

Chairman Saylor, Chairman Bradford and members of the committee, thank you for the opportunity to appear before you today to discuss Governor Tom Wolf's 2019-2020 Executive Budget for the Department of Community and Economic Development (DCED).

My name is Dennis Davin and I have the pleasure to serve as the secretary for DCED. This agency serves a critical role in Pennsylvania's past and its future while we work to grow our economy by strengthening our business environment and improving the quality of life in our communities. Each year, we work with businesses here in Pennsylvania, across the nation, and around the world to bring new opportunities to the commonwealth and its citizens. Our office drives community development and prosperity, as well as marketing and growing the states multi-million-dollar tourism industry. Each day, DCED strives to promote Pennsylvania as a place where its citizens, businesses, and visitors can work smart and live happy. With my testimony today, I hope to provide updates and highlights of our programs and projects.

Governor Wolf has proposed a sensible budget for the agency that will allow the department to provide additional resources to business attraction/retention, workforce training and development, as well as growing the tourism industry.

We have made significant progress over the past four years. Under Governor Wolf's leadership, Pennsylvania added approximately 250,000 jobs, the state's unemployment rate has gone from 5.4 to 4.2 percent, and the per capita personal income has grown nearly \$4,000 a year from \$48,000 to \$52,000. The Governor's initiatives like PAsmart, Manufacturing PA, and the PA Business One-Stop Shop have strengthened our workforce, empowered entrepreneurs, and have made Pennsylvania a better place to do business.

Workforce Development and Training

Understanding that in order to grow Pennsylvania's economy and for our communities to flourish, Governor Wolf worked with DCED to expand career and technical education opportunities, so everyone can get the skills they need to find good-paying jobs. Since that time, DCED has:

- Established the Pennsylvania Business One-Stop Shop, which has assisted more than 86,000 entrepreneurs and business owners who have visited the website to learn how to start and grow a new business.
- Began a comprehensive apprenticeship program that is funded in part through funds clawed back from businesses that have received state support in exchange for job creation but failed to meet the state requirements of the contract. Since its inception in 2018, the program has approved 29 applications for projects that have been awarded more than \$3.9 million and allowed 386 apprentices and 24 pre-apprentices to be trained.
- Trained more than 26,000 Pennsylvania workers through the WEDnetPA program by investing \$6.65 million in training and assisting 695 companies.

In his proposed 2019-2020 budget, the Governor calls to continue investing in our future and provide additional resources for workforce development and training.

The Governor signed an executive order last week to create the Keystone Economic Development and Workforce Command Center to address workforce shortages and help Pennsylvania compete. The command center will expand the collaboration between government and the private sector to address the skills gap and worker shortages. It will also recommend ways to better coordinate workforce and economic development programs across state agencies. Additionally, the command center will identify barriers that may prevent someone from working or prevent businesses from hiring skilled workers which include lack of child care or transportation, as well as outdated professional licensure, certification, and continuing education requirements.

The command center, which will be managed within DCED, will monitor implementation and progress of the various workforce and education proposals outlined in the governor's Statewide Workforce, Education, and Accountability Program (SWEAP) proposal to hold the commonwealth, and our private partners, accountable in strengthening our workforce and making Pennsylvania a better place to live and work.

The 2019-2020 proposed budget provides an additional \$5 million to provide flexibility to rapidly respond to companies' needs, including workforce training opportunities for a company's existing workers, which will increase investment in the state and enable Pennsylvania to compete more effectively with other states. This budget also calls for an additional \$12 million for the Employer Skills Fund. By providing up to \$1-2 million competitive grants for PA employers, businesses will be empowered to develop innovative solutions to address employability skills gaps, increase recruitment return on investment, and reduce onboarding costs. This is a public-private partnership through Team PA and DCED and will give employers the opportunity to collaborate and provide information on their most pressing needs in addressing the skills gap. In turn, the administration will provide financial support for implementation of innovative solutions.

Investing in Economic Growth

As many of you are aware, the Governor's Action Team work day in and day out with in-state, national, and international businesses that are considering locating or expanding in Pennsylvania. Through their efforts, 55 projects were successfully completed this year that resulted in nearly 6,400 jobs pledged to be created and more than 14,214 Pennsylvania jobs retained during this past fiscal year. These projects represent more than \$1 billion in new private investment and are expected to create or support nearly 39,500 indirect jobs and generate as much as \$223 million in state and local tax revenue each year.

In this year's budget, Governor Wolf has provided additional resources through the department's PA First Program that provides grants and loans to increase business investment and job creation in the commonwealth. As mentioned, this \$5 million increase will help DCED expand its ability to attract new business and new jobs to Pennsylvania, as well as retain important jobs and industries within its borders.

In 2018, Pennsylvania's most popular and one of its oldest programs, the Pennsylvania Industrial Development Authority (PIDA), approved more than \$84 million in low-interest loans that resulted in \$119,561,991 in private investment and supported the creation and retention of 4,316 full-time jobs. This was the highest number of loans approved since FY 2006-2007 and the most in terms of dollar amount since FY 2005-2006. PIDA provides crucial access to capital that enables businesses to grow and create jobs. PIDA loans are often used for the development of industrial parks and multi-tenant facilities, the purchasing of machinery and equipment, and the acquisition of new land or buildings.

Community Investment

From facade improvements to downtown beautification projects to addressing homelessness and returning blighted and vacant properties to productive use, DCED utilizes its resources and private and public partnerships to revitalize our communities to make them places where Pennsylvanians want to live, work, and play - and where businesses want to locate and thrive.

One of our important community-focused programs, the Neighborhood Assistance Program (NAP), encourages private sector investment into projects that will help improve distressed communities. NAP provides tax credits to businesses that donate capital to support projects that address neighborhood and community problems – particularly in low-income areas that need it most. NAP can be used for projects in categories including affordable housing, community services, crime prevention, education, job training, charitable food, blight, special population issues, veteran's initiatives, and long-term community revitalization. Working with our local communities, we are able to foster public-private collaboration and encourage investment that helps revitalize low-income areas.

This past year, the NAP received 196 applications amounting to a total \$31.1 million for the yearly \$18 million tax credit program. Last legislative session, thanks to bipartisan support, the governor signed legislation to double the NAP tax credit to \$36 million. Positive outcomes from these NAP projects include: The existence of a larger community plan to base projects; defined and measurable outcomes such as the removal of blight; increased low-income housing options; increased services to veterans; and valuable public-private partnerships that are driven and managed by local communities.

Showcasing Pennsylvania

Last year, we were grateful to the members of the legislature for your support of passing House Bill 1511 (now Act 109 of 2018) which marked a monumental and sustainable investment in the future of Pennsylvania tourism. And while we've done amazing things with our modest and highly strategic media budget, DCED is poised to take Pennsylvania to the next level.

As you recognized with your vote, tourism is a critical industry for Pennsylvania. We have one of the largest tourism economies in the nation welcoming more than 203 million U.S. travelers, one million overseas travelers, and more than 1.5 million Canadian travelers. These visitors generate more than \$43 billion for the state's economy each year, which in return helps fund transportation, infrastructure, education, and public safety programs. The industry also

supports nearly half a million jobs, and every dollar invested in marketing the state produces a \$3.43 return on investment.

The new, sustainable funding will come from online booking agents by making them responsible for collecting and remitting hotel occupancy taxes on rooms and homes reserved through their platforms. It also dictates that the tax will be based on the customer's rate for the room, not the wholesale rates. It is estimated that these funds will bring in approximately \$24 million in FY 2019-2020.

Investing in Pennsylvania's Future

And finally, as the department continues to use its resources as efficiently as possible to grow strong communities and invest in our business, we realize that additional funding is still needed to bridge the gaps we see in our communities. As my staff and I travel around the commonwealth talking to local and community leaders, residents and businesses, we are told about community problems that the state simply doesn't have the resources to properly address. We hear that:

- **Blight** is causing serious health and safety threats, costing local governments for enforcement and maintenance, reducing property values and tax revenue, and making communities less attractive for investment;
- **Lack of access to high-speed internet** means businesses are not able to market themselves and conduct business online, our children miss out on learning opportunities, and health care facilities cannot share information with specialists;
- **Flood protection is lacking**, and flood damage is forcing communities to deal with overwhelming repair and restoration costs at a time where modeling predicts rainfall will only continue to increase;
- **Businesses require greater access to energy infrastructure and pad-ready sites** to ensure Pennsylvania is utilizing its natural energy assets to attract and retain Pennsylvania businesses; and
- Many components of Pennsylvania's **transportation infrastructure** have been neglected, particularly our four-digit state routes and back roads and our public transit system.

Without a suitable mechanism to fund solutions to these problems, we are left telling the community that many of these issues will simply have to go unresolved. While some of our programs can help fund a comparably small number of piecemeal projects, it's the equivalent of trying to fix broken bones with band-aids.

Thankfully, the Restore Pennsylvania proposal addresses this issue. Restore Pennsylvania will invest \$4.5 billion during the next four years in significant, high-impact projects throughout the commonwealth to help catapult Pennsylvania ahead of every state in the country in terms of technology, development, and infrastructure. Restore Pennsylvania projects will be driven by local input to address local needs. The initiative will be funded through a common-sense – and

long overdue – severance tax. The severance tax is the only way to generate the revenue and resources necessary to properly address these critical issues.

Without Restore Pennsylvania, we simply don't have the ability to accomplish all this department is tasked to do. That's not fair to our communities, it's not fair to our businesses, and it's not fair to the citizens of Pennsylvania. If Restore Pennsylvania is not passed into law, then there is no Plan B. We'll simply have to return to these communities and inform them that we did not have the political will to expand their broadband access, or to fix their blight problems, or to protect their residents from flooding.

From building a better business climate to revitalizing Pennsylvania's communities, DCED is committed to making the commonwealth a better place to live, work, and play. I firmly believe Governor Wolf's 2019-2020 Executive Budget gives us the ability to do just that. In the weeks ahead, I look forward to working with you to pass a budget that enables us to achieve this shared goal for Pennsylvania and its residents.

I appreciate your time and attention and I'll be happy to take any of your questions.