

C. Alan Walker, Secretary
Department of Community and Economic Development
Statement before the House Appropriations Committee
March 1, 2012

Thank you Chairman Adolph, and Chairman Markosek and members of the Committee. It is a pleasure to be here today to discuss the proposed budget for the Department of Community and Economic Development (DCED).

I have served as the Secretary of DCED for over a year now and throughout this past year, have visited over 30 counties. I have to tell you I am impressed by what I have seen and am optimistic about the future of our state.

When you look at Pennsylvania as a whole, we really are a diverse state with an evolving economy that is filled with opportunity, not only to seize today, but to use to build a future for the next generation. But Pennsylvania can only realize that future if we as a commonwealth are able to think and plan strategically.

In his first speech to the general assembly ten months ago, Governor Corbett addressed the need to clear the tangle of programs within DCED to simplify the relationship between business and state government.

We have already made great strides in improving the overall business climate in Pennsylvania by enacting meaningful tort reform, continuing the phase-out of the capital stock and franchise tax and focusing on getting bureaucracy out of the way and allowing the private sector to do what it does best: grow the economy and create jobs.

In my role as Secretary, we took a hard look at our programs to determine where consolidation of programs and efficiencies could occur in order to right-size the department while continuing to support community and economic development initiatives throughout Pennsylvania. In total we reduced the number of programs in our department from 127 to 56.

We also consolidated three deputy secretary positions under a single position: the Deputy Secretary of Innovation and Investment. This position consolidates the Offices of Business Assistance, Technology Investment and Tourism, Marketing and Film to promote greater coordination of existing DCED programs to better support economic growth and job creation.

To fill this new position, we reached out into the private sector and were fortunate to bring on board Carolyn Boser Newhouse, who has over 20 years of business experience and has built two successful technology consulting companies from the ground up.

In addition to the changes in organization, we also instituted program changes that move away from entitlements in favor of projects that have buy-in from the private sector to ensure that we maximize every taxpayer dollar we invest.

Two great examples on the community side of the department are the Keystone Communities and Municipal Assistance Programs. Keystone Communities was designed to encourage the creation of partnerships between the public and private sectors to jointly support the growth and stability of neighborhoods and communities. The Municipal Assistance Program was created to help local governments efficiently and effectively plan and implement a variety of services, improvements, and managed development, including planning and pursuing shared services.

In an effort to effectively support the needs of our local communities, the governor has proposed increases to the funding for the Act 47 program and the Early Intervention program. This allows us to address the growing need to assist distressed communities and position them to thrive in the future.

On the economic development side, the PREP program, Partnerships for Regional Economic Performance, was a big change to encourage regional cooperation and coordination amongst our economic development partners. In approximately six months, program guidelines were created and released; comprehensive regional proposals were solicited, reviewed and selected; and 10 PREP regions were created and funded. PREP Networks are meeting regularly to develop regional advisory boards and continue to strategically plan for full implementation.

Pennsylvania First is the commonwealth's "closing fund" and an effective tool of the Governor's Action Team to facilitate increased investment in the state and enable Pennsylvania to compete more effectively with neighboring and competitor states.

Improving the business climate gets us in the conversation, combine this with a strong economic development toolkit, and I believe that we have positioned Pennsylvania to compete both nationally and globally. In most cases, commonwealth support is a small fraction of a company's overall business investment and that last piece of the puzzle that brings a job creating project together. Without programs like Pennsylvania First, the commonwealth would likely lose a significant amount of attraction and retention projects.

In 2010-2011 alone, our department:

- Assisted over 21,000 businesses;
- Facilitated the creation or pledged creation of over 47,000 jobs;
- Facilitated the retention or pledged retention of over 143,000 jobs;
- Leveraged \$6.4 billion in private funds and \$1.7 billion in public funds;
- Facilitated \$526 million of new export sales for Pennsylvania companies.

A few examples include:

- Ocean Spray recently announced that it will move its operations from New Jersey to the Lehigh Valley, bringing with it 165 new jobs and a capital investment of \$110 million.

- Calgon Carbon Corporation – a manufacturer of air and water purification equipment in Allegheny County – will expand and create an additional 102 jobs and retain over 330 positions.
- Giant / Ahold USA will expand its distribution center in Cumberland County, creating an additional 338 jobs and a capital investment of \$23 million.
- In Philadelphia, Discovered in PA – Developed in PA funding will support the Philly Food Innovation that will be the Greater Philadelphia region's first food business accelerator. The result will be a self-sustaining engine that enables innovative food products to be brought from concept, to design, to production, and finally to market.
- Renmatix, a leading producer of cellulosic sugars for the global renewable fuels and chemicals markets moved its headquarters in technology center to King of Prussia. The attraction project will result in the creation of 150 new jobs.

And the list of job creation projects goes on and on across all industry sectors from one corner of the commonwealth to the other.

We accomplished a great deal this past year and we will work to build on our successes. To put this into perspective, in October of 2011, unemployment dropped in every one of Pennsylvania's 67 counties. That is only the seventh time this has happened in 40 years. Overall, our unemployment rate dropped by almost a full percentage point this past year, and as the year began, the rate was still nearly a full percentage point below the national average. This tells me that better times are not only possible, but within sight.

Last year set the course for success and this budget proposal puts Pennsylvania on the path to prosperity with a focus on making the commonwealth a partner with business to spur positive growth and job opportunities.

I know that we are going to discuss our budget in detail, but I wanted to share with you a few highlights. The continued phase out of the Capital Stock and Franchise Tax is critical if we are truly going to level the playing field on business taxes with our neighboring and competitor states. We are one of only two states in the nation with both a Corporate Net Income Tax and a Capital Stock and Franchise Tax. Under the Governor's budget this tax will be completely eliminated by 2014.

This budget also preserves important tax credit programs that promote job creation and business, manufacturing and technology growth and maintains level funding for our economic development partners throughout the commonwealth.

To support new job growth, our budget continues to support the Pennsylvania First program and tech transfer focused programs like the Ben Franklin Technology Development Authority and the Discovered in PA – Developed in PA program that are designed to ensure our entrepreneurs can turn their ideas into business opportunities. These two programs are particularly important to the commonwealth because I

believe that advanced manufacturing and technology growth will be the next wave that drives our economy.

The governor has also highlighted the Liberty Financing Authority (LFA) as an important economic development tool that will serve as a one-stop-shop for job creators seeking the resources to grow. The LFA would combine nine existing authorities, funds and programs to create a single authority that transforms multiple applications into a simplified system with a single application and a single loan transaction. Overall, the concept is very simple – maximize investment and job growth and minimize bureaucracy.

Combining programs will also maximize business investment by creating a large accountable bloc of funding to attract additional funds. A million dollars lent to a job creation project ripples out, attracting millions of dollars of federal and private sector investment. And because these are loan programs, the state would have the ability to reinvest loan repayments into future job-producing opportunities.

Earlier, I talked about new opportunity for the future, which is due in large part, to a series of phenomena, occurring simultaneously, that could lead to the reindustrialization of Pennsylvania. Only if we do it right and think strategically will we be able to seize this opportunity and reap the benefits from it.

The first phenomenon is the discovery of an economical way to tap the shale gas that is beneath approximately 60% of Pennsylvania. The second is known as re-shoring, with more and more United States multi-national companies bringing their operations back to the US.

As our energy sector expands and our manufacturing revives, Pennsylvania needs a trained workforce that is ready to meet the demand for workers. For too many years, we have been training and preparing students for jobs that require them to move to other states.

Current data shows that only 7 percent of students that are educated at one of Pennsylvania's 12 medical schools end up staying in Pennsylvania. Additionally, only one of every 15 teachers that are educated in Pennsylvania secures a teaching job in the commonwealth.

To address this, the governor introduced a new and innovative program, Jobs First PA, to create a strong employment market. Jobs First PA is a comprehensive plan that will prioritize workforce development through the Keystone Works and Targeted Industry Certificate programs and the development of a Comprehensive Job Matching System. Additionally, Jobs First PA will focus on bringing a private-sector mentality to state government and investing in job creators. More details will be available soon.

By challenging the status quo, creating the mechanisms to accommodate for change and adapting to the forces of an ever-changing economy we can capture the wealth of opportunities presented to us in Pennsylvania. I sincerely believe that we

can do great things these next several years by working together to make smart investments into projects that will strengthen Pennsylvania now and into the future.

Overall, it is my goal to return Pennsylvania to a top five U.S. economy by the year 2025; we are currently in sixth. Illinois is within our sight. Ten years ago, this task would have been considered "mission impossible," but today it is very much "mission possible."

We have the opportunity to become a major growth state for the first time since the 1940's. Growth equals low unemployment, vibrant and prosperous communities and a commonwealth that is built to succeed for generations to come.

We have the momentum. It is time to hit the accelerator. The best is yet to come!

I will be glad to address any specific questions that you may have at this time.

