

Markell Administration Needs to Focus on Welfare of Business Community

By State Rep. Gerald Hocker

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When Jack Markell was elected governor last year, there was reason to hope that our new chief executive would understand the need to cultivate a pro-business environment in the First State.

Markell holds an undergraduate degree in Economics and Development Studies from Brown University and an MBA from the University of Chicago. As his bio states: "He began his career in the private sector ... as the 13th employee at Nextel (a name he coined) where he served as Senior Vice President for Corporate Development."

That promise grew last December when Governor-elect Markell nominated Alan Levin to serve as the Director of the Delaware Economic Development Office. As the CEO and majority owner of Happy Harry's, Mr. Levin was largely responsible for growing the company into the 10th largest drugstore chain in the country at the time it was acquired by Walgreen's in 2006.

However, since being sworn-in Gov. Markell has not lived up to expectations.

A recent press release boasted that all of Gov. Markell's legislative priorities would become law "and position Delaware for long-term growth." Yet not one of these priorities directly benefits our business community.

As a Sussex County businessman for more than 30 years, I believe our state's economic recovery is tied to the welfare of our small businesses. State government may be the single largest employer in Delaware, but more people are employed by small and medium-sized businesses than by any other sector.

Thanks to the closings of both of our state's car manufacturers, and layoffs at the Invista nylon plant in Seaford, Delaware is losing thousands of high-quality, high-paying manufacturing jobs. Currently, Delaware's unemployment rate is 8.1 percent, more than two-and-a-half-times what it was two years ago. I believe that if we're going to turn this grim reality around, we need to help our businesses to keep existing jobs and create conditions that will facilitate future growth.

Instead, the new administration has made bold strides to handicap businesses. One example is the governor's recent veto of a bill to repeal the state's

ineffective and wasteful beverage bottle container law. Despite being enacted more than 25 years ago, many Delawareans are unaware of this half-hearted law, which doesn't apply to a wide variety of beverage containers including all cans as well as bottles containing water, tea and juice.

By some estimates, \$3 million in bottle deposits are currently unclaimed. At a nickel per deposit, that's 60 million bottles that were never redeemed.

Despite the law's ineffectiveness, retailers selling soft drinks are burdened with the costs of collecting and storing the bottles that are redeemed. The legislation allows retailers to receive a penny for each redeemed bottle – an amount which doesn't come close to the expense of administering this well-intentioned, but misguided, state mandate.

Of far more pressing concern for Delaware's business community is the controversial \$212 million package of tax and fee increases that were recently signed into law by Gov. Markell. These hikes included a jump in the state's Personal Income Tax (PIT) affecting anyone with annual earnings of \$60,000 or more. The package also contains a new law raising the Gross Receipts Tax (GRT) by eight-percent across-the-board and an omnibus measure hiking the Corporate Franchise Tax and a host of fees imposed on companies. When fully implemented, these two measures will take more than \$134 million from Delaware businesses annually.

According to a February 2009 article in Delaware Business Magazine, the Marion Ewing Kauffman Foundation ranks Delaware 49th when it comes to entrepreneurial activity. Reacting to that fact in the same article, Gov. Markell said: "We've got to create an economic climate here where entrepreneurs and workers alike can thrive across a range of industries."

Again, the administration's actions have thus far not matched their words.

I voted against all the tax and fee increases as well as the state operating budget because of its hostility towards businesses. These higher levies will hamper our economic rebound by creating new challenges for already struggling enterprises and hurt working Delawareans by eliminating jobs and limiting new employment opportunities.

I believe we need to examine our state tax structure with an eye to reform it, making it more business-friendly. These changes will not only help the First State retain our current businesses, it'll also help us attract companies not currently operating here.

We also need to re-craft our economic development efforts. We're at a significant disadvantage with our larger neighbors in trying to lure large employers here. But our small size and ability to react nimbly gives us an edge

in convincing smaller companies to set up shop. Not only would such a strategy play to our strengths, it would diversify our economy giving us less exposure should any one business or industry experience difficulty.

To their credit, I believe the Markell administration has embraced this philosophy. Gov. Markell's "Limited Investment for Financial Traction," which uses \$5 million from the state's Strategic Fund to subsidize the interests on small-business loans, is a step in the right direction.

Still, the business track record of the new administration, while admittedly only about six months old, has been disappointing. I urge Gov. Markell and the Delaware Economic Development Office to hold a summit with legislative and business leaders to craft a consensus pro-business development plan we can aggressively implement by the start of the New Year. I believe the welfare of our economy could rest in the balance.

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