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The Competition for Economic Incentive Funds

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Pennsylvania significantly cut funding for the Department of Community and Economic Development (DCED) in the Commonwealth's 2011/2012 budget. Overall, DCED experienced a 35 percent decrease in funding-which will impact the availability of and result in greater competition for economic incentive funds. Companies seeking to take advantage of economic incentive programs should develop targeted strategies that will set themselves apart from other applicants.

Some DCED programs have been combined into a single economic incentive program labeled "Pennsylvania First." The purpose of the consolidation is to streamline operations and make the programs more efficient. But the funding allocated to Pennsylvania First represents more than a desire to make programs more efficient-it also signals a sharp decline in the availability of economic incentives themselves. For example, the Opportunity Grant Program and the Infrastructure Development Program, two prior programs that will now be administered under the Pennsylvania First, received a combined total of $32.4 million in funding for the 2010/2011 cycle. This year, under the Pennsylvania First Program, the total amount allocated for these economic incentives is $25 million-and that amount will be shared among various other economic incentive initiatives whose funding sources have been eliminated.

Another new program aimed at consolidating existing programs is the Partnerships for Regional Economic Performance. This program combines former allocations for industrial development assistance, local development districts, small business development centers, and industrial resource centers. In 2010/2011, these programs received a combined total of $15.5 million, which amount, when compared with the $11 million in funding for the 2011/2012 Partnerships for Regional Economic Performance, represents an almost 30 percent cut in funding for such programs.

Other initiatives, such as the Infrastructure & Facilities Improvements Program (IFIP), while not eliminated or combined with other programs, still experienced significant cuts. IFIP funding was cut by 28.8 percent, which enables the program to meet its existing obligations, but does not provide funds for any additional projects.

The decline in funding for economic incentives will result in a competitive field as companies seek to take advantage of these funds. The cut in funding levels for economic incentives means that less money is available for construction and rehabilitation of infrastructure such as transportation facilities, sidewalks, sewer systems, and water supply facilities. It also means less money is available for creating public spaces and acquiring public rights-of-way in connection with private development, and for purchasing industrial or manufacturing equipment, and less money available for cleanup of hazardous sites.

In most instances, the funds from economic incentive programs represent only a portion of the overall cost of a project, with the lion's share of funding coming from private sources. Still, whether a company receives such incentives has significant consequences for a project. For example, the lack of funding for a sewer line extension or a road that creates access to a proposed manufacturing facility might result in a decision not to expand or relocate to Pennsylvania.

Companies will likely experience better results if they use a team of experts who can assist with identifying available funds and developing targeted strategies for securing those funds. Even though guidelines for the new programs are still being formulated, companies on the verge of expansion or seeking to locate in Pennsylvania should still diligently develop economic incentive strategies. Experts and consultants can assist with establishing and fostering positive relationships with local and state development agencies. In addition, they can indentify supplemental grant funding and financing sources beyond traditional DCED dollars, and help to prepare reports, statistics and economic data demonstrating projected job creation, community benefits, and the overall economic viability of proposed projects.

The fact of the matter remains, Pennsylvania is committed to expanding its economy through the use of economic incentives. Funds are available, although the competition for dollars has increased-and companies with targeted approaches for securing those dollars will be more likely to benefit.

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