

Prepared for: Director Alan Levin

Good afternoon. My name is Alan Levin, Director of the Delaware Economic Development Office. I am here to present DEDO's FY16 Capital Budget request, and to detail the agency's recent accomplishments and future initiatives. Before I get into our presentation, I want to thank the members of the Bond Bill Committee for their time and consideration.

DEDO's core mission is to put people to work by bringing new businesses to Delaware and helping existing companies grow. And since the start of the Markell Administration six years ago, we have experienced success in striving toward that goal. After one of the worst recessions in decades, more people are working in Delaware at this moment than at any point in the state's history.

Don't take our word for it; experts say the following about Delaware:

Anirban Basu, Chairman and CEO of Sage Policy Group Inc., a leading economic consulting firm, recently stated "Delaware continues to serve as the Mid-Atlantic region's growth leaders. While New York (34th), West Virginia (39th), Pennsylvania (40th), Maryland (43rd), Virginia (43rd), and New Jersey (48th) have continued to lag the nation in terms of percentage job growth over the past year, Delaware ranked 7th behind only North Dakota, Texas, Utah, Florida, Oregon and North Carolina"

A recent report from PNC Financial Group backs up Mr. Basu's assertion that Delaware's economy is continuing to lead the way in the Northeast. The report also said the following:

"Over the longer run, Delaware's concentrations in finance and professional/business services, the state's strategic location along the I-95 corridor between Philadelphia and Baltimore, a low cost of doing business for the Northeast, and favorable business environment, including low taxes, will support growth," And "An expanding population, thanks to positive net migration, low taxes, and affordable housing, will bolster demand for healthcare and consumer industries and support home- building, although the labor force will grow more slowly than the population because of the influx of retirees. Upside potential to the long-run forecast comes from construction of improved rail links with Philadelphia, which could lead to more commuters moving to Delaware to take advantage of the state's less expensive housing and low taxes, the report concluded."

Delaware unemployment continues to drop and in December recorded its lowest rate in over six years at 5.4%.

This isn't good enough. We want everyone who wants a job to have a job.

DEDO is proud of the fact that we have done our part to get Delaware back to a position of strength.

We have done this with fewer resources, and we haven't missed a beat.

This is due in large part to the successful usage of the Delaware Strategic Fund. Last year we revised our investment program so that companies only receive incentives when jobs are created, which provides an immediate return on investment and promotes responsible spending.

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The strength and importance of the Strategic Fund was evident on Jan. 19 of this year, when three projects adding 450 new jobs in Delaware were reviewed at the meeting of the Council on Development Finance.

Among the projects reviewed:

- SevOne Inc. requested and was approved for funding so that the company could continue its rapid expansion in the same place where it was launched in 2005: The University of Delaware. The data management and IT service provider will receive a Strategic Fund Performance grant for the creation of 150 jobs and a Capital Expenditure grant to build its new space at the STAR campus. This funding came at a crucial time and was instrumental in pushing Delaware ahead of Philadelphia and Boston as options for its expansion. The additional employees will bring its current full-time workforce up to 313.
- Energizer will receive a Delaware Strategic Fund Performance Grant for the creation of 270 new jobs, as well as a Capital Expenditure grant to expand and upgrade its Playtex facility in Dover. The grants were a key factor in Energizer's decision to consolidate its Feminine Care business and bring jobs from Montreal to Dover, where it currently employs about 500 people. The additional jobs will bring its employment base there up to well over 750.
- The Delaware Technology Park was approved for a Delaware Strategic Fund loan for the build out of wet lab spaces at the University of Delaware's STAR campus. The space will serve as an incubator for roughly 10 businesses, 30 employees in the health sciences field and assist in keeping the UD's best and brightest in Delaware.
- This followed our financial support of Delaware State University's Optical Science Center for Applied Research, also known as OSCAR. A Strategic Fund loan will help provide this state-of-the-art facility with shared laboratories, providing users with advanced technology testing and instrumentation.

Other successes of the Delaware Strategic Fund this past year included:

- JPMorgan Chase will be using a capital expenditure grant to assist with its major Delaware expansion including the addition of 500 new positions
- Perdue Farms will be using Strategic Fund dollars to upgrade organic production at its Milford facility and create 350 jobs.
- 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.

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- Formerly Salle Mae, SLM Bank will be adding 401 new jobs to its existing Delaware workforce of 399 jobs and Navient has relocated its operations from Newark to Wilmington and will be adding 207 new jobs to its current Delaware workforce of 743.
- Weitron Inc., a refrigerant management company, is moving its headquarters from Maryland to Delaware, along with 28 jobs.
- NAES Corporation's grant assisted with their relocation of their New Jersey office to Delaware. They have relocated 36 jobs and will create an additional 9 new jobs in Delaware.
- And, IPR International has moved their Pennsylvania headquarters to Wilmington, creating 30 new, full-time jobs in Delaware.

In Fiscal Year 2014, the Strategic Fund continued to help our hospitals expand and upgrade their services. **Bayhealth Medical Inc.** was able to move forward with plans to add 97 full-time positions and 32 private care beds on a new third-floor wing at Kent General Hospital in Dover. **Nanticoke Memorial Hospital** began construction on a new 35,000-square-foot medical office building in Seaford, which will add 44 new employees and several new physicians. And **St. Francis Hospital** was able to continue its mission of caring for underprivileged individuals while also serving as a key cog in Wilmington's economy. These upgrades not only provide new jobs and enhance care for citizens, but it also makes Delaware a more attractive option to businesses outside the state looking to relocate.

In addition to funding new jobs, the Strategic Fund also provides assistance in the form of low interest loans and other creative instruments as demonstrated in the programs that follow.

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.

The Strategic Fund also backs DEDO's Brownfield Assistance program, which provides matching grants to owners and developers to encourage redevelopment of environmentally distressed sites within the state; and the Small Business Innovation Research program (SBIR), which has made significant contributions to Delaware adding innovative companies and jobs.

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Resources for small business

In addition to funding streams, DEDO also assists small business by supporting and facilitating programs and events offering advice and increased access to resources.

We provide such opportunities through a variety of initiatives. These include **Start It Up Delaware**, which offers classes and co-working space to budding entrepreneurs and the Kauffman FastTrac program, which we present through a partnership with Delaware Technical Community College. Through Kauffman, entrepreneurs develop business plans and small business owners receive guidance for taking their business to the next level.

DEDO brought in e-Commerce and social media experts for a three-day seminar detailing strategies for taking advantage of Internet sales and marketing. The financial programs DEDO offers to assist businesses were explained and promoted at an **Access to Capital seminar**. Our team participates in monthly **Open For Business events** in all three counties for small business owner and entrepreneurs looking to learn about resources available in their area. Finally, the **Delaware Small Business Summit** presented an overview on Executive Order 44 and the opportunities it offered for small businesses, women-owned and minority owned businesses; veteran owned businesses and businesses owned by those with disabilities.

Partially assisted by the Strategic Fund, DEDO's business attraction and retention efforts are supported by its Strategic Communications team. The team uses public relations, advertising, event planning, marketing, social media and other online tools to promote financial programs and services and trumpet DEDO's major successes.

In partnership with GIS Planning, the team is in the process of implementing new software on DEDO's website. This initiative will provide real estate, demographic and industry data to help businesses and site selection professionals select locations in Delaware.

I would now like to address our request for fiscal year 2016. The **capital budget request totals \$33,196,550** and is broken down as follows:

\$10,000,000 to recapitalize the Delaware Strategic Fund to be used for DEDO's business attraction, retention and expansion programs.

\$800,000 to Experimental Program to Stimulate Competitive Research (EPSCOR); the third year of five year commitment; providing support for research and educational programs for water and energy challenges. The Natural Science Foundation provides \$3M per fiscal year.

\$1,000,000 to Center for Clinical and Translational Research (CTR), the third year of five year commitment.; providing support to conduct clinical and translational research in Delaware with a focus on obesity, cancer, cardiovascular health, neurosciences and epidemiology. The \$1M annual commitment leverages \$4M per federal fiscal year. Partner institutions (Christiana Care/Nemours) have committed \$10M and hiring personnel over the 5-year life of the grant.

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\$1,000,000 to IDeA Network of Biomedical Research (INBRE), the second year of five-year commitment and provides a match to UD's \$18M grant application to INBRE. The grant will further expand and strengthen statewide infrastructure of people, programs, facilities and policies and continuance of a unique collaboration among public, private and academic sectors. Focuses on cancer but also supports research in cardiovascular and neuroscience, which are two health areas of great relevance within Delaware. Partnership entities include = UD, DSU, DTCC, Wesley, Christiana Care and Nemours.

\$1,000,000 to Fraunhofer Vaccine Development, the fifth year of six year matching grant commitment, enabling the Center for Molecular Biotechnology (CMB) to develop a stronger infrastructure to create high-tech, high impact jobs, spin-off businesses, new partnerships and alliance.

\$10,000,000 million to Diamond State Port Corporation; funding will be used for container crane and infrastructure improvement projects.

\$3,150,000 to the Riverfront Development Corporation; funding will be used for activities related to the redevelopment of the riverfront areas.

\$1,000,000 to the Delaware Cyber Initiative; funding will be used to accelerate the initiative and will be a continued partnership between Del State, Del Tech and UD, to support students and attract high level researchers.

\$1,000,000 to the Federal Research and Development Matching Grant Program; funding will be used to support federal research and development grants to Delaware Higher Education institutions.

\$1,000,000 to the Bioscience Center for Advanced Technology (CAT), which supports and grows Delaware's economy and bioscience community through a matching grants program for Delaware-based academic scientists that partner with Delaware-based bioscience businesses. Additionally CAT provides Delaware businesses subsidized access to high-end, state-of-the-art instrumentation and techniques through its Technology Access Program.

And

\$3,246,550 to the Kent County Regional Sports Complex, which will provide 15 fields for soccer, lacrosse and field hockey events.

Thank you for your consideration and I welcome any questions you may have.