DCED FY 2011-12 Budget

FREQUENTLY ASKED QUESTIONS AND ANSWERS

> ready > set > succeed

GENERAL QUESTIONS

Q: DCED has proposed a 31% cut in its budget – please address the areas/programs that were cut?

A: Our overall goal is to focus on the core mission of the Department of Community and Economic Development. Over 60% of the reduction in spending resulted from the zeroing out of all administrative and legislative discretionary programs, commonly known as "WAMs". The remaining reduction resulted from countless hours of evaluation of program performance and the consolidation and elimination of duplicative and wasteful programs.

Q: DCED has proposed a significant reduction in the number of programs managed by the department. Why does DCED feel this is a better approach to economic and community development?

A: Because we are constantly competing with surrounding and competitor states, it is important that Pennsylvania is viewed in a more positive light by business and industry. Since the announcement of the Governor's budget on March 8, DCED has held regional meetings throughout PA, at which we have received overwhelming support for what this budget is intended to accomplish. The business community has expressed great support for streamlining programs and application processes.

Q: What will success look like for these new programs?

A: The programs will be refined and performance-based metrics will be established. There will be an increased use of technology innovation to enhance customer service and allow for more efficient application tracking and review. DCED's regional partners will compete to achieve a standard of excellence in economic and community service delivery. Public-private partnerships will be employed more strategically by the department to help create jobs and develop thriving neighborhoods.

Q: What are the successful elements of old programs that you hope to retain and merge into the new DCED? What has been least effective?

A: As an example, the department will maintain and improve its ability to monitor projects and "claw back" funds from projects that fail to meet established performance criteria. Also, the department will retain and enhance the electronic single application system, which is a cost effective and efficient method for applicants to submit program applications to the agency for review.

Through program guidelines, which will reflect increased flexibility, the department will be able to address critical needs of the Commonwealth more efficiently. The lack of true competition in DCED-administered programs has resulted in the proliferation of redundancies and inefficiencies in program management and the economic delivery system. The department's new initiatives and principles attempt to address these issues. Additionally, recognizing that strong and relevant program metrics have been lacking in many DCED programs, the new efforts will create a strong connection between program design and each program's performance-based metrics.

Q: What was the rationale for the programs that remain?

A: The remaining programs focus on the core mission goals of job creation and community and economic development. They will be governed by the principles of partnerships, performance, and competition. The streamlining of programs will create a more competitive business climate and proactively address the needs of businesses.

Q: What level of staff reductions will be required with this proposal?

A: Our senior team will continue to evaluate all personnel and determine how their talents fit with the mission of DCED and the goals outlined by the proposed budget. When developing the budget, our goal was to do what was in the best interest of the department and the taxpayers. Unfortunately, tough economic times may lead to tough decisions with regards to staff.

Q: The proposed budget designates the Secretary to be what has been characterized as a "super secretary." What is his role as it relates to other agencies?

A: The Secretary will serve as the liaison between our state government and businesses and will work with fellow cabinet members to make sure bureaucracy does not unnecessarily delay job creation.

The current bureaucratic process at the state and local levels can be confusing and debilitating to job creation and economic growth. In order to get a better look from businesses, our agencies need to realize the importance of issuing permits in a timely manner and giving our businesses better predictability regarding when their projects can start. The Secretary only has the ability to make sure permits do not sit at the bottom of a pile collecting dust; the Secretary does not have the ability to issue or overturn a decision on a permit or alter any statutes or regulations.

Q: How will the cuts impact DCED's performance metrics?

A: Performance metrics will play a large role in all DCED programs moving forward, with the goal of consistent and positive returns on investment for the taxpayers. Entitlements will no longer be a part of DCED. This will encourage community and economic development organizations to work in partnership to deliver coordinated economic development services.

Q: Please share the metrics you will use for the new programs.

A: Overall, the metrics will vary from program to program; however, unlike past years, all programs will contain metrics that will ensure consistent and positive returns on investment for taxpayers, as well as efficient delivery of funding. Entitlements and discretionary spending will be replaced by competitive applications and defined evaluation processes.

Q: How do you anticipate meeting the mission and goals of the department with this level of funding?

A: It is important to point out that the proposed budget does not cut economic development investment. A number of key economic development programs are funded through off-budget, authority-administered revolving loan funds such as Commonwealth Financing Authority (CFA), the Pennsylvania Industrial Development Authority (PIDA), and the Pennsylvania Minority Business Development Authority (PMBDA). These authorities provide critical financing for job creation. None of the programs managed by these authorities have been cut and, in fact, customer service improvements are proposed to make these programs even more effective. The proposed budget invests in the future of Pennsylvania and removes waste, entitlements and discretionary spending. The removal of WAMs alone eliminated $70 million from the proposed budget. Through innovation and creativity, the mission and goals of the department will be achieved by staying true to our principles; building upon core strengths and assets; developing public-private partnerships; creating competition and eliminating entitlement; advancing performance- based initiatives; and providing consistent and positive returns on investment.

Q: Re-naming programs is nice, but how will the department be re-engineered to address economic and community development and tourism?

A: The reorganization of the department focuses all budgetary resources on the core mission and goals of job creation and economic and community development. All programs build upon the department's strengths and assets in an effort to proactively address the needs of businesses and modernize economic development delivery services. Limiting restrictions and eliminating confusion through consolidation will allow our department to better serve our businesses and communities and adjust to changing economic conditions.

Q: The governor has zeroed out the "WAM" lines – what impact will that have on your department and staffing? What will be the policy when dealing with WAMs for the FY 2010-11 budget?

A: Under the direction and leadership of Governor Corbett, all WAM budget lines are zeroed out and eliminated from the proposed budget. DCED stopped accepting applications for new WAMs upon Governor Corbett taking office on January 18, 2011.

Q: Will the Legislators be involved in the process of consolidating all the programs?

A: We are willing to take suggestions and meet with legislators and other outside groups.

Q: What is the time frame for implementing the new initiatives?

A: The fiscal year starts July 1, but legislation is already being drafted and guidelines are being written and the dialogue to implement these ideas is already occurring.

Q: Will some programs be transferred to other agencies?

A: The goal is to avoid duplication, so we will continue to review and streamline programs for efficiency.

LIBERTY FINANCING AUTHORITY (LFA)

Q: Explain the Liberty Financing Authority. How would it work? What would its structure be? Will there be legislation needed?

A: Currently, to access financing funds from the commonwealth, businesses have to apply through different authorities and boards, potentially resulting in multiple loan applications for one project.

- The Liberty Financing Authority will be a newly established authority, governed by a board, which will serve as a one-stop-shop for job creators seeking resources to grow their businesses and will provide flexibility in financing tools necessary to respond to an ever-changing economy.
- The Authority will bring four authorities – Commonwealth Financing Authority (CFA), Pennsylvania Industrial Development Authority (PIDA), Pennsylvania Minority Business Development Authority (PMBDA), and venture capital investments presently controlled by the Tobacco Settlement Investment Board (TSIB) – and two DCED-administered revolving loan funds – Machine and Equipment Loan Fund (MELF) and Small Business First Fund (SBF) – under the control of one authority, a true public-private partnership governed by a board with representation from the legislative and executive branches and, most importantly, the private sector.
- The 15-member board will consist of four cabinet secretaries – DCED, Agriculture, Banking and Budget, and 11 private sector members, three appointed by the Governor and eight appointed by the Legislature, two from each of the four caucuses. Decisions of the board will be made by a simple majority.
- The Authority will administer the 26 programs currently managed by the four authorities and two revolving loans funds. Each of the programs will maintain their purpose and remain separate accounts.

With 26 separate programs administered by four separate authorities and two revolving loan funds, there has not been a comprehensive annual financing strategy to target current prevailing business needs.

- At the beginning of each fiscal year, the governing board will develop an annual financing strategy to inform the Governor and Legislature of the board's intent to target investments to different financing needs.
- The Authority will serve as the successor in interest to all existing legal arrangements – contracts, restrictions, indentures, and conditions – of the four authorities and two DCED revolving loan funds.
- The LFA will provide a consistent, efficient and predictable process by consolidating the 26 programs under one authority. Under the LFA, an applicant can count on receiving an answer in a timely manner, even if their application is not approved.

Finally, the Commonwealth will not be responsible for the actions or debt of the authority. Any new debt incurred by the authority will not be added to the commonwealth's debt.

Q: How will the LFA be staffed?

A: The proposal is that DCED and DEP staff will provide administrative support for the LFA, as needed.

Q: How will the Department incorporate transparency and accountability in Liberty Financing Authority?

A: All applications are subject to open records requirements. We are proposing the board prepare a forward looking annual financing strategy to allow the Legislature, Governor and public to review how it intends to allocate resources in the next year. Finally, the LFA will be subject to an annual audit by an independent CPA.

Q: Will there be a unanimous vote (veto) of all four caucuses and the Governor?

A: There have been some bumps in the road recently with the CFA. We want to create a structure where everyone has input, but votes would be simple majority-rule. We need to be more responsive to the needs of business.

Q: Assuming you have legislative support for this reorganization of DCED, what is a realistic timeframe to start doing business under this format using certified providers? Will the new structure be applied immediately or will you wait until the budget is passed? How about projects already in process, will you continue to fund them?

A: The good thing is we have an existing universe of certified providers. We will expect to be operational within 30-60 days from the date the legislation is passed. We will continue moving projects in process.

Q: What is the timetable for the legislative process? How many different legislative acts have to happen to do this?

A: Draft legislation has been circulated – it contemplates establishing the LFA in the one legislative bill.

Q: What will happen to the Tobacco Settlement Investment Board (TSIB), PA Capital Investment Fund Program, and the PA Venture Guarantee Program funds?

A: The venture capital investments of the TSIB will be transferred to the LFA to be managed. The CFA Venture Capital Investment Program and its portfolio and the Venture Guarantee Program will also be transferred to the LFA.

Q: How did the new Tobacco Settlement Board come to the conclusion that its use of the TSF would not be in violation of its original intent and subject to litigation?

A: The Master Settlement Agreement, which Pennsylvania joined with 45 other states, did not require any specific use of the payments by the states. Pennsylvania enacted the Tobacco Settlement Act, 2001, Act No. 77, which provided for the Master Settlement payments to be made to the Tobacco Settlement Investment Board. 8% was to be invested by the Endowment Account. 92% was to be used to fund current state health programs. In 2005, the state began re-directing portions of the funds that were previously directed to the Endowment Account. The proposed Liberty Financing Authority legislation will repeal the Tobacco Settlement Act and provide for the continuation of the current tobacco investments in an account to be established under the Authority.

Q: What is the size of the PIDA- bond indenture fund?

A: PIDA has raised capital through bond issues on several occasions and turned the bond proceeds over to the Commonwealth to close budget gaps. The bond indenture includes legal documents that govern the financing transaction, including the sale, security, and repayment of the bonds. PIDA is an authority, which has $614 million in assets, including cash and loans receivable.

Q: What will the administrative costs be?

A: The projected administrative costs of the LFA should be less than $3 million per year depending on what outside services the board chooses to procure.

Q: Will the PA Industrial Development Authority board and others be gone?

A: Yes.

Q: In the PIDA model, the local organization (certified provider) guarantees the loan, will this be the same for LFA?

A: The proposal is not to have local economic development organizations financially responsible for defaulted loans.

Q: Internally, will LFA requests be handed over to PIDA/MELF?

A: There will be PIDA and MELF accounts under the LFA that mirror the existing programs. In future, businesses will just apply to the LFA for land and building or machinery loans, and staff will draw from the appropriate accounts to fund the loans.

Q: Will the certified providers be liable for any of the loans (PIDA)?

A: The proposal is not to have local economic development organizations financially responsible for defaulted loans.

Q: We know there are certified providers for PIDA, but not for all programs. Will certification be uniform or specialized by program?

A: We will have one uniform certification for all accounts under the LFA.

Q: In terms of the liability issues as far as how the loans go (IDCs v. DCED), will the liability go away?

A: Under PIDA legislation, the state could not make loans to businesses. We cannot undo existing loans that we have. Going forward, we want to look at making loans directly to a business.

Q: Under this model, let's say you are an IDC certified provider, will you be able to give Small Business First loans?

A: All certified providers will be able to initiate all applications under the LFA.

Q: In banks, loan officers can usually approve loans up to a certain amount, will the certified providers be able to approve up to a certain amount?

A: What might prevent that would be accountability of the state for the funds (taxpayer funds).

Q: Certified providers – would that be anyone who has gone through the course?

A: Anyone who has been certified will be grandfathered in.

Q: All loans, regardless of what happened in the past, will go through certified providers, but what about grants?

A: We need to look at the most efficient way to do grants through LFA; perhaps they will also go through the certified providers.

Q: Certified providers, who are they, and is the list available publicly?
A: Yes, the list is available at DCED.

Q: Who will determine the eligibility of certified providers? Will there be input from small businesses, Marcellus shale related companies, and others?
A: The LFA board of directors will approve annual certification of the providers.

Q: Can you tell us what the underwriting criteria would be?
A: The LFA board will determine the new underwriting criteria.

Q: Have you thought about the process of producing the annual financing strategy/how you come up with financing goals?
A: It would require a detailed look at the economy. The board would seek input from businesses, board members, staff, economists, and others prior to completing the annual financing strategy.

Q: Will the interest rates vary by the different assets you are financing?
A: The rates issue is still open for discussion. For PIDA, we have two tiers of interest rates. The working capital line of credit has a different interest rate than asset financing. This would be something that the LFA board could decide.

Q: We like the idea of strengthening partnership with local agencies, even though it places a lot of responsibility on local agencies. Is the legislation going to address fees?
A: Fee levels are not going to be written in the legislation; however, as part of the certified process, the provider will have to provide DCED with fee information. Fees will need to be reasonable.

Q: All of these programs have different requirements, how are you going to meld them together?
A: The proposed legislation will streamline the requirements and ensure a consistent process for consideration of all the loans under the Authority.

Q: How will the applications for existing loan programs be affected?
A: Until the legislation passes applications under existing programs will be processed as they are received.

Q: Under LFA application requirements, will there be any limit on the size of a company, project, or industry type such as manufacturing or retail? Is PEDFA set aside?
A: The proposed legislation will streamline program requirements under the Authority. Incentives for project and industry types will be different, but will focus on priorities. PEDFA is not included in the LFA.

Q: Many were leery about CFA when it was created? What we have recognized is CFA (with veto) is still a political process. Is there going to be an attempt to eliminate that process?
A: Because the CFA requires unanimous votes, all board members must be present at each meeting and vote in the affirmative to approve projects. This structure makes it challenging to schedule meetings and conduct business. A more typical, majority of those present, approval system is proposed for the LFA.

Q: What will happen to applications already in the pipeline for the CFA?
A: The applications will be evaluated and presented to the CFA board until such time as legislative changes are enacted establishing the Liberty Financing Authority.

Q: Will the guidelines be similar for all programs or will they be specific to each program? How will applicants know what they can qualify for?
A: There will be one set of guidelines that will explain the types of activities eligible for financing under the LFA. Applicants will apply for what they need, and the Authority will pull funds from the appropriate account(s) to fill those needs.

Q: Is the bottom line going to be job creation? What are the metrics going to be for the Authority?
A: We recognize it cannot be one size fits all. The board is going to decide what goals it wants to achieve – what is success – and how to evaluate the progress toward these goals (metrics).

Q: How will the liability and responsibility for the debt change in the new structure?
A: The Authority will serve as the successor in interest to all existing legal arrangements – contracts, restrictions, indentures, and conditions – of the four authorities and two DCED revolving loan funds.

Q: Who will make the final credit call – the Authority or the Provider?
A: The LFA board.

Q: What will happen to Business in Our Sites?

A: Business in our sites is one of the best programs we have ever had. The concept of creating pad-ready sites is an investment we should be making now. The neat thing about the LFA is when we look at all the assets, we would not have to pass legislation to appropriate more money for Business in Our Sites; we could take the interest we earn on loans/investments and create new products. Another example involves working capital.

We do not do working capital now, but with the LFA, we could create new programs to deliver working capital lines of credit. This is part of the flexibility provided by the LFA.

Q: What will happen to Building PA?

A: This program will be transferred to the LFA.

Q: Will PMBDA be wrapped into the LFA?

A: Yes.

PA FIRST

Q: How much funding will be allocated to PA First?
A: Under the Governor's proposal, $25M will be allocated to the program.

Q: WEDNet administers guaranteed free training, but there is no job creation/private match requirement. Will that stay the same?
A: Yes. For the workforce training component of the program, we think WEDNet is a very efficient mechanism for delivering job training. We have not received negative feedback from businesses that have gone through the Guaranteed Free Training program.

Q: $25 million is not a lot of money. Will GAT continue with offer letters?
A: GAT will continue to use offer letters for projects.

Q: The budget proposes to reduce funding for training programs in the Department of Labor and Industry. Do you think elimination of job training programs sends a bad signal to businesses looking to invest in Pennsylvania?
A: DCED's PA First will provide funding for the skills training necessary for a specific employee to do a specific job. PA First will deliver job-training funds in a streamlined manner that will enable businesses to train their workforce when the training is needed, without the burden of excessive paperwork. Utilizing the WEDNet Partners, a network of PA state system universities and community colleges, we believe we will be able to respond to the critical job training needs of growing businesses in PA.

Q: For PA First, how much will you appropriate for CJT, OGP and others?
A: There will be no CJT, OGP, or IDP; instead, there will be one streamlined program to deliver funding for businesses through one set of rules, one application process, and one contract with the state.

Q: OGP, CJT, and IDP are all different. How can the objectives match; are you not mixing apples and oranges?
A: PA First will provide greater flexibility to encourage investments in PA. The focus is to help businesses create and retain jobs. We will support appropriate business development projects.

Q: Job creation has been a major requirement for private investment, will this continue?
A: There will be job creation, job retention, and private investment requirements.

Q: Will PA First fund job retention deals as well as job creation deals?
A: Yes.

Q: How do municipalities fit into this program?
A: Municipalities should be able to receive funding to do infrastructure work on behalf of a company.

Q: Will this program give grants to a municipality to create jobs?
A: Government does not create jobs; the private sector does. We will only provide a grant to a municipality under this program to provide the municipality with funds to do public infrastructure on behalf of a business.

Q: Will the funds be distributed equitably across all three areas (job creation/retention, infrastructure development, workforce training)? Will this allow you to react more quickly to changes in the environment?
A: Outside of WEDNet, we are going to look at the needs of the business seeking assistance (equipment, relocation, capital costs, etc.) and distribute funds accordingly.

Q: Like Opportunity Grants, do you see a minimum wage requirement (OGP – 150% of federal minimum wage)?
A: Creating and retaining quality jobs is a goal of the program and the minimum wage requirement for business development projects will be addressed in the guidelines.

Q: Are Opportunity Grants going to be handled application-wise the way they are now (applications sent directly to DCED)? Regarding IDP, what about the IDP loan?
A: The idea is to have businesses still be able to access available funds. There have been occasions where businesses need only a guarantee. We are drafting a legislation that can allow us to do grants, loans, and guarantees.

Q: Will the grant component be eliminated?
A: We are proposing to have the grant, guarantee, and loan component in the legislation for business development projects.

Q: Is there a prevailing wage issue?
A: If the money is not used for construction, it does not trigger prevailing wage.

Q: Is JCTC part of this proposal?
A: No. It is a separate program.

Q: Will the KOZ be affected by PA First?
A: No. The KOZs are popular; however, not everyone can take advantage of KOZs. PA First will complement the KOZ land incentive program by providing businesses with loans, grants and guarantees.

Q: What will happen to PENNWORKS? There does not seem to be much money allocated for this program. What can it do?
A: PENNWORKS was approved through a voter referendum, and all funds available under the program have been committed to projects.

Q: What does Industrial Sites Reuse Program (ISRP) fall under now?
A: It will remain a separate program.

DISCOVERED IN PA – DEVELOPED IN PA

Q: How much funding will there be for Discovered in PA – Developed in PA? Will it be allocated by region?
A: Under the Governor's proposal, $10 million will be allocated to Discovered and Developed in PA. It may be allocated by region.

Q: You mention that Discovered and Developed in PA could provide technical support for incubation services. Would that support be limited to business or industry sectors? We have an incubator project we are working on related to the food industry; support would be helpful.
A: We are open to any and all suggestions.

Q: I assume you also want to create synergy with the business resource network?
A: Yes.

Q: Is this going to be a program where some money is carved out for the state, and then local organizations can apply for grants?
A: Some of this money will be used to set up a regional network of experts for DCED. This program is all about capacity-building; we want to hear from you (community and economic development providers) where the gaps are.

Q: Will you have a person in each region or just a person in Harrisburg representing a region?
A: For the PA WILDS initiative, we have contracted with an individual who travels the region assisting businesses to identify resources they need to grow. We hope to replicate that model using staff or contractors.

Q: In Discovered and Developed in PA, will the regional experts suggest regional partnerships?
A: We are open to suggestions.

Q: Should the regional representatives be able to understand both the community and economic development sides of the equation?
A: Yes.

Q: The term "business" is very broad. What will the focus be?
A: This will depend on the region. It is important to note, though, that the focus will not be solely on high growth businesses. For example, it may include Marcellus Shale, tourism, retail, and manufacturing businesses.

PARTNERSHIP FOR REGIONAL ECONOMIC PERFORMANCE (PREP)

Q: PREP is a significant change of how economic development is done; please explain the rationale and why you think this will be a better delivery system than currently exists?

A: The PREP proposal moves away from entitlements for specific service providers and creates an environment where economic development service providers in each region will design a coordinated, formalized service delivery network that is tailored to the unique needs of businesses within the region. Through a documented referral system, businesses will be directed to the appropriate agency to receive the specific technical or financial assistance to meet their needs.

Q: What will be the regions for PREP? Who determines that? If DCED is not going to determine the regions, what are you going to do when the regional partners come to blows about what a region is?

A: We will allow regions to define themselves. The service providers in each region will then come together and submit a strategic regional economic development plan to DCED.

Q: The line items you collapsed are IRCs, SBDCs, LDDs and IDCs, so we need to get them together and come up with a plan to put in for one block grant application, consisting of single or multi-year grants; it will take a few years to reach this gold standard. Is that what you are looking for?

A: Yes.

Q: This budget zeroes out many lines for economic development partners (LDDs/SBDCs/IRCs/IDAs). Please explain the rationale behind the decision and how economic development services will be supported across the state?

A: A single line item, Partnerships for Regional Economic Performance, will provide grants to consortia of economic development service providers in a region. This will encourage regional coordination in economic development efforts yielding improved customer service to the business community and a more comprehensive delivery of economic development services.

The PREP program will push for a more coordinated and regionalized approach to DCED's economic development service delivery system, through single or multi-year grants. Staying true to our principles, entitlements will be replaced by a defined comprehensive economic development approach and metrics to assess performance. The goal is not to have regions pitted against other regions. Instead, regions will be competing to hit a high standard that will ensure greater coordination and a positive returns on investment for taxpayer money.

Q: Will there be regional marketing monies, collapsed into this program (LEDA, IRC monies)?

A: Yes. That is exactly where we are going with this.

Q: What jobs will be left behind when implementing PREP?

A: No jobs will be left behind. The proposal is to take four individual line items to four different service provider groups and consolidate them into one line item. Service providers in each region of the state will work together to develop and implement a strategic plan to provide coordinated delivery of technical assistance to the business community within the regions.

Q: There is concern that this will tear away the state partnerships? Now that my partners are my competitors, why do I want to share my best practices or a strategic plan? The natural tendency is to follow the money. Instead of a statewide program pulling us together programmatically, now it will pull us together regionally?

A: Competition is for a standard of integrated service delivery. We do not think this would cause a breakdown of statewide networks.

Q: This sounds like what is happening with regional tourism promotion, where regional plans are evaluated by public and private partners. Are you trying to make it competitive?

A: Competition is to meet a standard. Our goal is for everyone to have a structured regional network.

Q: Certified providers (ALOs) – is there a way to marry that with what you are looking for from these other organizations? You have a network of people who have been certified already – maybe start with certified folks and have it go that way.

A: The goal of this initiative is to reach a standard for delivery of services.

Q: What is the time frame to have these new initiatives implemented?

A: The fiscal year starts July 1, but guidelines have already been proposed by DCED and reviewed by the department's economic partners.

Q: Is there a plan to set up regional advisory boards?
A: If that works for your region, fine.

Q: We got the impression that, programmatically, you are going to disperse funds to providers; if we need more money for business calling, for example, can we get that through PREP?
A: Yes.

Q: Is there a match requirement?
A: Yes.

Q: Can a portion of the funds be used the old way – for operations?
A: Yes.

Q: Federal money for layoff aversion projects – do you want these applications to include plans to go after national emergency grants?
A: To a certain extent, yes. We already do a lot of this through our Regional Export Network (REN).

Q: How is the $12 million going to be allocated across the state? Is there a maximum amount to ask for?
A: There is no preconceived notion on how much each region will receive.

Q: As much as we in Southwestern PA have going on, we have never really gotten together in person as a region.
A: We realize this is not going to happen overnight; it is going to take time. This is why we are talking about multi-year grants. We want to help you be successful.

Q: Will PREP be based on loans and grants or service?
A: It is about capacity building.

Q: Will you entertain applications after the budget is passed?
A: We will allow time for plans to be developed.

Q: Have you considered how Marcellus Shale will impact the service provider networks dynamics?
A: That will be open for discussion as we develop regional plans.

Q: Will you issue Requests for Proposal (RFPs) or guidelines?
A: DCED will work with stakeholders to get their input and then craft and publish guidelines.

Q: Have you had conversations with the federal government on how to align the regions?
A: No.

Q: Can you define small or medium size business?
A: We have always used 100 employees or less to define small business, but we look to support all businesses.

Q: For partnerships and collaboration, what will be DCED's role in reaching out to customers?
A: We will look at customers' multiple ports of entry and develop effective referrals. What is important is not how the customers get to us, but where they go after they interface with us.

Q: Will the regional experts work only on assisting businesses or will they also work on community projects?
A: They will mainly assist businesses, but communities will be in the loop.

Q: Will the inquiries be formally tracked?
A: Yes.

Q: Will there be guidelines for projects under PREP, or what mechanisms will help agencies run contracts?
A: Yes, there will be guidelines, and we will continue with the contracts as we make money available, and prepare regional plans.

Q: Will you still have competition between regions?
A: Competition will be for standards; we will define the metrics.

Q: Will the metrics be tied to service?
A: There will be a service component, and quality surveys may be needed.

Q: Regional entities organized as non-profits, like IDCs, will not be able to survive without operation dollars, especially when competing against counties.

A: We believe PREP will help all service providers. IDCs that are also certified providers will be able to package a significant number of loan applications under LFA and will receive fees for those services.

Q: Will the partnerships focus on business delivery services only, without community services?

A: Wherever overlaps occur with community delivery services, more partners may be desirable.

Q: What partners will be included in each region?

A: We hope to include all service providers, but we cannot define that for the regions.

Q: Will the new partnerships be a legal entity?

A: No, they do not need to be.

Q: What critical services will be necessary and at what capacity?

A: Regional partners will continue to provide services while collaborating to develop regional plans. The competition will be about a standard of integrated service delivery.

Q: Can you give guidance on the extent that IT systems will be needed for the partnerships?

A: The regions will determine what is needed to connect to other service providers. This may include video conferencing, Ipads, or shared databases.

Q: What will be the role of PennTAP?

A: We expect to include as many service providers as necessary to serve customers, the bigger, or the deeper the partnerships, the better.

KEYSTONE COMMUNITIES

Q: Under Keystone Communities, will Main and Elm Street still be funded?

A: Yes, but we will build upon them, taking the best components, and enhancing their performance. The Keystone Communities' designation will be one that acknowledges a community has a plan, which takes into account sustainability. DCED will be taking the Main and Elm Street programs to the next level by ensuring that investment of grant funds and technical assistance are continued and expanded after DCED's funding ceases.

Q: How much out of the $12.5 million (Governor's budget proposal) will be set aside for transitioning existing Main Street, Elm Street, and Enterprise Zone projects?

A: DCED estimates that no more than $3.7 million will be needed to transition Main Street, Elm Street and Enterprise Zone projects to this new approach, with a diminishing amount in future years as these older designations exit the program. The total for FY 2012-13 will be no more than $2.3 million. Main Street funding needed to continue for FY 2011-12 is $2,175,000, and $930,000 in FY 2012-13. Elm Street funding needed for FY 2011-12 is $730,000, and $580,000 for 2012-13. DCED estimates that no more than $800,000 will be required to fund the existing Enterprise Zones in FY 2011-12.

The exact cost needed to transition these agencies could be reduced from the $3.7 million depending on several factors. When a manager resigns, or if an agency has a slower than expected expenditure rate, the amount needed each year will be reduced. The amounts necessary for Enterprise Zones is harder to estimate because these projects do not regularly receive operational grant dollars. They have other income streams through their revolving loan funds and other economic development programs. DCED previously had criteria in place in order to restrict automatic (entitlement) grants to Enterprise Zones; for example, the EZs must show the financial need for operational grants and provide information on how they are actively engaged with businesses.

Q: How are we going to ensure that small communities receive attention and are not left behind?

A: DCED always ran the program with geographic diversity goals. The Department will not change that strategy. We will look at all of the applications on a competitive basis as they come in and distribute the funds accordingly. DCED does not intend to set aside an allocation for small communities; however, DCED will continue to provide technical assistance to ensure that smaller communities can compete for funding.

Q: With the Keystone Communities money being discretionary; who is going to determine how the money will be distributed?

A: Decisions will be made by DCED competitively. The Center for Community Financing and DCED's regional offices will play critical roles in the review and recommendation of the distribution of this funding. New criteria will be added to existing decision-making elements that adhere to DCED's principles outlined in the new FY 2011-12 budget presentation. In addition to the existing program criteria, DCED will examine how a community has demonstrated its ability to become self-sufficient. Specifically, the Main Street grantees will need to show that they are moving forward with business improvement districts or other similar efforts, and Elm Street grantees will have to demonstrate their ability to secure business contributions that could be assisted through the Neighborhood Partnerships Program (and NAP tax credits). DCED will evaluate the applications using a performance-based approach as discussed in the FY 2011-12 budget presentation. DCED will examine proposals and applications using performance metrics, such as the ability of a project to raise homeownership rates, increase property values, create jobs, and increase taxes as a result of an improvement. The tax collections will be especially important in reviewing applications to demonstrate the state's return on investment.

Q: DCED plans to eliminate a community's entitlement to a 5-year funding commitment under Keystone Communities, but will the Department continue to honor 5-year projects already approved?

A: We are planning to transition and fulfill commitments for the Main Street and Elm Street communities that were designated and contracted prior to March 8, 2011. All newly designated communities will be under the Keystone Communities structure, which will require commitments that communities be self-sufficient after receiving startup assistance. DCED will continue to serve in a consulting role, providing technical assistance and support.

Q: Does the budget include Enterprise Zone (EZ) Program funds?

A: Yes, Keystone Communities includes funding for Enterprise Zones. DCED will continue to provide funding to existing Enterprise Zones that demonstrate the financial need for operational funding in FY 2011-12. Not all Enterprise Zones receive annual operational grant funding. DCED will require all new designations (after March 8, 2011) to commit to self-sufficiency and describe how the Zone's activities will be coordinated through a regional PREP effort after receiving start-up cost assistance. There are currently 18 active EZs entitled to funding that could stretch out until July 1, 2017. DCED will explore options to phase out these operational grants before 2017.

MUNICIPAL ASSISTANCE PROGRAM

Q: What are the funding impacts on local governments anticipated by the department's proposed changes?

A: Our budget provides stable resources for DCED's Governor's Center for Local Government Services (GCLGS) to continue the services the Center provides through its training and technical assistance programs, 50 publications, the training partnership program, and direct technical assistance provided by GCLGS staff. Our assistance focuses on building the capacity of local elected and appointed officials and providing them with the tools and information they need to effectively fulfill their responsibilities. The Municipal Assistance Program (MAP) combines the Shared Municipal Services (SMS), Land Use Planning and Technical Assistance (LUPTAP) and Flood Plain Management programs. With these programs combined, MAP in the Governor's proposal actually has slightly more funding ($683,000) than the total grant funds available under the 3 separate programs in FY 2010-11 ($582,000). Additionally, with only minor reductions, the Act 47 and Early Intervention System programs are essentially level funded in the upcoming year. Also, the Local Government Capital Projects Loan Program maintains the same Executive Authorization ($1M) as in the current year.

Q: How will the Flood Plain Program fit into the Municipal Assistance Program; it is provided for under the State Flood Plain Management Act?

A: DCED will fulfill its statutory obligations to reimburse municipalities the costs of updating their flood plain maps. Once DCED funds those costs, the remainder of the program's appropriation will be available for other municipal assistance projects.

Q: Will the Municipal Assistance Program diminish the Department's focus on land use planning initiatives and the encouragement of multi-municipal approaches to planning?

A: No, the new program will enhance our effort to promote multi-municipal activities across the board, including planning. The new program will seek to fund plans that have a broader economic and community impact, and not simply replace local funds. The program will also give priority to projects that will consolidate service delivery, resulting in cost savings or cost avoidance. Furthermore, these projects will track more than just the number of municipalities assisted, allowing the Department to provide measurable results for the state funds expended.

Q: How much funding is being committed for LUPTAP?

A: The Municipal Assistance Program will combine the funding previously available for SMS, LUPTAP, and Flood Plain Management. With these combined programs, we anticipate more money will be available for planning related projects than before.

Q: Does this budget adequately address the needs of Act 47 communities – both those that are currently in the program as well as those that may enter the program?

A: Under the Governor's proposed budget, Act 47 funding is continued with a $934,000 appropriation. This allocation along with funds in the Act 47 revolving fund should be adequate to meet the projected needs in FY 2011-12. Municipalities currently in Act 47 will continue moving forward with their designated coordinators to develop and implement recovery plans. In addition, funding for the Early Intervention Program (EIP) is also maintained at $692,000, down only 1.8% from FY 2010-11. EIP assists municipalities experiencing serious fiscal issues in developing solutions that will resolve their fiscal difficulties and avoid Act 47 status. The Department's commitment to Act 47 municipalities is extensive and costly, thus to the extent that the EIP can resolve a municipalities fiscal difficulties short of Act 47 both the Commonwealth and the municipality benefit. Additional details on Act 47 status and EIP key issues can be found at the end of this document.

Q: Act 32 is the most significant legislation impacting tax collection for Pennsylvania local governments in more than a quarter of a century. We understand that during early implementation of Act 32, widespread confusion and lack of appropriate forms have created major hurdles to compliance. What is DCED doing to correct these early inefficiencies and provide the proper technical assistance to employers so as to expedite implementation?

A: As with all comprehensive and far-reaching pieces of legislation, there will always be minor hurdles that need to be addressed. That is the case for Act 32 in consolidating the administration of Earned Income Tax (EIT) collection on a county-wide basis. DCED has taken and will continue to take the necessary steps to ensure that communities have the technical assistance needed to make the transition. The Department has worked with employers and tax collection committees to make sure they have the requisite guidance through model procedures, by-laws, RFPs and forms they need to properly implement the law.

Q: Since the passage of Act 32, what activities have DCED undertaken in its role to facilitate a smooth transition to the new system, which must be fully implemented by January 1, 2012?

A: DCED has established an Implementation Committee of staff from DCED's Governor's Center for Local Government Services to guide the transition process. Further, GCLGS established an EIT Advisory Committee comprised of key stakeholders representing school districts; local governments; non-profit and third party tax collection agencies; CPAs and legislative officials. The Advisory Committee met bi-monthly throughout 2009 and into 2010 and continues to meet on an as needed basis. Members have provided support, feedback, and helped to further disseminate information on the Act, its proposed regulations, and forms. Other implementation activities include: establishing an Act 32 web page for all Act 32-related information, conducting informational sessions across the Commonwealth to disseminate information for public officials relating to their duties under Act 32; providing training sessions in May and June of 2009 in 22 locations across the Commonwealth through the Pennsylvania Local Government Training Partnership; conducting a webinar for County officials that focused on their responsibilities in convening the first meeting of the Tax Collection Committees.

In addition, DCED created the Tax Collection Districts (TCD) and identified the TCD for each school district and municipality. This task was completed and published in the Pennsylvania Bulletin by January 28, 2009, as provided for in the Act. It also calculated the weighted vote for each municipality and school district levying the EIT to be used as the initial basis for voting by the Tax Collection Committee (TCC). The weighed vote is based 50% on EIT revenue and 50% on the population of each school district and municipality within the district. This was completed and published in September 2009 for use by the TCCs in their initial meetings that were required to be held by November 15, 2009. DCED also completed and distributed to all TCCs the Best Practices Study in December 2009 on local earned income tax collection methods and practices within the Commonwealth, including the practices, methods, structures, procedures, regulations, software, information systems, governance alternatives, risk management strategies and other characteristics in administering the EIT. DCED developed and administered the Tax Officer Training and certification program as required by the Act and offered the program during summer and fall of 2010. 70 individuals passed the exam and were certified as Tax Officers. Draft regulations have been developed and are currently being reviewed by the Advisory Committee and will go through the state regulatory review process this summer and fall. The department has provided and will continue to provide considerable technical assistance to the Tax Collection Committees through the organizational process.

Q: Have all the Tax Collection Districts appointed a Tax Officer?
A: All TCCs appointed Tax Officers by December 2010.

Q: How many Tax Officers/Tax Collection Districts will begin collecting local income tax in 2011?
A: Although Act 32 does not fully go into effect until January 1, 2012, it provides the ability for early implementation in 2011 for TCCs that have taken the necessary steps to put these implementation efforts in place, as the Act requires. The Act does not require the TCCs to notify DCED of their intent. In that regard, DCED does not have information to verify all TCCs that have taken action to proceed with early implementation. We have received notification of intent to implement early from Chester, Lebanon, and Wyoming TCCs. Provisions within the Act state that the TCC must provide notification to employers and taxpayers of the intent to implement early and inform them of their obligations and requirements.

DCED provides information on the Official Tax Register relating to appointed tax collectors and applicable withholding rates. We continue to inform entities and taxpayers to rely on communication being forwarded to them from the individual tax collection districts and information posted on the Tax Register. DCED has and will continue to provide assistance to TCCs, corporate and payroll officials with information relating to early implementation of Act 32 in order to provide for a smooth and equitable transition.

Q: How many tax collection agencies are now involved under the consolidated collection system of 69 districts?
A: The number of Tax Officers has been reduced from 560 to 21. Although there are 69 TCCs, many third party providers serve more than one TCC and some non-profit entities also serve more than one TCC.

TOURISM, FILM AND ECONOMIC DEVELOPMENT MARKETING

Q: What is your philosophy on tourism?

A: Travel and tourism is a vitally important component of Pennsylvania's economic landscape. Hundreds of thousands of Pennsylvanians – 433,000 to be exact – depend on this industry for all or a substantial portion of their livelihood. The state and local governments rely on the $3.4 billion in tax revenues generated annually by the travel and tourism industry to balance their budgets and provide crucial goods and services to the state's residents. Pennsylvania households rely on this industry to hold down their taxes; without travel and tourism, the state and local tax burden would be $690 higher per resident each year.

Tourism generates revenues for our businesses; jobs and wages for our citizens; tax revenues for our state and local governments; and enhances the quality of life for all Pennsylvanians. Without a vibrant and growing travel and tourism industry, Pennsylvania would become a far less attractive place to live and work and would be far less competitive in attracting new businesses and business investment. As any industry, travel and tourism must have the resources it needs to continue to grow and expand. The "Pennsylvania Brand" is one we are proud to market and invest in.

Q: How much of the increase in the hotel tax receipts are due to Marcellus Shale activity?

A: We do not have data to delineate hotel room demand by tourists versus Marcellus Shale workmen. However, last year the Pennsylvania Wilds region – where much of the drilling activity is taking place – had a 23% increase in hotel room demand, which translates into 210,000 more hotel rooms sold compared to 2009. It can be assumed that businesses were responsible for much of the increase. Statewide, Pennsylvania hoteliers sold nearly 2.4 million more hotel rooms in 2010 than in the prior year; the Pennsylvania Wilds contribution to the increase was just under 9%.

Q: Is tourism up in the state and does the department intends to issue an RFP to continue visitPA.com as soon possible?

A: Tourism is up in the state based on hotel room demand data, which showed a 9% increase from 2009 attributable to increases in both tourism and business travel. An RFP was issued in March 2010, and a 5-year contract was awarded in June 2010 for interactive services for visitPA.com that form the foundation of our marketing efforts.

Q: Pennsylvania's Tourism Promotion Agencies (TPAs) have relied on state grant funding for the past several decades. There has been a substantial reduction in this line item over the past several years and it has been eliminated in this year's proposed budget. Do you believe this has reduced the TPAs' ability to effectively market and promote their destinations?

A: Since 2000, all TPAs have had a dedicated funding source – the local room tax. The revenues from this tax provide far more funding than was ever available from Pennsylvania's TPA grant program ($11.5 million at its height in fiscal years 2001 and 2002). Even in last year's down economy, the TPAs collectively received $52.6 million in revenues from the local room tax – an amount that comprised two-thirds of the TPAs' total revenue stream, while the $5.5 million state TPA grant program represented less than 7%.

These are extremely tough times for Pennsylvania and many other states. We have looked at a number of states and there are no easy answers for the many difficult decisions to be made. Nevertheless, it is important to note the TPAs have other revenue streams in addition to the room tax and state grant, e.g., membership dues, sponsorships, special events, and cooperative marketing dollars. Excluding the state grant, the TPAs still have well over $70 million to market their destinations – an amount that enables them to build a highly effective marketing and promotion campaign.

Q: Pennsylvania has substantially reduced its funding to the state tourism office. Going forward, will the state be able to maintain a viable tourism-marketing program if funding is further reduced?

A: We are fully committed to maintaining a state tourism marketing presence. Although fiscally, this is a very trying time, it also offers an incredible opportunity to use non- traditional media sources to spread the word about our wonderful state. We are well aware of how, in just a few short years, we have become fully engaged in the social media marketplace. We have a Facebook page, send out messages on Twitter several times each day, and maintain an online gallery of spectacular Pennsylvania scenery; additionally, Pennsylvania is the first state to use the power and resources of Foursquare. These are all effective marketing tools that come at little cost to the state and are more economical than traditional print and TV campaigns.

As available funding has decreased over the past couple of years, the tourism office has invested more of its resources and efforts in online advertising, using techniques such as search engine optimization to make sure visitPA.com – the state's official tourism website – is the number one listing when consumers search the terms "Pennsylvania," "Pennsylvania tourism," or similar keywords. The office has developed and launched targeted online marketing campaigns on sites including weather.com, Hulu, TripAdvisor, Facebook, and Gawker, and on ad networks such as CondeNast, iExplore, and Traffic.

Going forward, the tourism office is fully committed to embracing mobile technology and any other new technologies on the horizon. The tourism office is also fully committed to working with and supporting our broad-based tourism industry. There are numerous other ways the state and industry can be effective partners, starting with a statewide cooperative-marketing program. The state can use its tremendous leverage to negotiate cost-effective advertising campaigns. We are also committed to working with the legislature and the state's tourism industry in developing a dedicated funding source for statewide tourism marketing.

Q: In reference to the local room tax, there are many businesses, especially in the Marcellus Shale drilling areas, escaping payment of the local room tax by taking advantage of a seeming loophole, where rooms that are rented for more than 30 consecutive days are exempt from the tax. Should there be legislation to close this loophole?

A: The 30-day provision is also in the state hotel occupancy tax law, and most states have a similar provision. The intent is that people who are basically using a hotel room as their permanent residence are not being penalized by paying a tax that those who live in their own homes or apartments do not have to pay.

Many companies, not only those involved with Marcellus Shale, have entered into long- term leases with hotel properties for use by one or more of their employees who will be in an area for an extended period of time. This is a common practice for airlines that rent a block of rooms in hotels near major airports for use by their pilots and flight attendants who are subject to mandatory layovers.

There are a number of possible repercussions if we were to change the law such that companies would have to pay the room tax regardless of the length of stay or lease. Some companies doing business in Pennsylvania's border counties might opt to rent rooms in a neighboring state that maintains the exemption requirement, while companies doing business in other counties might opt to rent apartments instead of hotel rooms. The local hotels, which have had a stable customer base, might find that base shrinking. Local restaurants and shops might also see a downturn in business if companies switch to apartment rentals and their employees opt to cook some of their own meals once they have access to kitchen facilities.

It is important we examine all the potential ramifications before changing the law, including whether a revised law will make it more difficult to prove permanent residency for those whose home is a hotel room.

Q: Pennsylvania and a number of states and cities have looked at the question of whether online travel agencies (OTAs) like Expedia and Orbitz should have all their revenues from customers subject to the room tax, not just the amount they remit in payment to the hotel. Do you think Pennsylvania should pursue this, or is this an unfair attempt to tax the revenues of a service-providing company?

A: This is a question that is more within the purview of the state's Department of Revenue. Nevertheless, it is a question that is being debated in numerous local, state and federal courts throughout the U.S.; additionally, there is the issue of possible legislation at the federal level.

When a customer books a room through an online travel company, the hotel occupancy tax is paid only on that portion of the customer's payment that the OTA remits to the hotel. The total price paid by the customer includes the price of the room, the hotel tax, and the revenues going to the OTA for its operations and some level of profit. If that same customer were to book a room directly with the hotel, the tax would be assessed on the total price paid by the customer. Hotels cannot deduct the costs associated with booking the room.

The customer sees no difference in the price he or she pays, regardless of whether the room was booked directly with the hotel or through an OTA. The only difference is in the amount the OTA retains in revenue compared to what the hotel is allowed to retain – that difference being the amount of room tax. Hotels view the issue as one of fairness. OTAs view the issue as one of illegal taxation. Many cities and states view the issue as one involving a loophole in the tax law, as well as a source of much-needed revenue.

Q: Please discuss the Film Tax Credit.

A: The Film Tax Credit program is a vital tool for Pennsylvania's up and coming film industry. The credits are provided for projects where a minimum of 60% of the expenditures in making a film or TV program, game show, or commercial are incurred in Pennsylvania. For a major film, this can mean well over a $100 million injected into the state and local economy for everything from hotel room rentals to restaurant meals and food services, to laundry detergent, car rentals, and a myriad of other goods and services.

Since the program's inception, Pennsylvania has realized $800 million in direct spending from qualifying film projects, with a total economic impact of $1.2 billion. Looking at the impact from the feature film, *The Last Airbender*, Paramount Pictures spent $148 million in Pennsylvania – an amount equivalent to 81% of the film's total production cost. During the 737 days the company was in Pennsylvania filming or in pre- or post- production, they hired nearly 700 Pennsylvanians to work on the film in some capacity, paid $30.5 million in wages, and booked over 40,000 hotel room nights. None of this would have happened without the tax credit program. Pennsylvania's $35.2 million investment in that one film generated a return of $148 million in direct economic activity, with the total economic impact -- when secondary impacts are taken into account –likely much higher.

Films are also a wonderful, low-cost way to promote Pennsylvania to tourists and economic developers. More than 25 years after it was made, the movie *Witness* is still drawing tourists and film buffs to Lancaster and to Pennsylvania. Future "Made in Pennsylvania" movies will have the same effect – extending and expanding the state's return on its investment in the film industry through the tax credit program.

The competition for film production is fierce, with numerous destinations -- both within the US and abroad – offering incentives for production to occur at their location. Without the Film Tax Credit, Pennsylvania's ability to compete for film production projects would be greatly diminished, and the economic benefits would go elsewhere.

Q: Why should the Commonwealth provide $60 million for film tax credits when there are so many other programs that could use that level of funding, for example, the tourism industry?

A: Even in booming economic times, the Governor must make difficult decisions in terms of which programs receive state funding and at what levels. Part of the evaluation process must focus on which economic development programs result in consistent and strong returns on the state's investment and contribute to the Commonwealth's competitiveness. In its few short years of existence, the Film Tax Credit program has proven it provides a consistently strong ROI; without the program, film production companies would take their jobs, investment, and cachet elsewhere.

INTERNATIONAL BUSINESS DEVELOPMENT

Q: What is the ROI for World Trade PA?

A: In FY 2009-10, with a budget line item of $6.7 million, World Trade PA generated $644 million in new export sales and foreign investment in Pennsylvania, bringing an estimated $62.9 million of tax revenues to the Commonwealth. Thus, the ROI ratio is 93:1 in terms of exports/investment generated for PA, and 10:1 in terms of tax revenue. From FY 2005-06 through FY 2009-10, World Trade PA generated a total of $2.37 billion in new export sales and foreign investment in PA, helped create and retain 28,794 PA jobs, and brought back an estimated $191.6 million in tax revenue to the Commonwealth.

Q: In a budget that has cuts across the board, why is World Trade PA nearly level- funded in the Governor's proposal as compared to last year's appropriation?

A: World Trade PA is a successful program that already uses performance-based economic development metrics and the use of regional and public-private partnerships. Our principles (partnerships, competition, and performance) will be the foundation of our economic development strategy moving forward. Last year, Pennsylvania's Office of International Business Development (OIBD) directly assisted over 1,350 companies through its 22 overseas trade representatives and its 10 Regional Export Network partners across the state.

World Trade PA has demonstrated one of the highest return-on-investment ratios of any economic development program. With $6.7 million appropriated in FY 2009-2010, it has directly generated $483 million in new export sales, invested $161 million in new capital investment in PA-based operations, supported a total of 8,066 jobs, and generated $63 million in estimated new tax revenue. The current return-on-investment is $93 of additional export sales for every dollar of state investment. Recent figures from the World Institute for Strategic Economic Research (WISER) report that Pennsylvania exported $34.8 billion of goods in 2010, or 22.7% more than in 2009. OIBD's Center for Trade Development recently won the 2011 CoreNet Global Economic Leadership Award and the 2011 President's "E" Award for Export Excellence; additionally, the World Trade PA program was named as a finalist for the Global Innovator's Award. This year the proposed budget appropriation is $6.25 million.

Q: How much will be cut from the Port of Pittsburgh?

A: The separate "line items" in the current budget (PennPorts Operations, PennPorts – Port of Pittsburgh, PennPorts – Port of Erie, PennPorts – Philadelphia Regional Port Authority Operations, PennPorts – Navigational Systems and Goods Movement and Intermodal Coordination) have been merged into one budget line, and the new principles of competition, partnerships and performance-based evaluation will be applied in the creation of a new set of guidelines to address the operational needs of the ports.

There will be sufficient funds to support the operational needs of the ports, but the respective funding levels will now be determined by comparative need through a competitive application process. Each port's application will be evaluated based on the guidelines developed and the overall performance of the applications.

Q: Why are the separate line items for PennPORTS now under one line item?

A: Combining PennPORTS into a single line item reflects DCED's intention to move away from entitlement practices and establish performance-based programs that support increased competition. Funds will be distributed to the ports based upon demonstrated need and a competitive application process.

Q: What criteria will there be for the three Ports to compete; all of the ports are so different?

A: Criteria have not yet been established; however, we are working internally to determine fair and balanced criteria. The ports will be contacted to participate in the process. We recognize that all three of PA's major ports are different and generally do not compete against one another; we will take this into consideration when establishing criteria.

TECHNOLOGY INVESTMENT

Q: What impact do you expect from an increase in the Research and Development Tax Credit?

A: Innovation occurs through research and the development of ideas, new technologies and new products. Through the R&D Tax Credit program, we are encouraging small and large businesses, from technology companies to manufacturers, to continue to innovate. Since its implementation fourteen years ago, use of the R&D Tax Credit program has grown by 67%. During that time, 4,754 applications have been approved, resulting in $323 million in R&D Tax Credits awarded. Between 2003 to February 2010 there were $37.2 million in unused tax credits sold resulting in $34.4 million in new capital available to companies. By increasing the available tax credits, we are encouraging companies to relocate to and stay in PA.

Since 2008, over 40% of the applications received for R&D tax credits have been from small businesses, and small businesses account for 20% of the awarded tax credits. Since its inception, this program has been over-subscribed.

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DEPARTMENT OF COMMUNITY
& ECONOMIC DEVELOPMENT