

Prepared for: Director Bernice Whaley

Good afternoon. I am Bernice Whaley, director of the Delaware Economic Development Office. I am here today to present DEDO's requested FY17 Operating Budget. Before I begin, I want to thank the members of the Joint Finance Committee for the opportunity to share DEDO's many accomplishments. Your continued support allows us to positively impact the lives of the citizens of Delaware and solidify the health and vitality of our state's economy.

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, and veteran-owned businesses; and promote Delaware as a desirable tourist destination.

As most of you know, with a staff of only 42 full-time individuals, DEDO is considered a small agency, yet, we yield substantial results. We constantly seek new projects, develop innovative programs and welcome the opportunity to oversee and administer collaborative agency initiatives. We carry out our mission in a variety of ways and have seen positive results.

Delaware's economy continues to improve compared to the nation and the region. According to the most recent labor review provided by our Department of Labor, Delaware has seen an employment gain that is the largest for any consecutive two years in the state's history. As you can see from the slide, since January 2010, Delaware's job growth has outpaced the national and regional rates. In 2008, Gallup's job creation index ranking had placed Delaware as among the worst in the nation. By 2014, Delaware once again was ranked in the top ten. Our ranking for 2015, released last week, showed Delaware's job creation index reached number four, ranking among the best in the nation.

DEDO plays a vital role in assisting with the creation of these jobs by **working directly with employers to attract innovative companies to Delaware**. We've attracted companies such as:

EnviroKure, a manufacturer of highly-refined, premium liquid organic fertilizers plans to open a facility in Harrington, adding 12 full-time positions.

Proximity Malt, a barley malt manufacturing operation, is building a facility in Laurel and creating 23 full-time positions.

AB Group Packaging, a 30-year-old paper bag and flexible packaging manufacturer based in Ireland, is opening its first U.S. plant in Delaware, creating 87 full-time jobs.

Solenis, a manufacturer of specialty chemicals is establishing its global headquarters in Wilmington, adding 122 full-time positions.

Zacros America, a plastic container manufacturer is moving its Hedwin Division, along with 154 manufacturing jobs, from Baltimore to Newark.

In addition to attracting businesses to the state, DEDO works with employers to retain and expand businesses. In the last two fiscal years, we have joined Governor Markell in visiting 350 Delaware

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businesses. Additionally, DEDO's Business Development team has toured over 450 businesses; consulted over 1,300 businesses and entrepreneurs; and attended over 540 community events.

Much of DEDO's work with companies is to help them with any issue that may be limiting their ability to expand in Delaware. With DEDO's assistance, Delaware-based companies such as **Croda**, are thriving. The company is building a new plant at Atlas Point, creating 30 new jobs and retaining 47 positions. The Atlas Point plant will make Croda the first supplier in North America to produce 100 percent sustainable non-ionic surfactants.

Last October, **JPMorgan Chase** announced it plans to add 1800 new jobs by 2019, generating millions of dollars in economic activity through capital projects, and creating hundreds of construction jobs.

While DEDO explores all opportunities we also maintain a focus on Delaware's key industries, such as the financial sector and agriculture. 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 67,000+ individuals employed by Delaware's top 20 private-sector companies are working in financial services.

We continue to bolster one of our oldest economic strengths, **Agriculture**. Over 3,000 acres of Delaware's cropland were irrigated as a result of the Delaware Rural Irrigation Program (DRIP). The program assisted 52 family farmers by enabling them to survive droughts and increase yields by nearly 30%; resulting in an economic impact of more than \$1 million for Delaware farmers.

Projects such as these are a result of **effectively utilizing the Delaware Strategic Fund and additional state financial incentives.**

DEDO currently services and administers over 300 loans through the Delaware Strategic Fund and the State Small Business Credit Initiative. Additionally, we act as a conduit issuer for Industrial Revenue Bonds, servicing 37 outstanding bonds with balances totaling \$737.9 million dollars.

These tax exempt bonds are assisting new or expanding businesses, governmental units and other organizations that are exempt from federal income taxation. For example, Delaware State University utilized the bond financing for the construction of its Optical Science Center for Applied Research and the acquisition of the former Sheraton Hotel and the University Courtyard complex in Dover.

I'll let Dr. Williams share his story.

[PLAY VIDEO]

Thank you Dr. Williams.

Now I'd like to talk about our grant program.

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Our active portfolio of 115 grants awarded through the Strategic fund has helped **create 4,159 new, full-time jobs**, and has helped **retain 21,581 full-time jobs**. In addition, these employers have **exceeded their commitments by 6,559 jobs**.

There's nothing small about the contributions of small businesses and entrepreneurs to Delaware's economy. DEDO's staff manages **financial programs that help small business owners** launch and grow their business. For example, during the Markell Administration, programs such as the **Delaware Capital Access Program** have positively impacted 161 small businesses; the **State Small Business Credit Initiative** loan participation program has assisted 30 Delaware organizations; and the **Delaware Technical Innovation Program** has supported 19 research businesses.

In October 2015, DEDO presented, and the Council on Development Finance approved, a Technical Innovation Program grant to a company with the potential to have a great impact on the healthcare industry and beyond. Founded by two doctors from the University of Delaware, **STF Technologies** is involved in the research and development of shear thickening fluid or STF. Textiles treated with STF are flexible and comfortable materials that move with the wearer; however, STF can instantly react with a solid-like behavior to protect against puncture, stab or ballistic threats. This technology has the potential to greatly impact the healthcare industry by addressing the need for enhanced medical glove protection preventing needle puncture accidents.

Projects such as this are happening across our state every day. As we sit here today, there are individuals outside these doors, implementing business plans, developing ideas, and innovating to create jobs for Delaware. It is our responsibility to ensure that we have the **tools available to aid in their entrepreneurial success**.

One such tool is DEDO's new partnership with One Million by One Million. This global, virtual incubator aims to nurture one million entrepreneurs to reach one million dollars each in annual revenue. In DEDO's pilot program, Delaware entrepreneurs have access to a broad network of mentorship and external investors at no cost to the individual.

Last October, DEDO hosted the Governor's Entrepreneurial and Small Business Conference. Over 200 attendees heard from business, financial and entrepreneurial experts on how to put their business on the path to success. We wanted the attendees to hear from real entrepreneurs with real entrepreneurial experiences. Tanya Bakalov, founder of SevOne, shared the story of her business success and just a few weeks later, DEDO joined SevOne as it celebrated the grand opening of its new facility on the University of Delaware's STAR Campus.

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.

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During this administration, Budget Reductions have been supplemented largely by USDA Rural Development funding. This enabled DEDO to provide business development assistance to seven designated Main Street communities and 12 Commercial District Affiliate towns.

Designated Delaware Main Street communities gained 230 businesses and created 914 jobs. And DEDO's Project Pop Up program created the opportunity for 17 businesses to move from a home-based setting to a brick-and-mortar location in Delaware downtowns.

Collaboration is vital to the state's economic development efforts. DEDO oversees and administers a variety of collaborative agency initiatives. In FY15, as a safety and crime prevention measure, the **Neighborhood Building Blocks Fund** was established to encourage downtown visits and growth. Since the program's inception, we have received and processed 43 grant applications. With the limited funding, 21 applicants have received grants to help communities increase lighting and security cameras, police cadets (presence on streets or in training), ex-offender programs and educational outreach programs for underrepresented minorities and at-risk youth.

Infrastructure and transportation improvements also play a significant role in economic development. The **New Jobs Infrastructure Program** funded 17 projects. It is leveraging \$230 million in private investments and is creating 3,240 jobs, and thousands more in construction.

DEDO also administers the **Foreign Trade Zone** program. All Delaware businesses now have the opportunity to apply for FTZ certification. Since taking the initiative to designate the entire state FTZ eligible, Delaware is proud to have six active sites, one pending activation by customs and border patrol and two others exploring the benefits of FTZ application.

The quality of education and availability of a skilled workforce is an essential component of economic prosperity. DEDO's workforce programs help Delaware businesses offer customized training to new and existing employees. During this administration, over 9,400 Delaware workers have received customized training. Training grants have increased by 35% in the last fiscal year, awarding \$1.3 million to 46 companies with a company match ratio of 4:1.

Additionally, improving the quality and availability of higher education is an essential component of enhancing research efforts to build an informed community and workplace. This effort requires the coordination of federal research and development matching grants. DEDO administers a \$2,000,000 appropriation to support federal research and development matching grants to Delaware institutions of higher learning to support on-going federally funded projects or start-up costs for new research. The program has awarded grants to Delaware State University, University of Delaware, and Wesley College of almost a total of \$2,000,000, leveraging almost eight million dollars of federal funds and supporting 20 research projects.

Many small businesses are also supported by our tourism industry as it is one of Delaware's most vital economic engines. DEDO promotes the First State as a year-round destination for travelers.

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A look at the latest numbers show the value it holds in the state's economy. In 2008, tourism was a \$1.9 billion dollar industry with 6.9 million travelers visiting Delaware that year. In 2014, as a result of an increased focus on tourism, it grew to be a \$3 billion dollar industry with 8 million visitors and is the 4th largest private employer in the state of Delaware.

In FY15, we booked leisure events, group tours, and sporting events resulting in an economic impact of \$12.5 million dollars.

We solicited sporting events through the Delaware Sports Commission and coordinated the Slam Dunk to the Beach basketball tournament. In 2015, Slam Dunk generated over \$1.7 million in economic impact, over 36 news articles and had 2.5 million impressions on social media.

Additionally, our tourism website, VisitDelaware.com, was redesigned as a responsive website, providing travelers with a seamless experience among computer and mobile devices. The website received over 1.2 million unique visits in 2015.

After exiting the virtual world of VisitDelaware to hit the highways of reality, the visitor enters into Delaware through a cohesive gateway and corridor of attraction signage. (This signage was developed in coordination with DelDOT.) The visitor is led to discoveries such as our network of "Tourism Trails" – Delaware Beer, Wine and Spirits, History, Geocaching, Culinary, and Outdoor Trail. In 2016 the Delaware Beer, Wine and Spirits Trail will be expanded as we continue to promote our brand message of "Endless Discoveries."

[PLAY VIDEO]

As you have heard, DEDO collaborates with other state agencies, local organizations, our federal delegation, the universities and colleges, chambers, and local government entities to, as our Governor says every week, "keep Delaware moving forward." The successes I have discussed today are made possible by the innovative thinking and hard work of the people of DEDO and supported by various funding sources including DEDO's operating budget. That leads me to our request.

For fiscal year 2017, as recommended in the Governor's Operating Budget, DEDO requests General Operating Funds in the amount of: \$2,928,600 and Appropriated Special Funds in the amount of \$5,976,400.

Thank you. I'd be happy to take any questions.