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Project Management – Governor’s Action Team

The Commonwealth of Pennsylvania will commit a team of economic development professionals to work directly with Amazon for the duration of the Project. The Governor’s Action Team (“GAT”) has extensive experience working with capital-intensive and sophisticated projects. GAT facilitates and coordinates state government’s engagement and support for the Project. Additionally, GAT works directly with local and regional economic development service providers and organizations, as well as local and federal government officials to provide an easy and seamless experience for companies locating or expanding in Pennsylvania.

A recent example of GAT’s collaborative work was Royal Dutch Shell’s new petrochemical facility in Beaver County, Pennsylvania, a project for which GAT acted as project coordinator. For nearly five years, GAT worked on an almost daily basis with countless members of project teams from various companies to deliver concierge-level services. Their tireless efforts led to a successful \$6 billion final investment decision, as well as the creation of a new ethane industry from the second-largest natural gas field in the world. GAT coordinated services for 17 federal, state, and local offices to bring this project to fruition. This proven experience, drive, and know-how is ready to assist Amazon HQ2.

Pennsylvania Incentives

Governor Wolf is committed to making Pennsylvania an economic leader by investing in the growth of businesses like Amazon. To meet the needs of Amazon's HQ2, the Commonwealth of Pennsylvania proposes up to **\$4.6 billion** in financial assistance, including up to \$4.5 billion through a new performance-based grant program and \$100 million to support state transportation improvements.

In addition to financial assistance, the Governor's Action Team will provide Amazon with any assistance that may be required – including site selection, permitting, and application processes – and be the single point of contact to coordinate the involvement of other state agencies as needed.

Performance-Based Grant Program – New Program Requiring Legislation

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| Amount: | \$4.5 billion projected |
| Uses: | Site acquisition, development and construction costs, utility and transportation infrastructure, apprenticeships and cooperative education initiatives, and student education debt |
| Administered by: | Commonwealth of PA/Department of Community & Economic Development (DCED) |
| Terms/Conditions: | To be determined |

Based on the information made available in your RFP and through economic impact modeling, it is estimated that Amazon's HQ2 project ("Project") may yield approximately \$4.5 billion in program incentives based directly on the collection of Personal Income Tax ("PIT") from 50,000 new direct Amazon employees at HQ2. The Performance-Based Grant Program ("Program") benefits will be influenced directly by Amazon's decisions, including Project time frame, actual wages paid, build-out, and hiring schedules and inflationary factors.

The Commonwealth proposes that an amount equal to no more than 100% of PIT collected by the Commonwealth from direct, full-time Amazon HQ2 employees be offered to Amazon as an annual grant each year for a period not to exceed 25 consecutive years from the date of satisfaction of Program entrance requirements. The grant may be used by Amazon for costs including site acquisition, construction, utility and transportation infrastructure, apprenticeship programs, cooperative education programs, and student education debt of new employees. Since the Program does not yet exist, the description provided in this proposal is intended to offer the general framework of the Program and an outline of the legislative process in Pennsylvania.

The Program is a performance-based, discretionary incentive program that provides cash grants directly to new and expanding companies to help offset the cost of locating or expanding a facility in the Commonwealth. The amount of the grant is based on **a percentage of the personal income tax withholdings** associated with new, direct full-time jobs created in Pennsylvania.

The criteria for discretionary benefits include:

- Number of direct full-time jobs to be created, payroll, new capital investment;
- The overall quality, including: wages, benefits, growth potential of the company, multiplier effect of the industry;
- The financial stability and creditworthiness of the company;
- The level of economic stress in the Project area;
- The competitiveness of alternative locations;
- The amount of local incentives committed to the Project; and
- Targeted growth industries

Program funding is not made available until the company meets a new job creation threshold and satisfies base compensation and capital investment requirements. Grant funds are disbursed annually, for a term up to 25 years, to approved companies following the satisfaction of performance criteria set forth in grant agreements.

Applicable to the Project and to Amazon, the proposed Program will specifically have a provision that companies creating 50,000 jobs with an average annual compensation of \$100,000 and investing \$5 billion will be eligible for a grant of up to 100% of personal income tax withholdings for 25 years. Under no circumstances can the grant award exceed the new annual PIT remitted to the Commonwealth.

Program Legislative Process

The Governor will work with legislative leadership to draft, introduce and pass legislation into law to establish the Program. By way of example, the below steps outline how a bill would move through the legislative process to ultimately become a law in Pennsylvania.

BILL INTRODUCTION

The first step will be to have a bill introduced in either the Senate or House of Representatives to implement the program. For example, a Senator could introduce a bill by filing it with the Secretary of the Senate. The title is then read by a clerk during legislative session and the bill is referred to an appropriate standing committee by the Senate President Pro Tempore.

SENATE COMMITTEE

Once referred, the bill may then be considered by the committee. Specifically, the committee would take a vote to report the bill to the Senate floor, either as committed (which means without change) or as amended (with changes).

THE FULL SENATE

The measure then goes to the full Senate for the first of three days of consideration. No debate or amendments are permitted from the floor at this stage. On second consideration, Senators may propose amendments if they are deemed relevant to the subject of the bill. Debate is permitted at this stage. Once agreed to by the Senate for a second time, the bill is reprinted to include any amendments.

SENATE APPROPRIATIONS

Typically, after receiving first or second consideration, the Senate will re-refer a bill to its Appropriations Committee to determine its fiscal impact and vote the bill back to the full Senate Floor for further consideration.

FULL SENATE VOTE

On third consideration, the bill may again be amended or debated in its current form and then voted. After debate, a roll call is held. If a constitutional majority — usually 26 Senators — vote in its favor, the bill passes the Senate.

HOUSE COMMITTEE

After the bill has passed the Senate, it is sent to the House of Representatives, where the Speaker refers it to the appropriate standing committee in the House.

THE FULL HOUSE

If the bill is reported from committee, it follows a course similar to that in the Senate — except on first consideration. After first consideration in the House, the bill is not automatically moved on to second consideration, but is laid on the table. It may be removed from the table by a motion of the Majority Leader, or a designee. When the bill is so removed from the table, it is placed on the legislative calendar for the next day. The House steps relating to the Appropriations Committee, as well as second and third consideration, are similar to the Senate process. 102 votes are generally the constitutional majority needed for final passage in the House.

THE GOVERNOR

Once the bill has passed both the House and the Senate in the same form, it comes to the Governor for consideration. The Governor can either sign, veto, or take no action on the legislation. The official certified copy of the bill approved by the Governor is placed in the custody of the Secretary of the Commonwealth, given an act number, and filed. It is then an “Act of the General Assembly.” If the Governor does not act on the bill within a prescribed time, it becomes law without his signature.

The Governor is committed to advancing the bill and will be working closely with the legislature through the legislative process.

PennDOT Capital Improvement Grant

Amount: \$100 million

Uses: State Road and Bridge Improvements

Administered by: Pennsylvania Department of Transportation (PENNDOT)

Terms/Conditions: Total of up to \$100 million, spread over 10 years from the Project start date with no more than up to \$10 million annually.

PennDOT works closely with the Governor’s Action Team to accelerate priority transportation projects, spur economic development, and assist with state surface transportation needs. We understand that additional road improvements may be necessary for the Project. As part of the development process, applicants typically must identify the impacts of a project on the transportation system and identify mitigations to offset that impact. Should the Project require new and additional traffic improvements, the Commonwealth is proposing that PennDOT assist with the funding and prioritization of necessary improvements. The improvements must be to state-owned roads and right-of-ways necessary to accommodate the Project.

DEP Environmental Permitting

The Governor’s Action Team will also assist in securing any necessary environmental permits through the Pennsylvania Department of Environmental Protection (“DEP”).

DEP is a leader in assisting, educating, and encouraging Pennsylvanians to conserve and efficiently use the Commonwealth’s diverse energy resources, resulting in a healthier environment and greater energy security for our future generations. DEP’s mission is to protect Pennsylvania’s air, land, and water from pollution and to provide for the health and safety of its citizens through a cleaner environment. DEP Secretary Patrick McDonnell brings a broad perspective to the agency’s regulatory and policy development processes and is committed to working in partnership with Amazon to accomplish our parallel missions in advancing environmental stewardship.

STEM Education in Pennsylvania

By 2018, there will be approximately 300,000 Pennsylvania jobs that require STEM skills or content knowledge and over the next 10 years, 71% of new jobs will require computer science skills. The U.S. Department of Labor estimates that by 2024, an additional 426,900 software development and programming jobs will be available, all of which will require at least a bachelor's degree. Our workforce is ready to fill these jobs. In 2015, more than 11,000 students completed their education in 105 technology-related programs throughout the Commonwealth. The majority of these graduates were from Pennsylvania, and chose to remain here after they received their degree, adding to the network of talented workforce available.

Governor Wolf is a champion for STEM education in Pennsylvania. The Administration aims to increase enrollment in STEM-specific majors by 10,000 at state-supported post-secondary institutions before 2020. In Pennsylvania, a talented workforce is developing as the Pennsylvania State System of Higher Education shifts its curriculum focus to meet changing workforce needs.

Under Governor Wolf's leadership, Pennsylvania also has made early and important progress in delivering more resources to schools and classrooms, as well as fostering collaborative, cross-sector dialogue to support STEM education, work-based learning, career pathways, and college access and completion. Governor Wolf also hosts the Governor's PA STEM Competition each year to highlight the importance of STEM education. The annual themed competition is open to students in grades 9-12 in public, nonpublic, and private schools, and gives the opportunity to showcase their skills and expertise in science, technology, engineering, and mathematics.

In 2016, the United States Chief Technology Officer commended Pennsylvania STEM programs and efforts by the Wolf Administration to increase access to resources and education in the sciences for all students. Recently, the STEM Funders Network recognized Pennsylvania as a national leader in STEM education for its five regional STEM ecosystems and their collaborative efforts. STEM ecosystems encompass schools, businesses, and community settings (including after-school and summer programs, science centers, libraries, museums, and other environments) that constitute a rich array of learning opportunities.

Pennsylvania is home to many talent-rich communities, which are home to both established and developing tech professionals, making them capable providing not only a reliable source of employees for immediate workforce needs, but also a robust advancement pipeline for future skilled workers. While enrollment has increased in STEM fields, that alone is not enough to meet the diverse needs of tech-based companies, especially Amazon. Understanding this, Governor Wolf has not limited the focus to just STEM career opportunities, but has made all education initiatives one of his top priorities.

This new Program will assist Amazon both directly and indirectly, as it provides opportunities to increase financial support for education programs (including STEM programs), apprenticeship programs, and STEM scholarship programs — bolstering workforce development. We also welcome Amazon's ideas for using aspects this new resource to further attract the right talent pool for HQ2 through a student loan debt payment initiative.

Invitation to Partner

Pennsylvania shares Amazon's vision for HQ2, and recognizes that it fulfills mutual goals of progressive entrepreneurship, STEM education development, tech advancement, visionary leadership and ingenuity, and good business.

We recognize that this project's transformative impact will be groundbreaking for its immediate location, and also that a positive effect will be magnified across the entire state. Pennsylvania is eager to work creatively and collaboratively on both state and local levels with Amazon in bringing not only economic benefits to our cities, communities, and businesses, but also in providing an ideal location for Amazon to do business for the long term.

Pennsylvania is already at the table. We invite Amazon to work with us on shaping and creating our new incentive program, reviewing real estate opportunities, and examining cost structure to reach a solution that makes sense and is truly a mutually beneficial public-private partnership.