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PENNSYLVANIA ECONOMIC DEVELOPMENT ASSOCIATION BRIEFING PAPER

2023-2024 LEGISLATIVE PRIORITIES

Who We Are: PEDA members are economic development professionals/organizations (EDOs) in each of the 67 Counties throughout the Commonwealth. We deliver state and local economic development programs, development services and marketing at the local level. We are Pennsylvania’s lead local partner for business attraction, expansion, and start-ups.

How We Help: PEDA members manage state and local loan programs, grants, tax credits, and other special incentives that help spur new investment. We develop sites and buildings. We interface with all agencies to include but not limited to, DCED, DCNR, PENN DOT, and DEP to make projects happen. We serve as project managers for all business expansion projects in our communities. Overall, we help implement the Commonwealth’s economic development agenda.

What to Know: Economic development is changing, and our members’ role has expanded in recent years. We are now involved in all aspects of community development and experiences. We engage in all levels of education, arts/culture, workforce development, outdoor recreation, civic space planning, housing, entertainment, transportation, adaptive reuse of sites and buildings, and overall health and wellness.

Measuring Impact: It’s no longer just about jobs. Sustainable community and economic development must be measured through collective impact models to include capital investment, productivity, wage growth, educational attainment, health indicators and tax base. Businesses are doing more with less. They have a global reach. They are adopting hybrid and decentralized workforce models. Economic development programs and policies must adapt.

How Can PA Modernize and Compete:

Plan: Conduct both a short and longer-term planning process for the Commonwealth. Assess and identify immediate opportunities to shore up what has worked and create new approaches across agencies. Develop a long-term comprehensive plan that leverages the Commonwealth’s unique asset with rural and urban differentiators. Align those assets, policies and messaging reflective of the modern investor and consumer demands.

Fund: Fully fund, adapt and modernize core programs that work. Those include the Pennsylvania Industrial Development Authority (PIDA) loan programs, Business in our Sites (BIOS), and the Industrial Sites Reuse Program (ISRP). Beyond core programs, establish dedicated funding streams for economic development service delivery at the local level.

Streamline: Allow fast track permitting for existing utility served sites and buildings. Significant public investment has been made in designated business parks and other “ready to invest” locations. Evolving regulations, permitting and environmental assessments often delay, limit, or stop development despite previous investments. Permitting in business parks and other existing infill sites and buildings need to competitively accommodate private sector investment schedules.

PEDA ADVOCACY PRIORITIES | 2023-2024 LEGISLATIVE SESSION

The professionals who comprise PEDA's membership live and work in your districts, counties, and communities. They have the experience and expertise to help regional economies which, in turn, help the Commonwealth's COVID-19 recovery efforts. The following are PEDA's priorities for the 2023-2024 legislative session. We ask that you give them strong consideration as you contemplate legislative action in the coming months.

- 1. Establish a Dedicated Funding Stream for Local Economic Development Organizations (EDC) to Support Economic Growth:** Currently there is not a single line item or dedicated revenue stream aimed at supporting EDC efforts, the outcomes of which are essential to the resiliency, recovery, and economic growth of the Commonwealth. Thus, PEDA supports the establishment of a dedicated and/or formula funding stream for EDCs to offset their administrative costs and to ensure these agencies, located in communities across the state, have further resources in their efforts to strengthen the Commonwealth's economy. Any new tax sources introduced with a natural relation to economic development should be considered as potential funding sources to support economic development efforts in Pennsylvania.

This can be connected to new revenue, such as

- a. Port Tax – Pennsylvania has one of the lowest port taxes of any state and some other states use a port tax to fund economic development. Thus, PEDA would advocate for an increase of the Commonwealth's Port Tax and those funds being solely used for economic development.
 - b. Bed Tax - Allotment from a Hotel (bed) Tax as our communities benefit from business travel and from the work EDCs do to shore up local assets and amenities.
 - c. Real Estate - Access to Real Estate Transfer Taxes as PEDA Members are on the front lines of real estate development and redevelopment in their communities.
 - d. Sale Tax - Allocation of Sales Tax revenue as our agencies work to keep the Commonwealth's many Main Streets open.
 - e. Other - New tax sources as the state considers such items as the legalization of recreational Marijuana, Severance tax on the natural gas industry and small increase to the Personal Income Tax.
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- b. Include Certified Economic Development Organizations (CEDO) as Local Administrators in any Proposed Economic Development Funding Programs; tap into their expertise as part of any program development and include adequate administrative fee support:** When state legislators passed ACT 1 of 2021, it was mainly CEDOs who delivered needed rescue grant program funding to our Commonwealth's hospitality industry. \$145,000,000 was distributed by CEDOs to state's the hospitality industry in less than six months statewide under the CHIRP program (CV-19 Hospitality Industry Revitalization Program Grant).

2. Refund State Economic Development Programs that Work to Improve the Statewide Economy:

Adequate funding of impactful programs in the annual state budget is more important now than ever before. Thus, PEDA requests that key economic development programs are funded at increased levels during the next legislative session. PEDA is adamantly opposed to any efforts to cut any funding to economic development as our organizations work diligently to keep the Commonwealth's many Main Streets open and redevelop older communities.

- a. Pennsylvania's hallmark economic development program, the Pennsylvania Industrial Development Authority Loan Program (PIDA), will no longer be available to support small business growth without funding.** Since the turn of the century, economic development funding, including funding sources to support small business growth, especially for diverse business owners and entities located in disadvantaged areas has dramatically decreased. The PIDA loan program has enabled many small businesses to grow by providing funding to purchase land, buildings, machinery, and equipment, while mitigating traditional bank risk and encouraging private finance participation. However, the sources of funding for these Revolving Loan Funds (RLF) have repeatedly been redirected, in past years, as the legislature has sought to balance the state budget. Unless this key program is recapitalized its ability to support small businesses across Pennsylvania will cease in as little as two years.

 - i. PIDA** We recommend a minimum commitment to provide \$10,000,000 per year to Pennsylvania Industrial Development Authority (PIDA) loan program for each of the next five years. PIDA supports companies purchasing real estate for their business.
 - ii. MELF** We recommend a minimum commitment to provide \$10,000,000 to the Machinery and Equipment Loan Fund (MELF) for each of the next five years. MELF supports small businesses manufacturing.
 - iii. SBF** We recommend a minimum commitment to provide \$10,000,000 per year to the Small Business First Fund (SBF) for each of the next five years. SBF helps to fund small businesses, retailers located in disadvantaged communities, small businesses increasing their energy efficiency, and small businesses that want to export products.
 - iv. FIF** We recommend a minimum commitment to provide \$10,000,000 per year to the First Industries Fund (FIF) for each of the next five years. FIF focuses on supporting Agricultural and Hospitality businesses in Pennsylvania.
- b. Business in Our Sites (BOS) is a necessary program to help local economic development organizations redevelop or develop vacant and underutilized commercial properties into vibrant economic contributors.** As costs of materials and services has increased along with interest rates, speculative projects become increasingly difficult. BOS fills a need demonstrated by the program being oversubscribed by 300% every application round. Applications received by DCED often exceed \$100,000,000 in aggregate funding requests, with available capital only able to

fund approximately 30% of that amount. It is generally accepted that due to the competitiveness of this program the applications received only reflect about 50% of potential projects that could apply to this program, based on the inquiries that DCED receives. We recommend a minimum commitment to increase the BOS fund to \$75,000,000 per year for each of the next five years.

- c. **Industrial Sites Reuse Program (ISRP) is needed to perform costly environmental assessments and remove hazardous waste from properties across the Commonwealth.** ISRP is used to assist with performing ESA Phases to investigate and identify any potential remediation needed to bring former industrial properties back into productive use. Funding for this program has diminished, while demand has increased. We recommend a minimum commitment to fund ISRP at \$120,000,000 for each of the next five years. We also recommend reviewing legislative changes to the program statute that currently restricts how much of the fund can be used, annually. Surrounding states are making investments of a half-billion or greater in repurposing their ground, and we see this as vital to bringing land parcels back into productive use.

- 3. **Improve the Regulatory Climate in Pennsylvania:** Permitting timelines and regulations associated with Pennsylvania DEP, PennDOT and other state permitting agencies related to the land development process can result in increased project time frames and substantial costs – delaying or deterring economic growth and job creation. PEDA supports improved coordination and a streamlined permitting process along with an expedited and collaborative inter-agency review, especially as it relates to high priority economic development projects.