pennsylvania
DEPARTMENT OF COMMUNITY
& ECONOMIC DEVELOPMENT

September 15, 2017

The Honorable Mario Scavello
Senate of Pennsylvania
Chair, Community, Economic & Recreational Development Committee
Senate Post Office Box 203040
Harrisburg, PA 17120-3040

The Honorable Lawrence Farnese, Jr.
Senate of Pennsylvania
Chair, Community, Economic & Recreational Development Committee
Senate Post Office Box 203001
Harrisburg, PA 17120-3001

The Honorable Brian Ellis
Pennsylvania House of Representatives
Chair, House Commerce Committee
House Post Office Box 202011
Harrisburg, PA 17120-2011

The Honorable W. Curtis Thomas
Pennsylvania House of Representatives
Chair, House Commerce Committee
House Post Office Box 202181
Harrisburg, PA 17120-2181

Dear Oversight Committee Chairs:

I write to you to express my deepest concern regarding the chilling effect of the so-called "Taxpayer Budget" proposed by a small cadre of House members.

This proposal removes more than 67 percent of the available fund balance for many important Department of Community and Economic Development programs that impact the lives of residents, the success of businesses, the well-being of communities and the future of Pennsylvania. Please secure the future of these threatened programs.

The Pennsylvania Industrial Development Authority (PIDA), through the **Small Business First (SBF)** and the **Machinery and Equipment Loan Fund (MELF),** provides much needed access to capital for small businesses and especially manufacturers for real estate and equipment investments. In 2014, when the legislature raided $180 million from MELF and SBF, the MELF program was forced to close for two years. We lost serious credibility with our certified economic development organizations, site selectors and businesses. Many CEDOs turned to the federal SBA programs that offer interest rates more than double the existing PIDA rate to provide gap financing. Since that time, we have been working to rebuild our credibility and make our loan programs the best they can be.

Depleting these funds will deny this growth capital to businesses at a time when private interest rates are rising and federal regulations on private lenders make it difficult for small business to secure the money they need to expand and modernize. Commitments that have been made will need to be rescinded. The bottom line is that depleting these funds is counter-productive to growing Pennsylvania's economy and tax base. The proposed removal of $51 million from these programs could prevent the creation of as many as 1,020 jobs.

Raiding the **Ben Franklin Technology Development Authority (BFTDA) Venture Capital Fund** would detrimentally impact the availability of funding for hundreds of technology companies now gaining momentum across Pennsylvania and seeking new capital investment as startups or for expansion. Since 2002, the BFTDA has extended $26.5 million in loans across 14 venture capital funds, each of which invest in multiple portfolio companies. Those loans enabled the commonwealth's venture sponsors to raise more than $600 million in private investor dollars, which, in turn, spawned investment into 145 PA-based companies, creating more than 3,000 jobs. Without these funds, Pennsylvania-based venture capital firms would be forced to seek capital outside of the commonwealth, thus reducing the number of investments made in Pennsylvania-based companies.

The **Municipal Financial Recovery Act (Act 47) Revolving Aid Fund** provides aid to distressed communities through multi-year recovery plans. Raiding this fund would severely harm distressed municipalities hampering the program that many Pennsylvania municipalities count on for badly needed fiscal relief. For example, the city of Hazleton is entering Act 47 status this week and has requested $890,000 in relief. Without this program, cities would have a much more difficult time exiting Act 47 – including Altoona exiting Act 47 on this very day, the fastest-ever exit for a city. Seventeen municipalities, including Pittsburgh, Scranton, Johnstown, Reading, New Castle and Franklin, remain distressed under Act 47. We are making progress. We cannot afford to cut this funding to our resurgent communities.

The department is presently reviewing more than 200 multimodal applications requesting $253 million for transportation projects all across Pennsylvania. If these funds are raided, none of these projects will be able to move forward. The CFA is slated to distribute $56.4 million in multimodal projects in November. Projects with pending applications that would be imperiled include:

- East Allen Twp., Northampton County, $2.6 million for site work and infrastructure improvements on LHV Airport Road near Route 329 to help accommodate a warehouse development.
- City of Allentown, Lehigh County, $1.4 million for Center City Street Lights and ADA Ramp Installation.
- Jay Township, Elk County, $2 million for improvements to Mount Zion Road.
- $1.29 million for mitigation of unsafe conditions on the heavily used Chestnut Street corridor in Harrisburg, Dauphin County.
- $1.4 million for improvements to dangerous pedestrian conditions in the S. Duke Street corridor in Lancaster.
- $700K to the Wyoming Street streetscape plan in Hazleton, Luzerne County.
- $630K for Butler County Airport Authority runway expansion.

The **Industrial Sites Cleanup Fund** and the **Industrial Sites Environmental Assessment Fund** are critical components of successful brownfield redevelopment. These brownfield sites are typically located in populated areas and once remediated, provide homes for new businesses, right where we need them, close to population centers. These funds are ground zero for improved land use and community-building redevelopment throughout the commonwealth. The proposed raid of these funds threatens many important projects, including:

- $1 million for the Three Crossings Riverfront West, a $210 million mixed-use redevelopment project in Pittsburgh, Allegheny County.
- $1 million to redevelop the former K&M Co. manufacturing site for residential use in Ambler, Montgomery County.
- $680,000 to redevelop a former manufacturing site for retail space in Wilkes-Barre, Luzerne County.
- $396,000 to convert the former Tyco industrial site on a main street in Carlisle, Cumberland County, for use by a health care company.

Finally, this is precisely the wrong time to raid the **Local Government Capital Projects (LGCP) Loan Fund**. More and more municipalities now are looking to its legislated 2 percent interest rate as necessary for purchasing badly needed heavy equipment in a time of rising bank interest rates. More than 30 active loans are currently in place, and municipalities representing more than one-third of PA counties have been helped via LGCP since 2014.

Overall, these programs represent jobs, economic development and, most importantly, the future of our commonwealth. I look forward to continuing a dialogue with you and your colleagues as the General Assembly and the administration work to finalize a fiscally responsible, economically energizing budget for FY 2017-18.

Respectfully,

Dennis M. Davin
Secretary