

Testimony for the September 20th House Republican Policy Committee Hearing
By Don Cunningham, President and CEO
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Welcome to the Lehigh Valley. I am Don Cunningham, President and CEO of the Lehigh Valley Economic Development Corporation (LVEDC). LVEDC's mission is to market the economic assets of the Lehigh Valley and to serve as a regional shared services and resource center to help businesses to come, grow, and start here. We were founded almost 20 years ago by visionary community leaders, who understood that in the wake of the end of steel making and reduction in big manufacturing, the region needed to unite our economic development and marketing efforts if we were going proposer.

I am proud to report that working with business leaders, elected officials and higher education and healthcare institutions we have helped to transform Lehigh Valley's economy. Once we were known solely as the home of heavy manufacturing, but that has changed and we are now better known for having a truly diversified economy.

The Lehigh Valley's GDP is \$37 Billion and interestingly enough the largest part of our GDP, over \$5.6 Billion and 10.2 % of our employees, still comes from manufacturing. \$4.3 Billion of our goods produced are exported out of the country and the region has created over 24,400 jobs in the last five years. Over 355,000 people work in the Lehigh Valley and almost half of those workers come from outside the region.

Site Selection magazine ranked the Lehigh Valley as one of the top five overall regions in the Northeastern United States in terms of economic development for 2016, and the number one region of its population size in the Northeast.

No major region in Pennsylvania has experienced greater post-recession job growth than the Lehigh Valley. While most metropolitan areas of the state have fewer jobs today than they did before the "Great Recession", the Lehigh Valley has nearly 3 percent more jobs, the highest increase of any major Pennsylvania region.

In 2016, LVEDC provided access to \$240 million in financing, supporting more than a dozen projects that created 1,461 jobs.

Through this success we have come to learn what it takes to grow a regional economy and how to help hard working business people create and retain jobs. I would like to focus my remarks on some timely policy suggestions for you to consider, because while the news today is sunny, I am concerned that things could change quickly.

Ten years ago, the Department of Community and Economic Development's budget for FY 2007-08 was \$631 Million. In the FY 2017-18, the DCED budget is \$134 Million.

I understand that many things have changed in ten years and the DCED budget then included some programs that are not included today, along with a significant amount of funding for legislative grants that have been stopped, but even with those factors considered the loss of real economic development funding has been staggering.

In the FY 2007-8 budget, there was over \$90 Million in discretionary funding to support business expansion, retention and relocation prospects through three different programs: Opportunity Grants, Customized Job Training and Infrastructure Development. These funds were used to compete against other states to win business relocation projects and incentivize local businesses to stay and grow here.

In this year's budget, there is only one flexible economic development program, Pennsylvania First and it has only \$20 Million.

The most recent House budget, which sweeps funding from the PA Industrial Development Authority and the MELF loan fund, effectively removes the state from involvement in economic development support. These funds are aimed at growing our manufacturing base and have been very successful here. LVEDC currently has in the pipeline \$7.5 million in financing that would be jeopardized by the proposed cuts in the House budget. That financing supports \$25 million in investment that represents 200 new jobs and more than 450 retained jobs in the Lehigh Valley.

The loss of funding is heightened, because it has come at a time when neighboring states like New York, New Jersey and Ohio are upping their games and increasing economic development funding.

In most business retention, expansion and relocation efforts we are engaged in, Pennsylvania's incentive package is the smallest. You may say that Pennsylvania's lower cost of doing business can make up the difference, but when we compete against states in the South or Midwest, Pennsylvania is not the low-cost alternative. And with our high corporate tax rate, increasing price of land and regulatory costs, our advantage over our neighboring state is diminishing.

In addition to reduction in job related economic development funding, Pennsylvania's Foreign Direct Investment (FDI) program has been shrinking. We were once a national leader with trade offices in more foreign countries than any other state, but today that is not the case. Some trade offices have closed and the Commonwealth does not seem interested in courting foreign businesses investment. I have seen first-hand how vital these offices are and the importance of local knowledge and relationships in a foreign recruitment process.

42% of the major business relocation investments in 2015 in the Lehigh Valley were from foreign based businesses. Eastern Pennsylvania, specifically the Lehigh Valley is an excellent location for foreign businesses, especially European businesses who are looking to open facilities in the Boston to Washington DC megalopolis. Without these trade offices, we miss out on many new opportunities.

Reductions in discretionary economic development funding and an erosion in support for FDI are hurting Pennsylvania's chance to grow business investment and jobs. I urge you to support additional funding for discretionary economic development programs and greater support for FDI programs. In the future, we will pay the price for not investing today.

At LVEDC, we also realize that labor and skills development play a key role in continuing and building on our success. We have lost potential business relocations or expansion projects, because we lack the labor needed or do not enough workers with the right skills.

In order to address these issues, LVEDC has established our Education and Talent Supply Council. This program is funded by two different grants and it brings together economic development professionals, private industry, K-12 education, vocational and technical schools and community colleges to better connect the Lehigh Valley's labor supply and demand.

The Council has been conducting research and outreach efforts to analyze the Lehigh Valley's talent pipeline by coordinating with local educational institutions to get labor supply data.

Understanding labor supply is only half of the issue; the other is to understand the specific labor needs of Lehigh Valley businesses. The goal is to make sure the Lehigh Valley is supplying the right number of workers, with the proper skills demanded by present and future companies. This is a difficult task, but we have begun the work to develop a process that we believe can be successful and can serve as a model for the other regions in the Commonwealth.

Supporting our efforts to match labor demand and supply and helping to get other regions focused on this task will significantly help Pennsylvania's ability to create and retain jobs.

Thank you for your time and I look forward to taking your questions.