



April 21, 2017

The Honorable Mario M. Scavello  
Senate of Pennsylvania  
Chair, CERD Committee

The Honorable Larry M. Farnese  
Senate of Pennsylvania  
Chair, CERD Committee

The Honorable Brian L. Ellis  
PA House of Representatives  
Chair, Commerce Committee

The Honorable W. Curtis Thomas  
PA House of Representatives  
Chair, Commerce Committee

Dear Chairs:

In preparation for the 2017-2018 fiscal year, the Department of Community & Economic Development (DCED) is committed to using our limited financial and staffing resources in the most conscientious, accountable, and efficient manner possible. Though we are a small agency, the work we do is important. At DCED, we encourage the shared prosperity of all Pennsylvanians by supporting good stewardship and sustainable development initiatives across our state. Driven by the needs of our citizens, we act as advisors and advocates to provide strategic technical assistance, training, and financial resources to help our communities and businesses flourish. With this in mind, my staff and I are eager to work with the General Assembly to create a responsible spending plan that supports our work and values.

The Governor's proposed budget plans are designed to support a cooperative and seamless government that works for all Pennsylvanians, and will enable us to improve our services for the public while also aggressively controlling costs. In contrast, the budget recently passed by the House Republican Caucus (House Bill 218, Printer's No. 1236) leaves me with serious concerns. The proposed budget cuts in HB 218, as discussed in further detail below, would negatively impact DCED's ability to continue to provide the level of service we have been proud to offer our customers – whether they are individual families, businesses, or entire communities. Reductions of the magnitude proposed in this bill will not only affect service delivery and responsiveness, but will result in decreases or the outright elimination of several much-needed programs and services, including (but not limited to):

#### **Pennsylvania First**

Pennsylvania First can assist job creators with any costs associated with their project, including the cost of constructing, acquiring or renovating a building, upgrades to infrastructure such as roads, water or sewer, acquiring equipment, or providing training to its new workforce.

Pennsylvania First is the source of funding for Pennsylvania's employer-driven, incumbent workforce training program known as WEDnet. Since its inception, WEDnet has trained more than one million Pennsylvania workers, enabling manufacturers and technology companies to excel and evolve.

In fiscal year 2015-16, Pennsylvania First funding led to 4,245 jobs pledged to be created; 7,304 jobs pledged to be retained; \$263,783,090 pledged private investment; 704 businesses assisted through WEDnet; and the training of 36,962 Pennsylvania employees.

Loss of this funding will decrease the number of company expansions and increase the number of business closings, resulting in fewer jobs and a major reduction in state and local tax revenue.

All states that we regularly compete with have discretionary grant programs like this and in most cases have larger appropriations. If this program does not exist, a great majority of Pennsylvania's economic development efforts would be stifled as it would create a negative perception of our business climate and eagerness to support business, removing Pennsylvania from the radar for large-scale opportunities. Once Pennsylvania's reputation is deemed not business friendly, it will take years to repair and regain a positive business perception.

#### **Ben Franklin Technology Development Authority (BFTDA)**

Under the Ben Franklin Technology Partners, the ratio of return is \$3.60 in additional tax revenues for every \$1 invested. A cut of \$7.175 million would decrease revenues by \$25.83 million.

Startup businesses would face a 50% reduction in seed capital and technology assistance. Students looking for internships with companies in emerging technologies would look outside of Pennsylvania. The number of jobs created (1,382) and retained (7,919) by companies most likely to succeed would be severely reduced.

#### **Office of International Business Development (OIBD)**

OIBD's operating deficit for FY17-18 will be nearly \$1 million less than its previous funding level. This deficit will not only substantially reduce existing services to Pennsylvania exporters and foreign investors, but also prevent maintenance and expansion of historically strong results.

A reduction in the overall appropriation to OIBD would mean the cancellation of approximately five/six international contracts to manage investment and export costs, closing six or more markets. 1,500 fewer jobs from the previous year would be lost, while also reducing the potential tax impact by approximately \$20 million from lost foreign direct investment and export sales.

#### **Marketing to Attract Tourists**

The proposed HB 218 budget would result in:

- \$469.7 million lost in foregone visitor spending
- 4,900 Fewer Jobs
- \$27.45 million lost in foregone state tax revenues
- \$10.0 million lost in foregone local tax revenues

If the proposed reduction in the tourism office's budget is enacted, advertising and marketing activities for the domestic market will be significantly reduced and international marketing activities will be eliminated.

**Manufacturing PA**

Not funding Manufacturing PA would eliminate funding to the Industrial Resource Centers (IRCs). Due to elimination of IRC assistance, Pennsylvania Personal Income Tax revenue would be reduced by at least \$15.4 million per year, as well as reductions in PA's CNI tax revenue. The discontinuation of IRC assistance would result in a loss of 10,350 jobs and a loss of \$501.9 million in wages.

Thank you for taking the time to review some of our concerns with HB 218, PN 1236, and for your continued support of DCED and the public we serve. I look forward to meeting with you to discuss these matters further and answer any questions you may have.

Sincerely,



Dennis M. Davin  
Secretary

cc: Members, Senate Community Economic and Recreational Development Committee  
Members, House Commerce Committee

