

Prepared for: Director Bernice Whaley

Good morning. And thank you, Director Maxwell, for taking the time to meet with us this morning.

On behalf of the Delaware Economic Development Office, I am here today to present our Operating and Capital Budget requests for Fiscal Year 2018. Approval of our request will allow DEDO to continue to carry out our mission of business attraction, retention and expansion; provide guidance and educational business events for entrepreneurs, small-, minority-, disabled- and veteran-owned businesses; and promote Delaware as a desirable tourist destination. Funds from this request will also support ongoing programs, economic development infrastructure projects, and recapitalize the Delaware Strategic Fund.

In FY09, DEDO's operating budget was \$4,611.1; currently our operating budget is \$2,928.6 which reflects a 36% decrease in funding level.

DEDO is a small agency but we yield substantial results. In FY09, DEDO's complement included 51 positions. Due to attrition and a hiring freeze, that fiscal year began with an actual headcount of only 43. Being sensitive to the economic circumstances of the time, we voluntarily gave up 9 FTEs and have never requested any of these positions be returned. To compensate, we focused on efficiency and achieved our goals by reorganizing the staff to more effectively meet the needs of Delaware's businesses. Over the past eight years we have operated with a full staff; however, due to recent staff turnover 39 of the 42 positions are currently filled.

DEDO's Capital Budget – which includes projects funded by the General Assembly – has fluctuated over the past eight years. Additionally, funding provided to recapitalize the Strategic Fund has fluctuated during the same period. Although the Strategic Fund was recapitalized at its highest levels during the peak of the recession, its funding has returned to prerecession levels.

This reduction in staff and variations in funding have never slowed us down. Over the course of the Markell Administration, DEDO continued to produce results equivalent to at least 51 people. DEDO has taken on new programs and projects without adding additional staff. We constantly seek new ventures, develop innovative programs and welcome the opportunities to oversee and administer collaborative agency initiatives. We carry out our mission in a variety of ways and have seen positive results.

In January 2009, the same month Governor Markell took office, Delaware's unemployment rate soared to 7% for the first time in decades. During one of the worst recessions in history, the unemployment rate remained high for several years, reaching a peak of 8.7% in January 2010. Several major economic challenges occurred during the transition of administrations; however,

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the Markell Administration worked meticulously to ensure the success of Delaware businesses and industries – and in turn, their employees. According to our Department of Labor’s September 2016 Labor Review, Delaware’s unemployment rate has remained at 4.3 percent for the third consecutive month.

We are constantly on the lookout for innovative ways to move forward – especially when it comes to attracting, retaining, and expanding businesses such as:

- AB Group Packaging, Alpha Technologies, Amazon, Atlantis Industries, Baltimore Aircoil, Barclays, Calpine, Capital One, Citigroup, Croda, Edgewell, Incyte, Johnson Controls, JP Morgan Chase, Kraft Foods, Miller Metal, Mountaire Farms, PTM Manufacturing, Perdue Agribusiness, Perdue Foods, Sallie Mae, Solenis, Springleaf, Testing Machines, Wells Fargo and Zacros America.
- Significantly, in 2011 we saved 750 jobs by reopening the shuttered oil refinery in Delaware City.
- We also attracted employers to the University of Delaware’s STAR Campus including companies such as Bloom Energy, SevOne, as well as cutting-edge research entities like STF Technologies which are a part of Delaware Technology Park’s new research lab.
- As a result of DEDO’s reorganization in 2009, the agency eliminated its cluster model and established a Business Retention and Expansion program. From FY13 through FY16 Business Development Leaders have visited over 600 businesses/sites; consulted over 1,800 businesses and entrepreneurs, and attended over 720 community and business events.

Additionally, the Strategic Fund supports a variety of financial programs that assist small businesses and entrepreneurs as they create jobs and contribute to Delaware’s economy.

- The Delaware Capital Access Program, a private-public match program, has positively impacted 178 small-, minority-, veteran- and disability-owned businesses during the Markell administration.
- During FY09-FY16, 22 entities received assistance through the Delaware Technical Innovation Program via the Small Business Innovative Research and the Small Business Technology Transfer program. These programs enabled research businesses to bring innovative new products, jobs and revenue to Delaware.

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- In FY09, DEDO began hosting educational events targeting Delaware small businesses and entrepreneurs such as: the Governor's Entrepreneurial Business Conferences: Secrets of Success Seminars; Impress the Press; Grass Roots Plus program; Kaufmann FastTrac; and, the 1M/1M global virtual incubator program.

We continue to use the Delaware Strategic Fund and additional federal and state financial incentives effectively:

- Delaware's current portfolio of Strategic Fund grants has exceeded job creation requirements, reporting more than 32,800 full-time employment opportunities; over 8,200 more than promised.
- From January 2009 to June 2016, every public dollar invested in capital expenditure grants generated over \$32 in private investment.
- Risk management has resulted in a significant decline in delinquencies – reducing defaults by 10% a year.
- The State Small Business Credit Initiative was established by the federal government in 2011 and is funded through the U.S. Department of Treasury. This initiative enabled DEDO to create a loan participation program designed to increase access to capital at lower interest rates. As a result of partnerships between DEDO and lending institutions, 34 Delaware start-ups, small businesses, and nonprofit entities have received access to lower interest rates through SSBCI. From the program's inception through June 2016, every public dollar invested generated over \$6 in private investment.

We have focused on key industries for Delaware including the financial sector and the agricultural industry. Thousands of new jobs in the financial services industry are being created by companies such as JP Morgan Chase, Capital One, Bank of America, and Barclays. Nearly 28% of the 68,700+ individuals employed by Delaware's top 20 private-sector companies are working in financial services.

To further solidify the future of Delaware's agricultural industry, we support programs such as the Delaware Rural Irrigation Program, a joint effort between DEDO and the Delaware Department of Agriculture. Nearly 3,200 acres of Delaware's cropland have been irrigated as a result of the DRIP program. The program has assisted 56 family farms by enabling them to survive droughts and increase yields by at least 75%; resulting in an economic impact of over \$1.2 million for Delaware farmers. Since the program's inception in 2011 through June 2016, every public dollar invested generated over \$4 in private investment.

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Over the past eight years, DEDO's Downtown Delaware program has shown proven results.

- During this administration, the State Annual Budget Reductions have been supplemented by USDA Rural Development funding, enabling DEDO to expand services from an average of eight towns to a total of 20.
- USDA grants totaling \$515,000, accompanied by DEDO's equal matching funds, provided vital business development assistance to 12 Commercial District Affiliate towns in rural Delaware and seven designated Main Street communities which gained 258 businesses and created 1,054 jobs.
- DEDO's Project Pop Up created the opportunity for 18 businesses to move from a home-based setting to brick-and-mortar locations in Delaware downtowns. After four years, 12 of these businesses still occupy their downtown locations and two have spawned new businesses.
- The Great American Main Street Award – the most prestigious national award for a designated Main Street community – was awarded to Rehoboth Beach in 2009 and the city of Newark in 2011. The city of Milford was a 2014 semi-finalist.
- As a safety and crime prevention measure, the Neighborhood Building Blocks Fund (NBBF) was established in December 2014 by the General Assembly. Funding has been provided to 21 entities statewide to help downtown communities increase lighting and security cameras, police cadets, ex-offender programs and educational outreach programs for underrepresented minorities and at-risk youth, as well as support the development of Downtown Development District applications. Due to a new infusion of \$3.7M into the fund, a new round is open and applications are currently being accepted.

The work of DEDO has positively impacted the lives of Delawareans through infrastructure improvements, AmeriCorps programs and investments in workforce training.

- In FY12, the New Jobs Infrastructure program was established. Administered by DEDO, this program is supporting 19 projects, leveraging over \$572 million private investment, creating 3,650 jobs, plus thousands of construction jobs.
- DEDO's AmeriCorps program ran from 2009-2016. During this time, 30 AmeriCorps members created or supported programs such as: library Job Centers; APEX (pardon/expungement assistance); SPARC (business/school mentoring program); the Hispanic American Business Resource Center; two Latino Summits; the Milford Mural

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Project; the Milford International Food Festival (700+ in attendance); and, the Milford Downtown Diversity Steering Committee.

- DEDO's workforce training program helps Delaware businesses provide skills training to their new and existing workforce. Over 10,400 Delaware workers have received training since January 2009.

During the first year of the Markell Administration, we established the Delaware Tourism Office to best promote the First State as a year-round travel destination.

- As a result of this focused effort, Tourism's contribution to Delaware's annual GDP is up from \$1.9 billion in 2008 to \$3 billion in 2014 and the amount the industry brings in for state/local government a year has increased from \$408 million in 2008 to \$470 million by 2014. Annual visitation has gone up more than a million people in that time frame.
- Employment in the tourism industry is up nearly 25 percent from 2008 to 2016. The industry is the 4th largest private employment sector in Delaware, with more than 52,000 jobs as of September 2016.
- The state's new "Visit Delaware: Endless Discoveries" campaign, started in 2015 after extensive market research and is showing huge results. A third-party study this summer had it tied for the most effective state branding effort in the country. Web traffic to VisitDelaware.com skyrockets from target cities/regions each time the state's tourism TV commercials are on the air.
- Delaware has put a strategic focus on three key areas of tourism determined to be the most likely to provide significant ROI – leisure (consumer), sports and group tour. Their collective value is constantly and consistently growing. For example, since 2009, the Delaware Sports Commission's projects and events have generated \$50 million in economic activity for the state.

The **Delaware Tourism Office** requests **\$2.8 million** – with \$200,000 going to marketing and \$200,000 to contractual expenses. Now is the time to capitalize on DTO's success, maintain, and grow Delaware's standing comparatively to other states and regions.

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Budget Request

With this in mind, I would like to address DEDO's budget request for fiscal year 2018. **Our General Fund Operating Budget** request totals **\$3,000,200**. Should it be necessary, a reduction of 1% would equate to \$29.3.

We are also requesting \$6,376,400 appropriated special funds which include a \$400,000 increase for the Tourism Marketing Spending Authority. The tourism funding will be used to support professional services, sponsorships, and advertising.

The Capital Budget request totals **\$41,500,000** of which **\$15,000,000 million** is to recapitalize the Delaware Strategic Fund. The remainder of DEDO's request will be invested as follows:

\$800,000 for EPSCOR (Experimental Program to Stimulate Competitive Research - Research Infrastructure Improvement): This funding will provide infrastructure to support research and educational programs for Delaware's water and energy challenges. Funding will match \$3,000,000 of federal funds annually. This request represents the **final year of a five-year commitment**.

\$1,000,000 for the Delaware Clinical & Translational Research (CTR): This funding will enable the partner institutions to put in place critical infrastructure to train the next generation of professionals with a focus in clinical and translational health research, develop new methods to translate research discoveries in community health settings and improve healthcare for our citizens across the state. This request represents the **final year of a five-year commitment**.

\$1,000,000 for INBRE (IDeA Network of Biomedical Research Excellence): This funding will continue to stimulate Delaware's economic growth by initiating unique collaborations among the public, private and academic sectors of the State. This represents the **fourth year of a five-year commitment**.

\$1,500,000 for Fraunhofer: This funding will leverage a 2:1 matching grant from Fraunhofer USA and Fraunhofer Gesellschaft in Germany. This represents the **first year of a five-year commitment**.

\$16,000,000 for the Diamond State Port Corporation: Funding is requested for infrastructure improvement projects.

\$3,200,000 for the Riverfront Development Corporation: Funding is requested for the continued development of the Wilmington Riverfront.

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\$2,000,000 for Federal Research and Development Matching Grant Program: This funding will support general research and development grants awarded to Delaware institutions of higher education.

\$1,000,000 for CAT (Bioscience Center for Advanced Technology): This funding will be used to foster academic industry research partnerships to support local bioscience businesses and help Delaware recruit, retain and create science-based jobs.

Thank you for your time today. I am happy to address any questions you may have.