provide for increased stability and avoid unnecessary costs by enacting on-time budgets based on realistic budget predictions.
- Audit programs to eliminate waste, duplication, and inefficiencies and ensure that funds are spent effectively, and programs are delivering intended outcomes.
- Explore public-private partnerships and opportunities to privatize those government services that could be more efficiently provided by the private sector.
- Maintain sufficient funds in the Rainy Day Fund for economic downturns or unexpected expenses.
- Avoid excessive borrowing, limit borrowing to purposes that will generate long-term benefits, and regularly assess opportunities to refinance debt.
- Maximize opportunities to secure federal funds.
- Advance policies that allow the state and local governments to most efficiently utilize tax dollars; for example, reform Pennsylvania's prevailing wage laws to allow more funding to be directed to the actual cost of construction projects and maintaining the state's infrastructure.



Business Climate & Competitiveness

Pennsylvania must address its vulnerabilities in its business climate and build a reputation as a pro-jobs tax climate. The state needs to decrease the cost of doing business, improve the legal, tax, and regulatory environment, and invest in assets essential to economic progress.



Pennsylvania sits toward the bottom of state competitiveness rankings.

#31

STATE BUSINESS TAX CLIMATE INDEX³

TAX FOUNDATION

#41

BUSINESS FRIENDLINESS⁴

CNBC

#31

BEST STATES FOR BUSINESS⁵

Chief Executive

#40

BEST STATES⁶

USNews

#25

OVERALL TAX BURDEN BY STATE⁷

WalletHub

#18

TOP STATE BUSINESS CLIMATE⁸

SITESELECTION

Improving Our Tax Climate

Tax climate plays a role in the movement of jobs and people across the country. From 2020 to 2024, the total population growth in states ranked among the 15 best for tax climate was more than 100 times greater than the total for states ranked in the bottom 15.⁹

RECOMMENDATIONS:

- Regularly review the tax structure to ensure that it is aligned with Pennsylvania's economic goals and embodies the principles of competitiveness, predictability, fairness, and simplicity.
- **Increase the pace of corporate net income tax rate reductions and adjustments to the net operating loss carryforward cap.**
- **Promote tax reforms that reduce the tax burden on small businesses in Pennsylvania.**
 - Allow small businesses to carry forward net operating losses similar to corporations.
 - Repeal the accelerated sales tax requirement that forces businesses to prepay a portion of their estimated sales tax collections. Doing so will simplify compliance and ease paperwork burdens on small businesses.
 - Allow for full expensing of eligible equipment and property in the year the investment was made, modeled after Section 168(k) of the federal Tax Cuts and Jobs Act.
 - Increase the reimbursement for small businesses for their cost of collecting sales tax on behalf of the state, known as the vendor discount.
- Reform the process by which counties assess property values, providing clear, consistent, assessment standards, including periodic, mandatory reassessment and limitations on so-called "spot-appeals."

Creating Clarity and Certainty

Every employer in Pennsylvania is impacted by many laws and regulations from multiple levels of government. While the intent is often reasonable and constructive, with goals of helping to facilitate a positive work environment, in practice these requirements can be unpredictable, trigger unintended consequences, and prove detrimental to both employers and employees.

RECOMMENDATIONS:

- Refrain from imposing new burdensome and uncompetitive workplace mandates.
- Promote consistency between federal, state, and local laws and existing regulations, including by preempting municipalities from enacting ordinances that impose regulations incongruent with existing state law.
- Reform the PA Human Relations Commission to improve the investigation process and facilitate more expeditious review and application of claims.
- Adopt policies to facilitate a workers' compensation system that prioritizes providing effective treatment to get the injured worker back to full function, health, and work as soon as possible, while also addressing cost-drivers and identifying, combatting, and rooting out fraud and abuse in the system.
- Facilitate an unemployment compensation system that encourages reemployment and adheres to the longstanding principles and purpose of the program to provide temporary benefits to those who were clearly attached to the workforce, lost their job through no fault of their own, and are actively seeking new employment.
- Emphasize clarity when crafting workplace laws and standards to avoid confusion and limit disputes; for example, addressing ambiguity in Pennsylvania's medical marijuana law.



An Equitable Civil Justice System

Pennsylvania's reputation as having a highly damaging and litigious legal climate is widely recognized. For the past several years, the American Tort Reform Association has repeatedly ranked Pennsylvania as one of the country's worst "Judicial Hellholes."¹⁰ The U.S. Chamber Institute for Legal Reform ranked Pennsylvania 39th in Legal Climate.¹¹ This environment stifles economic growth, increases consumer costs, and is detrimental to many entities, including those from industries often prioritized for attention and support, such as healthcare, childcare, and public transportation.

Pennsylvania must establish a more reasonable litigation climate to bring greater fairness, common-sense, and predictability to the civil litigation system, prevent unfair tactics like "venue-shopping," and change the judicial system to achieve greater efficiencies and unbiased justice, while always providing for full and timely compensation of parties legitimately injured.



39th

**RANKED
LEGAL
CLIMATE**



RECOMMENDATIONS:

- **Address tort reform and judicial reform across Pennsylvania.**
- Restore the Fair Share Act to its original, equitable, and carefully balanced original purpose of ensuring that defendants only have to pay for the percentage of the verdict corresponding with their liability.
- Cap contingency fees to limit profiteering by plaintiffs' attorneys, maximize recoveries for truly injured parties, and discourage frivolous lawsuits.
- Restore common-sense venue rules for cases that require medical liability cases to be brought in the county where the alleged injury occurred.
- End litigation tourism by limiting the personal jurisdiction consent statute for out-of-state corporations.
- Regulate third-party litigation funding to protect consumers and create transparency.



Government Responsiveness/ Permitting Reform



One of the greatest challenges impacting Pennsylvania's competitiveness is government responsiveness. State and local governments are often viewed as unresponsive, or at times even hostile to businesses that want to start, grow, and thrive. For example, employers and the economic development community too often report "unnecessary and unacceptably lengthy" timelines for permit applications to be approved and inconsistent applications of rules and regulations, in project areas ranging from energy to transportation to manufacturing. Relative to competitor states, Pennsylvania is described as a "difficult place to do business" and one that "could be much more welcoming" to business growth and investment. All elected leaders should strive to serve as champions for economic development, supporting existing business growth and new business recruitment.

RECOMMENDATIONS:

- Conduct a comprehensive review of state rules and regulations, establishing a goal with set timelines for every state agency to regularly reduce the volume of its rules and regulations by a certain percentage.
- *Ensure that the Governor's Office of Transformation & Opportunity (OTO) has sufficient staffing and resources to provide business liaison services for all firms interacting with multiple state agencies, assisting with regulatory and permitting issues as well as state funding opportunities.
- Adopt and implement artificial intelligence tools into government operations to increase effectiveness and efficiency.
- **Set aggressive goals for improving 1) client communication with business and permit applicants; 2) the speed and predictability of permitting; and 3) approval processes for every state agency; and work with lawmakers to codify system improvements.**
- Incorporate business community input to ensure the Streamlining Permits for Economic Expansion and Development (SPEED) program is successfully implemented as intended; and work with stakeholders to expand SPEED to other permits and agencies.
- Direct key state agencies (potentially PennDOT and DEP) to partner with private, third party experts to conduct reviews, thoroughly evaluating project permitting processes, timelines, and consistency across the state and offering recommendations for streamlining processes, communication, and timelines.

Modernizing State Permit Processes

The recently enacted SPEED program and other actions are designed to reduce delays in the issuance of certain state licenses and permits and provide faster responses for businesses and communities across the Commonwealth. We welcome these efforts and encourage policymakers to build on this progress. The OTO should strive to significantly improve permitting timelines and transparency across state government.



Energy

Pennsylvania has long been a global energy leader, playing a critical role in powering the U.S. and supporting economic and industrial growth. We are currently the top electricity exporter¹² and top supplier of natural gas, coal, and refined petroleum products in the nation. Pennsylvania's energy sector supports thousands of jobs, contributes billions to our economy, and provides affordable energy to residents and businesses. From natural gas and electricity exports to spearheading the newest energy generation innovations, we are a key player in both the national and global energy economy.



Statewide Energy Plan

The energy industry plays a critical role as an economic driver by creating jobs, generating tax revenue, attracting investment, and supporting other local industries. Pennsylvania is well positioned to lead the next global energy transition with its vast energy assets, sites, higher education institutions, and access to markets. However, in order to maintain our status as a global energy leader and encourage our energy sectors to innovate and thrive, Pennsylvania must have a statewide energy plan that promotes innovation and investment.

RECOMMENDATIONS:

- **Develop a statewide energy plan focusing on innovation and infrastructure development.** The plan should be developed with collaboration from the public and private sectors and should include recommendations for how business and government can work jointly to promote innovation and investment in the industry and address the infrastructure and facilities needed (from gas pipelines, electric transmission, and distribution lines to liquefied natural gas terminals) to take advantage of the Commonwealth's energy production.
- Pursue an all-of-the-above energy policy that strengthens our status as a global energy leader, while allowing our energy sector leaders to innovate and thrive.
- Maximize the use of Pennsylvania's reliable thermal baseload sources while balancing additional renewable energy sources to maintain grid stability and foster long-term economic growth.
- Support energy innovation and new technologies, such as hydrogen and small modular reactors, to power both our economy and communities throughout the Commonwealth.
- Conduct a thorough review of state energy laws and regulations to determine whether there is a need for repeal or update, and support the implementation of a regulatory framework that encourages greater investment in the Commonwealth.
- Prioritize a review of permitting timelines and processes related to energy projects, with recommendations for improving predictability and timeliness.
- Leverage Pennsylvania's status as a top energy producing state to develop and launch a business attraction strategy for energy-intensive industries.



Infrastructure

Reliable infrastructure is essential for economic growth. Infrastructure projects provide immediate jobs and create long-term employment opportunities by attracting businesses that depend on reliable logistics and services. Recently, US News' Infrastructure Rankings assigned Pennsylvania an overall rank of 46, including transportation at 47 and the internet at 45.¹³



Comprehensive and Reliable Transportation

Pennsylvania must construct and maintain an infrastructure that includes reliable transportation (roads, bridges, railroads, ports, airports, and mass transit), telecommunications, wireless, water, and utility systems, and other infrastructure. These assets provide for a modern standard of living necessary to maintain a robust economic base, attract new employers and employees, and facilitate the movement of goods and people in our state and to domestic and international markets.

#46

OVERALL
RANK

U.S. News
A WORLD REPORT

RECOMMENDATIONS:

- *Establish a modern, sustainable, and balanced funding plan dedicated to improving transportation infrastructure and distribute resources strategically across our multimodal transportation system.
- *Develop a state strategy for upgrading transit and transportation options across the state, enabling new funding sources for local and regional transit agencies and creating pilot programs for small-scale service in rural areas.
- Expand utilization of public-private partnerships as a more affordable and efficient means of building, maintaining, and modernizing Pennsylvania's critical infrastructure systems, including highways, bridges, and freight, rail, transit, cargo, and utility systems.
- Reduce regulatory burdens to lessen the time and resources needed to navigate multiple layers of government, allowing for more labor and capital to be directed to maintaining and improving the state's infrastructure system, and eliminating unnecessary costs that impede the ability of the public and private sectors to work together in improving critical infrastructure networks.
- Implement streamlined and consistent processes across all PennDOT regions.
- Enact policies which encourage the research, development, adoption, and safe deployment of innovative transportation technology and encourage these industries and emerging technologies with smart, growth-oriented policies, including tax reform to support start-ups and regulatory reform to expedite the issuance of state permits for new projects and expansions.

The Importance of Broadband

Broadband infrastructure is an essential component of a state's competitiveness. Internet connectivity is vital for business, education, and quality of life. Expanding internet access supports education, remote work, telemedicine, and economic diversification and can also help to attract high-tech industries to the state. In Pennsylvania, too many communities lack this necessary resource, and it is a barrier to economic development. As of 2023, over 279,000 locations in Pennsylvania lacked access to high-speed internet access.¹⁴

RECOMMENDATIONS:

- Accelerate the deployment of broadband service across Pennsylvania.
- Ensure that state and federal funding is deployed strategically and utilized most effectively.
- Provide appropriate incentives to encourage the development of a workforce to support broadband expansion throughout Pennsylvania.

Economic Development & Innovation

24th

RANKED

ITIF | INFORMATION TECHNOLOGY
& INNOVATION FOUNDATION

The Commonwealth spends millions annually on economic development. Yet, Pennsylvania is ranked 24th by the Information Technology and Innovation Foundation.¹⁵



Pennsylvania's economic development strategy must provide a context for the state to thrive as a modern economy. Technology development and innovation must be prioritized within that strategy.

RECOMMENDATIONS:

- Review the state's incentive offerings to ensure that they are aligned with capital intensive business investments promoting modernization and incorporation of new technologies.
- Establish a private sector led industry council in each region made up of business leaders and economic developers. Review key "asset" industry clusters for the region and select one or two "emerging" clusters for support. Develop strategies to strengthen the region's support for its asset and emerging clusters (secondary and post-secondary education and training, career awareness, upskilling, infrastructure, available land and buildings, technical and funding assistance, etc.).
- * Ensure that funds are available on a regional basis through a competitive grant process for economic development and quality of life projects that require collaboration and investment from multiple local jurisdictions for every project.
- *Ensure that regional economic development strategies include a site and building development program that can access funding through the PA Strategic Investments to Enhance Sites (PA SITES) program, to fund site development and infrastructure to create shovel ready sites and ensure that the PA SITES program is funded at appropriate levels.

Agriculture

Pennsylvania's vast agriculture industry has a significant impact on the Commonwealth and is a major part of the state's economy. Pennsylvania farms and related agribusinesses contribute \$132 billion to the state's economy annually and support more than 593,000 jobs. Pennsylvania must pursue policies that will allow the agriculture industry to grow and thrive.



RECOMMENDATIONS:

- Remove barriers to agriculture innovation.
- Develop export markets for Pennsylvania agribusiness products and services.
- Safeguard the health of Pennsylvania's farm animal population through comprehensive disease prevention, surveillance, and response initiatives.



Entrepreneurship

Startups and small businesses are powerful job creators. Additionally, new businesses stimulate economic growth by creating demand for local goods and services, benefiting other sectors and creating a multiplier effect throughout the economy. A strong entrepreneurial ecosystem can attract and retain skilled individuals seeking to start and grow businesses, as well as the talent that supports them, such as engineers, marketers, and skilled tradespeople. Talent attraction reduces "brain drain" and fosters a culture of ambition and growth. However, according to recent data published in the Kauffman Early Stage Entrepreneurship (KESE) Index, Pennsylvania has the nation's fifth lowest entrepreneurship rate.¹⁶ Pennsylvania must encourage a strong entrepreneurial ecosystem by nurturing an innovation culture that values and encourages new business formation and growth.



RECOMMENDATION:

- Strengthen ties between innovation spaces, including Penn State's LaunchBox & Innovation Network and other centers at higher education institutions across the Commonwealth, small business service providers, and chambers of commerce to better integrate these innovation assets with the entrepreneurial community in all locations across Pennsylvania.

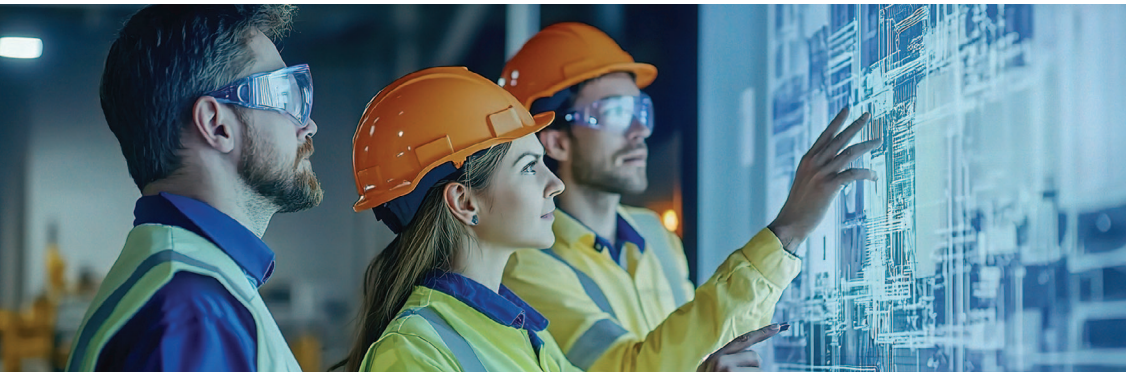
Education and Workforce

States that develop, attract, and retain talented workers with the right skills have a competitive advantage in the global economy. However, Pennsylvania employers continue to report severe workforce challenges. Pennsylvania needs to develop a well-trained workforce that meets the needs of employers. Doing so requires a strong educational foundation.



RECOMMENDATIONS:

- Support a public education system based on rigorous standards, with appropriate transparency and robust accountability measures.
- Support policies that provide a broad array of academic environments and opportunities to meet the diverse needs of students including expansions to the Educational Improvement Tax Credit program.



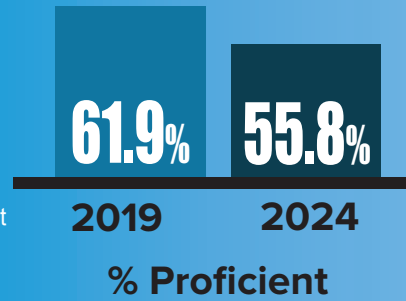
Early Literacy

Early literacy is essential for educational progress. Children's reading levels at third grade are one of the most significant and reliable predictors of future attainment; if a child is unable to read by third grade, they will struggle in school and are more likely to drop out of high school. Without strong reading skills, students' future success and the Commonwealth's ability to develop an educated workforce are at risk.



Unfortunately, early reading proficiency in Pennsylvania is not where it needs to be for students to thrive academically. This is a threat to the Commonwealth's long term economic viability and competitiveness. The percentage of students scoring proficient in reading on the third grade PSSA decreased from 61.9 percent in 2019 to 55.8 percent in 2024.¹⁷ Pennsylvania student performance on the 2024 NAEP reading assessment showed similar results; only 33 percent of Pennsylvania fourth graders scored proficient or above.¹⁸ Pennsylvania must adopt evidence-based strategies and interventions to increase early literacy proficiency. Investments in solutions that improve outcomes in the early grades prevent costly remediation in older grades.

3rd Grade PSSA



RECOMMENDATIONS:

- Support efforts to increase early literacy attainment and ensure Pennsylvania students are reading by third grade.
- Establish reading standards for teacher preparation programs to ensure that programs are aligned to the science of reading.
- Provide current elementary educators with high quality professional development in scientifically based reading instruction.



Workforce Development

The world of work is experiencing unprecedented change. Many of the jobs that workers will do in the next 10 years have not been created yet. Pennsylvanians need opportunities to learn about new career pathways and develop the skills they need to thrive in a rapidly changing job market.

RECOMMENDATIONS:

- Explore adoption of a statewide career awareness initiative to promote interest in skilled and technical careers.
- *Ensure that career and technical education programs have the resources and equipment to operate, particularly in rural areas.
- Review and consider changes to career and technical education in the Commonwealth to ensure that licensing requirements do not hinder the hiring of career and technical center instructors.
- Develop private sector-led regional internship committees of employers and local colleges and universities to expand college student internships as an important talent retention tool.
- Encourage alignment between higher education and in-demand occupations in the Commonwealth by piloting innovative funding models.
- Adopt performance-based funding models for Tier 1 research universities in the Commonwealth.
- Create and build on initiatives to retain more recent college graduates within Pennsylvania, such as the Grow Pennsylvania Scholarship Grant Program and the Grow Pennsylvania Merit Scholarship Program.

Upskilling and Reskilling

Pennsylvania's existing workforce is skilled, but often not in the areas employers need and particularly in industries that are rapidly changing. National data show that workers are willing to retrain. Upskilling and reskilling can help address the skills gap and provide a significant return on investment for employers and for the Commonwealth.

RECOMMENDATIONS:

- **Support policies and initiatives to upskill and reskill adult workers.**
- Enable the state Bureau of Reentry Coordination to expand workforce training and set aggressive goals for the percentage of returning citizens who are employed at key intervals after release.
- Adopt legislation and encourage programs that help facilitate employment for individuals with criminal records or returning from incarceration; for example, phasing out driver's license suspensions as punishment for minor or non-vehicular criminal offenses so individuals can commute to work.
- Modernize state law related to apprenticeship training, including an update to supervision ratios to make them industry-specific and based on data.

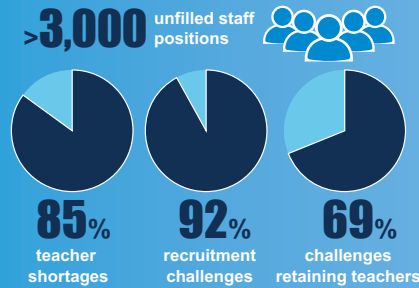
Thriving Communities

Pennsylvania must have a plan to improve quality of life to retain its young residents and attract new individuals and families. Quality of life factors include housing, childcare, education, jobs, healthcare access and affordability, downtown vitality, outdoor recreation, public safety, and other amenities necessary for regions to compete for talent.



Childcare

Pennsylvania continues to face challenges related to childcare availability, affordability, and quality. When families cannot access childcare, they cannot work or enroll in education and training programs. The lack of available and affordable quality childcare costs Pennsylvania an estimated \$6.65 billion annually.¹⁹ A recent survey found Pennsylvania childcare programs have more than 3,000 unfilled staff positions, while 85 percent of facilities reported teacher shortages, 92 percent reported recruitment challenges, and 69 percent reported challenges in retaining teachers.²⁰



RECOMMENDATIONS:

- **Support solutions to the childcare crisis in Pennsylvania.**
- Explore public private partnerships to implement innovative models to address the childcare crisis, including initiatives to compensate individuals who work in the sector at appropriate levels.
- *Create incentives for employers to host childcare facilities on site or to reserve new childcare slots elsewhere.

Build a Sustainable Childcare Workforce

Childcare providers report significant difficulty finding, hiring, and retaining qualified workers. Various reforms will help providers mitigate staffing challenges while maintaining robust safety and care standards for children.

RECOMMENDATIONS:

- Evaluate eligibility for group and assistant group supervisors and consider revisions to rules regulating educational qualifications.
- Explore whether relevant personal and professional experience should be factored into educational requirements.
- Review current staffing requirements to ensure standards are effective and practical.
- Adopt policies that encourage future and retired schoolteachers to enter the childcare workforce.
- Support credential and degree achievement programs to build a qualified pipeline of childcare group and assistant group supervisors.

Reduce Administrative Burden

Childcare providers attempting to open new facilities report excessive wait times for necessary permits and licenses and existing facilities are governed by an onerous regulatory framework that includes significant paperwork.

RECOMMENDATIONS:

- Improve and expedite current permitting and licensing processes.
- Review the industry's regulatory framework, and the Keystone STARS process, with the goal of reducing excessive or repetitive paperwork.
- Direct the Office of Child Development and Early Learning (OCDEL) to focus on assisting providers by offering practical solutions and educational materials to help ensure regulatory compliance.
- Ensure providers are consulted early and regularly as regulations are developed and updated.
- Carefully evaluate proposed mandates to assess their impact on childcare providers, prioritize solutions that minimize added costs and administrative demands while maintaining high-quality care.

Combat Rising Insurance Costs

Childcare centers are required to maintain general liability insurance, yet many are finding rates increasing and fewer options. Multiple theories have been posited for this trend including lingering impacts of the pandemic and the marketplace responding to enacted or proposed changes to statute of limitations laws.

RECOMMENDATIONS:

- Institute a statutory damages cap for childcare providers.
- Restore Fair Share Act protections that ensure defendants can only be held liable for damages proportional to their responsibility.
- Require plaintiffs to file claims against childcare providers in the county in which the alleged cause of action occurred, thereby preventing claims from being unfairly filed in Philadelphia.

Housing

A purposeful housing strategy is needed to address a range of social, economic, and environmental issues that influence the well-being of our residents and the functioning of our economy.



13th

WORST



Up for Growth, a national housing organization, ranks Pennsylvania as the 13th worst state in the country for the production of needed housing.²¹ In 2022, Up for Growth's data showed that Pennsylvania built 105,000 fewer units than it needed to increase housing affordability.²²

The ability to attract and retain talent, build a strong workforce, and meet economic goals are connected to housing availability. The Commonwealth must work to address housing availability and affordability so that Pennsylvania businesses are equipped with all the tools necessary to recruit and maintain quality workers.

RECOMMENDATIONS:

- Review current programs and policies to determine the effectiveness of current housing policy and strategies.
- Collect data to inform and project future housing needs.
- *Advance housing revitalization efforts to increase capacity and enhance living environment, for renters.
- Review zoning and permitting requirements, including minimum lot sizes, mandatory parking requirements, and prohibitions on multi-family housing to ensure they are not unnecessarily prohibiting housing development.
- Support policies and programs to convert and repurpose office buildings into residential spaces.
- *Consider a package of land use reforms to enable and facilitate more housing development: multifamily housing and mixed use in commercial zones as well as ADU "granny flats"; and two, three, and four-unit residential buildings in single-family zones in Pennsylvania.
- *Establish a housing infrastructure fund in the state to support new market-rate housing development, and prioritize assistance for non-metro counties.
- *Expand programs or incentives to promote the redevelopment of older housing stock, older neighborhoods, and downtowns.



Health Care

A healthy workforce is critical to the success of any business and the economy. Healthy employees are more productive, take fewer sick days, and contribute to a positive work environment all while driving economic growth. The recommendations below focus on ensuring sustainable, accessible, and affordable health care in the Commonwealth.



RECOMMENDATIONS:

- Encourage and maintain a private health care delivery system, to provide all Pennsylvanians with appropriate access to cost-effective, quality health care.
- Support innovative solutions that expand access to affordable, private coverage, such as consumer-driven health savings accounts, small-business pooling, and equal tax benefits for individual and employer-provided insurance plans.
- Empower consumers through new technologies that give them timely, useful information about the cost and quality of their care, helping them make informed decisions that encourage competition and reduce costs.
- Support and prioritize employee wellness through preventive care programs, as well as employee assistance programs to support employees' mental wellbeing.
- Conduct a cost/benefit analysis of existing mandates and repeal mandates in which the cost outweighs the benefit.
- Adopt standard and consistent incentives that emphasize successful health care outcomes over volume, rewarding providers based on outcomes and overall care and consumers based on prevention and wellness.
- Increase tax deductibility of health care costs for employers and consumers.

What's Next?

The PA Chamber will continue to seek feedback and convene business leaders to review new data, evolving trends, and best practices to identify actions Pennsylvania needs to take to increase its economic competitiveness.

The PA Chamber will work collaboratively with its membership, strategic partners, and public policy leaders to make Pennsylvania more competitive, develop action plans to support implementation, and monitor progress on initiatives related to these recommendations. The PA Chamber will develop and utilize a dashboard to track progress.



Acknowledgements

The PA Chamber thanks everyone who shared their expertise, ideas, and resources to make the Keystone Initiative possible. The list acknowledges their contributions to the discussion of making Pennsylvania more competitive and one of the best places in the world to live, work, raise a family, and grow a business. The inclusion of a company name or individual does not imply endorsement of every element of the Keystone Initiative. We look forward to continued discussions and work to ensure that Pennsylvania's future is bright.

Economic Competitiveness Leadership Council



Policy Council Members

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Airbnb	Cornerstone Advisors Asset Mgmt.	Hollywood Casino, Penn Entertainment	One+ Strategies	SHRM
Allegheny County Airport Authority	Coterra Energy	Holy Family University	Orrstown Bank	South College
Alvernia College	Cozen O'Connor	Hospital & Healthsystem Assoc.	Owens-Illinois	Spilman Thomas & Battle
Amazon	CSX	Independence Blue Cross	PA Bankers Association	Steptoe & Johnson
American Eagle	Customers Bank	Instacart	PA Coalition for Civil Justice Reform	Susquehanna University
AmeriHealth Caritas	CVS Health	IUP	PA Commission on Community Colleges	T-Mobile
ArentFox Schiff	Deloitte	JEVS Human Services	PA Health & Wellness	Tal Energy
Armstrong World Industries	Dickinson College	Johnson & Johnson	PA Self-Insurers Assoc.	TD Bank - PA
AT&T	Divert	JP Morgan Chase	PCMA	TE Connectivity
ATI	DoorDash	K&L Gates	PECO	Temple University Health
Aurora	Drexel University	KeyBank	Peirce College	The Judge Group
Babst Calland	Duane Morris	Keystone Tax	Penn Medicine/ Lancaster General	TikTok
Baker Hostetler	Duolingo	Knouse Foods Cooperative	Penn National Insurance	Triad Strategies
Baker Tilly	Duquesne Light	KPMG	Penn State University	Troutman Pepper
Bank of America Merrill Lynch	Duquesne University	Lamb McErlane	Penn West University	Truist
Bayer	East Penn Manufacturing	Lehigh Univeristy	Pfizer	Uber
Benecon	East Stroudsburg University	Lehigh Valley Health Network	PhRMA	UGI Energy Services
Bentley Systems	Eckert Seamans Cherin & Mellott	Lockheed Martin	Pitt Ohio	United States Steel
Berkshire Hathaway Energy	Eli Lilly and Company	M&T Bank	Pittsburgh Regional Transit	UnitedHealthcare
Blackburn's	Ellwood Group	Magellan Health	PPG Industries, Inc.	University of Pittsburgh
Boeing Company	Enbridge	Magnesita Refractories Company	PPL Corporation	UPMC
Brightspeed	Endo Pharmaceuticals	Marathon Petroleum	PricewaterhouseCoopers	UPS
Brownstein Group	Erie Insurance	Marshall Dennehey	Procter & Gamble Paper Products	Vanguard Group
Buchanan Ingersoll & Rooney	Essential Utilities	McNees Wallace & Nurick	PSECU	Verizon
Buckeye Partners	Federal Resources	McQuaide Blasko	Pursuit Advocacy	Vitro, The Glass Company
Bucknell University	FedEx Corporation	Mellon	Range Resources	Weber Gallagher
Burns White	First National Bank of PA	Merck	Reed Smith	Wells Fargo & Company
Calgon Carbon Corp. / Kuraray	Flagger Force	Mercyhurst	RETTEW	Wellspring Health
Calpine Corporation	FP Advocacy	META / Facebook	RIDC	West Chester University
Capozzi Adler	Fulton Financial Corporation	MetLife	Robert Morris University	West Shore Home
Carnegie Mellon University	Gannett Fleming TranSystems	Misericordia University	S&B USA Construction	Western Governors Univ.
Caterpillar	Geisinger Health System	Mitsubishi Electric Power Products	S&T Bancorp	Westminster College
Chatham University	Geneva College	Monroe Energy	Saint Joseph's University	Windstream
Children's Hospital of Philadelphia	GIANT Company	Moravian University	Sanofi Pasteur	WM
CIGNA	Glatfelter Insurance Group	Mount Aloysius College	Saul Ewing	Wohlsen Construction Co.
Citizens Bank of Pennsylvania	Google	MSA, The Safety Company	Saxton & Stump	
CNX	Green, Tweed & Company	National Fitness Partners	Schlouch Inc.	
Cohen Seglias	GSK	NextEra Energy Resources LLC	SEI	
Comcast Corporation	HarbisonWalker	Northwest Savings Bank	Sellers Dorsey & Associates	
Commonwealth University	High Companies	NRG Energy	SEPTA	

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