

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE  
BUDGET HEARING

STATE CAPITOL  
HARRISBURG, PA  
MAIN CAPITOL BUILDING  
140 MAJORITY CAUCUS ROOM

WEDNESDAY, FEBRUARY 26, 2020

DEPARTMENT OF COMMUNITY  
&  
ECONOMIC DEVELOPMENT

BEFORE:

HONORABLE STANLEY SAYLOR, MAJORITY CHAIRMAN  
HONORABLE MATT BRADFORD, MINORITY CHAIRMAN  
HONORABLE ROSEMARY BROWN  
HONORABLE SHERYL M. DELOZIER  
HONORABLE GEORGE DUNBAR  
HONORABLE JONATHAN FRITZ  
HONORABLE MATT GABLER  
HONORABLE KEITH J. GREINER  
HONORABLE SETH GROVE  
HONORABLE MARCIA M. HAHN  
HONORABLE DOYLE HEFFLEY  
HONORABLE LEE JAMES  
HONORABLE JOHN LAWRENCE  
HONORABLE JASON ORTITAY  
HONORABLE CLINT OWLETT  
HONORABLE GREG ROTHMAN  
HONORABLE JAMES STRUZZI  
HONORABLE JESSE TOPPER  
HONORABLE JEFF WHEELAND  
HONORABLE RYAN WARNER  
HONORABLE MARTINA WHITE  
HONORABLE DONNA BULLOCK  
HONORABLE MORGAN CEPHAS  
HONORABLE CAROLYN COMITTA  
HONORABLE AUSTIN DAVIS

*Pennsylvania House of Representatives  
Commonwealth of Pennsylvania*

1 (Continued)

2 HONORABLE MARIA DONATUCCI  
3 HONORABLE ELIZABETH FIEDLER  
4 HONORABLE MARTY FLYNN  
5 HONORABLE EDWARD GAINNEY  
6 HONORABLE PATTY KIM  
7 HONORABLE STEPHEN KINSEY  
8 HONORABLE LEANNE KRUEGER  
9 HONORABLE STEPHEN MCCARTER  
10 HONORABLE BENJAMIN SANCHEZ  
11 HONORABLE PETER SCHWEYER

7

8 NON-COMMITTEE MEMBERS

8

9 HONORABLE MIKE PEIFER  
10 HONORABLE MARK KELLER  
11 HONORABLE DAN MOUL  
12 HONORABLE SUE HELM  
13 HONORABLE MARCI MUSTELLA  
14 HONORABLE DAVE MILLARD  
15 HONORABLE RUSS DIAMOND  
16 HONORABLE MARTY CAUSER  
17 HONORABLE MARK GILLEN  
18 HONORABLE DAVE ZIMMERMAN  
19 HONORABLE STEPHANIE BOROWICZ  
20 HONORABLE MIKE DRISCOLL  
21 HONORABLE MALCOLM KENYATTA  
22 HONORABLE JOE CIRESI  
23 HONORABLE MARY ISAACSON  
24 HONORABLE EDDIE DAY PASHINSKI  
25 HONORABLE DANILO BURGOS  
HONORABLE CHRISTINA SAPPEY

18 COMMITTEE STAFF PRESENT:

19

DAVID DONLEY  
MAJORITY EXECUTIVE DIRECTOR  
RITCHIE LAFEVER  
MAJORITY DEPUTY EXECUTIVE DIRECTOR

21

ANN BALOGA  
MINORIT EXECUTIVE DIRECTOR  
TARA TREES  
CHIEF COUNSEL

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SUBMITTED WRITTEN TESTIMONY

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(See submitted written testimony and handouts  
online.)

## P R O C E E D I N G S

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1  
2  
3 MAJORITY CHAIRMAN SAYLOR: I will call  
4 the Appropriations Committee to order. And I  
5 will ask, Mr. Secretary, you or any of your staff  
6 who are going to testify to rise and raise your  
7 right hand.

8 (Testifiers sworn en masse.)

9 MAJORITY CHAIRMAN SAYLOR: Thank you very  
10 much. Appreciate that.

11 And with that, we'll start off with our  
12 first questioner this morning. It is  
13 Representative Marcia Hahn.

14 REPRESENTATIVE HAHN: Thank you,  
15 Mr. Chairman.

16 Good morning, Secretary. How are you?

17 SECRETARY DAVIN: Hi.

18 REPRESENTATIVE HAHN: Good to see you  
19 again. I know you've been in the Lehigh Valley  
20 several times for business openings and start-up  
21 businesses. So I'm on the Board of Ben Franklin,  
22 so I want to go to that area. I know you know,  
23 and I want to discuss the important role that Ben  
24 Franklin Technology Development Partners play  
25 within the Commonwealth.

1           We know they've created over 2,000 jobs.  
2           They've retained over 14,000 jobs. They brought  
3           420 new products in through their customer base.  
4           They've formed over 100 new companies. And I was  
5           glad to see that the Governor has put an  
6           additional \$5 million in for the Partners.

7           So I'm just wondering if you could  
8           discuss a little bit about how that funding is  
9           going to be driven out and impact it might have  
10          on the new businesses. You know, these are good  
11          companies bringing in good family-sustaining jobs  
12          in the Lehigh Valley and throughout the state,  
13          but, you know, we have a great partner with the  
14          Bens in Bethlehem. So just your thoughts on  
15          that.

16          SECRETARY DAVIN: Sure. Thanks,  
17          Representative. And thanks for bringing that up  
18          because this is an incredible -- incredibly  
19          important program for Pennsylvania, the Bens.  
20          And the Bens have been around for a long time.  
21          It's really a one-of-a-kind type of program in  
22          the country. And the folks that I know from, you  
23          know, Pittsburgh, Philadelphia, Lehigh Valley,  
24          and Central do a great job and a great job of  
25          getting our entrepreneurs ready, helping small

1 businesses and technologies emerge out of the  
2 great, you know, talent that we have here in  
3 Pennsylvania.

4 And I think the idea here is to -- and  
5 they've been, as you know, because they've been  
6 meeting with a number of the members of the  
7 legislature, they've asked for increases probably  
8 every year since we've been here.

9 You know, we did a study through the Ben  
10 Franklin Development Authority, and there was  
11 another study that was done separate from that,  
12 that suggested that Pennsylvania really needs to  
13 invest more in this space and really needs to  
14 develop out these -- the innovation and  
15 technology industry to a much broader effect.

16 We thought about that and thought about  
17 where the needs were. And really, what we came  
18 up with is an idea to provide funding -- and  
19 again, like a lot of our budget items and line  
20 items, you know, we're respectful of the budget  
21 process. And certainly, we'd always like to ask  
22 for more. Chairman Saylor, you know that. We're  
23 always asking for more, but we're respectful of  
24 what you have to go through with the  
25 administration.

1           But we thought that this was an amount  
2           that made some sense. And we think it makes  
3           sense from a competitive standpoint to see what  
4           the needs are right now. So we have -- this is  
5           2020. The Bens were developed 20, 25 years ago,  
6           something like that.

7           And we think that there are needs now  
8           that are different than the needs were 5, 10, 15,  
9           certainly 20 years ago. And we want to see,  
10          rather than us developing guidelines or just  
11          providing funding, we want to see what comes to  
12          us, what they believe the needs are in 2020 and  
13          beyond.

14          So we think we're going to get some  
15          differences, some different things that are going  
16          to come up. For example, you know, the life  
17          science industry in Philadelphia is exploding.  
18          Manufacturing in the Lehigh valley is doing  
19          great. Penn State has gotten much, much bigger  
20          in the central district, and Pittsburgh is a  
21          hotbed for not only autonomous vehicles, but for  
22          robotics, which has changed drastically over the  
23          course of the last, you know, 10 or 20 years.

24          So we want to put that money out for what  
25          the needs are right now. So we're calling it a

1 competitive program, a competitive pot of funds,  
2 and we want to see what comes to us from those  
3 organizations.

4 REPRESENTATIVE HAHN: So and you know,  
5 and I think we all know, that they have a deep  
6 relationship in their programs to some  
7 universities.

8 SECRETARY DAVIN: Yeah.

9 REPRESENTATIVE HAHN: So given that, is  
10 there a clear objective for the university  
11 partnership element and the use of these  
12 additional dollars and allowing the partners to  
13 build on their existing university relationships?

14 SECRETARY DAVIN: Absolutely. You know,  
15 I think the relationships are really what's key  
16 to what they can do. I mean, a lot of the ideas  
17 are coming out of the universities. A lot of the  
18 entrepreneurs are coming out of the universities,  
19 but I want to make sure that we know it's not  
20 just the universities that work with these Bens  
21 organizations. But we think that that  
22 relationship is critically important for them  
23 being more successful.

24 We hope we're in a position next year to  
25 ask you for even more within that particular line



1 item, but we have to prove -- and they have to  
2 prove -- that these funds are being driven out  
3 for the right opportunities. We think they're  
4 going to do that.

5 REPRESENTATIVE HAHN: Okay. Thank you.  
6 Thank you, Mr. Chairman.

7 MAJORITY CHAIRMAN SAYLOR: Our next  
8 questioner is Representative Davis.

9 REPRESENTATIVE DAVIS: Thank you,  
10 Mr. Chairman.

11 Mr. Secretary, thank you for being here  
12 with us today.

13 SECRETARY DAVIN: Sure.

14 REPRESENTATIVE DAVIS: And I first just  
15 want to thank you for the work that you've done,  
16 particularly in the Mon Valley region, your  
17 Department in Allegheny County, with the city of  
18 McKeesport, as well as the city of Clairton, and  
19 as well as the city of Duquesne, to help them  
20 move through the Act 47 process. But the  
21 Neighborhood Assistance Program is a very  
22 successful program. We were lucky to get awarded  
23 that. Last December, I believe you came out to  
24 McKeesport for it. And Clairton, I think, is  
25 halfway through their current NAP process.

1           Can you just talk about the successes of  
2           this tax credit program and what you're seeing on  
3           a statewide level in terms of investments in that  
4           program?

5           SECRETARY DAVIN:   Sure.  Thank you,  
6           Representative.

7           And I think, you know, that is one of the  
8           -- I mean, we have a lot of great programs.  That  
9           is one of the key programs that we have.  I want  
10          to, you know, thank the legislature again on  
11          behalf of our staff and the people of  
12          Pennsylvania for doubling the amount of that tax  
13          credit.  It is absolutely critical.

14          It is a way for businesses that are  
15          located in the communities in which they reside  
16          to invest back into those communities for  
17          community development projects, for community  
18          development programs.  And it is a critical form  
19          of funding that is absolutely necessary if we're  
20          going to help to maintain some of these  
21          communities, if we're going to help to rebuild  
22          some of these communities.

23          Representative, you know, but a lot of  
24          other people don't know some of the issues that  
25          are represented in some of those communities and

1 the fact that some of those communities may have  
2 10 or 15 percent of the population that they had  
3 30 years ago. That is a critical -- there is a  
4 critical need for support.

5 And if the businesses that are located in  
6 those communities can provide some of that  
7 support, that's a great way for them to invest  
8 back into the communities. It's a great way for  
9 them to look good to the communities. And I  
10 can't say enough about it.

11 It's one of our better used programs.  
12 And I think that again, Chairman Saylor, we're  
13 probably going to come back and ask you for more  
14 money in this particular program, too, at some  
15 point in time.

16 REPRESENTATIVE DAVIS: Thank you.

17 MAJORITY CHAIRMAN SAYLOR: Mr. Secretary,  
18 you're always asking for more money.

19 SECRETARY DAVIN: I know. I know. Sorry  
20 about that.

21 REPRESENTATIVE DAVIS: No, you're fine,  
22 Mr. Chairman.

23 And just to switch gears just a little  
24 bit. I saw the Office of International Business  
25 Development was recognized as one of the best in

1 the nation. Recently, in this past December, I  
2 had the pleasure of traveling to Taiwan with some  
3 of my colleagues from Pennsylvania, but also  
4 around the country to look at the office that our  
5 office is doing over there.

6 Can you just briefly describe the benefit  
7 to this particular office for Pennsylvanians?

8 SECRETARY DAVIN: Well, first of all, we  
9 believe that it is the most robust program in the  
10 country. And I can say that because I have -- a  
11 lot of my colleagues around the country that are  
12 commerce secretaries will tell me that. You  
13 know, we do things. We have a broad staff. We  
14 have -- and again, thanks to the legislature for  
15 providing the funding for that, but it's critical  
16 for our companies that are located in  
17 Pennsylvania to have access to these areas that  
18 are some of the hotspots from an economic  
19 standpoint in the world.

20 And that's what the Office of  
21 International Business Development does, so we  
22 have a great import -- or export program. And we  
23 have export experts that help them maneuver  
24 through those markets. And if they want to work  
25 with a particular company that's located in

1 Taiwan, our experts know how to get to that  
2 particular company and work through the issues  
3 and understand the issues on behalf of the  
4 companies that are located here. We also have  
5 investment offices. And the investment offices  
6 are really designed to bring investment here to  
7 Pennsylvania. And they do a great job.

8 I've been on a couple of those investment  
9 trips; and Neil has and Carol has also. And they  
10 are critical. It's critical for us to be out  
11 there. If you look at like -- take into  
12 consideration Brexit right now.

13 REPRESENTATIVE DAVIS: Yeah.

14 SECRETARY DAVIN: You know, that is  
15 turning not only Europe upside down, but  
16 certainly the UK and the Republic of Ireland  
17 upside down, but there are opportunities for us.  
18 There are opportunities for us to take advantage  
19 of some of the things that are going on there  
20 because they're looking for soft landing spots in  
21 the United States. And there's no reason that  
22 Pennsylvania shouldn't be one of those soft  
23 landing spots.

24 REPRESENTATIVE DAVIS: All right. Great.

25 SECRETARY DAVIN: But those are some of

1 the things that the Office of International  
2 Business document does.

3 REPRESENTATIVE DAVIS: Thank you. Thank  
4 you. It was truly eye-opening. I think we had  
5 like \$400 million in exports from Pennsylvania to  
6 Taiwan, so it was truly a learning experience.  
7 So thank you for your work.

8 And I just want to thank Deputy Secretary  
9 Vilello and Kim Bracey from your staff for all of  
10 the work that they're doing with the communities  
11 in my district. It's truly appreciated, and I  
12 look forward to being a strong partner with you  
13 guys going forward. So thank you.

14 And with that, Mr. Chairman, I yield  
15 back.

16 SECRETARY DAVIN: Thank you.

17 MAJORITY CHAIRMAN SAYLOR: I want to  
18 announce that we've also been joined by a  
19 non-member of the Appropriations committee, but  
20 is here today observing, as well, is Chairman  
21 Peifer. Welcome.

22 And we'll move on to Representative  
23 Wheeland for questioning.

24 REPRESENTATIVE WHEELAND: Thank you,  
25 Mr. Chairman. Thank you, Mr. Secretary, for your

1 time today.

2 Recently, I was reading through the  
3 Department of Labor & Industry's release on the  
4 December employment numbers for the Commonwealth,  
5 and you had alluded to some of it in your  
6 prepared statement that you provided our  
7 Committee. And of course, the good news is that  
8 the labor force is up by some 200-and-some  
9 thousand people or 1.6 percent over last year.

10 Of course, the bad news is that the  
11 unemployment rate jumped to 4.5 percent, which is  
12 100 basis points higher than the national average  
13 of 3.5 percent. And of course, we are lagging  
14 behind all the contiguous States to Pennsylvania,  
15 with the exception of West Virginia.

16 Pennsylvania only added 32,700 jobs over the  
17 12-month period, which is the lowest annual total  
18 since the Governor took office.

19 So I would think -- so maybe if you could  
20 just share with us what your thoughts are on how  
21 the Commonwealth of Pennsylvania could be more  
22 competitive with other States, specifically what  
23 your thoughts are, what we need to do on a,  
24 perhaps a regulatory perspective, what needs to  
25 be done on a taxation standpoint, energy costs.

1           What are your thoughts on how can the  
2 Commonwealth become more competitive with our  
3 neighboring States?

4           SECRETARY DAVIN: Thank you for that.  
5 And I'm glad you brought that up. I think, you  
6 know, the fact that we have a 4.5-percent  
7 unemployment rate, you're absolutely right. What  
8 takes -- is taken into consideration with that  
9 unemployment rate is an increase in the amount of  
10 people that are looking for jobs. A hundred  
11 thousand people actually joined the workforce,  
12 which is a great thing for Pennsylvania.

13           That in and of itself, you can look at  
14 that and think maybe there are people that are  
15 graduating from universities that want to stay in  
16 Pennsylvania. That's a good thing. So we look  
17 at that as a great thing for Pennsylvania. And  
18 the 4.5 percent is higher than the national  
19 average. It's still within what we term full  
20 employment.

21           So we are -- we're certainly concerned  
22 about that, but we're not as concerned about that  
23 because we like the fact that more people are  
24 looking for jobs. It is -- we're in a critical  
25 juncture right now.



1           And the thing is, you know, we've met  
2           with a number of communities, a number of  
3           businesses throughout Pennsylvania, the biggest,  
4           single biggest issue that I hear over and over  
5           and over again is that we need a properly trained  
6           workforce. We need to put more funding and put  
7           more resources into workforce development. It's  
8           the number one issue. And I think if you talked  
9           to somebody like Gene Barr and certainly Rick  
10          Bloomingdale from the AFL-CIO, it is one of the  
11          biggest things that we hear over and over and  
12          over again -- and if you talk to the  
13          Philadelphia/Pittsburgh chambers and other  
14          chambers. So.

15                 The Governor's Workforce Command Center  
16                 was a critical need, we thought, and is something  
17                 that is identifying why we can't -- how we're  
18                 going to reduce that skills gap. What are we  
19                 going to do, from the State's perspective, to  
20                 help reduce that skills gap to fill the jobs that  
21                 are available right now so that unemployment rate  
22                 goes down, not too much down because then we have  
23                 -- that means that we're not bringing enough  
24                 people here, but we don't have enough people in  
25                 the workforce.

1           So that was a critical component. You  
2 mentioned other things that we can do on our  
3 side, the corporate net income tax is -- we have  
4 the third highest corporate net income tax in the  
5 country. That is something that has to be  
6 reduced. I've had meetings consistently probably  
7 every two or three months with the staff, with  
8 the site selection community. And we do these  
9 events where we'll do a luncheon and hear from  
10 site selectors in New York, in Chicago -- we're  
11 going to Atlanta, I think, this year -- and then  
12 in Texas, and look at what they're looking at in  
13 Pennsylvania.

14           And the thing about it is, I think that  
15 incentives always get, you know, the big  
16 headlines in terms of why companies are moving  
17 from place to place and it's really far down on  
18 the list of what companies are looking for. The  
19 issue is that we need a strong workforce and we  
20 need to reduce that corporate net income tax. We  
21 have to do it. And I think if we can look at  
22 those issues and those initiatives, we have a  
23 much better opportunity of getting companies in  
24 Pennsylvania to grow, a much bigger -- better  
25 opportunity to get companies outside of

1 Pennsylvania, and frankly outside of the United  
2 States to come to Pennsylvania, if we can do  
3 that.

4 So the corporate net income tax is  
5 probably one of the biggest issues. And the  
6 Governor has called for it -- I believe he's  
7 called for it maybe five of his six budgets or  
8 something like that, a reduction in the corporate  
9 net income tax. It is a critical initiative that  
10 we need to take on.

11 REPRESENTATIVE WHEELAND: Thank you. I  
12 see my time is up, but thank you very much.

13 I could not agree with you on the  
14 workforce development -- coming from Lycoming and  
15 Penn College, that does a wonderful job --

16 SECRETARY DAVIN: A great job.

17 REPRESENTATIVE WHEELAND: -- working with  
18 industry to prepare the future workers. So  
19 workforce development, obviously, the corporate  
20 net income tax, obviously, but I would like to  
21 talk to you some day about our regulatory reforms  
22 that must take place because I think the  
23 regulatory reforms play a key, key role in not  
24 being able to attract some businesses.

25 Thank you so much.

1           SECRETARY DAVIN: I'd love to talk to you  
2 about that, Representative.

3           REPRESENTATIVE WHEELAND: Thank you.

4           MAJORITY CHAIRMAN SAYLOR: Also, before I  
5 move to the next questioner, we've been joined by  
6 some others that I missed earlier, Representative  
7 Kenyatta, Representative Ciresi, Representative  
8 Driscoll, as well as Representative Mustello.  
9 welcome to all of you who are not members of the  
10 Appropriations Committee, but are here observing  
11 part of the testimony today.

12           And we will move on to Representative  
13 Bullock.

14           REPRESENTATIVE BULLOCK: Thank you,  
15 Mr. Chairman.

16           Good morning, Mr. Secretary. How are you  
17 doing today?

18           SECRETARY DAVIN: Good morning. How are  
19 you?

20           REPRESENTATIVE BULLOCK: Great.

21           I have two sets of questions for you. I  
22 would like to start with your own agency  
23 workforce diversity and the efforts that you've  
24 taken within your Agency to improve your  
25 workforce over the years, and particularly around

1 -- as well in management and supervisory roles,  
2 as well.

3 And then, my second set of questions is  
4 surrounding the \$12 million allocation to remove  
5 or to address barriers to employment that was in  
6 the Governor's budget, to address things like  
7 transportation and child care, training and  
8 licensure and other issues. How would those  
9 funds be distributed?

10 Have you started outlining the  
11 application process, and how will employers and  
12 organizations access those funds?

13 And how do you see that improving some of  
14 the statistics you mentioned around employment,  
15 particularly in communities of color and low  
16 income communities?

17 Thank you.

18 SECRETARY DAVIN: So I can talk about the  
19 diversity first, if that's okay. So I think from  
20 our standpoint, we have 43.5 percent male  
21 employees, 56.5 percent female employees, and  
22 12.5 percent minority employees. In the past  
23 year, we've hired -- 30 percent of our hires were  
24 minority employees. One of the things that we've  
25 done, Representative, is we have put together as

1 a result of the Governor's Executive Order a few  
2 years ago, put together a Diversity and Inclusion  
3 Committee, made up of a number of members of our  
4 staff -- made up of all members of our staff,  
5 that takes a look at diversity and minority  
6 issues everywhere throughout the Department.

7 we've taken the further step in actually  
8 having somebody from that Committee in every  
9 single one of our interviews. So when we hire  
10 anybody, there is a member of the Diversity &  
11 Inclusion Committee within that interview that  
12 has input into who is hired. And I think that's  
13 why you're seeing some increases in the amount of  
14 minorities that we have within our Department,  
15 and that's why I think you're seeing some  
16 increases, especially in the last year or two  
17 years in that.

18 You know, we have -- we have looked at  
19 increasing minority participation all throughout  
20 the Department, certainly in each of the  
21 different areas of the Department, each of the  
22 different offices we have in our Department,  
23 including the executive office and bringing more  
24 diverse folks into the executive office. And  
25 we'll continue that. That's a big priority of

1 mine.

2 REPRESENTATIVE BULLOCK: Appreciate that.  
3 If you could, give me the statistics around those  
4 that are in an executive office or in other  
5 management or supervisory roles, I'd appreciate  
6 that, either by e-mail or if you have that with  
7 you today.

8 SECRETARY DAVIN: We can do that.  
9 Certainly. Certainly. In terms of the \$12  
10 million for the barriers that were identified  
11 through the Workforce Command Center, we thought  
12 long and hard, along with the Governor's Office,  
13 of what we needed to do to really help to  
14 eliminate those barriers, and there are a lot of  
15 barriers, as you can see. Re-entry is a big one,  
16 transportation -- and especially when you're  
17 looking at some of the areas that are kind of  
18 the, you know, the areas that don't get a lot of  
19 attention throughout the State.

20 Transportation is a huge issue. And you  
21 could give any person in some of those areas a  
22 job. If they don't have -- if they don't have  
23 access to a car, access to a bus or anything like  
24 that, it doesn't do any good. So I think we're  
25 looking for those particular opportunities. I'll

1 give you an example. So we have areas around the  
2 state that might have large retail centers. And  
3 those large retail centers might be off bus  
4 routes and things like that. And it's not always  
5 as easy -- I don't understand the whole transit  
6 system and everything like that. That's  
7 something for PennDOT to talk about.

8 But it's not always easy to move bus  
9 routes and things like that when there are issues  
10 like that, but there are smaller transit agencies  
11 -- small agencies or shuttles and things like  
12 that that could move people back and forth.  
13 That's the type of thing that we think could be  
14 utilized through this particular program.

15 We also have a major issue with child  
16 care. It's one of our biggest barriers to  
17 employment that we've identified through the  
18 workforce and Command Center. And I think, you  
19 know, we're looking at opportunities to maybe put  
20 funding towards child care centers, towards  
21 helping to fund child care centers for small  
22 businesses, a variety of different things. We  
23 don't want to dictate exactly what that is right  
24 now. We want to see what the need is.

25 So we're taking time right now to go out



1 into the community, and especially after the  
2 Appropriations hearings are done, to find out  
3 what the true need is. What is -- we've  
4 identified these barriers, now let's get down to  
5 the details of what these barriers are and how  
6 can we overcome these barriers.

7 REPRESENTATIVE BULLOCK: I appreciate  
8 that. Two examples, for example, in  
9 Philadelphia, I know there's an organization -- I  
10 believe it's called Unemployment Project -- that  
11 transfers individuals or transports individuals  
12 from the city out to King of Prussia and those  
13 places, sort of a reverse commute, where you have  
14 a lot of minimum wage jobs outside of the city.  
15 And also, I know that child care, particularly  
16 night child care is not as accessible as we would  
17 like it to be.

18 SECRETARY DAVIN: Yeah. That is one --  
19 and again, I'm sorry to take too much time. But  
20 that is one, Representative, that we've heard  
21 over and over again. So we have people that work  
22 after hours and child care centers, you know,  
23 they close at 5:00 or 6:00. That is a really  
24 significant issue that we need to figure out how  
25 to overcome.

1           The other thing I just want to say on  
2           that is that we're working with the Department of  
3           Human Services, too, because they have the direct  
4           access into these child care centers and they  
5           regulate and things like that. So we are going  
6           to work really closely with Secretary Miller and  
7           her staff on those issues.

8           REPRESENTATIVE BULLOCK: Thank you. I  
9           appreciate your work on this. Take care.

10          MAJORITY CHAIRMAN SAYLOR: Representative  
11          Greiner.

12          REPRESENTATIVE GREINER: Thank you,  
13          Mr. Chairman.

14          Good morning, Mr. Secretary. Good seeing  
15          you. Thanks for being here.

16          On background, I know you've been in my  
17          district and have been very helpful, but my  
18          district is a very big tourism district here in  
19          the Commonwealth: Railroad Museum of  
20          Pennsylvania, Strasburg Railroad, Sight and  
21          Sound, Dutch wonderland. And I recently met with  
22          about 40 of our leaders. And of course, they're  
23          concerned about tourism in the budget, the amount  
24          of money we spend, and those types of things.

25          But on background, you know, I worked as

1 a member of the Finance Committee. We had ended  
2 up amending the Tax Code of 1971 just a couple of  
3 years ago to create the Tourism Promotion Fund.  
4 And you know, that was -- that revenue was  
5 collected when a room is sold by a booking agent,  
6 you know, something that -- there were hearings.  
7 We had worked through that.

8 At the time, the Department of Revenue  
9 had projected that roughly \$22 million would be  
10 available for the tourism promotion fund for the  
11 '19-20 year. However, the budget book that --  
12 the Governor's budget book indicated that it only  
13 looks like it might be around \$6 million. And  
14 you can imagine, when I'm meeting with 40  
15 business leaders in the tourism area and what  
16 have you and they're look for more dollars, and  
17 as you mentioned before, we have tight  
18 constraints on the budget -- we have for years --  
19 I was wondering whether you could talk to me  
20 about why -- maybe you know why those revenue  
21 estimates were so far off.

22 And then also, how your tourism office,  
23 DCED's tourism office, is managing tourism  
24 promotion with only a fraction of the funding  
25 that was expected.

1           SECRETARY DAVIN: Right. Well, first of  
2 all, I can tell you our tourism office does a  
3 great job, and they really do a lot. They've  
4 done a lot up to this point, up to last year with  
5 few resources, to be honest with you, about \$4  
6 million per year. And the Tourism Promotion Fund  
7 was a critical increase to that amount, those  
8 resources, and they're doing some great things  
9 you're going to be seeing very soon, in terms of  
10 some commercials and things like that. So we're  
11 really happy and excited about that.

12           I think, you know, from my understanding,  
13 the Department of Revenue relied on certain  
14 industry standards and industry reports and  
15 things like that to come up with some of the  
16 numbers that were come up -- the \$22 million --  
17 and there were some other numbers, too, that were  
18 floating around -- and actually worked with the  
19 industry, too, to look at that, to think that was  
20 what it was.

21           And I can tell you that was something  
22 that we felt was great and we could do some  
23 tremendous things to bring us up to the level  
24 where we thought, you know, we needed to be  
25 comparatively when you're talking about other

1 States that we have to compare ourselves with.  
2 You know, we have States that put a lot of money  
3 into it. Think of Virginia, New York, you know,  
4 they have New York City, and Michigan. And we  
5 think we can get to that point at some point in  
6 time.

7 The Tourism Promotion Fund right now is  
8 providing about \$4.5 to \$5 million, we think, in  
9 this particular budget year. And you know, it  
10 certainly would have been nice to have that  
11 amount of funding, but I think our Department is  
12 doing a great job with the amount of funding that  
13 we have, and you're going to see some of the  
14 things that are coming as a result of that right  
15 now. The idea is that we're going to do such a  
16 great job that you're going to really suggest  
17 that we even get more money next year in an  
18 appropriation.

19 Sorry, Mr. Chairman.

20 REPRESENTATIVE GREINER: well, let me  
21 just -- let me ask that question. Because of --  
22 I mean, we're talking about one-third,  
23 approximately, of what we thought we might have,  
24 you know, brought in.

25 I mean, what were you planning to do if

1 it was going to be around \$18, \$20, \$22 million?

2 I mean, if I have a budget or I have  
3 plans, I mean, that is a real hit about what I  
4 like to try to accomplish.

5 SECRETARY DAVIN: Sure. The one thing I  
6 never do, and we never do, is we never take  
7 anything into consideration until it's finalized.  
8 So we can think about certain things that we're  
9 going to do, but we plan for the funding that is  
10 coming in. So as the money started coming in and  
11 we realized what the funding was going to be, we  
12 put plans in place to utilize that particular  
13 funding.

14 And again, you're going to see some of  
15 the results of that with some of the commercials  
16 and other things that are going to be coming out.

17 REPRESENTATIVE GREINER: well, like I  
18 said, it's a very integral part of our State  
19 economy. It's particularly integral to Lancaster  
20 County. And like I said, I appreciate your  
21 efforts and your work to see what we can do to  
22 maximize -- it's like anything here. We want to  
23 be able to maximize the tax dollars that are  
24 used --

25 SECRETARY DAVIN: Right.

1           REPRESENTATIVE GREINER:  -- to push this  
2 forward because I know it's very critical.  And I  
3 have a hunch Chairman Millard will probably be  
4 hitting on that, too, at some point, too.

5           SECRETARY DAVIN:  Yes.

6           REPRESENTATIVE GREINER:  Thank you for  
7 your time.

8           SECRETARY DAVIN:  Thank you.

9           MAJORITY CHAIRMAN SAYLOR:  We'll move to  
10 Representative Kinsey.

11           REPRESENTATIVE KINSEY:  Thank you,  
12 Mr. Chairman.

13           Mr. Chairman, I don't have any questions.  
14 I think that the questions that I wanted to ask  
15 the Secretary have somewhat been addressed.  But  
16 if I may, Mr. Chairman, I just want to make some  
17 comments.

18           So Mr. Secretary, first and foremost, I  
19 want to thank you and your team for being here  
20 this morning.  And I'm -- I don't want to say I'm  
21 happy, but I'm pleased to hear that, as you  
22 talked about the Diversity & Inclusion Committee,  
23 I'm glad to hear that DCED has that included with  
24 the interviews of minorities that are  
25 interviewing for positions within your

1 Department.

2 I'm not happy, but it's -- I can't even  
3 think of the word, but you know you have  
4 12.5-percent minorities that are employed in the  
5 Department. Personally, I think that's low, but  
6 I think that has been an increase over the  
7 previous years. So thank you for your efforts  
8 and your Department's efforts in regards to --

9 SECRETARY DAVIN: I would agree that  
10 that's low, too.

11 REPRESENTATIVE KINSEY: Okay.

12 SECRETARY DAVIN: And I think we need to  
13 do better.

14 REPRESENTATIVE KINSEY: Great.

15 SECRETARY DAVIN: And we're working on  
16 doing better.

17 REPRESENTATIVE KINSEY: All right. Well,  
18 with that being said, you know, I chair the  
19 Pennsylvania Legislative Black Caucus, and I  
20 think that I'd be more than willing to sit down  
21 with your Department to talk about innovative  
22 ways that we can get qualified individuals to --  
23 you know, I talk about folks having the  
24 opportunity.

25 You know, it's one things if folks don't



1 have the experience, but if we don't give them  
2 the opportunity to gain that experience, then I  
3 question how will they ever get the experience if  
4 we don't give the opportunity? So I'd be more  
5 than happy to work with you looking at  
6 individuals who might be qualified to at least  
7 give them the opportunity, whether it's an  
8 apprenticeship, but to gain some experience so  
9 that way, you know, they can possibly be employed  
10 by the Department.

11 Also, I recognize that one of my  
12 colleagues, Representative Bullock, talked about  
13 the \$12 million that's being proposed under the  
14 Manufacturing PA. I represent the city of  
15 Philadelphia, and we have major problems just in  
16 regards to trying to help folks gain the  
17 qualifications and be employed. So I'm happy to  
18 see that your Department is taking a lead with  
19 that and some new innovations there. So I want  
20 to say thank you for that, as well.

21 Lastly, the part of the city that I  
22 represent in Philadelphia is called historic  
23 Germantown. Many folks -- in fact, you've been  
24 there.

25 SECRETARY DAVIN: The Tourism --

1           REPRESENTATIVE KINSEY: Right.

2           The Tourism Committee came recently, and  
3 I'm really proud that Germantown offers quite a  
4 bit of historical perspective of this nation,  
5 from the battle of Germantown to the Johnson  
6 House and some of the other historic sites that  
7 are there. So as we talk about tourism, I think  
8 you talked a little bit in regards to what the  
9 Department is doing to promote tourism.

10           More specifically, are we planning, you  
11 know, in 2026, we're going to -- some will be  
12 celebrating the 250th anniversary of this nation.

13           Is your Department involved with working  
14 with municipalities or is there -- are we looking  
15 at doing something at a state level in regards to  
16 this?

17           I mean, 2026 will be here before you know  
18 it.

19           SECRETARY DAVIN: Right.

20           REPRESENTATIVE KINSEY: Is there things  
21 that we're doing to plan in advance?

22           SECRETARY DAVIN: Yeah. There's a  
23 committee that's put together that -- I'm part of  
24 the committee and our staff takes part in the  
25 committee meetings to talk -- to look at that.

1 It's -- you know, first when it was put together,  
2 we thought it was kind of far away. It's not  
3 that far away when you think about it. But  
4 they're going to look at that. They're going to  
5 work with communities. They're going to work  
6 with a number of different organizations  
7 throughout the Commonwealth to look at how to  
8 celebrate that and how to celebrate that the  
9 right way, not only to celebrate at that time,  
10 but leading up to that particular time on how to  
11 have a really great celebration to a place where  
12 America was born.

13 REPRESENTATIVE KINSEY: How do we get --  
14 again, I represent part of the Commonwealth where  
15 the Battle of Germantown took place and the  
16 Underground Railroad came through. How do we get  
17 like historic Germantown and other historical  
18 organizations involved?

19 SECRETARY DAVIN: We'll get you in touch  
20 with the right people. I forget the woman's name  
21 who's the executive director.

22 Okay. Yeah, Cassandra Coleman is  
23 executive director --

24 REPRESENTATIVE KINSEY: Okay.

25 SECRETARY REDDING: -- of the Committee.

1 And we'll get her -- we'll get contact  
2 information for you, so you can get connected  
3 with her.

4 REPRESENTATIVE KINSEY: Great. Okay.  
5 Thank you.

6 Mr. Chairman, that's it for my comments.  
7 Thank you very much for that.

8 SECRETARY DAVIN: Thank you,  
9 Representative.

10 REPRESENTATIVE KINSEY: Thank you,  
11 Mr. Chairman.

12 MAJORITY CHAIRMAN SAYLOR: Mr. Secretary,  
13 I'm just going to ask you, if you would -- I was  
14 just talking to Chairman Bradford and myself. We  
15 have had no real contact with -- and I know  
16 that's another area you're going to ask money,  
17 for the 250th celebration. Nobody has talked to  
18 us. We've heard a lot of rumors about requests  
19 for money.

20 It would be interesting for both of us to  
21 be filled in with exactly what's moving on with  
22 the 250th celebration and what to expect over --  
23 I mean, I'm sure leading up to that there will be  
24 some financial expenditures, as well as the year  
25 of it. So if you could have whoever inform the

1 appropriate chairman here as to what's going on  
2 and what the future looks like as far as  
3 forecast, as far as budgetary needs for that  
4 celebration.

5 SECRETARY DAVIN: Absolutely.

6 MAJORITY CHAIRMAN SAYLOR: Thank you.  
7 Also, we've been joined by Representative  
8 Isaacson, who is sitting over here.

9 Next, we will move on to our next  
10 questioner, Representative Topper.

11 REPRESENTATIVE TOPPER: Good morning,  
12 Mr. Secretary. Good to see you again.

13 SECRETARY DAVIN: Good morning.

14 REPRESENTATIVE TOPPER: The first one,  
15 pretty quick. I just want to have some  
16 clarification because sometimes we're -- we get  
17 information that needs to be clarified. Every  
18 county in this Commonwealth receives money from  
19 Act 13, the impact fee; is that correct?

20 SECRETARY DAVIN: I'm not sure if it's  
21 every county. I think the impact fee gets  
22 funding to the areas that are impacted, for the  
23 most part, from drilling.

24 REPRESENTATIVE TOPPER: Well, my  
25 understanding is all of them receive it.

1           SECRETARY DAVIN: Every county -- I'm  
2       sorry.

3           REPRESENTATIVE TOPPER: Okay.

4           SECRETARY DAVIN: I misspoke.

5           REPRESENTATIVE TOPPER: And that was part  
6       of the clarification from just some conversations  
7       in my district, that that was one of -- I know  
8       that was the legislative intent. And I also  
9       represent some counties that while they're not  
10      directly impacted also receive that money. I  
11      want to make sure that that continues.

12           My next question is about Invent Penn  
13      State, the Invent Penn State Program. This has  
14      now been added to the budget to the tune of \$2.35  
15      million for the '20-21 fiscal year. But it was  
16      not something that came from the General Fund  
17      before. Was this program self-funding before?

18           SECRETARY DAVIN: It was funded,  
19      actually, through Penn State. So it's Penn  
20      State's LaunchBox. LaunchBoxes are located all  
21      throughout the State.

22           REPRESENTATIVE TOPPER: Right.

23           SECRETARY DAVIN: You know, we thought,  
24      again, on the technology and innovation side, we  
25      thought that there were -- there were great

1 things that were happening in Philadelphia and  
2 Pittsburgh, around Penn State, obviously, and  
3 Lehigh Valley and some other places, but it  
4 really wasn't getting into the rural and some of  
5 the suburban communities throughout Pennsylvania.  
6 And we thought long and hard about how to do  
7 that. And the idea was this Invent Penn State,  
8 which was developed under the Penn State  
9 president a few years ago, I think, is an  
10 incredible program because it actually utilizes  
11 each of the 24 Penn State campuses throughout the  
12 Commonwealth in a way that, you know, provides  
13 access to these in places that you wouldn't  
14 necessarily get access.

15 REPRESENTATIVE TOPPER: So why doesn't  
16 this have go through the non-preferreds, like any  
17 other funding for Penn State?

18 why are we going to add an additional  
19 item here for this budget?

20 SECRETARY DAVIN: Well, I think it's  
21 specifically for technology and innovation  
22 through these particular areas.

23 REPRESENTATIVE TOPPER: But it is a Penn  
24 State program, right?

25 SECRETARY DAVIN: It's a Penn State

1 program, yes.

2 REPRESENTATIVE TOPPER: Okay.

3 SECRETARY DAVIN: But I think what we're  
4 -- what we're trying to do, if I can finish.

5 REPRESENTATIVE TOPPER. Sure.

6 SECRETARY DAVIN: Yeah. What we're  
7 trying to do is, we're trying to make sure that,  
8 you know, we're trying to increase funding  
9 through the Benjamin Franklin College of  
10 Technology Development Authority for the Ben  
11 Franklins, you know, by \$5 million. We're also  
12 trying to make sure that money goes to every area  
13 throughout the Commonwealth because I've heard  
14 that, as I'm out in different areas. And we felt  
15 that the Penn State Invent Penn State and the  
16 Penn State LaunchBox was a great program that  
17 Penn State had that we can use to help fund  
18 different types of things that they can do with  
19 some of the people within those particular areas,  
20 specific to technology and innovation and  
21 entrepreneurship, in those particular areas.

22 So certainly, it could have gone through  
23 Penn State. We thought that because, you know,  
24 the way our Department is set up, we have the  
25 ability to put programs together. We have the



1 ability to develop these programs, to provide  
2 these programs to the areas that have the  
3 greatest need. And we thought that this was a  
4 good way to do that.

5 REPRESENTATIVE TOPPER: I guess my  
6 concern -- and I'm sure the program is very good  
7 and very successful, as a lot of programs that we  
8 see are. I guess, as I look at what we're trying  
9 to do with the PASSHE System, for instance, which  
10 is try and reinvent that, really rejuvenate that  
11 and make that want we need it to be as our State  
12 university system or our community colleges,  
13 which are also instrumental to our development.

14 And I mean, look, let's be quite frank,  
15 Penn State does receive a fairly large  
16 appropriation in the non-preferreds. And they  
17 certainly are a large university, do great things  
18 for our Commonwealth. And I appreciate all of  
19 their efforts. But as we look at that, I just  
20 saw that line item and it kind of jumped out at  
21 me that, perhaps, that's something that, you  
22 know, money that we could look at to make sure  
23 that other universities would have that same  
24 opportunity, if that's in fact an option, but I  
25 appreciate your answer.

1                   And thank you, Mr. Chairman.

2                   MAJORITY CHAIRMAN SAYLOR: Next is  
3                   Representative Kinsey -- Representative Kim, I'm  
4                   sorry.

5                   REPRESENTATIVE KIM: Good morning,  
6                   Secretary, Deputy Secretaries. Yesterday, I held  
7                   a workshop for people looking to either start a  
8                   business or expand their small business. And  
9                   Barry Wickes sent a great representative from  
10                  your Department to talk about some of the  
11                  resources. And he talked about the One-Stop  
12                  Shop. Shame on me, but I never knew that this  
13                  existed. And I am happy to be your commercial.  
14                  You know, you can go on the website, they will  
15                  give you a template of how to start a business  
16                  plan, how to name your business, you know, choose  
17                  a business structure, whatever, just  
18                  testimonials, feedback, great program. Thanks  
19                  for doing that and making it a lot easier.

20                  My question would be the stats. In the  
21                  last year or so, have you seen more businesses  
22                  register? How about more women and veterans?

23                  And then also, there's also a feedback  
24                  section. What do you think are some of the  
25                  biggest barriers for small business owners

1 starting in Pennsylvania?

2 SECRETARY DAVIN: That's -- we are  
3 starting to develop all of those bits of  
4 information to understand what the people that  
5 are responding to us through the one stop shop  
6 are providing. We've had -- I think it's -- the  
7 numbers here are almost 200,000 unique users of  
8 that particular site for the last two years,  
9 which has been absolutely incredible. It is  
10 something where, until you really get into it,  
11 all the different departments, all the different  
12 people, all the different organizations you have  
13 to talk to separately to start a business. And  
14 the idea that through the one stop shop is really  
15 that an entrepreneur working through the Bens or  
16 working through Penn State's LaunchBox and Invent  
17 Penn State and other organizations, they have one  
18 place that they can go to and one place that they  
19 can call.

20 And the idea was not just for the intake  
21 to take the call and say, yeah, you can call this  
22 number and this number and this number, but to  
23 have the information right there and in one  
24 place. We're not done yet though. We have a lot  
25 more work to do. The next phase of the one stop

1 shop is an IT phase that we are looking to get --  
2 we actually started some of the work through the  
3 IT, working with the Governor's Office, part of  
4 it. And we found out that it's absolutely  
5 critical, but we're starting to get that  
6 information and we'd be happy to share that with  
7 you when we compiled that because that's really  
8 what it's about.

9 It's about, again, what, you know, other  
10 barriers for small businesses to start their  
11 small business. That helps us.

12 REPRESENTATIVE KIM: Thank you,  
13 Secretary.

14 Then I'm going to quickly pivot on our  
15 boroughs and third-class cities. So I'm going to  
16 talk a little bit about Act 47, early  
17 interventional. Do you have numbers as to how  
18 many communities are in EI and in Act 47 and how  
19 many have left in the last five years?

20 SECRETARY DAVIN: Yeah. So we've had six  
21 communities leave in the last five years. I  
22 think the last one was Farrell last year. And I  
23 can tell you, I -- I've been to each of these  
24 every time that they exit because I have to sign  
25 the paperwork from, you know, a big place like

1 Pittsburgh to a place like Farrell, that's really  
2 had some tough times. It is a very emotional  
3 thing to go through for these communities because  
4 they have to give up a lot, and there's a lot of  
5 -- there are a lot of things that they can't do  
6 as a result of being in Act 47.

7 Certainly, there's the ability for  
8 additional taxes and things like that, but there  
9 are other things that they have to give up. So  
10 to make those sacrifices over the course of the  
11 period that you're in Act 47 and to come out on  
12 the other side, think of a city like Clairton  
13 that was in Act 47 for over 30 years. It's  
14 incredible. So it is very powerful for them to  
15 go through that to really understand the  
16 sacrifices they need to make, but then to come  
17 out of Act 47, which all of the sudden, you don't  
18 have the protections that you need. And the idea  
19 is not to have them go back into Act 47.

20 So our staff, Deputy Secretary Vilello  
21 and his staff work really closely with these  
22 Act 47 communities to make sure that they have  
23 the appropriate amount of resources. We look at,  
24 through our economic development, our business  
25 development resources and our community

1 development resources, we really want to  
2 prioritize these Act 47 communities and help them  
3 with additional resources because they've made  
4 those sacrifices.

5 so we believe that, you know, it's worked  
6 out really well. The early intervention program,  
7 we've asked for more money. And thank you, I  
8 think over the last few years we've received  
9 increases in the early intervention program and  
10 that has been critical to help communities do  
11 what they need to do, to get the right reports,  
12 to get some suggestions on what they can do, you  
13 know, to make sure that they don't go into Act  
14 47.

15 REPRESENTATIVE KIM: Thank you,  
16 Secretary. Thank you for your team and Secretary  
17 vilello for looking after all of these cities  
18 that need extra help.

19 Thank you so much, Mr. Chairman.

20 MAJORITY CHAIRMAN SAYLOR: Representative  
21 Owlett.

22 REPRESENTATIVE OWLETT: Thank you,  
23 Mr. Chairman.

24 Thank you, Secretary, for being here  
25 today. I have a couple of questions on lapsed

1 funds, but before I want to go into that, I  
2 appreciate the investment in tourism. We for  
3 sure use that and need that in the north part of  
4 the State.

5 SECRETARY DAVIN: Right.

6 REPRESENTATIVE OWLETT: I'm looking  
7 forward to this exciting new tourism plan.  
8 That's -- we see a lot of what New York State  
9 does and the media market that bleeds over into  
10 Pennsylvania, so I'm excited to see that.

11 SECRETARY DAVIN: I hate New York, just  
12 saying. Just thought I'd throw that out there.

13 REPRESENTATIVE OWLETT: Wow.

14 Your Department has a considerable amount  
15 of unspent funds, prior year funds with some  
16 appropriations going back 10 years old that have  
17 not lapsed back into the General Fund. It looks  
18 like it's just under \$100 million. The Budget  
19 Secretary has approved budgetary requests for  
20 Act 146 waivers to keep these funds alive year  
21 after year.

22 what projects are you still working on  
23 with these old dollars?

24 SECRETARY DAVIN: So we are always going  
25 to have waiver funds.

1           REPRESENTATIVE OWLETT: Yeah.

2           SECRETARY DAVIN: It's just the nature of  
3 our business. You know, and a lot of the funds  
4 that we have are commitments that we've made  
5 through our Governor's Action Team, for job  
6 creation projects or things like that that may  
7 take, you know, two, three, four, sometimes even  
8 longer to get approved before the funds actually  
9 go out into some of those programs.

10           We also have -- we have business parks  
11 and industrial parks that are being built and  
12 developed that might take, again, up to five  
13 years from when we make a commitment to when  
14 those funds are going out. Some of the older  
15 funds that we have are claw backs. So they may  
16 be funds that we provided to a company based upon  
17 job creation of a certain amount, that job  
18 creation didn't materialize for one reason or  
19 another, the economy, the company, you know,  
20 couldn't come through with the number of jobs for  
21 whatever reason, and we claw those funds back.  
22 And some of those funds are some of the older  
23 funds that you might see.

24           And we put those monies into two places.  
25 One, they go back into the job creation programs



1 that we fund, but we've also used some of that  
2 money -- if you remember, I talked last year a  
3 little bit about this. We've used some of that  
4 clawback money for apprenticeship programs,  
5 apprenticeship. And really, apprenticeships kind  
6 of outside of what Labor & Industry does, so  
7 mostly for pre-apprenticeships and things like  
8 that that aren't funded through the Federal  
9 programs.

10 REPRESENTATIVE OWLETT: So I was excited  
11 to hear you talk about workforce development.  
12 That is something that we hear when we go out to  
13 businesses in our district and all of across our  
14 Commonwealth, is that is the major issue.

15 Are any of these dollars, these old  
16 dollars being directed to -- I mean, probably the  
17 challenges that we had 10 years ago are different  
18 than the challenges we have today. Seeing that  
19 workforce development is one of those biggest  
20 challenges, to make sure that we are providing  
21 family-sustaining jobs that are key to the  
22 success of the Commonwealth, are any of those  
23 dollars being redirected to workforce development  
24 or could they be?

25 SECRETARY DAVIN: Yeah, absolutely.

1           Like I said, some of the clawbacks --  
2           some of the oldest money is really based upon  
3           clawbacks that are coming back into the  
4           Department based upon jobs that are not created  
5           for certain commitments that were made by our  
6           Department. So I think that money is going back  
7           into the apprenticeships and pre-apprenticeship  
8           programs. I think what we're doing right now is,  
9           the funding that we have that's lapsed that  
10          you're talking about, again, we can account for  
11          everything. These are, for the most part,  
12          commitments that we've made in programs that we  
13          have that are out there right now.

14                 So again, you know, from a time we make a  
15          commitment to a company, they make their final  
16          decision to either come to Pennsylvania or expand  
17          in Pennsylvania or an economic development  
18          organization makes the final commitments and buys  
19          the property, starts to develop the property, a  
20          lot of our funds are reimbursement funds. You  
21          know, until that time comes, you're going to see  
22          the lapses in some of our programs. So these are  
23          real commitments that we've made for real  
24          projects, but some of the older funds, again,  
25          like I said, we're utilizing for apprenticeship

1 and pre-apprenticeship funding because there's no  
2 other funding source for that.

3 REPRESENTATIVE OWLETT: One of the other  
4 areas that you talked about was childcare. And  
5 that probably wasn't as much of a problem 10  
6 years ago maybe, but now it is. We're seeing  
7 that kind of come about. Maybe that could be an  
8 area that we could look at.

9 SECRETARY DAVIN: Absolutely.

10 REPRESENTATIVE OWLETT: I also just  
11 wanted to put a plug in. We're working on some  
12 -- and maybe you and I could talk offline about  
13 this. We're working on an ideas to business  
14 seminar at Mansfield University. I look forward  
15 to trying to engage some new entrepreneurs in our  
16 area and give them the tools that they need to  
17 succeed and get their businesses launched. Maybe  
18 we could talk about that and see if that's  
19 something that we could --

20 SECRETARY DAVIN: Absolutely.

21 REPRESENTATIVE OWLETT: -- work on and  
22 could team up together on.

23 Thank you.

24 SECRETARY DAVIN: Thank you.

25 MAJORITY CHAIRMAN SAYLOR: Our next

1 questioner is Representative Sanchez.

2 REPRESENTATIVE SANCHEZ: Thank you,  
3 Mr. Chairman.

4 Mr. Secretary, thank you for being here  
5 today, and the fine work of the Department in  
6 attracting and supplementing our businesses here  
7 in Pennsylvania. Along those lines, I wanted to  
8 probe with you a little bit the Film Production  
9 Tax Credit. As you're aware, it's funded at \$70  
10 million. The amount of the tax credits available  
11 for eligible projects is equal to about a quarter  
12 of their qualified Pennsylvania production  
13 expenditures. It can -- it's used to offset  
14 Pennsylvania tax liability, and you can sell,  
15 assign, or transfer the credit to another entity.

16 And that's eligible up to 60 percent of  
17 the project's total production budget that's used  
18 for qualified Pennsylvania production expenses.  
19 Let me know if I got any of that wrong, but --

20 SECRETARY DAVIN: You did pretty well.

21 REPRESENTATIVE SANCHEZ: Thank you very  
22 much. Kudos to our staff here.

23 But in fiscal year 2018 to 2019, we're  
24 showing that 75 applications for the credit were  
25 received and 16 projects were approved.

1           what -- does that signal that, you know,  
2           there's only space for 16 projects in the  
3           utilization or there were, you know, the  
4           remainder of the projects were, for some reason,  
5           unsuitable, bad scripts? I mean, I don't know  
6           what level of detail you get into the Hollywood  
7           review of things, but --

8           SECRETARY DAVIN: Right. It's really a  
9           matter of having enough funding to do it. You  
10          know, we're -- we've been oversubscribed for the  
11          film tax credit for, you know, certainly, from  
12          what I remember in the past five-plus years of  
13          this administration, but even before that. And  
14          it's a matter of, you know, these films are going  
15          to go where the credits are. And New York has a  
16          really substantial program. Georgia has a  
17          substantial program, although they may be pulling  
18          back some of that right now.

19          You know, I'm a proponent of it. And I  
20          know that there have been studies that have been  
21          done that show that there's not much of a return.  
22          I'm not so sure that those studies took  
23          everything into consideration. And I think I may  
24          have talked about this the last couple of years.  
25          There's so much else that's involved in that.

1 When you see images of Philadelphia, Pittsburgh,  
2 other areas that have been on that are within  
3 these pictures or within these television  
4 productions, it's pretty compelling and there's a  
5 value to that that's not captured.

6 Also, when you're looking at television  
7 productions, especially, even more than a movie,  
8 some of these television productions through  
9 Netflix and Sony Pictures and other ones, you  
10 know, they're there for a year, maybe two, three,  
11 four years. That's compelling because that -- if  
12 you get enough of that, you know, you can really  
13 continue to build out this industry. There are a  
14 lot of people that are working in this industry.

15 I met some of the people in both  
16 Pittsburgh and Philadelphia that are working in  
17 this industry. And you know, we think that  
18 there's a great opportunity within this. Again,  
19 I understand where people are with respect to tax  
20 credits, sometimes tax credits in general, the  
21 return. But I think that you need to look at the  
22 whole -- I shouldn't say -- the whole picture  
23 when you're looking at this particular program  
24 because I think there's more to it than just  
25 simply the rate of return of State taxes to

1 Pennsylvania.

2           There are a lot of jobs that are out  
3 there as a result of this and there's a lot more  
4 that could be had if we could, you know, develop  
5 more robust film studios and bring more activity  
6 here.

7           REPRESENTATIVE SANCHEZ: You took the  
8 next question right out of my mouth when  
9 answering all of the questions on return on  
10 investment.

11           SECRETARY DAVIN: Yeah.

12           REPRESENTATIVE SANCHEZ: And I certainly  
13 agree there must be some multiplier effects for  
14 -- even, and especially in the topic we just  
15 discussed.

16           SECRETARY REDDING: And we --

17           REPRESENTATIVE SANCHEZ: -- with the  
18 previous questioner with tourism.

19           SECRETARY DAVIN: Right.

20           REPRESENTATIVE SANCHEZ: It would  
21 certainly, you know, generate people coming to  
22 see celebrities and the like and filming  
23 location.

24           SECRETARY DAVIN: We look at induced --  
25 when we're looking at job creation projects, you

1 know, manufacturing has -- we really want to  
2 promote manufacturing because it has a really  
3 incredible direct or indirect -- direct/indirect  
4 number of jobs -- and an induced number of jobs.  
5 And these are kind of the exponential effect of a  
6 job coming to a certain place for manufacturing.  
7 The film tax credit has the same thing, you know,  
8 probably not as robust as manufacturing, but it's  
9 up there. There are a lot of jobs that are there  
10 as a result of films being produced in  
11 Pennsylvania or television productions being  
12 produced in Pennsylvania, and that needs to be  
13 taken into consideration.

14 REPRESENTATIVE SANCHEZ: well, I  
15 certainly hope we can expand that and continue to  
16 look at it and keep that going. So thank you  
17 very much.

18 SECRETARY DAVIN: Thank you.

19 REPRESENTATIVE SANCHEZ: Appreciate it.

20 MAJORITY CHAIRMAN SAYLOR: Representative  
21 Struzzi.

22 REPRESENTATIVE STRUZZI: Thank you,  
23 Mr. Chairman --

24 Good morning, Secretary Davin.

25 SECRETARY DAVIN: Hey. Good morning.



1 How are you doing?

2 REPRESENTATIVE STRUZZI: -- and to your  
3 team. Thanks for being here today. I just want  
4 to say, first off, that I truly appreciate your  
5 efforts and some of the initiatives that you're  
6 putting forward, particularly related to  
7 workforce development. I also want to thank you  
8 for your help last year and in previous years for  
9 bringing Urban Outfitters to Indiana County. You  
10 know, that was a huge win for us and we're still  
11 trying to fill those good-paying jobs.

12 So again, we have to do everything we can  
13 to get people back into Pennsylvania,  
14 particularly in our rural communities, but as  
15 they say, it's not what you did for us yesterday,  
16 it's what are you going to do tomorrow. So I  
17 have a question related to the program, the  
18 partnerships for regional economic performance.  
19 In the budget proposal, the industrial resource  
20 centers and the program would each receive a \$2.5  
21 -million increase that would be under the  
22 Manufacturing PA appropriation. And then these  
23 moneys would be awarded competitively to  
24 communities that partner with institutes of  
25 higher learning.

1           And as you know, I have IUP in Indiana  
2 County, so I'd like to learn more about that  
3 program, how this is going to help small  
4 businesses in our communities, how it's going to  
5 help our rural communities.

6           And then, I also would like you to talk a  
7 little bit about the Federal opportunity zones.  
8 We don't hear too much about those, but I think  
9 that's really a tremendous opportunity to help  
10 some of our struggling communities. We have a  
11 Federal opportunity zone in Indiana and Indiana  
12 Borough, and I think we need to do more to kind  
13 of help people navigate through that process. So  
14 if you could talk about those two things, I'd  
15 appreciate it.

16           SECRETARY DAVIN: Sure. Absolutely. Thank  
17 you.

18           So the partners for regional economic  
19 performance do a great job. So they're our small  
20 business development centers, our industrial  
21 development organizations, our local development  
22 districts. And they do just a tremendous job of  
23 helping small businesses, developing small  
24 businesses through the SBDCs, and then local  
25 developing districts, everything that they do to

1 help promote development opportunities throughout  
2 their particular districts.

3 We thought long and hard this year. And  
4 in terms of -- we felt the need that a lot of  
5 these, you know, organizations needed to have  
6 increased support, but we're trying to do this in  
7 a way that -- we have good metrics and we can  
8 come back to you and show you what the need was  
9 and why we filled that need with this additional  
10 money.

11 So with the prep with the IRCs and then  
12 also with the Bens, as we mentioned, we would  
13 like to put this money out on a competitive basis  
14 and to hear from them what they need. We're big  
15 believers in we don't want to think about -- we  
16 have a lot of smart people in our Department, a  
17 lot of smart people that work in these programs.  
18 We don't want to develop a program, develop the  
19 guidelines, and then throw it out there to the  
20 community and say, okay, you have to qualify  
21 within these guidelines. We would much rather  
22 that, you know, we hear from those organizations  
23 what is important, what is important to you, what  
24 do you need to -- what do you need us to do  
25 within the parameters of these particular pots of

1 funds and these programs.

2 It has worked tremendously in the  
3 Manufacturing PA, where it was a flexible source  
4 of funding that businesses were coming to us,  
5 organizations were coming to us saying, this is  
6 specialized training that there's no other  
7 program for. There's certainly no other program  
8 on the Federal level, but there's no other  
9 program for, so we need \$100,000 or \$150,000 for  
10 this particular program. And here's what we're  
11 going to do with that.

12 So that has been an incredible thing that  
13 Deputy Secretary Kilko and her staff have been  
14 working on, but we're hearing directly from the  
15 folks out there. So we want to do the same thing  
16 with prep, the partners for regional economic  
17 performance, and we want to do the same thing  
18 with the industrial resource centers and the Ben  
19 Franklins. So that's kind of that pot of funds.  
20 So we want to see what they come up with, what  
21 they think about.

22 It's going to create some competition. I  
23 get that. Sometimes that's good, sometimes  
24 that's not good. But we think what's going to  
25 come out of there really is what is needed in

1 2020 right now to fulfill their mission.

2 In terms of the opportunity zones, to be  
3 honest with you, I think the jury is still out on  
4 that. I think we're getting ready to get, I  
5 think, final regulations soon, right, within the  
6 next month in March from the feds, which is great  
7 so. We'll get a little bit more direction from  
8 feds. We've not seen -- I'm part of an  
9 organization of commerce secretaries around the  
10 country that, you know, we get together once or  
11 twice a year and there hasn't been a lot of  
12 opportunities within the opportunity zones just  
13 yet. And I think because the regulations have  
14 been rolling out kind of slowly, you know, it is  
15 very well meaning and it could be tremendous  
16 impact.

17 All you need to do is you need to look at  
18 the city of Erie and what Erie has done. And  
19 they are -- they're not only first movers in  
20 Pennsylvania, but they're first movers in the  
21 United States in terms of what they've done to  
22 take advantage of this particular program. And  
23 because of that, Erie Insurance committed \$50  
24 million to their opportunity zone fund, which is  
25 absolutely incredible, which is what we want.

1           But I think they need to -- we need to  
2           have these final regulations to see where it's  
3           going to go. We have a gentleman within our  
4           Governor's Action Team that monitors this, that  
5           goes out and promotes the program, that goes out  
6           and provides answers to questions, the answers  
7           that we can get from the feds right now, to the  
8           question -- to the questions that are out there.  
9           And we think that it could be very, very  
10          compelling.

11           We're hoping that other cities and  
12          communities within Pennsylvania kind of take  
13          Erie's lead because they've done such a great job  
14          on this program.

15           REPRESENTATIVE STRUZZI: I appreciate  
16          that. I see we're out of time, but I would  
17          encourage you to, you know, provide as many  
18          resources to help local communities navigate  
19          through the Federal opportunity zones. There's a  
20          lot of questions, and hopefully the, you know,  
21          additional regulations will help, but I think we  
22          need to promote those more and guide people  
23          through the process. So thank you.

24           SECRETARY DAVIN: Thank you.

25           MAJORITY CHAIRMAN SAYLOR: Our next

1 questioner is Representative Krueger.

2 REPRESENTATIVE KRUEGER: Thank you,  
3 Mr. Chairman.

4 Thank you, Mr. Secretary, for joining us  
5 here today.

6 SECRETARY DAVIN: Absolutely.

7 REPRESENTATIVE KRUEGER: I want to ask  
8 some questions about tax credits this morning.  
9 Your Department administers over a dozen tax  
10 credit programs.

11 How much are we planning to spend on tax  
12 credits in this coming budget year?

13 SECRETARY DAVIN: Wow. You know, I can  
14 certainly get that number to you. There -- it's  
15 pretty compelling. I mean, we have funding  
16 through the education improvement tax credit, the  
17 opportunity scholarship tax credit, the Keystone  
18 Innovation Zone tax credit. There's Keystone  
19 Opportunity Zones, there's the job creation tax  
20 credit, a variety of them. And we can get you  
21 that information. I don't have the total amount  
22 right now on the top of my mind right now.

23 REPRESENTATIVE KRUEGER: So I looked  
24 through your budget book myself and tried to add  
25 up the numbers. Some of these programs are

1 allocated a certain dollar amount and a cap, and  
2 others appear to be uncapped. I counted up over  
3 \$400 million in tax credits that we're expecting,  
4 and the number could actually be higher, given  
5 some of the programs are uncapped.

6 So there are some concerns that while  
7 most of these tax credits require some sort of  
8 job creation, we don't actually have independent  
9 verification requirements to show that the jobs  
10 that are required have been created. There's no  
11 outside entity that comes in and says, yes, you  
12 are awarded a credit of this many dollars. And  
13 in the end, you were responsible for creating X  
14 many jobs, and here's the proof that you did it.

15 SECRETARY DAVIN: Yeah. In some cases --  
16 for tax credit, right.

17 REPRESENTATIVE KRUEGER: Right. And even  
18 more concerning, there was a grand jury report in  
19 December of last year. I know your Department  
20 fully cooperated, but it showed that there were  
21 some individuals who were living in Hong Kong who  
22 received \$10.6 million of Pennsylvania tax  
23 credits and then sold them for over \$6 million.  
24 That's concerning because tax credits are still  
25 spending. These are taxpayer dollars that are



1 going out, ostensibly, to spur economic  
2 development, but we're still responsible for the  
3 taxpayers on the outcomes.

4 So how can we make sure that never  
5 happens again?

6 What changes has your Department put in  
7 place to make sure that tax credits are being  
8 used responsibly and not being sold for cash in  
9 Hong Kong?

10 SECRETARY DAVIN: Yeah. That was -- that  
11 was a really bad thing that happened that our  
12 staff identified and took to the Attorney  
13 General, along with the staff of the Department  
14 of Revenue. And I think that, you know, we have  
15 -- there were a number of recommendations that  
16 were made by the grand jury that we've  
17 accommodated and took into consideration and are  
18 actually putting through right now.

19 Prior to even the grand jury coming up  
20 with that, we've worked with the Department of  
21 Revenue and our Keystone Innovation Zone  
22 coordinators to look at changes that we can make.  
23 One of the changes -- one of the biggest changes  
24 is the fact that through one of the previous  
25 administrations, the Keystone Innovation Zone

1 coordinators were no longer paid for the work  
2 that they do. So that's a big one.

3 And then, follow-up activity and  
4 follow-up reviews with these particular companies  
5 to make sure that we do that. But you're  
6 absolutely right. Every -- and all the different  
7 tax credits, there are a variety of different tax  
8 credits, variety of different programs, variety  
9 of different regulations that are set forth in  
10 legislation. And we've looked at a number of  
11 them to make sure that we're doing our part  
12 within the law to make sure that we're complying  
13 with the law and utilizing these tax credit  
14 programs the right way and making sure that the  
15 folks that are taking advantage of these tax  
16 credit programs are utilizing them the right way.

17 Again, as you mentioned, you know, we can  
18 give a ballpark on what the tax credits would be  
19 for this year, but sometimes the tax credits  
20 aren't utilized, sometimes they are utilized.  
21 Sometimes we don't know what that amount is going  
22 to be, like with the job creation tax credits.  
23 Sometimes with the job creation tax credits,  
24 they're getting sunsetted this particular year,  
25 but it is really based upon legislation and what

1 we're allowed to do and what we're required to do  
2 within the legislation. And that's what we're  
3 trying to maintain and do to the best of our  
4 ability.

5 REPRESENTATIVE KRUEGER: Are there any  
6 legislative changes that you would suggest that  
7 we introduce to make sure that there's more  
8 accountability, specifically around job creation  
9 metrics?

10 SECRETARY DAVIN: There are. There are.  
11 And we'll get that information to you. We've  
12 actually started to work on that with the  
13 Governor's Office, in terms of some of the  
14 particular job creation projects and some of the  
15 tax credits, to make sure, you know, that we have  
16 legislation. For example, to have enough time to  
17 review. You know, some of the legislation may  
18 prescribe that we have a certain amount of review  
19 time, and it may not be enough.

20 You know, so those are the types of  
21 things that we've made some suggestions and we  
22 plan on working with the Governor's Office and  
23 getting that to the legislature.

24 REPRESENTATIVE KRUEGER: So I'll plan a  
25 follow-up with your office on this again. We

1 need more accountability for these tax credits.  
2 I'm fully supportive of spurring on economic  
3 activity in Pennsylvania, especially with  
4 businesses that are locally owned and homegrown,  
5 but we need to make sure that there's  
6 accountability.

7 Thank you, Mr. Secretary.

8 SECRETARY DAVIN: Thank you.

9 MAJORITY CHAIRMAN SAYLOR: Representative  
10 DeLozier.

11 REPRESENTATIVE DELOZIER: Thank you,  
12 Mr. Chairman.

13 Thank you all for being here to answer  
14 some questions that we have. I just wanted to  
15 clarify one thing that was asked earlier with one  
16 of my colleagues. They asked about the \$6  
17 million for the tourism and the tax that had come  
18 through the Tourism Promotion Fund and the  
19 estimated possibly \$6 million.

20 Did that include Airbnbs? Are those the  
21 ones that we're trying to get the taxes on, the  
22 Airbnbs, also included in that \$6 million  
23 estimation?

24 SECRETARY DAVIN: I don't know for sure.  
25 I think it is. Yeah. Yes, it is.

1           REPRESENTATIVE DELOZIER:  It is?

2           SECRETARY DAVIN:  Yes.

3           REPRESENTATIVE DELOZIER:  Okay.  I just  
4 wanted to make sure.

5           We have -- in our local area that work on  
6 tourism, as well as business development, so they  
7 were curious about that.  So I just wanted to ask  
8 you for that clarification.  So thank you.

9           The other issue that I have that I wanted  
10 to ask for clarification, because I didn't know  
11 how it operated, is in dealing with the large  
12 issue that we've had in the legislature, dealing  
13 with state closures and the ability for  
14 communities and the impact that they may have.  
15 And obviously, your agency is very determined to  
16 have economic development.

17           And when you have closures like that,  
18 sometimes that does the opposite, but the  
19 Transition Fund that was established in order to  
20 work with local communities, can you explain  
21 exactly how that works?  Do they have to apply  
22 for that?

23           Is there a cap that municipality can ask  
24 for, as well as the fact of is it just the host  
25 community or is it a regional thing where those

1 that are affected, you know, not just the local  
2 borough, but also the surrounding communities can  
3 ask for help, as well?

4 SECRETARY DAVIN: Right. Right. That's  
5 a great question. And I think right now, a lot  
6 of that is to be determined. We're looking at it  
7 really from a county wide perspective --

8 REPRESENTATIVE DELOZIER: Okay.

9 SECRETARY DAVIN: -- for the most part.  
10 You know, so how the county is affected because,  
11 again, when you have a prison closing, when you  
12 have another time of a State institution closing,  
13 there's an effect not just in that particular  
14 town or whatever, but far -- it could be far  
15 reaching. And that's really what we're looking  
16 at.

17 So we believe that that would be  
18 something that would be utilized specifically  
19 with the county organizations, the cities within  
20 which they're located, and also other  
21 organizations that need to come together to say  
22 here are some of the things that we need. We  
23 need job training programs. We need -- we need  
24 to be able to look at what we do with that  
25 particular property, you know.

1           Is there a higher and better use for that  
2 particular property? Is there demolition that  
3 would need to take place?

4           You know, we'll work with the Department  
5 of General Services on some of those things, too,  
6 but we really -- that's kind of the idea.

7           REPRESENTATIVE DELOZIER: Okay.

8           SECRETARY DAVIN: For example, there may  
9 be -- there are situations where prisons are  
10 closing --

11          REPRESENTATIVE DELOZIER: Right.

12          SECRETARY DAVIN: -- and that prison  
13 provides funding to water systems or sewer  
14 systems, you know. That is going to go away  
15 after that closing. So that --

16          REPRESENTATIVE DELOZIER: It might be the  
17 largest customer in that --

18          SECRETARY DAVIN: Exactly, the largest  
19 customer. And so those things need to be taken  
20 into consideration. And the idea is to have  
21 funding that's set aside to help mitigate some of  
22 those issues that are coming up, to do studies,  
23 to do some support, but the other thing is that I  
24 don't want anybody to think that, you know, that  
25 would be the only funding that would be put in

1 place because we have other programs and these  
2 are things that we look at all the time.

3 So if there is a higher and better use  
4 for a facility, you know, we have programs  
5 through Pennsylvania First, through Business in  
6 Our Sites, through a variety of other sources,  
7 Keystone Communities that we can utilize along  
8 with these particular funds, but these particular  
9 funds are really designated for those communities  
10 that are most effected, these counties that are  
11 most effected.

12 REPRESENTATIVE DELOZIER: And it can be  
13 any particular State institution. So we talked  
14 about the Polk Center, the White Haven Center,  
15 the Governor has chosen, you know, made the  
16 decision to shut down. We've had prisons that  
17 have shut down and we've transferred over to  
18 other prisons. So it doesn't matter what type of  
19 facility it is, it's simply the fact -- and then,  
20 the other question would be, can a community --  
21 how long does that assistance last?

22 Is it just one and done, that they get a  
23 certain amount, and is there a cap on what a  
24 community can receive?

25 SECRETARY DAVIN: No. We haven't even



1 developed that --

2 REPRESENTATIVE DELOZIER: Okay.

3 SECRETARY DAVIN: -- any guidelines or  
4 anything like that. The idea is that we put a  
5 number in the budget this year of \$5 million. We  
6 think that that's -- it's an appropriate number  
7 right now. The number next year may be more. It  
8 may be less. We just don't know.

9 REPRESENTATIVE DELOZIER: Okay.

10 SECRETARY DAVIN: It's based upon what  
11 the need is out there, but I can tell you this.  
12 And you know, if you've worked with our staff in  
13 our Department, our staff doesn't walk away from  
14 these situations. And if communities are in need  
15 of help, it's not going to ever be one and done.  
16 We're going to continue to come back. And I  
17 think that we've proven that in a lot of your  
18 particular districts that we're in every single  
19 day.

20 REPRESENTATIVE DELOZIER: Thank you. And  
21 the last question is the fact of will there be  
22 performance measures to understand exactly are  
23 these dollars doing what they need to be doing  
24 with those particular communities, as I  
25 mentioned?

1           We can pour in the \$5 million, you know,  
2           into these different communities, but are we  
3           actually developing other types of businesses or  
4           what those dollar results are?

5           SECRETARY DAVIN: It could be. It could  
6           be. I think it's unknown right now in terms of  
7           exactly how that's going to go out, how the  
8           funding is going to go out. But we believe that  
9           there are going to be metrics that are going to  
10          be done. We have to do that for the legislature.  
11          We really believe that that's critical for us to  
12          do.

13          REPRESENTATIVE DELOZIER: That tells a  
14          good story. Okay. Thank you very much.

15          MAJORITY CHAIRMAN SAYLOR: Representative  
16          Comitta.

17          REPRESENTATIVE COMITTA: Thank you,  
18          Mr. Chairman.

19          Good morning, Mr. Secretary, and your  
20          very capable team. As former mayor of West  
21          Chester and current Representative in our  
22          community, I want to thank you for the many years  
23          and many ways that DCED has helped West Chester  
24          redevelop economically and historically and our  
25          cultural resources and so on. We are a thriving

1 community today, and you have been a wonderful  
2 partner. So thank you for that.

3 SECRETARY DAVIN: Thank you.

4 REPRESENTATIVE COMITTA: I'm really  
5 interested in learning about the August 2009  
6 Brookings Institution Report. They instituted an  
7 independent study called Ideas for Pennsylvania  
8 Innovation, Examining Efforts by Competitor  
9 States and National Leaders. And this study  
10 looked at spending by State and local  
11 governments. And in short, it showed that  
12 Pennsylvania is missing out on job and economic  
13 growth as it falls behind other States in  
14 investing in innovation.

15 And while we welcome very much the  
16 Governor's proposed increase to innovations  
17 support funding, I'd like to know what do you  
18 think -- what else can we do to help identify  
19 creative ways to bring additional resources, both  
20 public and private, to the innovation agenda for  
21 Pennsylvania.

22 SECRETARY DAVIN: That -- there's a lot  
23 to that, what you're asking. You know, we took  
24 that report to heart. We don't read every report  
25 that comes out. We can't because there's so

1 many. That was very compelling to us, and I  
2 think, you know, we've heard from certainly the  
3 folks in Philadelphia and Pittsburgh and our Bens  
4 and other places that, you know, we need to do  
5 more. And I think that's what you're seeing  
6 within this budget, that we're trying to do more,  
7 but we're also -- we don't want to do this in a  
8 way where we are prescribing what needs to be  
9 done.

10 We want to take suggestions and ideas  
11 from the folks that are on the ground that see  
12 what the issues are because it's very, very  
13 important. So I think from our perspective, you  
14 know, we don't want to just, you know, provide to  
15 the legislature, you know, a request for money  
16 and, you know, not have that -- and us prescribe  
17 everything that's going to be done with that  
18 funding.

19 We want to community to come back to us  
20 with what they think the need is for those  
21 particular funds. And that's why you're seeing  
22 the increases in the Bens. That's where you're  
23 seeing the increases in some of the other  
24 industrial resource centers and some of the other  
25 ones to help take advantage of that. You know,

1 is it enough, we think so right now. You know,  
2 we'd love to have more, obviously, and we'd love  
3 to continue to have more, but we're respectful of  
4 the budget process.

5 I don't know how many times I'm going to  
6 say that, but you know, he's always looking at me  
7 to make sure I say that.

8 But we're respectful of the budget  
9 process, and we want to make sure that we're  
10 doing that. You know, I think that in terms of,  
11 you know, what we're trying to do and what we're  
12 trying to, you know, make sure that we -- we want  
13 to be much more competitive from that standpoint  
14 with our other communities.

15 I was in the UK a few months ago. And  
16 part of that was to promote Pennsylvania as a  
17 landing point for companies, technology companies  
18 and other companies, to come to Pennsylvania,  
19 rather than what they only know in the UK and in  
20 Ireland. They know Boston. They know Washington  
21 D.C., and they know New York City, and that's it.  
22 They think that is where the United States begins  
23 and ends, maybe San Francisco.

24 But we think we can make a compelling  
25 story here to do that. So it's really

1 competitive, but we have to put funding towards  
2 that. You mentioned private funding. You know,  
3 we think that this would go a long way -- and we  
4 think we're going to get some suggestions from  
5 some of our Ben Franklin partners on ways that we  
6 can put this funding out there to help attract  
7 private capital. That is really what it's --  
8 what a lot of this is about, too. Boston has it.  
9 San Francisco has it. We need to do a better job  
10 of getting it here.

11 REPRESENTATIVE COMITTA: Mr. Secretary, I  
12 would also sort of circle back to the  
13 universities and the connection with the Bens and  
14 your Department. When I was mayor, Mayor Vilello  
15 and I learned that if you are a community with a  
16 university in it, whenever you have a problem,  
17 the first question you should ask is, I wonder  
18 how our university can help us?

19 So in this particular need, the world is  
20 changing rapidly, Pennsylvania has a wealth of  
21 universities, and they've already engaged in all  
22 of your entrepreneurial, innovation economy, but  
23 I wonder how our universities can help us become  
24 competitive in the innovation industry. We have  
25 the talent. I know we can do it, and I'll bet

1 the universities and all of those young people  
2 can help.

3 SECRETARY DAVIN: That's the idea. I  
4 think there needs to be that connection.

5 I think one of the other questions that  
6 came up was about that connection, how is that  
7 relationship? And it's a critical connection  
8 that we have to continue to maintain.

9 REPRESENTATIVE COMITTA: Thank you very  
10 much.

11 SECRETARY DAVIN: Thank you.

12 MAJORITY CHAIRMAN SAYLOR: Mr. Secretary,  
13 I've got to tell you, you can beat your chest  
14 proudly that -- I think the members of the  
15 General Assembly on both sides of the aisle  
16 appreciate when secretaries respect the General  
17 Assembly and follow the budget process. I'm very  
18 proud of you guys that you have. I mean you, as  
19 anybody, also want more money, and you're always  
20 welcome to ask, but I'm very proud of the  
21 secretaries who follow what the General Assembly  
22 does and listens to what we recommend in the  
23 budget process.

24 So you can continue to brag about the  
25 fact that you respect the budget process because

1 we're very proud that those secretaries who do  
2 follow that and listen to the members who are  
3 here representing their constituents from all  
4 walks of life, so thank you.

5 SECRETARY DAVIN: Thank you.

6 MAJORITY CHAIRMAN SAYLOR: We'll move on  
7 to Representatives James.

8 REPRESENTATIVE JAMES: Morning,  
9 gentlemen.

10 Thank you, Mr. Saylor.

11 I'd like to talk a little bit of policy,  
12 if I may here this morning, in regard to what I  
13 will call -- let me think of what the proper  
14 terminology is, census outreach. Quoting a  
15 couple of lines from the Act 77 of 2019, quote,  
16 the Department of State may utilize up to \$4  
17 million of funds not expended, encumbered, or  
18 committed from appropriations from the General  
19 Fund. Those are hard to find, dollars that are  
20 not expended. It has to be spent by fiscal year  
21 ending July 1, 2020.

22 So my first question would be, could you  
23 describe how the responsibility for that \$4  
24 million devoted to the census count migrated from  
25 the Department of State to the Department of



1 DCED, please?

2 SECRETARY DAVIN: I can't -- no, I can't.

3 what I can tell you is we -- the funding  
4 is located in DCED right now, and we're doing  
5 everything we can to allocate those funds the  
6 right way. We can talk about, you know, how the  
7 funds are going to be spent if that's part of the  
8 question.

9 REPRESENTATIVE JAMES: I'll get there.

10 SECRETARY DAVIN: Okay.

11 REPRESENTATIVE JAMES: All right. Okay.  
12 Well, that's an interesting answer.

13 At this point, have you any dollars left  
14 of that \$4 million? Has its all been spent or a  
15 portion of it?

16 SECRETARY DAVIN: Yes, we have money left  
17 over. We have money right now, but I think that  
18 still needs to be allocated. Is that --

19 REPRESENTATIVE JAMES: That's a great  
20 segue into my next question, then.

21 SECRETARY DAVIN: All right.

22 REPRESENTATIVE JAMES: Let's do that.

23 SECRETARY DAVIN: Okay.

24 REPRESENTATIVE JAMES: Which is, how you  
25 are going to ensure that the complete census

1 count actually takes place in every county in the  
2 Commonwealth of Pennsylvania.

3 SECRETARY DAVIN: Okay. Thank you. I'd  
4 like Neil Weaver to answer that.

5 EXECUTIVE DEPUTY SECRETARY WEAVER: Thank  
6 you, Representative.

7 We take very seriously the amount of  
8 money that we had and to use it as responsibly as  
9 possible. Four million dollars, we've stretched  
10 for media buys, all avenues of media, and we've  
11 been very creative working with all agencies,  
12 State agencies, to have them involved. We've  
13 also done a number of materials and things,  
14 hospital waiting rooms, a full press for every  
15 county.

16 And so we believe it's really important,  
17 obviously. We're going to lose \$2100 for every  
18 person that's not counted. We identified the  
19 hard-to-reach populations, and we set up the  
20 website, and we've been criss-crossing the State  
21 with the Complete Count Commission to make sure  
22 that we're in all 67 counties.

23 REPRESENTATIVE JAMES: I'd like to  
24 emphasize something you just said for really  
25 everyone in the room and anyone listening to our

1 proceedings today. In the last census count, 10  
2 years ago, less than 80 percent of the citizens  
3 of Pennsylvania responded to the count. And I  
4 believe it -- if I may quote you, each citizen  
5 who didn't respond cost the Commonwealth of  
6 Pennsylvania \$2,100 of Federal aid every year for  
7 10 years. Now, if that should take place again,  
8 we're talking roughly 2.5 million Pennsylvanians.  
9 You can do the math. It's a significant number  
10 of dollars from Washington D.C.

11 So shameless plug, I encourage you to  
12 continue your efforts. And please make sure that  
13 we do far better than 80 percent across the both  
14 urban and rural Pennsylvania. A term I question  
15 then -- thank you very much for those responses.  
16 And since I have just a little time left, I want  
17 to circle back to some commentary that was made  
18 about a \$5-million ask, if you will, to be used  
19 to bolster economies of municipalities, where  
20 centers, prisons, those sorts of things are  
21 closed.

22 I made a fair -- a couple of fairly  
23 impassioned speeches about the wisdom of  
24 remaining Polk Center and White Haven. I won't  
25 try to repeat all of those, but I do want to say

1 that \$5 million is great. We appreciate the  
2 thought, but we had a study by an economic  
3 development organization with a 25-year  
4 successful history, and the actual impact to Polk  
5 Center -- or excuse me, to Polk Borough and the  
6 three counties surrounding is \$134 million every  
7 year. So \$5 million, one and done, isn't going  
8 to do it. I just want to get that on the record.

9 Thank you very much for your responses,  
10 gentlemen.

11 MAJORITY CHAIRMAN SAYLOR: Representative  
12 Gabler.

13 REPRESENTATIVE GABLER: Thank you very  
14 much, Mr. Chairman.

15 And Mr. Secretary, it's a pleasure to  
16 spend some time with you this morning. I wanted  
17 to talk to you a little bit about a proposal that  
18 has come through the legislature and something  
19 that we're currently working on. It's the energy  
20 and fertilizer manufacturing tax credit. And it  
21 is designed to incentivize manufacturers to come  
22 to Pennsylvania and make big investments in  
23 creating jobs to use the plentiful natural gas  
24 resources that our State has been blessed with.

25 It would require companies to invest at

1 least \$450 million in our state and create 800  
2 full-time equivalent jobs in Pennsylvania in  
3 order to qualify for the credit. This proposal,  
4 which is contained in HB 1100 passed with broad  
5 bipartisan majorities in the House and Senate and  
6 it's currently waiting to go to the Governor's  
7 desk. Some have questioned the cost of such a  
8 proposal, but the proposal is designed in such a  
9 way that it will enable it to be a net benefit to  
10 our State, our economy, our tax revenues, our  
11 economy, and ultimately our workers.

12 The tax revenue we would receive from an  
13 operation that invests \$450 million in our State  
14 and creates at least 800 jobs is huge. In  
15 comparison, the tax credit is small, but it's  
16 enough of an incentive to get them to create  
17 opportunities for Pennsylvanians instead of  
18 locating in other States. Labor unions have been  
19 some of the biggest supporters of this proposal  
20 because they know that it will bring in  
21 high-paying jobs that, otherwise, we know  
22 wouldn't come here.

23 We know that the cracker plant in Beaver  
24 County has been a huge boost to the economy of  
25 western Pennsylvania. And you and the Governor

1 have been great champions and great supporters of  
2 the success story that we've seen in Beaver  
3 County. And I believe there's broad agreement  
4 that HB 1100 would create opportunity for similar  
5 success stories beyond the boundaries of Beaver  
6 County and across the whole Commonwealth.

7 So with that being said, I wanted to ask  
8 if you could share any thoughts on this proposal  
9 as it makes its way to the Governor's desk, and  
10 if you've had any opportunity with you and your  
11 team at DCED to make any input on this proposal?

12 SECRETARY DAVIN: Sure. If you wouldn't  
13 mind, I'd like to speak a little bit more broadly  
14 about the activities that we take -- that have  
15 taken place that we've been involved in related  
16 to energy. And this is really based upon working  
17 with Royal Dutch Shell 5-plus years ago right  
18 now, before they made their final investment  
19 decision. We thought that -- we were pretty sure  
20 they were going to make their final investment  
21 decision.

22 The incent that was a big part of why  
23 they made their final investment decision, not  
24 the only part, probably not the most important  
25 part -- definitely not the most important part --

1 but it was definitely a part. And I think from  
2 our standpoint, we wanted -- we thought that that  
3 was going to happen. We wanted to take advantage  
4 of that opportunity by looking at other  
5 downstream uses of not so much ethane -- not just  
6 ethane, but other natural gas liquids and  
7 methane.

8 We started going to Texas. We go to  
9 Texas probably two or three times each year,  
10 Houston, San Antonio, Dallas. And then, in some  
11 cases -- this year, I think the World Petro  
12 Chemical Conference is in New Orleans. And we go  
13 there and we make a pitch for Pennsylvania to the  
14 point where five years ago we started doing that  
15 and talking about Shell, and the response we got  
16 back was Shell will never make that decision,  
17 Shell will never build anything in Pennsylvania.  
18 There was no reason to think that Pennsylvania  
19 will get anything out of the petrochemical  
20 industry. You'll just ship that product to the  
21 Gulf Coast.

22 And that was after a bunch of laughter  
23 when we started talking about what Pennsylvania  
24 had to offer. They're not laughing anymore  
25 because Shell made the decision. We're down

1       there promoting Pennsylvania, promoting the  
2       opportunities. We're talking to a number of  
3       companies that are interested in coming here to  
4       do either ethane crackers, which we've done a  
5       study that says that this shale play could  
6       accommodate four additional ethane plants, one of  
7       which would be in Ohio and then the others in  
8       Pennsylvania. So additional -- three additional  
9       ones in Pennsylvania.

10               we've talked to other companies that are  
11       interested in doing that. We've also talked to  
12       companies like fertilizer companies, other  
13       manufacturers. So we think that, you know, just  
14       in and of itself, having some type of incentive  
15       package would be a great thing. I think from the  
16       Governor's perspective, which we looked at with  
17       HB 1100 is that there may be some changes that  
18       need to be taken place as a result of HB 1100,  
19       that we're looking at right now, you know, that  
20       might make it a little bit more broad.

21               It might -- to be honest with you, we're  
22       not just looking at fertilizer. I'm not sure  
23       that should even be in the name, but it should  
24       be, you know, something else. There's a huge  
25       opportunity here for hydrogen energy that is made



1 with natural gas, made with methane, and provides  
2 no emissions when it's utilized in cars. You  
3 know, there are some areas in Pennsylvania -- Air  
4 Products is developing that technology right now,  
5 a Pennsylvania company.

6 REPRESENTATIVE GABLER: And if I could,  
7 just because I'm running low on time, I want to  
8 make sure that what we have right now is a  
9 proposal that has been crafted with an eye  
10 towards geographic diversity across the State,  
11 opportunities all over the place, to actually  
12 take another angle on a product we have in the  
13 State, you know, petrochemical or the Shell  
14 cracker is one angle on it. This is another  
15 angle on it, and we've got it on its way to the  
16 Governor's desk.

17 The concern that I would express is that,  
18 as you know, the legislature, by our State  
19 Constitution, has to reset every session. And so  
20 to reset the clock on this and go back to the  
21 drawing board on a proposal, there may not be  
22 time to get something like that done, but this  
23 right here, where we've had such engagement from  
24 the labor community, such engagement from folks  
25 across the State to say we want this and we know

1 that it will be a net economic benefit, is this  
2 something that we can get behind, is this  
3 something that we can actually make happen, and  
4 then clean up maybe the -- maybe some fixes later  
5 if there's more tweaks needed.

6 SECRETARY DAVIN: Right. I think we're  
7 in the process of -- and we've looked at it, and  
8 we think there are some tweaks that needed. We  
9 don't think it needs to be reset. We definitely  
10 don't think anything needs to go back to the  
11 drawing board, but we need to take a better look  
12 at it.

13 We think it could be more broad. We  
14 think there are some changes that could be made  
15 to the legislation that it could be much more  
16 useful in being utilized by us when we're selling  
17 Pennsylvania to these types of companies. We  
18 know that there's one company in particular that  
19 is looking at this particular legislation. The  
20 idea is not to just, you know, develop this for  
21 that one company, but to develop it for a whole  
22 industry.

23 And that's what we're trying to do here.  
24 We're trying to develop out this particular  
25 industry. So we appreciate that. And the

1 legislature and that particular legislation, we  
2 just think that it could be developed a little  
3 differently. And I think, you know, we're  
4 working with the Governor's Office on that now.

5 REPRESENTATIVE GABLER: And I know I'm  
6 out of time, but I would just urge that by  
7 signing this bill and getting it over the goal  
8 line, we can then engage in making it broader,  
9 but I think the incremental approach is the sure  
10 enough way to get things done. I'm afraid if  
11 this bill is vetoed, we're going to be back to  
12 the drawing board and maybe see nothing. So I  
13 appreciate the opportunity to engage with you.

14 And I thank the Chairman for the  
15 opportunity. Appreciate it.

16 MAJORITY CHAIRMAN SAYLOR: We've also  
17 been joined today by Representative Diamond who's  
18 here, who's also not a member of the Committee,  
19 but here to observe.

20 Next questioner is Representative Gainey.

21 REPRESENTATIVE GAINNEY: Yeah, just a  
22 quick question. As we talked about some of the  
23 harder population to be able to reach during the  
24 census, was wondering if you were working with  
25 any other agencies, particularly around criminal

1 justice, to get people that might be on probation  
2 and parole, registered with the U.S. Census,  
3 understanding that they have, you know, there's  
4 some skepticism around doing anything that allows  
5 them to have their information out there.  
6 They're a little bit leery about it. They're the  
7 hardest ones to reach.

8 It's not like just going to their door,  
9 knocking on their door and asking them, would you  
10 sign up for the U.S. Census. And they're already  
11 leery and skeptical, already walking around with  
12 different stereotypes and stigmas on their backs.

13 Has there been a strategy in place to  
14 talk about how you reach these people to let them  
15 know this is all about being counted and removing  
16 some of the fears and barriers that they have to  
17 signing up for the U.S. Census?

18 EXECUTIVE DEPUTY SECRETARY WEAVER: Yeah.  
19 Absolutely, Representative. That was one of our  
20 first priorities, to make sure that we were doing  
21 that, in addition to establishing the  
22 hard-to-count populations, this being one of  
23 them.

24 If you look at every one of the pieces of  
25 literature that come out regarding census,

1 everyone talks about safety and that their  
2 information will not be shared. It's in law that  
3 it's not going to be shared, and we understand  
4 that that's, you know, people would be very leery  
5 of that. But when we're out with the Complete  
6 Count Commission, we've been talking to all local  
7 governments and all the agencies that we can to  
8 keep stressing that. And it's a tough one to do,  
9 but we've been working on that as a strategy.

10 REPRESENTATIVE GAINNEY: But is there  
11 anyone on the ground level that is connected to  
12 this targeted population that you're working with  
13 that can really be of benefit to getting the  
14 numbers to, when we talk about the U.S. Census?

15 Because people usually are better -- take  
16 better direction and understanding when it's  
17 coming from a group of people that's been  
18 impacted like they've been impacted. And I think  
19 that's a -- we know, in the State of  
20 Pennsylvania, that's a large number. And I just  
21 want to make sure we're capturing that in terms  
22 of, strategically, how we're reaching that group?

23 EXECUTIVE DEPUTY SECRETARY WEAVER: We  
24 absolutely are. And we can sit down a little bit  
25 and talk about who we've been talking to. The

1 Complete Count Commission is representative of  
2 all the state and all the undercounted people in  
3 Pennsylvania. So we also are working with  
4 Corrections, Parole, and others to make sure that  
5 we're reaching everybody. We'd be glad to sit  
6 down and talk about any other ideas that you have  
7 that we might not be -- we might not be getting.

8 REPRESENTATIVE GAINNEY: Okay. Thank you.

9 MAJORITY CHAIRMAN SAYLOR: Representative  
10 Dunbar.

11 REPRESENTATIVE DUNBAR: Thank you,  
12 Mr. Chairman.

13 And first off, Secretary, I did want to  
14 thank you personally for spending some time with  
15 my daughter at the ribbon cutting that we did  
16 together in Representative Ortity's district.  
17 For all the other members, we cut a lot of  
18 ribbons, but it's a different aspect when your  
19 daughter actually built the building that you're  
20 cutting the ribbon at. So I thank you for  
21 spending time with her there.

22 A couple things I wanted to clarify.  
23 First off, we had -- I heard a little bit of  
24 discussion about the film tax credit and maybe  
25 not being so happy with the results. I did want

1 to remind everybody that that was a calculation  
2 that was performed by the Independent Fiscal  
3 Office based upon accepted principles in  
4 calculating return on investments. And it was  
5 voted on by everybody on the Board, which was a  
6 unanimous vote, including the Budget Secretary.

7 I also wanted to note that the -- in  
8 discussions that Representative Topper had on  
9 Invent Penn State, the \$2.35 million -- Penn  
10 State is presently paying that, isn't it? That  
11 is correct, it's coming out of their -- they're  
12 already spending those dollars?

13 SECRETARY DAVIN: Well, they have these  
14 campuses and these LaunchBoxes, that they're  
15 developing all over the place. Probably the  
16 closest one maybe to your district might be New  
17 Ken. There's located in the city of  
18 New Kensington. So they have a number of these  
19 already located, so this is going to help to  
20 drive entrepreneurs in those particular areas,  
21 but again --

22 REPRESENTATIVE DUNBAR: But -- not to be  
23 -- but Penn State is presently paying for it out  
24 of their own appropriation?

25 SECRETARY DAVIN: They're paying for the

1 building.

2 REPRESENTATIVE DUNBAR: Okay.

3 SECRETARY DAVIN: They're paying for some  
4 of those programs. This is different. This is  
5 going to be new funding that's going to help for  
6 different types of programs for things that  
7 aren't being done right now.

8 REPRESENTATIVE DUNBAR: Okay. That's  
9 fine.

10 SECRETARY DAVIN: Yeah.

11 REPRESENTATIVE DUNBAR: And also, a  
12 follow-up on Representative Gabler. Am I then to  
13 -- when you spoke of HB 1100, am I to assume that  
14 you're opposed to HB 1100 in its present form?

15 SECRETARY DAVIN: In its form right now,  
16 yes.

17 REPRESENTATIVE DUNBAR: Okay. Very good.  
18 We've had a lot of other discussion,  
19 economic development, jobs, I am concerned about  
20 the lack of commitment in the Governor's proposed  
21 budget for our number one industry, agriculture.  
22 Last year, we passed historic farm bills, both us  
23 and the Governor working together, passed  
24 historic farm bills. And afterwards, the  
25 Governor made a statement, I'm proud to join so



1 many agricultural industry leaders to celebrate  
2 the passing of this historic state investment to  
3 chart a real path for a dynamic and prosperous  
4 farming economy in Pennsylvania.

5 Now, we're presented with a budget that  
6 has various cuts to agriculture. And I'm not  
7 going to get into the cuts of agriculture with  
8 you. I'm sure Secretary Redding will hear about  
9 that this afternoon, but there is one that I did  
10 want to talk about. And I really think it is  
11 related to economic development. And that is the  
12 key proposal by the Governor to raid the Horse  
13 Race Development Trust Fund to create a  
14 scholarship program.

15 Two years ago, when we talked about  
16 raiding the fund for \$27 million, Governor Wolf's  
17 Secretary of Agriculture wrote a letter to the  
18 House and to the Senate, you know, saying that  
19 taking this \$27 million could cost us 20,000 jobs  
20 in the industry. Now, we're going to take \$200  
21 million from the industry.

22 I'm just curious where you, as Secretary  
23 of DCED, how you think -- how you view this as  
24 economic development, obliterating a whole  
25 industry, and where you stand on that.

1           SECRETARY DAVIN: Yeah. I mean, those  
2 are your words, obliterating a whole industry,  
3 but I think that --

4           REPRESENTATIVE DUNBAR: Well, if \$200  
5 million in a fund -- is obliterating it,  
6 so --

7           SECRETARY DAVIN: Again, there are very  
8 hard decisions that we all have to make in terms  
9 of what's right and what's not right. In this  
10 particular case, I am extremely supportive of  
11 trying to do what we can to help our young people  
12 better themselves and get an education. And it  
13 is increasingly more difficult for our young  
14 people to get a good quality education, to pay  
15 for it, and not be saddled with debt for the next  
16 10, 20, 30 years in some cases.

17           REPRESENTATIVE DUNBAR: I think I will  
18 agree with that.

19           SECRETARY DAVIN: Or for those young  
20 people to be able to buy a car. For those young  
21 people to be able to buy a house, to start a  
22 family and things like that, things that we're  
23 seeing that they can't do because they're saddled  
24 with all of this debt. So the idea of that  
25 particular program to help with that is, to me, a

1 great idea.

2 How it's going to be paid for, that is  
3 going to be the discussion.

4 REPRESENTATIVE DUNBAR: And I think that  
5 is -- that is going to be the discussion. I  
6 don't think you'll have anybody here that is  
7 going to argue with, you know, finding ways to  
8 help get all of our kids through -- like I  
9 started out talking about my daughter. I mean,  
10 there's a perfect example. Here's a woman  
11 excelling in a male-dominated field and doing  
12 very well. And I'm very proud of her, and I'm  
13 proud of all of my kids. And it's because of  
14 higher education and what they've gotten.

15 So I'm not complaining about the plan to  
16 spend \$200 million for a scholarship program, but  
17 the cost -- the cost of destroying an industry is  
18 something I think we need to vet a lot further.  
19 I'm just curious where you stood on that.

20 SECRETARY DAVIN: Well, that's the --  
21 like I said, that's the discussion that needs to  
22 be had, you know, what the impacts of that  
23 particular industry are going to be as a result  
24 of this. And I think that's a discussion that,  
25 you know, the legislature is going to have with

1 the Governor's Office, Budget Secretary, the  
2 budget folks, on what exactly that means. We'll  
3 be brought into that.

4 REPRESENTATIVE DUNBAR: So just the last  
5 question very quickly. Are you supportive of  
6 taking the \$200 million from the Horse Race  
7 Development Fund.

8 SECRETARY DAVIN: I think I'm supportive  
9 of the use of those funds. I don't really have a  
10 comment on where it's coming from.

11 REPRESENTATIVE DUNBAR: Thank you. And  
12 again, thank you for spending time with my  
13 daughter. It did mean a lot.

14 Thank you.

15 SECRETARY DAVIN: Sure. She's very  
16 impressive.

17 MAJORITY CHAIRMAN SAYLOR: Representative  
18 Heffley.

19 REPRESENTATIVE HEFFLEY: Thank you.

20 Just to follow up on some of the earlier  
21 questioning about the issue of tax credits and  
22 the fraud that had occurred. I think it was from  
23 the Keystone Innovative Zone and research. I  
24 know you had to answer some questions on it  
25 earlier. Just reading some of the news articles

1 and releases from the Attorney General's Office,  
2 they had made a list of recommendations.

3 Have those recommendations been  
4 implemented?

5 SECRETARY DAVIN: Yes. We are  
6 implementing every one of those recommendations.  
7 Some have been already implemented even before  
8 the recommendations came out.

9 REPRESENTATIVE HEFFLEY: I had spent a  
10 few years on the Ben Franklin Technology  
11 Development Authority Board, and I was -- I  
12 always found it -- it was very enlightening just  
13 to see the innovations that are taking place  
14 across this great Commonwealth, but the process,  
15 the vetting process that was gone through for the  
16 individuals that came in there to apply for the  
17 grants and the money through that program was  
18 very thorough. And I'm just -- I was somewhat  
19 surprised when I had seen this. And this  
20 happened from between 2012 and 2017.

21 Have there been any -- have they audited  
22 other tax credit programs to ensure that scams  
23 like this are not taking place in any of the  
24 other credit programs?

25 And if, like, they targeted this

1 particular program, was it because of how these  
2 tax credits were dolled out was done differently  
3 than other tax credit programs?

4 SECRETARY DAVIN: I think, as I mentioned  
5 to Representative Krueger, there are a number of  
6 different tax credit programs, and they're all --  
7 they're prescribed differently in legislation as  
8 to how they're administered in a lot of cases.  
9 And it's hard to look at every single tax credit  
10 program the same way because they're all  
11 different, but I think that we take great pains  
12 and take great care to make sure that things like  
13 that don't happen.

14 our folks are actually the ones that  
15 uncovered that after seeing some anomalies in the  
16 way that was presented. The reasons -- you know,  
17 there are a lot of reasons. And I think that the  
18 grand jury recommendation was spot on in terms of  
19 the things that they asked us to look at, that we  
20 changed. And as I said, some of the changes we  
21 were making already. We're in the process of  
22 making them already.

23 Representative, maybe at that point in  
24 time, the KIZ coordinators were compensated by  
25 the State. That went away in the last

1 administration. You know, and that's a concern.  
2 That's a concern that they don't -- they aren't  
3 compensated. They don't have enough time and  
4 enough effort -- put enough effort into being  
5 able to make sure they can do the analysis like  
6 we should. So there are a number of things like  
7 that that we've looked at and taken that into  
8 consideration, and we have already made a lot of  
9 those changes.

10 REPRESENTATIVE HEFFLEY: All right. And  
11 I just would -- obviously, these are taxpayer  
12 dollars and they're directed for economic  
13 development. Tax credit programs have been very  
14 successful in certain industries and fields. So  
15 I just want to ensure that we are doing  
16 everything that we can to make sure that scams  
17 like this aren't going to happen in the future.

18 Thank you.

19 SECRETARY DAVIN: Okay. Thank you.

20 MAJORITY CHAIRMAN SAYLOR: Rosemary  
21 Brown.

22 REPRESENTATIVE BROWN: Thank you,  
23 Mr. Chairman.

24 Thank you, Mr. Secretary, for being here  
25 this morning. My question is a little bit more

1 about the economic development and the ratios of  
2 our tax base, residential to business. In  
3 certain parts of the state, we have, you know,  
4 different costs of living and our taxes. And  
5 oftentimes, we discuss the multilevel approach to  
6 ensuring that those areas, you know, are  
7 financially able to be lived in comfortably and  
8 we have good job opportunities.

9 And there are certain areas that I see  
10 there's 80 percent residential, 20 percent  
11 business. From your professional opinion, what  
12 is really a healthy ratio? Can you give sort of  
13 a healthy ratio as far as that's concerned?

14 And with that, with the dollars that DCED  
15 receives and the work that's being done to focus,  
16 do we put stronger efforts into those areas where  
17 we see a ratio that is not as healthy as it  
18 should be to create a healthy tax balance?

19 SECRETARY DAVIN: That is a great  
20 question. And I think -- I've got to imagine  
21 every legislature in the United States deals with  
22 that same thing. I don't know what the right  
23 answer is. I don't know that there is a right  
24 answer. I think every place is different and you  
25 have to look at it differently.



1           You know, we get hammered sometimes  
2           because I hear that Texas doesn't have a personal  
3           income tax. Well, hooray. Texas doesn't have  
4           personal income tax, but they have property taxes  
5           that would kill you, that make it so difficult to  
6           live there. You know, that doesn't get talked  
7           about, but -- so things have to be paid for one  
8           way or another, you know, whether it's through  
9           property tax, whether it's through personal  
10          income tax, whether it's through business taxes,  
11          I'm not sure what the healthy mix is.

12                 I think it depends upon what we're seeing  
13                 in other States. It depends upon, you know,  
14                 where we are right now compared to other States,  
15                 but where we are, compared to where we think we  
16                 should be, the corporate net income tax at 9.99  
17                 percent, we can't be there anymore. We're at a  
18                 point now where that checks us off a list right  
19                 away when companies are thinking about coming to  
20                 Pennsylvania.

21                 And some companies that might be, you  
22                 know, headquartered in Pennsylvania and have an  
23                 opportunity to expand their employment, they look  
24                 at that and they think, you know what, their  
25                 board of directors, they're not from

1 Pennsylvania. They could go anywhere they want,  
2 not only in the country, but in the world. So  
3 there are things like that that we have to  
4 reduce, we have to make sure we're in good shape.

5 Our personal income tax is in a place, we  
6 think, that is pretty good. But you know, you're  
7 asking a question about all these different  
8 municipalities and cities and things like that.  
9 And we have -- where's Rick? I think it's 2,560  
10 municipalities. You know, so it is -- I'm sorry  
11 I can't answer your question, but that's really  
12 what it comes down to.

13 REPRESENTATIVE BROWN: Yeah.

14 SECRETARY DAVIN: Every place is  
15 different.

16 REPRESENTATIVE BROWN: No, I agree with  
17 you. And I understand, we talk about this all  
18 the time, the importance of local government and  
19 the importance of them understanding the balance  
20 between all different aspects of our State. But  
21 there's a big concern that I'm always looking at  
22 as far as, again, the employment and reducing our  
23 commuters and making sure that we have a healthy  
24 place to live, as far as not being overtaxed on  
25 one section of the State, and another section

1 being, you know, a very low school tax or  
2 whatever it may be.

3 For us it is a school tax, but the issue  
4 of the grants and the support and the Bens,  
5 everything that comes into play from DCED, it's  
6 hard, like you said, working with the local  
7 governments, but the true focus to say, this area  
8 of the State is really, really failing in  
9 economic development. And you know, another area  
10 might be doing much better, but are we really  
11 looking at that much stronger and saying,  
12 although we have these outside sources of our  
13 local government and our Commonwealth, what are  
14 we doing to kind of really hone in and say 20  
15 percent is definitely not enough business?

16 SECRETARY DAVIN: Right.

17 REPRESENTATIVE BROWN: I mean, that is  
18 definitely a number that is not enough.

19 SECRETARY DAVIN: Absolutely. But I  
20 think it also -- it depends on what the  
21 advantages of that particular area are.

22 REPRESENTATIVE BROWN: Right.

23 SECRETARY DAVIN: And I'm a big proponent  
24 of all these particular communities throughout --  
25 every community throughout Pennsylvania, all 67

1 counties, they all have their advantages. They  
2 all have something that can attract people to  
3 want to be there, and they all have something  
4 that can attract businesses to want to be there,  
5 different types of businesses, you know. So  
6 that's one of the issues that we see with some of  
7 the, you know, the overarching programs that are,  
8 you know, like the Community Revitalization  
9 Improvement Zone, or the City Revitalization  
10 Improvement Zone, you know, things like that that  
11 kind of take an area and provide tax credits to  
12 anybody that comes into the area for that.

13 We're not sure that that's the right way  
14 to look at things. I think everything needs to  
15 be looked at, and it also depends on that  
16 particular area and whether they want that or  
17 they don't want that.

18 REPRESENTATIVE BROWN: Exactly.

19 SECRETARY DAVIN: And the communities  
20 that come together, so the mayors and the county  
21 commissioners and the State Reps, the State  
22 Senators that come to us and say, this is what we  
23 need for our organization. Those are the ones  
24 that really have something going for them, I  
25 think.

1           REPRESENTATIVE BROWN: Right.

2           SECRETARY DAVIN: You know, that we can  
3 work with and we can provide resources to. So  
4 it's a great discussion, I think, to have. And I  
5 think it warrants a lot longer discussion,  
6 certainly, than we're getting here, but it's  
7 something that you know is -- it's not easily  
8 answered here.

9           REPRESENTATIVE BROWN: Thank you,  
10 Mr. Chairman.

11           And thank you. I think this definitely  
12 is a reminder for people of all the levels of  
13 leadership on how important it is in their  
14 community, from the State to the local level, on  
15 how it's a partnership. So thank you very much.

16           SECRETARY DAVIN: Thank you.

17           MAJORITY CHAIRMAN SAYLOR: We've been  
18 joined by the Chairman of the Agriculture  
19 Committee, Marty Causer.

20           And we will move on to our next  
21 questioner, who is the Chairman of the Tourism  
22 Committee, Representative Millard.

23           REPRESENTATIVE MILLARD: Thank you,  
24 Mr. Chairman.

25           Good morning, Mr. Secretary.

1           SECRETARY DAVIN: Good morning.

2           REPRESENTATIVE MILLARD: You're no  
3 stranger to Columbia County, so that tells me  
4 that we have a lot of good things going on  
5 through the office of DCED. And I'd be remiss if  
6 I didn't say thank you to Barry Wickes, who has  
7 steered me and guided me through a lot of  
8 programs that we're the beneficiaries of.

9           You know, Representative Greiner talked  
10 to you about Act 109 and the fact that it's  
11 projected somewhere around \$6 million out of the  
12 Fiscal Code that had projected \$22 million. And  
13 he stated -- and you agreed with him -- that you  
14 know, if you have a blueprint for success, how to  
15 work with a program, you probably want to stay  
16 the course with that, and we know that in the  
17 past we've deviated from that.

18           But my question goes back to the fiscal  
19 note that originally came out a couple of years  
20 ago with Act 109, that projected this largesse of  
21 dollars. And right now, we're in the 25  
22 percentile range, if we're even -- (video  
23 playback error) -- of taking a look at that  
24 fiscal note.

25           was there an error made? Were we too

1 over aggressive on our numbers there, our  
2 expectations?

3 SECRETARY DAVIN: It appears that way,  
4 yeah. And I think, you know, there was a lot of  
5 good thought that was put into it. And I think  
6 there was, you know, a reliance on industry  
7 reports and things like that that went into it,  
8 but the bottom line is, it happened. It happened  
9 that way.

10 We are -- our Department and our  
11 Department of Tourism -- Marketing, Tourism, and  
12 Film is far beyond that. You know, and again,  
13 I'm not sure why it happened that way. And I  
14 wish it didn't, but it did. And we have  
15 resources that we are utilizing right now.  
16 That's what we're focused on.

17 REPRESENTATIVE MILLARD: And I may -- I  
18 draw that to the members' attention, that these  
19 fiscal -- (video playback error) -- consequently  
20 important to you as a Secretary and people that,  
21 you know, the agencies under you that depend on  
22 those dollars. That having been said, we're 49th  
23 in marketing -- and you mentioned your dislike of  
24 New York, you'd probably put South Carolina in  
25 that same column.

1 SECRETARY DAVIN: Virginia, Michigan --

2 REPRESENTATIVE MILLARD: Exactly.

3 And the things that we all see. But we  
4 do have a unique opportunity in front of us. We  
5 have the 250th, the semiquincentennial of  
6 Pennsylvania. What better way to market pursuit  
7 of happiness?

8 But in order to do that, you know, I've  
9 looked at a lot of charts that show the  
10 correlation as to why we're 49th. And they show  
11 that with a real healthy marketing campaign,  
12 using all of the media, using all the socials,  
13 all the social media advertising, in addition to  
14 TV and newspaper, that there's a direct result on  
15 the positive side with people staying in  
16 Pennsylvania, with relationship to that hotel  
17 tax.

18 So I guess that, you know, I would say to  
19 you -- and you have a great individual with  
20 Carrie Lepore leading the Tourism Department, but  
21 I would recommend -- and I just want to know that  
22 you're on board -- that our emphasis on these  
23 dollars has to be statewide marketing and not,  
24 you know, taking things out for grants here,  
25 there, and everywhere. We've a lot of local



1       tourism entities that do a great job on their  
2       own, but we have a great story to tell overall,  
3       collectively, and I think it's imperative that we  
4       direct those dollars to statewide marketing, so  
5       that we can see the results when the hotel tax  
6       dollars come in.

7                 SECRETARY DAVIN: I think you've seen  
8       that. And thank you for mentioning Deputy  
9       Secretary Lepore. The other Deputy Secretaries  
10      that were mentioned were getting a little, you  
11      know, they were getting a little too much air  
12      time, Rick and others. So thank you for  
13      mentioning her.

14                And I agree, I think we need to do as  
15      much as we can. I would have really loved the  
16      fact if we would have had that amount of money in  
17      that. And you know, we were looking at that as  
18      not -- you know, we had a lot of plans -- could  
19      have had a lot of good plans for that, but we're  
20      looking forward, you know, to what needs to  
21      happen, where we need to be as a State to really  
22      market us the right way.

23                I think you're going to see some of that  
24      in the course of the next month or so with some  
25      of the commercials that deal -- you'll see it.

1 And I think you'll be really happy when that  
2 happens, but it needs to be more sustained. It  
3 needs -- and that's the one thing that we've  
4 heard more than anything. From a tourism --  
5 marketing for tourism, marketing for businesses,  
6 that we have to have sustained activity and get  
7 Pennsylvania's name out there over and over and  
8 over again. Because if we don't, these other  
9 States are going to do it, you know. And I think  
10 we're going to continue to do what we can with  
11 the resources that we have, but you know, I think  
12 the idea is really for you to see some of the  
13 things that are coming out of our marketing  
14 department.

15 And you know, who knows what happens next  
16 year when we're here at this table. You might  
17 see some additional requests.

18 REPRESENTATIVE MILLARD: I look forward  
19 to working with you. Thank you.

20 Thank you, Mr. Chairman.

21 MAJORITY CHAIRMAN SAYLOR: Next is the  
22 Chair of the Urban Affairs Committee.

23 REPRESENTATIVE HELM: Thank you,  
24 Mr. Chairman.

25 Secretary Davin, I have three different

1 questions I'd like to discuss. I have been  
2 designated to represent the House majority on  
3 DCED's PA House and Advisory Council. One need  
4 that has been identified in our rural, urban, and  
5 suburban communities is the need for affordable  
6 housing.

7 Can you comment on DCED's programs to  
8 create and preserve affordable housing throughout  
9 the State?

10 SECRETARY DAVIN: Yes. Thank you.

11 We have a number of programs. Primarily,  
12 the largest program is really through the funding  
13 that we get from the Federal government through  
14 the Community Development Block Grant Program,  
15 the community development block grant funds, and  
16 community service block grant funds. We also  
17 utilize our Keystone Communities Program for  
18 affordable housing. And then, we work very  
19 closely with the Pennsylvania Housing Financing  
20 Agency. I sit on the Board of PHFA, along with  
21 my designee, Kathy Possinger. We work very  
22 closely with the Pennsylvania Housing Financing  
23 Agency on affordable housing issues throughout  
24 the Commonwealth of Pennsylvania.

25 REPRESENTATIVE HELM: Well, thank you for

1 those programs. We definitely need them.

2 I'd like to go on to ICA. DCED has  
3 oversight of communities in Act 47 receivership.  
4 Act 124 of last session passed the Harrisburg ICA  
5 Board, which would allow Harrisburg to leave Act  
6 47 once they sign an agreement with the ICA.  
7 However, this has not yet occurred, and DCED has  
8 stepped back from interacting with Harrisburg in  
9 their Act 47 requirements.

10 why has DCED stepped back when Harrisburg  
11 is still under Act 47 at this time?

12 SECRETARY DAVIN: I think it's simply a  
13 fact that we want to get moving with the  
14 Intergovernmental Cooperation Authority with  
15 Harrisburg, and we really recognize a need for  
16 Harrisburg to sign the agreement.

17 REPRESENTATIVE HELM: well, I know  
18 there's money in the budget to do this. So are  
19 you going to do it soon?

20 SECRETARY DAVIN: I think it's in  
21 Harrisburg's district. Yeah, Harrisburg has to  
22 sign it. So we don't have a lot of oversight or  
23 authority over Harrisburg.

24 we think that they need to -- they need  
25 to come to an agreement.

1           REPRESENTATIVE HELM: Well, we'd  
2 appreciate your help with that.

3           SECRETARY DAVIN: We'll do anything we  
4 can to help with that.

5           REPRESENTATIVE HELM: Okay. I have a  
6 question about the financial distress of  
7 Harrisburg.

8           Could you explain the Department's role  
9 in ensuring adequate financial reporting and  
10 transparency for the city as it attempts to exit  
11 distress status?

12           It is my understanding that the city is  
13 not following generally accepted accounting  
14 procedures.

15           SECRETARY DAVIN: I can't answer that  
16 right now, but I can certainly get you the  
17 information on what we have from Harrisburg.

18           REPRESENTATIVE HELM: All right. Well, I  
19 would appreciate a follow-up on that. And any  
20 information you give me would be appreciated.

21           Thank you.

22           MAJORITY CHAIRMAN SAYLOR: Our next  
23 questioner is the Chairman of the Local  
24 Government Committee, Chairman Moul.

25           REPRESENTATIVE MOUL: Thank you,

1 Mr. Chairman.

2 And before I get started, can I get some  
3 additional time put on this clock?

4 MAJORITY CHAIRMAN SAYLOR: No.

5 REPRESENTATIVE MOUL: Good answer. Thank  
6 you.

7 Thank you for coming in front of us  
8 today, Secretary Davin. It's much appreciated.  
9 I'm going to continue on that same line of  
10 questioning.

11 If I'm not mistaken, Harrisburg went into  
12 receivership in 2010 -- December of 2010. This  
13 is now 2020. Act 147, if I'm not mistaken, gave  
14 them five years; is that correct?

15 Or Act 47, I'm sorry. I put a one in  
16 front of it.

17 SECRETARY DAVIN: Yeah. Forty-seven, but  
18 yeah.

19 REPRESENTATIVE MOUL: Five years?

20 SECRETARY DAVIN: Yeah.

21 REPRESENTATIVE MOUL: And then they were  
22 given an extension till 2018, and we're waiting  
23 since 2018 to sign the ICA?

24 SECRETARY DAVIN: The Intergovernmental  
25 Cooperation Authority, yeah.

1 REPRESENTATIVE MOUL: Correct. So --

2 SECRETARY DAVIN: To sign an agreement  
3 with the Intergovernmental Cooperation Authority,  
4 yeah.

5 REPRESENTATIVE MOUL: Correct.

6 SECRETARY DAVIN: Yeah.

7 REPRESENTATIVE MOUL: Which you oversee.  
8 Okay. So as I asked the Chairman when I started  
9 this if I could have some more time, and the  
10 answer was straight out no, if 2018 has come and  
11 gone, and the time clock ran out on Act 47 for  
12 Harrisburg, why are they still collecting the  
13 tax?

14 SECRETARY DAVIN: I'd have to get back to  
15 you on that. I --

16 REPRESENTATIVE MOUL: Wouldn't that be  
17 illegal, in your opinion, to be --

18 SECRETARY DAVIN: I don't know.

19 REPRESENTATIVE MOUL: -- without the  
20 government authority to do so?

21 SECRETARY DAVIN: I'm not a lawyer. I'm  
22 not a lawyer. We'd have to get back to you on  
23 that specific question, sir.

24 REPRESENTATIVE MOUL: Okay. So --

25 SECRETARY DAVIN: We just -- we encourage

1 Harrisburg to sign the agreement.

2 REPRESENTATIVE MOUL: well, if you put  
3 yourself in the mayor's position, obviously, he  
4 wants or needs or whatever to continue to collect  
5 this additional tax from the workers in the city  
6 forever and ever.

7 why -- what is the motivating factor --  
8 if DCED has stepped away, what is the motivating  
9 factor for him to ever sign this ICA if we're not  
10 going to push his buttons, so to speak, to force  
11 him in that direction?

12 SECRETARY DAVIN: I can't ever put myself  
13 in the position of the mayor of Harrisburg. I  
14 don't know what his thought process is. I don't  
15 know what their thought process is. I think from  
16 our standpoint that, you know, we can certainly  
17 do what we can to encourage that. We've done  
18 that, but you know -- and for whatever reason,  
19 they're not -- they haven't done it yet.

20 REPRESENTATIVE MOUL: Sounds --

21 SECRETARY DAVIN: We can do anything we  
22 can -- do anything within our -- we can  
23 reasonably do to encourage them to do that.

24 REPRESENTATIVE MOUL: So what you're  
25 saying is you don't have any authority to force



1 him to sign that ICA?

2 SECRETARY DAVIN: I don't believe --

3 REPRESENTATIVE MOUL: That's correct?

4 That's all you had to say -- behind you from the  
5 staff. So --

6 SECRETARY DAVIN: Yeah.

7 REPRESENTATIVE MOUL: Obviously, the  
8 answer is --

9 SECRETARY DAVIN: I don't believe we have  
10 the authority, but again, we'll go back. We'll  
11 talk to our legal staff and see what exact  
12 authority we have and what we can do. But we  
13 have continued to encourage them to do that, to  
14 enter into that agreement.

15 REPRESENTATIVE MOUL: Okay.

16 SECRETARY DAVIN: And I think they were  
17 waiting for -- and I'm not sure if they were  
18 waiting for it, but they were waiting for -- we  
19 were waiting for one other member to join the  
20 ICA. I think that's been done, so I think we  
21 have a complete board right now. So I think we  
22 should be in -- they should work hard to get that  
23 thing executed.

24 REPRESENTATIVE MOUL: I would certainly  
25 hope that this is a shot across their bow that

1 they need to come to the table very quickly to  
2 sign that so that they become legal again to be  
3 collecting this tax. And if you don't have the  
4 authority to force that, maybe through my  
5 Committee we do have the authority to write  
6 something through legislation. So hopefully he's  
7 listening. And let's not have to do that if we  
8 don't -- you know, I would rather not have to do  
9 that. I will let it go there.

10 Thank you. Thank you, Mr. Chairman.

11 SECRETARY DAVIN: Thank you.

12 MAJORITY CHAIRMAN SAYLOR: Our next  
13 questioner is Chairman Keller of the Commerce  
14 Committee.

15 REPRESENTATIVE KELLER: Thank you,  
16 Mr. Chairman.

17 Thank you, secretary, for being here.  
18 It's been a long morning, as far as that goes.  
19 But I want to talk to you about rural jobs and  
20 the investment tax credit program. I think it  
21 was last year we passed out of our Commerce  
22 Committee a tax credit program for rural areas.  
23 Unfortunately, it didn't get passed as a bill,  
24 but fortunately, it did get included in the  
25 Fiscal Code.

1           what I want to know is, since that time,  
2 I believe that there's been meetings to implement  
3 the changes that were a part of that bill. Okay.  
4 And what I can tell you is I'd like to know how  
5 successful we've been with those changes and what  
6 has your Department done as far as moving this  
7 particular tax credit ahead?

8           SECRETARY DAVIN: Yeah. We have no  
9 applications right now for that particular tax  
10 credit program, the Rural jobs and Investment Tax  
11 Credit Program. We're in the stages of marketing  
12 that program, talking to organizations that might  
13 utilize that particular program, but we have no  
14 applications as of this time.

15           REPRESENTATIVE KELLER: Can you identify  
16 what's the barriers, why do we not have anything,  
17 are the firms not wanting to invest, or what's  
18 the issue?

19           SECRETARY DAVIN: I think -- yeah. We've  
20 -- I think we talked about this last year.

21           REPRESENTATIVE KELLER: We did.

22           SECRETARY DAVIN: And we talked about  
23 increasing it, which was done. We appreciate  
24 that. The deadline, I think, is March 4th for  
25 the application. So we're hoping that we're

1 going to get applications in by March 4th that we  
2 can review and act on.

3 REPRESENTATIVE KELLER: But --

4 SECRETARY DAVIN: We can get back to you  
5 once we -- once the March 4th deadline comes up,  
6 and then respond back to you.

7 REPRESENTATIVE KELLER: So you're not  
8 aware of any barriers that would stop --

9 SECRETARY DAVIN: No, not right now. No.

10 REPRESENTATIVE KELLER: Okay. Because  
11 the way I look at it, and it was discussed  
12 earlier, the number one industry in Pennsylvania  
13 is agriculture.

14 SECRETARY DAVIN: Yeah.

15 REPRESENTATIVE KELLER: This in itself,  
16 this tax credit in itself for rural America -- or  
17 rural Pennsylvania -- would certainly be a real  
18 advantage. And we can see, of course, by, you  
19 know, what has happened with the dairy industry,  
20 what we hope doesn't happen with the horse  
21 industry here in Pennsylvania, that these types  
22 of tax credits are needed and will sustain our  
23 agriculture communities. So anything you can do  
24 to help implement, move this project and tax  
25 credits ahead would be very much appreciated.

1           SECRETARY DAVIN: We will. As you know,  
2           Representative, we work very closely with the  
3           Department of Agriculture and Secretary Redding  
4           on all of those initiatives that you talked  
5           about. Certainly, the dairy industry is a big  
6           one and I think you're maybe meeting with  
7           Secretary Redding next or following this. He'll  
8           talk about that. But we are in a lot of those  
9           meetings. We work hand-in-hand with the  
10          Secretary on those issues.

11          REPRESENTATIVE KELLER: All right. Thank  
12          you very much, Secretary.

13          SECRETARY DAVIN: Yes.

14          REPRESENTATIVE KELLER: Thank you,  
15          Mr. Chairman.

16          MAJORITY CHAIRMAN SAYLOR: With that, we  
17          move to Representative Bradford.

18          REPRESENTATIVE BRADFORD: Thank you,  
19          Chairman.

20                 Thank you, Secretary. I realize you  
21                 covered a lot of this already, and I don't mean  
22                 to have you rehash, but if you can just speak  
23                 kind of from a global competitiveness  
24                 perspective. I know that the Brookings Institute  
25                 had done a study, and both the greater Pittsburgh

1 as well as the greater Philadelphia Chamber had  
2 raised the issue with me, and just talk about  
3 where we are. I realize you've covered a lot of  
4 this, but if you can just give a quick kind of  
5 discussion about the Brookings Report, what that  
6 says and what that means and why the Governor is  
7 basically the \$12.5 million that he's proposing  
8 is kind of a down payment in terms of getting  
9 that ball rolling.

10 SECRETARY DAVIN: Right. Thank you.

11 Thank you, Chairman.

12 So we've had a number of discussions, and  
13 in particular with the Philly Chamber, but the  
14 Pittsburgh Chamber really weighed in heavily on  
15 this, and their CEO of the Chamber. We worked  
16 really closely with them on this particular  
17 issue, based upon the Brookings Report, but also  
18 based upon a report that we commissioned also  
19 through the BFTDA, the Ben Franklin Technology  
20 Development Authority, that pretty much came up  
21 with the same issues related to what Pennsylvania  
22 is investing in the tech and innovation industry.  
23 And then also, what some of our neighbors are  
24 investing in the tech and innovation industry,  
25 and Pennsylvania was far short.

1 I agree with you. I think this is a down  
2 payment. I think this is a start on where we  
3 need to go, what we need to do. But it's also,  
4 the way that we want to develop this is see what  
5 the need is out there specifically to come back  
6 to us. Some of the things in the -- to not get  
7 into the details of the report -- I don't have it  
8 in front of me -- but we agreed with some of the  
9 things that were in the report. We didn't agree  
10 with some of the other things that were in the  
11 report.

12 But the bottom line was that we need to  
13 invest in the tech and innovation community, but  
14 we need to do it in such a way that really -- and  
15 I forget who else asked the question -- but that  
16 provides -- that increases the amount of private  
17 money that comes into Pennsylvania because that's  
18 where the big deal is. And that's what they have  
19 in Silicon Valley. And I'm not suggesting that  
20 we're going to be Silicon Valley, but that's what  
21 they have there. That's what they have in  
22 Boston. That's what they have in New York, and  
23 that's what they have in D.C. And that's what  
24 we're trying to attract here.

25 If we can put more funding towards this

1 in these ways to do what's needed from our -- the  
2 Bens are going to help us determine what's needed  
3 and local regions are going to help us determine  
4 what exactly is needed with these funds, we think  
5 that we have a much better opportunity to attract  
6 that private capital to Pennsylvania. And that's  
7 really -- that's what we're after. We're after  
8 the private money coming here.

9 REPRESENTATIVE BRADFORD: Great. Thank  
10 you, Secretary. I appreciate it.

11 SECRETARY DAVIN: Thank you.

12 MAJORITY CHAIRMAN SAYLOR: Thank you,  
13 Mr. Secretary.

14 Just quickly on the census, I think  
15 there's concern from everybody across the State.  
16 The projection is that we may lose one  
17 congressional seat, which is kind of devastating  
18 to Pennsylvania. We've been kind of declining in  
19 those congressional seats over the last many  
20 decades. So again, I think it's important that,  
21 whether it's rural or suburban counties, as well  
22 as the cities, I know it's very difficult in the  
23 cities because people being very transient, but  
24 in rural areas, there's a lot of dirt roads, some  
25 not so great to travel, that people are missed



1 over a period of time. So whatever we can do to  
2 make sure that all parts of Pennsylvania are  
3 covered in this census count -- and I don't know  
4 the perfect way to do that, but I think we need  
5 to make sure that rural areas are protected from  
6 losing seats, as well.

7 The last is, I just want to put a pitch  
8 in also for HB 1100. I think that, you know, we  
9 have as a State, still lagging behind New York  
10 and several other States in our job creation, and  
11 that is a concern I have. You heard earlier in  
12 this testimony and questions about regulations,  
13 but also, I think that Pennsylvania has a great  
14 resource with our natural gas, second to Texas.

15 And I think that we're looking at the  
16 kind of job creation that 1100 would create for  
17 Pennsylvania, great family-sustaining jobs for  
18 our unions and taxpayers throughout the  
19 Commonwealth. And more importantly, I think the  
20 importance of it is that, look, I welcome -- and  
21 I think the General Assembly welcomes input from  
22 you and the administration from you on how to  
23 make some changes. But at this point, this bill  
24 is already advanced to this stage. And if the  
25 administration and you would like to come back

1 and make some tweaks to it, we easily can do that  
2 in another piece of legislation where we can  
3 expand the need for those companies that you're  
4 talking about.

5 I think we're open to -- anything that  
6 would create jobs in Pennsylvania, I think the  
7 General Assembly is open to work with you on.  
8 But I do think it's important to get this piece  
9 of legislation across the threshold, get the  
10 Governor to sign it, and then we can amend the  
11 legislation at some point to do whatever else,  
12 other companies that want to do that.

13 SECRETARY DAVIN: Okay.

14 MAJORITY CHAIRMAN SAYLOR: Go ahead and  
15 respond.

16 SECRETARY DAVIN: Thank you so much for  
17 that. And you know again, we're the ones that  
18 are on the ground with companies that are looking  
19 for support in Pennsylvania, companies that are  
20 thinking about coming to Pennsylvania. We're not  
21 trying to sell you guys a pig in a Polk. We're  
22 trying to really do something and put something  
23 out there that really makes sense for  
24 Pennsylvania. And I think that the tweaks and  
25 the things that we want to do to change would

1 really make some sense. And it would make some  
2 sense for not just those particular companies --  
3 and again fertilizer companies and whatever --  
4 but really broaden it enough to have a tremendous  
5 impact and take advantage of --

6 MAJORITY CHAIRMAN SAYLOR: And  
7 Mr. Secretary --

8 SECRETARY DAVIN: If you don't mind --  
9 and take advantage of really what we have here.  
10 You mentioned that we're second to Texas. We're  
11 going to be -- we're going to be beating Texas in  
12 a couple of years. We're going to be producing  
13 more than the State of Texas. We're also --  
14 we're already the, you know --

15 MAJORITY CHAIRMAN SAYLOR: Let me  
16 interrupt you there. I get -- we've already  
17 heard what you said there. The point is that  
18 you're already saying, well, we're going to veto  
19 this bill, and it's job -- it's jobs, it's jobs.  
20 And when you're already lagging behind New Jersey  
21 and New York, the last thing you do is need to  
22 reset the clock on a piece of legislation that's  
23 ready to become law for creation of jobs in  
24 Pennsylvania.

25 As I've said, we are welcome -- we would

1 welcome from this administration and you any  
2 recommendations for additional changes to create  
3 jobs in Pennsylvania with other companies in the  
4 petrochemical industry. Believe me. This  
5 General Assembly will move as fast as possible.  
6 But just because you want to open it up to other  
7 companies doesn't mean you kill the jobs that are  
8 already in this bill, and that's all we're saying  
9 is, look, come back here. As soon as you sign  
10 that bill, come back here. We'll introduce  
11 another bill and try to get it done before the  
12 end of this year.

13 But to simply veto a bill that definitely  
14 has jobs attached to it, good family-sustaining  
15 jobs attached to it, I don't think is a good  
16 message to send to companies across this  
17 Commonwealth or across this country. Let's move  
18 forward with this, come back with a new bill. I  
19 don't believe this General Assembly has ever,  
20 ever turned down an opportunity to create jobs in  
21 Pennsylvania, because those are the things that,  
22 you know, I think a lot of us on both sides of  
23 the aisle -- this is a bipartisan bill. 1100 is  
24 not a Republican bill or a Democratic bill.

25 It's a bipartisan bill for one region of

1 the State right now. And I think all regions of  
2 the State need to prosper from this petrochemical  
3 industry. And I'm just saying to you, I think  
4 you need to rethink the idea of vetoing this bill  
5 that the Governor has talked about and actually  
6 say, look, we're committed to this, but we also  
7 want to do something else, and this is what we  
8 want to do. Rather than turning this bill down  
9 and sending a negative message out there, let's  
10 move on with this bill, come back with new draft  
11 of legislation that can benefit us.

12 And with that, I'm going to adjourn this  
13 hearing. We will reconvene at 1:30 with the  
14 Department of Agriculture.

15 Thank you very much.

16 SECRETARY DAVIN: Thank you.

17 MAJORITY CHAIRMAN SAYLOR: I do want to  
18 thank you because your Department has worked well  
19 with our municipalities and everybody across the  
20 Commonwealth. I don't want that to be overlooked  
21 today. I think, as you've heard from members,  
22 they really have appreciated your staff and how  
23 they have worked to try and benefit and  
24 communicate and educate our communities on those  
25 kinds of things. So I was amiss in not

1 mentioning that earlier.

2 Thank you for your hard work and your  
3 dedication.

4 SECRETARY DAVIN: Thank you so much.

5 (Whereupon, the hearing concluded.)  
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## C E R T I F I C A T E

I hereby certify that the proceedings are contained fully and accurately in the notes taken by me from audio of the within proceedings and that this is a correct transcript of the same.

*Tiffany L. Mast*

Tiffany L. Mast

Court Reporter