

Prepared for: Director Alan Levin

Good evening. My name is Alan Levin, Director of the Delaware Economic Development Office. I want to thank you for this opportunity to detail DEDO's many accomplishments over the course of the Markell administration and to demonstrate its importance to the growth and prosperity of Delaware.

DEDO was established in 1981 during the administration of Gov. Pete DuPont. The new executive branch agency, then known as the Delaware Development Office, was instrumental in the implementation of the Financial Centers Development Act, which brought several national banks and financial institutions to Delaware and pulled the state out of financial crisis and into prosperity.

Three decades later, DEDO would once again play a pivotal role in turning around Delaware's economic fortunes.

Several major challenges coincided with the beginning of the Markell administration in January 2009. Two major employers and economic drivers for the State of Delaware would disappear from the business landscape in a matter of months. Chrysler closed its Newark manufacturing facility at the end of 2008. GM's Boxwood Road plant in Newport followed suit in July 2009. Combine these closings with Valero's decision to shut down the Delaware City Refinery and you can see why unemployment soared in Delaware.

In January 2009, the same month Governor Markell took office, Delaware's unemployment rate climbed to 7 percent for the first time in decades. One of the worst recessions in history kept it there for a few years, reaching a peak of 8.7 percent in January 2010.

Under the direction of Governor Markell, DEDO would help Delaware navigate the Recession and steer the state into recovery by simply carrying out its mission: attract new investors to the state; promote the expansion of existing industry; assist small and minority-owned businesses; develop tourism; and provide jobs for every Delawarean who wants one.

DEDO carries out this mission in a number of ways.

In 2009, we re-established the Delaware Tourism Office in order to best promote the First State as a year-round destination for travelers from both the U.S. and overseas. With a focus on group tours, consumer and sports segments, those sectors have generated more than \$12 million in sales in the last year alone. We are happy to report our efforts have helped grow the tourism industry from an economic impact of \$1.7 billion when Governor Markell came into office to \$2.9 billion this past year. This industry employs nearly 40,000 people, making it the fourth largest private employer in the state.

New investors and expanding businesses depend on a well-trained workforce. Thanks to the combined efforts of our Workforce Development team, the Department of Labor and the private sector, Delaware's workforce consistently places high in national rankings. DEDO's workforce training program, primarily funded through Blue Collar funds, has helped Delaware businesses provide the most up to date skills training to their new and existing workforce. In FY14, DEDO provided training grants for 34 projects totaling approximately \$978, 000. Participating companies have more than matched the state's

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investment, contributing over \$ 1.9 million of their own funds. This collaborative investment has helped over 1,700 Delaware workers obtain valuable training and skills development.

Our Business unit focuses on attracting new investors to the state and promoting the expansion of existing industry. In 2009, we established our business retention and expansion team with a representative in each county. They work with other agencies, local government, local economic development groups, chambers, non-profit business support groups and the real-estate community. With a focus on our existing businesses, the team's efforts center on lending programs, business counseling and referrals that assist businesses both large and small. Our business attraction, retention and expansion efforts and DEDO's financial toolbox have assisted 375 business from FY 2009 through FY 2014, leveraging millions in private investment.

Delaware's downtowns are critical to the strength of our economy, and as such DEDO promotes development, redevelopment and revitalization of their central business districts and adjacent areas. DEDO's state coordinator for Downtown Delaware utilizes the National Main Street model, focusing on commercial district business development, stabilizing at-risk merchants and expanding small businesses. Technical training and innovative programs reduce vacancy rates and promote business growth in Delaware's downtowns. One such innovative program is DEDO's Project Pop-Up. The program provides unique opportunities for our small business community by offering three months of rent-free commercial space and the assistance of a business advisor to support the entrepreneurs. Since the program's inception, 14 businesses have signed long-term leases to continue operating in their downtown space.

Safety and crime prevention also encourage downtown visits and growth. Thus, DEDO is administering the Neighborhood Building Blocks Fund established in late 2014. To date, three projects have been awarded grants and 10 applications are in the pipeline. Additionally, DEDO funded the addition of eight safety ambassadors to Downtown Vision's staff to significantly enhance the existing safety patrols in the central business district of Wilmington.

Infrastructure and transportation improvements also play a significant role in economic development. Thanks to the efforts of the General Assembly, the New Jobs Infrastructure program was established in FY2012 and DEDO took the lead in administering the program. As a result of the program, 17 projects have been assisted, leveraging \$230 million private investment and creating 3,240 jobs and thousands of construction jobs.

DEDO took the initiative to establish Delaware as the only state in the nation to designate the entire state as Foreign Trade Zone eligible under the Alternative Site Framework (ASF). This provides businesses with the flexibility to do business in an FTZ anywhere within Delaware's boundaries, thereby reducing or eliminating customs duties and federal excise taxes.

DEDO's mission is supported by our operating budget, federal grants and our capital budget which is the Delaware Strategic Fund. The Strategic Fund allows us flexibility, which is our competitive advantage – so that we can respond to not only what is happening in our economy but also to what the businesses'

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individual needs are. However, during this administration, we have taken several important steps to improve DEDO's services to Delaware taxpayers.

- Our staff understands expectations because all processes are now documented, consistent and mandatory.
- We separated the "underwriter" and the relationship manager duties such that each project has a business development relationship manager and separately a capital resources staffer who performs the underwriting role.
- We created a well-established due diligence process which includes compliance checks with other agencies, mandatory information collected from all applicants, standard "credit memos," mandatory impact analysis, Personal Income Tax analysis and in-depth financial analysis of all applicants. Business terms are established prior to the Council on Development Finance committee review.
- We enhanced the accounting and internal controls by establishing a monthly cash reconciliation, requiring management signatures on all disbursement requests, enacting the separation of duties, compiling financial statements for the Delaware Economic Development Authority (DEDA) and engaging external auditors for a voluntary annual financial audit of DEDA's financial statements.
- We began proactively and consistently monitoring past due receivables, (30, 60, 90 days) and involving the AG's office for collections.
- We developed a well-established monitoring of performance for grants that require job creation and retention, including reporting requirements, monthly meetings to discuss potential shortfalls and active follow-up with companies.
- And to further improve our efforts, we have begun recording data that was not previously recorded so that we can perform return on investment analysis as active projects in our current portfolio close.

Most of our successes result from judicious spending of Delaware Strategic Fund dollars. In 2012 the New York Times reported total state cash and tax incentive spending. Delaware had the sixth lowest per capita spend, the fifth lowest in total spend and was one of only five states that spent only one cent per dollar of their respective state budgets on cash and tax incentives.

As a result of the Strategic Fund, Amazon built a 1 million-square-foot facility in Middletown, where it employs well over 900 people. Energizer is bringing 270 new jobs from its Montreal operation to the Playtex facility in Dover. Perdue is going to upgrade organic production and add 350 jobs in Milford. 21st Century North America Insurance Company agreed to remain in Delaware, upgrade and modify its Wilmington headquarters and potentially create up to 300 new full-time Delaware positions.

The financial sector continues to rebound, as Barclays, Capital One, CitiBank, JP Morgan Chase, SLM Bank and Navient all continue to expand and add jobs.

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And in the past year, two companies who we see as integral to Delaware's economic future agreed to stay, and grow, in Delaware thanks in part to grants from the Delaware Strategic Fund.

Incyte Corp. launched in Delaware more than a decade ago and has grown into one of the nation's leading research-based commercial biopharmaceutical companies. This homegrown success story eventually reached its maximum capacity in its Delaware facility, and was exploring options in neighboring states. With our assistance, Incyte decided to stay in Delaware and signed a 15-year lease to occupy the former John Wanamaker building, a Wilmington landmark off the Augustine Cut-Off, where it staffs close to 400 people.

SevOne Inc. represented another Delaware success story that we did not want to close the book on. Launched in 2005 by two University of Delaware grad students, the data management and IT service provider would go on to become one of the fastest growing companies in the world. When SevOne outgrew its space in Wilmington and needed to expand, Philadelphia and Boston emerged as frontrunners as possible destinations. But in the end Delaware won out, thanks in part to a Strategic Fund Performance Grant for the creation of 150 jobs and a Capital Expenditure Grant for new space back where it started: At the University of Delaware, on the STAR campus.

DEDO assists businesses of all sizes, old and new. Weitron Inc., a refrigerant management company, is moving its headquarters from Maryland to Delaware, along with 30 jobs. NAES Corporation relocated its New Jersey office to Delaware, bringing 36 jobs and will add an additional nine. And, IPR International has moved its Pennsylvania headquarters to Wilmington, creating 30 new, full-time jobs in Delaware.

A significant number of small businesses have secured loans allowing them to survive and thrive thanks to the Delaware Capital Access Program (DCAP). The private-public match program provides portfolio insurance to participating financial intuitions to enable them to expand small business lending. The program has positively impacted 157 small businesses during the Markell administration, enabling these businesses to make payroll and purchase inventory to stock shelves.

And while we are developing the jobs and industries of the future, we also continue to bolster one of our oldest economic strengths, Agriculture. The Delaware Rural Irrigation Program, or DRIP, a joint effort between DEDO and the Delaware Department of Agriculture, helps Delaware farmers irrigate more cropland with the help of a no-interest loan. The private-public investments have been successful in helping these farmers survive droughts, increase yields by 30% and keep family farming thriving in DE. To date, 51 loans have been administered, aiding the irrigation of nearly 3,000 acres of land.

As a result of all the successes I just outlined, I'm happy to report that, as of January 2015, Delaware's unemployment rate stood at 5 percent.

This shows that our economy is in good shape, but more telling is the fact that more Delawareans are working today than at any point in the state's history.

As of December 2014, 455,314 people had jobs.

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Delaware is not plateauing either; our state is definitely trending up. According to a recent report by the PNC Financial Group, the Delaware economy is faring better than its neighbors in the Northeast.

And Anirban Basu, Chairman and CEO of Sage Policy Group Inc., a leading economic consulting firm, said that "Delaware continues to serve as the Mid-Atlantic region's growth leader." He noted that Delaware ranked 7th in percentage job growth over the last year behind only North Dakota, Texas, Utah, Florida, Oregon and North Carolina. He also pointed out that neighboring states didn't fare as well, with New York ranked 35th; West Virginia ranked 40th; Pennsylvania ranked 41th; Maryland and Virginia both ranked 44th; and New Jersey ranked 49th.

Recent studies have also ranked Delaware No. 1 in Business Friendliness, Economic Output Per Job and Bond Rating. Delaware has also fared well in studies on Digital Connectivity, Business Incubation, High-Tech Share of All Business, New Startup Rate and STEM Jobs Concentration.

Delaware was recently ranked as America's fifth best state for business in an article in USA Today's Money section. The piece lauds the state for its favorable regulatory climate and says its high percentages of tech workers and strong independent investments place it among the best states for innovation.

And in Gallup's annual ranking of state job markets, Delaware placed tenth, the only state on the Eastern Seaboard in the Top 10. Our state went from one of the lowest-ranking states in 2008 and 2009 to one of the top-ranking in 2013 and 2014.

These successes followed some significant challenges that continue today, including increased competition locally and globally, limited funding and limited staff and the inability to motivate staff with pay increases or bonuses. We continue to do more with less and are proud of our team and accomplishments.

DEDO has received some much-needed assistance from the AmeriCorps*VISTA and AmeriCorps*State programs. Since 2009, DEDO has received over \$800,000 in grants funds from the Corporation for National Service and the Governor's Commission on Volunteer and Community Service to support 27 AmeriCorps*VISTA and AmeriCorps*State members. As a result of having these members, the following programs have been created: the Job Center at Delaware Libraries; the APEX Program, now housed at Department of Labor; the Downtown Delaware Volunteer Manual; the Farmer's Market in Smyrna and the Hispanic American Business Center. We have partnered with community agencies such as the City of Harrington, First State Community Loan Fund, and Delaware Libraries, by providing them with AmeriCorps*State members.

The following are some improvements that would enhance DEDO's ability to carry out its mission:

- The ability to offer tax credits to prospective businesses and current businesses looking to expand. Other states have such authority, and Delaware's limited ability to do so hurts our ability to compete.

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- The creation of tax credits to venture capitalists who invest in startups. We have people who want to launch their own business; they are looking for the financial support and security to make their dreams a reality.
- Tourism enhancement bills that would allow our tourism unit to continue to expand its marketing efforts and bring additional revenue to the state. Previous legislation that did not become law would have expanded the Public Accommodations tax to include campgrounds and rentals of less than five months.
 - A 2012 plan to broaden the PAT and use the funds for tourism and parks was projected by DNREC to have brought an additional \$15 million to the state.
- The ability to provide staff with incentives for exceptional performance would boost morale, enthusiasm and, in turn, performance.
- Due to the reporting requirements built into the grant contracts, we are asking that the statutory job report due every June 30 by applicants, as stated in Chapter 50, Subchapter 4, Section 53, be removed.
- In addition, we request that Subchapter 3-A, Sections 5046-5049 be repealed as the Small Business Revolving Loan and Credit Enhancement Fund no longer exists.

Before I close, I'd like to highlight some recent comments and letters DEDO has received from businesses the State has assisted.

Jack Sweeney, CEO SevOne, Inc. . . .

"I have been the CEO of seven startup companies- most of them in the hotbed of technology in Eastern Massachusetts.

I was, frankly, skeptical about the likely quality of the talent available to us and about the environment for entrepreneurial activity in Delaware. Now, nearly two years into my job, I can't help but be amused by how wrong I was. Delaware is perfect. The folks at DEDO have done a better job fostering our growth than any other government entity."

Ben Carrow from BMC Farms Inc states . . .

"I was able to attain the irrigation with the help of DEDO's DRIP program. Since I received the loan, I've been able to vastly reduce operating risk and even plan for the future of the farm in a way that would not have been possible. Thanks again for the lifeline."

These are just two examples of the feedback that DEDO often receives. Additional examples are scrolling on the screens above and hard copies have been included in your handouts.

I'd now be happy to take any questions.