

Prepared for: Director Bernice Whaley

Good morning. And thank you, Director Visalli, 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 2017. Approval of this request will allow DEDO to continue to carry out our mission of business attraction, retention and expansion; provide guidance and educational business events for small, minority, and veteran-owned businesses and entrepreneurs; and promote Delaware as a desirable tourist destination. DEDO's efforts will continue as we work to positively impact the lives of the citizens of Delaware by solidifying the health and vitality of our state's economy.

As most of you know, with only a staff of 42 full time individuals, DEDO is considered a small agency, yet, we yield big results. Often the media shares the results of our work, but too often good stories go untold. In fact, just last week, the number 1800 was displayed across newspaper headlines, twitter feeds and facebook pages. And for good reason – JPMorgan Chase plans to add 1800 new jobs by 2019, generate millions of dollars in economic activity through capital projects, and create hundreds of construction jobs. That is an awesome story, and we are grateful for JPMorgan Chase's commitment to Delaware.

There is another story to tell from last week – one that wasn't splashed across headlines, but one that has the potential to have a great impact on the healthcare industry and beyond. Last Monday, the Council on Development Finance approved a Technical Innovation Program grant to STF Technologies.

This company may not be creating 1800 jobs, but its story is impressive and definitely newsworthy. 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 these are happening across our state every day. As we sit here this morning, there are individuals outside these doors, implementing business plans, developing ideas, and innovating to create jobs for Delaware. It is our responsibility at DEDO to ensure that we to have the tools available to aid in their entrepreneurial success.

One such tool is DEDO's newly-formed 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 will have access to a broad

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network of mentorship and external investors at no cost to the individual. DEDO will continue to identify and implement unique programs like 1M/1M and foster entrepreneurship through mentoring, networking, and education.

In October 2015, 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. One of the best ways to learn is to hear from real entrepreneurs with real entrepreneurial experiences. Tanya Bakalov, founder of SevOne, delivered the keynote address and shared the story of her business success.

In November 2014, SevOne, a data management and IT service provider, presented a request to DEDO's Council on Development Finance for a Delaware Strategic Fund Performance grant for job creation and Capital Expenditure grants to expand its operations. The approved performance grant supports the creation of 150 new jobs over the next three years. The Capital Expenditure grant was approved to prepare and outfit its new space in the STAR Campus located in Newark, Delaware.

SevOne is a true success story. The company was launched in 2005 by two University of Delaware graduates and has grown extensively over the past ten years. The Strategic Fund assistance came at a crucial time and was instrumental in pushing Delaware ahead of Philadelphia and Boston as options for SevOne's expansion.

The response to Tanya's keynote was remarkable and her story was both inspirational and educational.

And, thanks to the Delaware Strategic Fund, DEDO has the opportunity to continue to assist businesses such as SevOne, grow here in the First State.

AB Group Packaging, a Irish manufacturing company, requested a Delaware Strategic Fund Performance grant and a Capital Expenditure grant in June 2015. The grants will assist AB Packaging in preparing the new facility and creating 87 full-time Delaware positions.

AB Group Packaging manufactures paper bags, plastic bags and flexible packaging for buyers across a broad range of market sectors, including national retailers, promotional companies, independent stores and online and express delivery retailers. The company, in business for 30 years, also supplies food and industrial markets. This is AB Packaging's first American manufacturing facility and its other plants are located in Ireland, Spain and the United Kingdom.

Fast-growing companies like SevOne and AB Group had to start somewhere and they chose Delaware. DEDO has backed small business with financial programs that help small business owners launch and grow their business.

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The **Delaware Capital Access Program** opens doors for such business owners. The private-public match program has positively impacted 161 small businesses (almost 30% minority-owned businesses) during the Markell administration, enabling these businesses to make payroll, purchase inventory and assist with additional business-related expenses.

In 2014, the program was modified to encourage veteran-owned small business participation. During FY16, DEDO will also focus on start-up entities and business owners with disabilities.

DEDO also administers the U.S. Treasury-funded State Small Business Credit Initiative (SSBCI) program which supports lending to small businesses to help create new private sector jobs.

This loan participation program is designed to enhance access to capital and lower interest rates. DEDO partners with a private lending institution in providing funding to the small business. Since its inception - to date, 28 Delaware small businesses, start-ups, and nonprofit entities have utilized loan proceeds for business expenses such as payroll, inventory, machinery and equipment.

These loans help people like Virgil and Cristi Joseph. Mr. and Mrs. Joseph had always wanted to own a farm and are positive about their opportunity to purchase a nearby farm and construct poultry houses on that property. MidAtlantic Farm Credit requested DEDO's participation in the amount of \$498,000 for the Josephs to construct four poultry houses and purchase land. The total project cost is \$2,245,500 making DEDO's portion 22%.

DEDO provides assistance beyond its lending support to small businesses. For example, we continue to help Delaware farmers and agricultural businesses through the Delaware Rural Irrigation Program – a joint effort with the Delaware Department of Agriculture which helps Delaware farmers irrigate more cropland with the help of a no-interest revolving loan fund. The program assists farmers like Sussex County's Adam Dickerson with the installation of two irrigation systems on thirty-two acres of non-irrigated land. This land is now getting better crop yield and producing higher quality product.

To date, DEDO has administered 52 loans aiding the irrigation of more than 3,080 acres of land.

DEDO also helps to procure tax-exempt bonds (or IRB's) to assist new or expanding businesses, governmental units and certain organizations exempt from federal income taxation. IRB's do not utilize state funds and do not impact full-faith and credit of the State of Delaware.

In September 2014, Delaware State University requested that the Delaware Economic Development Authority act as a conduit issuer of tax-exempt bonds. Bond proceeds were used for the construction of an Optical building and the acquisition of the former Sheraton Hotel and the University Courtyard complex in Dover Delaware.

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Additionally, with the assistance of a Strategic Fund loan, this state-of-the-art facility will house a suite of shared laboratories, providing users with advanced technology testing and instrumentation. This project will create 31 new full-time positions.

Just as DSU educates the workforce of tomorrow, DEDO's workforce programs help Delaware businesses provide training to their workforce today. From the beginning of FY15 to date, we signed 99 workforce development projects totaling \$1,762,703. Participating companies have more than matched the state's investment, contributing \$6,124,199 of their own funds. DEDO's investment and support has helped close to 1,500 Delaware workers obtain valuable training and skills development.

I'm happy to report that DEDO's Project Pop-Up program continues this year with new stores opening in Milford, Laurel, Dover and Delaware City. The program offers three months of rent-free commercial space and the assistance of a business advisor to selectees. Since its inaugural year in 2012, this program has created the opportunity for 13 businesses to move from a home-based setting to a brick-and-mortar location in Delaware downtowns.

Project Pop-Up is a joint effort between DEDO and Downtown Delaware, a resource center within DEDO that gives the state's historic communities tools to revitalize their downtown districts. Downtown Delaware works with seven designated downtowns – Delaware City, Dover, Middletown, Milford, Newark, Rehoboth and Wilmington; and twelve Commercial District Affiliate towns – to bring together leaders and business owners to fill vacancies and bolster their respective Main Street areas. Efforts such as rejuvenating our downtowns play a vital role in making Delaware a great place to live. That is a big reason why companies consider Delaware as a new home, and why existing companies choose to stay here and grow.

Delaware is not only a great place to live; it is also an exciting place to visit. Over the past year, our Tourism unit continued to promote the First State as a year-round destination for travelers from both the U.S. and overseas, expanding its efforts in several key areas, including:

- Launching of the first ever Delaware Branding Campaign – Endless Discoveries;
- Coordinating with DelDOT to allow a more comprehensive Attraction Signage Program;
- Soliciting more sporting events by the Delaware Sports Commission;
- Group tours through familiarization tours; and
- Continuing its support of the "Tourism Trails" network of trails, including the Outdoor Trail, Delaware Beer, Wine and Spirits Trail, History, Geocaching, Culinary, and

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A look at Tourism's numbers show the value it holds in the state's economy. In 2008, tourism was a \$1.9 billion industry with 6.9 million travelers visiting Delaware that year. In FY15, as a result of the renewed focus on tourism, it grew to a \$2.9 billion industry with 7.5 million visitors.

Budget request

With this in mind, I would like to address DEDO's budget request for fiscal year 2016. **The General Fund Operating Budget** request is **\$2,957,200**.

We are also requesting \$6,276,400 appropriated special funds which include a \$300,000 increase for the Tourism Marketing Spending Authority. The tourism funding will be used to continue to support the Endless Discoveries branding campaign and to print and distribute travel guides.

The Capital Budget request totals **\$38,850,000** of which **\$10,000,000 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 **fourth 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 **fourth 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 **third year of a five-year commitment**.

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

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\$18,900,000 for the Diamond State Port Corporation Funding is requested for infrastructure and container cranes.

\$3,150,000 for the Riverfront Development Corporation Funding is requested for the continued development of the Wilmington Riverfront.

\$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 learning.

\$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.

I am happy to address your questions at this time.