

Good morning Chairman Saylor, Chairman Bradford, and all members of the House Appropriations Committee.

I'm Dennis Davin, Secretary of the Department of Community and Economic Development, or DCED. It's an honor to be with you this morning to discuss Governor Wolf's proposed budget for DCED for the 2020-2021 fiscal year and answer any questions you may have about our agency's programs.

DCED's mission is to encourage the shared prosperity of all Pennsylvanians by supporting good stewardship and sustainable development initiatives across our commonwealth. With a keen eye toward diversity and inclusiveness, we act as advisors and advocates, providing strategic technical assistance, training, and financial resources to help our communities and industries flourish.

When I came before you last year for this hearing, Pennsylvania's economy was running strong. Jobs were up, unemployment was down, and business was booming. But many of our businesses had a difficult time finding skilled workers to fill their open positions. Because of this, Governor Wolf made historic investments in workforce programs like PAsmart, and created the Keystone Economic Development and Workforce Command Center in order to identify and overcome the barriers our workers face when seeking family-sustaining careers.

This year, we've made important progress in addressing these issues, which I'll go over briefly this morning. Governor Wolf's proposed 2020-2021 budget also includes bold and innovative new programs that will strengthen our workforce, bolster our tech and innovation sector, and make Pennsylvania communities a better place to live, work, and play.

Economic Snapshot of Pennsylvania

First, I would like to provide important context about the state of Pennsylvania's economy right now. Currently, our unemployment rate stands at 4.5 percent, which is one-half a percentage point higher than this time last year but remains lower than both the Federal Reserve's and the Congressional Budget Office's definitions of full employment. Part of this rise in the unemployment rate can be attributed to the fact that the size of our labor force has grown; in calendar year 2019, the labor force grew by more than 100,000, and in just one month alone, from November to December 2019, our labor force grew by more than 17,000. The number of total jobs in Pennsylvania remains over six million, a benchmark first achieved in Spring 2018. In calendar year 2019, Pennsylvania added nearly 33,000 jobs.

I am before you today feeling extremely optimistic about the future of Pennsylvania's economy because of many key factors. First, according to a report by Bloomberg, Pennsylvania has the most diverse economy in the United States. Pennsylvania's economy is not a one-trick pony that rises and falls based on the success a single industry; rather, it is a jack-of-all-trades in which manufacturing, agriculture, tech and innovation, health care, tourism, and many other sectors collectively contribute to our economic well-being. That diversity has allowed us to weather recessions in the past, and it puts us on the path to prosperity in the future.

Pennsylvania also benefits from world-class educational institutions that fuel our pipeline of workers, including seven of our universities making U.S. News and World Report's top 100 national universities list. Additionally, the commonwealth contains an abundant and diverse portfolio energy resources,

along with a strategic location and transportation infrastructure that provides quick and easy access to major markets nearby and across the globe. The combination of these factors make Pennsylvania an ideal place for business to locate and grow.

Although our economy is strong and our commonwealth remains a great place for people to live and raise a family, we know we have to do better in key areas like workforce development, promoting innovation, and rebuilding our communities' infrastructure. Governor Wolf's budget proposes effective and commonsense measures that will significantly improve Pennsylvania's standing in these areas. Over the next few minutes, I would like to expand upon some of those budget priorities.

Empowering Workers and Businesses

Since I was appointed Secretary of DCED by Governor Wolf in early 2015, my senior staff and I have traveled to every corner of the state, talking to business and community leaders about what has helped them grow in Pennsylvania and what we as a state could do better. One of the most common pieces of feedback business leaders have given us is that they sometimes have trouble finding enough skilled workers to fill their open positions. This is a common issue that states face in times of low unemployment, but it is one that we take to heart. After all, business can't grow if they don't have the right people. And workers can't gain employment or further their careers without getting in-demand skills.

In the previous two fiscal years, Governor Wolf's PAsmart initiative has invested heavily into our workforce through expanding STEM education and apprenticeships. PAsmart was designed to look at workforce development holistically; it's not just about training workers, but rather, bolstering our education system and examining the barriers that workers face when seeking employment. In that spirit, the governor created the Keystone Economic Development and Workforce Command Center, which brought private sector leaders like the PA Chamber of Business and Industry and the PA AFL-CIO together with state agencies and businesses. The task of the command center was to determine what is holding our workers back and make recommendations about how to address those barriers.

After meeting regularly for nearly a year in Harrisburg and in several regions across the commonwealth, the command center released its initial report via a press conference from Governor Wolf on January 27, 2020. The report identified five key categories of barriers – re-entry, transportation, child care, licensure, and training – as well as numerous recommendations the public and private sectors could incorporate to reduce or remove these barriers. While these recommendations are too numerous to list here, I encourage you to read the report if you have not done so already.

Governor Wolf took swift action in addressing the findings of the report. His 2020-2021 budget proposal includes a new \$12 million grant program that will allow the commonwealth to fund projects tailored to addressing issues the command center has identified as barriers to employment. This will further incentivize the creation of creative workforce solutions in the private sector that will be a win-win for both businesses and workers.

To further empower Pennsylvania's workers, the governor has also proposed a \$2 million increase for WEDnetPA, DCED's incumbent worker training program. His budget also includes continued funding for

career and technical education to ensure our workers are able to acquire the hands-on skills for in-demand jobs in the trades.

And finally, Governor Wolf has renewed his call for a higher minimum wage in Pennsylvania, proposing annual increases to the minimum wage to \$15 per hour by July 1, 2026. Pennsylvania has not seen a minimum wage increase in over a decade. The many compelling reasons for increasing the minimum wage have already been stated repeatedly by me, the governor, stakeholders, and labor leaders since the governor first proposed an increase. But quite frankly, it is unacceptable to me that West Virginia, Ohio, New Jersey, Maryland, Delaware, and New York – that’s all of our immediate neighboring states – have higher minimum wages than we do in Pennsylvania. When we’re trying to strengthen our workforce and reduce outmigration of people from our state, getting beaten out by all of our neighbors with the minimum wage is counterintuitive.

Sparking Innovation and Technology

A large part of Pennsylvania’s economic diversity has been the rise of the tech and innovation sector. I’m sure you all know about the immense success of the life sciences sector in Philadelphia and the robotics sector in Pittsburgh. But groundbreaking research, innovation, and entrepreneurship isn’t only happening in larger cities. From the LaunchBox program at Penn State, to the “i2n” innovation network in Chester County, to the innovation districts in York and Erie, to the powdered metals industry in the Northern Tier, to the burgeoning entrepreneurial environments of the northeast and Lehigh Valley, some of the next great technologies of tomorrow are being developed right now in Pennsylvania. But to truly bolster the tech sector, we need to increase our emphasis in promoting opportunity in every part of the state, both urban and rural. Recent reports from the Brookings Institute and Fourth Economy have articulated the need for further support of the tech sector at the state level.

That’s why the governor’s budget proposal includes \$12.35 million that will invest in our key partners across the commonwealth like the Ben Franklin Technology Partners, the Industrial Resource Centers, and the PREP Partners. Funding will be allocated based on level of achievement of new levels of innovation and collaboration with institutions of higher education. It will also provide funding to the Invent Penn State initiative, which has provided free resources like accelerator programs, working space, mentorship, prototyping, and funding to both students and non-student entrepreneurs in several locations across the Pennsylvania. –

The increased emphasis on strengthening our tech and innovation sector has several key goals. First, DCED will develop an annual innovation report that highlights areas of improvement in the sector over the past year. This will inform the commonwealth’s comprehensive innovation strategy and include performance measures to accurately assess the state of innovation in Pennsylvania.

The proposal also includes the goal of encouraging the development of innovation in new areas of the commonwealth currently seeing disproportionately low levels of activity – particularly in rural areas. It will also support early stage companies and venture capitalists, and attract and leverage additional private sector support due to the higher quality of projects resulting from competitive funding.

Pennsylvania has always been a state of innovators since the days of Benjamin Franklin. Governor Wolf understands that the success of the tech and innovation sector will have a major impact on our future

standing in the United States and the world. With this new initiative, by promoting opportunity for every Pennsylvanian to spark new technologies no matter where he or she lives, we are helping carry that spirit into the 21st century, boosting our economy, and positioning Pennsylvania as a global leader in innovation.

Rebuilding Pennsylvania's Communities

When I was here last year, I discussed with you the overwhelming need for help in our communities to rebuild their infrastructure. From crumbling, blighted buildings, to lack of high-speed internet access, to dangerously inadequate flood protection, the Governor has heard the calls loud and clear. More funding was needed. Our communities cannot shoulder the burden of these costs themselves, and the federal government is often no help due to over-restrictive requirements. So, Governor Wolf put forth a bold plan that would address these issues. Restore Pennsylvania, funded through a commonsense severance tax on the natural gas industry, would generate \$4.5 billion to rebuild our infrastructure, reduce blight, protect our homes and businesses from flood damage, and provide high-speed internet access to every Pennsylvanian.

Since this proposal was introduced last year, we've talked a lot about how desperately communities need infrastructure funding, but the proposal to create Restore Pennsylvania sits in the legislature.

While the proposal sits, our rural roads continue to deteriorate, more buildings have become blighted or collapsed, communities have flooded and struggled to make repairs, and students are struggling to do their homework without high-speed internet access. Millions of Pennsylvanians are negatively affected and without adequate funding, our communities have no way out. There's been a lot of talk over the last year about how much we need infrastructure funding, but no viable plan has emerged – except Restore Pennsylvania.

This year, we have another chance at this. The Governor has once again called for the passage of Restore Pennsylvania separate from the budget under the same program parameters as last year.

Reasonable people can disagree about the implementation of a severance tax, although I've spoken with enough folks in the industry to know that it won't have a major impact on natural gas development here. Our natural gas resources are located here under our feet, and future development is going to happen here – severance tax or no severance tax. I've spoken to many of you here today about it personally over the last year. I encourage you to talk to your constituents about it. Talk to them about what it would mean to eliminate blight in their neighborhood; or give their kids access to high-speed internet so they could actually work on their homework at home rather than a nearby gas station; or how they would feel to live without fear of major flood damage to their home. A severance tax, which will largely be paid for by other states, is a small price to pay for the massive benefits it will bring to our residents, businesses, and communities.

For those reasons, I encourage you to revisit and pass the Restore Pennsylvania legislation this year.

Conclusion

Governor Wolf's 2020-2021 budget addresses some of the most critical issues facing the Pennsylvania economy right now. From strengthening our workforce, to fostering growth in the technology and innovation sector, to supporting our communities in desperate need of funding, I'm confident this upcoming fiscal year will be a landmark year for Pennsylvania. These proposals – along with additional economy-boosting measures like lowering the corporate net income tax, continuing historic investments in education, and reducing student debt – will put us on the path to economic prosperity.

I hope you join me in supporting this budget proposal. Thank you for your time this morning, and I'm happy to answer any questions you might have.