

House Appropriations Committee Testimony
Secretary C. Alan Walker
Department of Community and Economic Development
February 19, 2014

Chairman Adolph, Chairman Markosek, members of the committee, thank you for the opportunity to provide today's testimony.

It has truly been an exciting journey at the Department of Community and Economic Development since 2011 and the department, like the commonwealth, has honed in our core mission and we are well-positioned to capitalize on the opportunities that are in front of us.

When Governor Corbett came into office three years ago, Pennsylvania was staring down at a multi-billion dollar budget deficit, and a difficult decision to make; either control the state's spending or raise taxes on businesses and families.

Working with the legislature, the governor now has enacted three on-time budgets without raising taxes and has brought stability to Pennsylvania.

Knowing that a job creator can invest today and not have to worry about a ballooned tax bill tomorrow is encouraging growth and plotting a course for economic prosperity in the future.

Governor Corbett is building a stronger Pennsylvania centered on three core priorities ---- effective public schools to educate the next generation of thinkers and innovators, a private sector where businesses, large and small, can grow and hire, and a health care system where Pennsylvanians have choices.

At DCED our mission is to foster opportunities for businesses to grow; help communities succeed and thrive in the global economy; improve the quality of life for Pennsylvania citizens, and assure transparency and accountability in the expenditure of public funds.

Under Governor Corbett's leadership we have a renewed focus on our mission. We continue to cross-train our employees for efficiency without sacrificing our reputation of providing excellent service to businesses and communities.

We've streamlined economic development programs to focus resources on initiatives that provide the strongest return-on-investment, both in private funds leveraged and jobs created and retained.

However, if a company fails to meet this contractual obligation, the state reclaims those funds – whether they are grant monies or tax credits. We continue to improve our monitoring and compliance of grant awards, restoring more than \$2.3 million in funds last fiscal year through monitoring.

Our strong monitoring and accountability standards allow us to state with confidence that DCED, through its programs, is helping to create, retain or pledge to create or retain, more than 150,000 jobs last fiscal year. Many of those jobs will be created over the next three years.

In 2012, Governor Corbett launched JOBS 1st PA as a comprehensive roadmap to economic recovery that harnessed the state's resources and talents to prioritize private-sector job creation and retention.

The policies enacted by Governor Corbett have spurred investment in Pennsylvania's future. Fiscal stability, an improved business climate and a growing abundance of low-cost, domestically produced energy has our economy growing.

Pennsylvania is now a more than \$600 billion economy and is the sixth largest economy in the United States. If our economy were a standalone economy, Pennsylvania would be the twenty first largest economy in the world.

Today, Pennsylvania's unemployment rate stands at a five-year low and jobs have been growing on a consistent basis for nearly four years. As of December 2013, Pennsylvania has recovered 99 percent of its pre-recession jobs.

The Governor's Action Team is seeing its highest level of activity since before the recession with 102 successful projects last year, up from 79 successful projects the previous year.

Recently the governor announced:

- Bell and Evans will create more than 380 jobs in Lebanon County.
- Nordstrom, Inc. will establish the operations of its east coast online fulfillment center in Lancaster County, creating 369 full-time jobs.
- Maple Donuts, Inc. has expanded operations in Erie County and will create 60 new jobs.
- Computer Sciences Corporation will establish a new delivery center in the Strip District in Pittsburgh that will create at least 500 new technology jobs over the next three years.

Comcast's new, \$1.2 billion, 59 story tower to be named The 'Comcast Innovation and Technology Center' will generate \$2.75 billion in total economic impact within Pennsylvania and support more than 20,000 direct and indirect jobs during the construction phase. The direct and indirect ongoing impact is projected to create nearly 4,000 permanent jobs in Pennsylvania.

Hon Hai/Foxconn, the largest contract electronics manufacturer in the world well-known for making Apple's iPhone, plans to invest \$40 million in Pennsylvania to establish a high-end technology manufacturing facility, creating 500 jobs and to launch a strategic R&D partnership with Carnegie Mellon University.

We are also growing on the international front. Pennsylvania exports grew by 5.4 percent from \$37.8 billion in 2012 to nearly \$41 billion in 2013.

FDI Magazine reported that Pennsylvania was one of only three states in 2012 that had positive growth in Foreign Direct Investment and ranked fourth among the 50 states for total number of insourced jobs.

The governor's success of bringing jobs to Pennsylvania continues with more announcements of projects that were a collaboration of the Office of International Business Development and the Governor's Action Team in 2014.

- Australian-based Ecosave selected the Philadelphia Navy Yard for the location of its U.S. headquarters and first location in North America, creating 125 new jobs.

- PRA, one of the world's largest clinical trial organizations, will expand operations in Montgomery County, creating 250 full-time jobs.
- Noise Solutions, headquartered in Calgary, Alberta, has expanded to a new manufacturing site in Mercer County, creating 126 new jobs over the next three years.
- Headquartered in Austria, Greiner Packaging Corporation, a manufacturer of packaging in the food and non-food sectors, has established its U.S. headquarters in Luzerne County, creating 128 full-time jobs.
- Fibria Celulose S.A. (Fibria), the world's largest producer of Bleached Eucalyptus Kraft Pulp (BEKP), will move its current shipping operations from the Port of Baltimore to the Port of Philadelphia. Additional tonnage will generate more than \$40 million in economic activity annually and result in 228 direct jobs and more than 380 total jobs in Pennsylvania.

To continue building on the successes of JOBS 1st PA, the governor's budget proposal further enhances this jobs-focused initiative to ensure Pennsylvania is built to advance. This budget continues building on the successes of JOBS 1st PA by focusing in two core areas; Make It in PA and Talented Workers.

Make It in PA supports the continued resurgence of Pennsylvania's manufacturing, life science and technology sectors – moving the economy forward and creating new jobs for our citizens. The second focus, Talented Workers, features a renewed and strengthened investment in job training opportunities for Pennsylvanians.

Governor Corbett's budget continues to level fund the Discovered in PA – Developed in PA program which supports initiatives tied to growing the life sciences, advanced manufacturing, business incubators, and education, workforce and economic opportunity collaborations.

The budget provides an increase of \$500,000 to support Partnerships for Regional Economic Performance (PREP), a statewide network of local partners that deliver assistance to job creators across ten Pennsylvania regions. Nearly 43,000 jobs were either retained or created in 2013 through the efforts of the PREP network that support many economic development projects – especially small businesses.

Governor Corbett's budget provides an increase of \$604,000 to support efforts to help Pennsylvania job creators sell goods and services to international markets and to attract new foreign direct investment to the commonwealth. The World Trade PA Program, administered by the Office of International Business Development, is entirely performance-based with a very high return-on-investment – 157:1. Last fiscal year, the program generated nearly \$100 million in tax revenue.

Second only to Agriculture in terms of economic impact and job creation, Pennsylvania's tourism industry continues to thrive and be a major employer across the Commonwealth, supporting over 470,000 jobs directly and indirectly.

This budget directs additional funds to the state tourism office, to bolster travel, tourism and film-related economic development statewide and is in addition to the hotel room tax directed to support tourism promotion throughout the commonwealth.

In addition to the state appropriation, the hotel-room tax generated more than \$143.8 million in 2012 of which an estimated \$67.5 million went directly to Tourism Promotion Agencies to attract domestic and international tourists to Pennsylvania.

This also does not include the governor's launch of *Enhance Penn's Woods*, a 2-year, more than \$200 million effort via DCNR to repair and upgrade our natural treasures.

Governor Corbett's budget provides an increase of \$1.14 million to support Pennsylvania's single source to market the keystone state to job creators and entrepreneurs throughout the nation and the world.

This budget increases Pennsylvania First with a portion of the funds directed for business attraction, expansion and retention projects which require a 10:1 private investment match.

The Pennsylvania First line item also supports a key workforce development program for the commonwealth, WEDnetPA. An additional \$2 million directed to WEDnetPA will enable Pennsylvania employers to train an additional 10,000 workers.

But it's not just strong economic development initiatives that support job creation, economic progress requires strong communities, and nobody recognizes that more than Governor Corbett. The governor's budget continues to support funding increases in previous years to support communities and local governments.

Since Governor Corbett took office, the Act 47 revolving fund has been replenished and we are now budgeting annually based on need rather than expending more out of the fund than we were putting in. Two years ago, the Early Intervention Program received a \$1.1 million boost and the program is proposed to be funded at that same level today.

To encourage public-private collaboration in our communities, Gov. Corbett increased the Neighborhood Assistance Program from \$8 million in 2010-11 to \$18 million in 2011-12 and the budget proposal calls for it to remain at \$18 million in 2014-15. We continue to help communities build and plan for the future through the Keystone Communities and Municipal Assistance programs.

The Governor's Center for Local Government Services now has its own, dedicated line item to support local government services administration costs. Under the governor's leadership, the Governor's Center for Local Government Services (Center) has gone from reactive to proactive in an effort to better fulfill its mission as the principal advocate for local governments.

Over the past few years, the Center has made significant technological upgrades and other important changes to become even more efficient in providing its valuable programs and services, including the successful implementation of Act 32, the successful transfer of the State Tax Equalization Board, online filing capabilities for local government reporting and a renewed and upgraded training partnership with local governments.

As we move forward the Department of Community and Economic Development will continue to support the governor's efforts to build a stronger Pennsylvania.

With a strong leader paving the way with a clear mission of putting jobs first, and tremendous opportunities for growth in front of us, I have no doubt that the best days for Pennsylvania are ahead. Thank you.