

Good morning Senator Mastriano and members of the of the Senate Inter-Governmental Operations Committee. On behalf of the Department of Community and Economic Development, thank you for the opportunity to provide this written testimony on the subject legislation.

SB 1131 would merge the Pennsylvania Department of Labor & Industry (L&I) with certain programs and offices from the Pennsylvania Department of Community and Economic Development (DCED) and the Pennsylvania Department of State (DOS) to create a new Department of Business, Tourism and Workforce Development (Department). The bill would also create the Office of Business Consultants within the Department for the purposes of assisting job creators with compliance and economic development.

The intent of this bill is appreciated. As stewards of taxpayer dollars, it is our civic duty to ensure that the services we as agencies and officials provide add value, are helpful, and are as efficient as possible in their delivery. As Secretary, I call on the staff of DCED to review and recommend changes to existing programs and the agency to adapt to the needs of businesses, communities and the residents of this commonwealth.

DCED's mission is to encourage the shared prosperity of all Pennsylvanians by supporting good stewardship and sustainable development initiatives across our commonwealth. With a keen eye toward diversity and inclusiveness, we act as advisors and advocates, providing strategic technical assistance, training, and financial resources to help our communities and industries flourish.

Agency framework changes:

This legislation would divide DCED into multiple agencies. It would remove any business financing, tourism and workforce components from DCED and move them into a new agency, merging those offices with L&I and offices from DOS. This would create one large agency, focused on businesses and workers in the commonwealth, but without the essential and coordinated responsibility of community development.

While the intent to assist businesses with one department is noted, this could cause interruptions or decreased technical assistance as a result. Having these three separate agencies allows for specific focus on matters related to business, and workers, and ultimately assistance catered to the needs of those businesses. Having all under one roof could "water down" the service provided, by taking focus from specific needs and the ability of this agency as well as the focus of our partner networks we've spent years building relationships with to provide boots on the ground assistance.

The Wolf Administration recognizes the need for collaboration and communication between DCED and our sister agencies. As such, the Wolf Administration created a streamlined, one stop for business needs. The PA Business One-Stop Shop (BOSS), administered by DCED, is a great example of how these

agencies can be separate but continue to work together to provide great, customized, customer service needed for new business owners.

This bill aims to merge existing functions of DCED into a new agency and create a duplicative function with the creation of the Business Consultant Office. The PA Business One-Stop Shop has assisted 200,000 unique users since its launch in February 2018. If you have not checked out the site, I invite you to do so and learn more about the services DCED provide aspiring or existing business owners in PA at <https://business.pa.gov/>.

Duplicative Efforts:

The Office of Business Consultants, established through the legislation, would be charged with assisting business in complying with regulations, applications for permits, site development projects, attraction of businesses to PA, and assist prospective entrepreneurs. All of these business subjects are currently handled through the Governor's Action Team and/or the Business Financing and Technology & Innovation deputates at DCED, using a large number of tools and resources, such as the Pennsylvania Industrial Development Authority, Pennsylvania First Program, Business in Our Sites, PA Business One-Stop Shop, and more.

The proposed Office of Business Consultants appears to overlap with the functions being transferred from DCED and yet the bill makes clear that the former DCED functions are only being transferred into the new Bureau of Business Finance and Workforce Development and the new Bureau of Marketing and Tourism. It's confusing to say that DCED "shall be known as" those new bureaus and that a reference to DCED in current laws shall be deemed a "reference" to the new department and that the new department must continue to use old DCED names, signage, etc.

SB 1131 presents a challenge of what could be deemed a "first generation" successor agency issue (i.e., ensuring that actions taken by DCED before the merger would still be legal after the merger), but doesn't explicitly account for the fact that DCED is already dealing with that as a result of itself being a successor to the former Department of Commerce. This "second generation" successor agency issue should be clearly addressed in the bill.

Strategic Plan:

The legislation requires the development of a strategic plan within 60 days of enactment and submission to the General Assembly within 210 days. The bill dictates utilizing a third-party firm or the Joint State Government Commission to develop this plan. The plan must outline the merger and calls for a 20 percent reduction in administrative costs, identification and elimination of redundant programs and regulations, strategies to improve job training and economic development, improving current regulations, management directives for administering programs, online applications for permit tracking and the apportionment of personal and other materials related to the merger. All of this would be required while still maintaining the same level of service DCED currently provides until the merger is complete.

The strategic plan must be submitted to the legislature "for review and any hearings deemed necessary," but what takes place after that is not defined in the bill. What role would the Joint State Government Commission have with the strategic plan beyond the formality of being a party to an agreement to developing it if the plan will actually be developed by a "third-party organization"? The

bill does not provide for DCED or the other merged entities to be consulted in the development of the plan.

Staff and funding transfers:

The bill explains which functions of DCED would be transferred into the new department but does not address what would happen to the functions that are not transferred into the new department. Only a portion of DCED's employees would be transferred based on the transfer section of the bill. Where would the remaining DCED staff be housed?

Although staff would retain civil service status when transferred to the new department, the bill does not address seniority, either from an organized labor perspective or more broadly. That may be covered in various union contracts and management directives; however, if not, it should be addressed in the bill.

The bill requires that the strategic plan governing the merger include a 20 percent reduction in administrative costs, however the basis for that requirement is not explained. Due to tight budget constraints, DCED—like its sister agencies—has been asked to do more with fewer resources. At its highest level of employment in 2008, DCED was staffed by 376 individuals. That number has since been reduced to 296, but the services we provide have not been reduced, and instead, continue to grow. A reduction of 20 percent in administrative costs, which would undoubtedly require a reduction in staff, is just not feasible. Outside of the staffing costs, creating a new agency would require a large upfront cost for all new technology infrastructure, including database changes and communication with partner networks, website development, and other upfront costs including staff moves, business cards, etc.

While we appreciate the intent of the bill, DCED currently provides customized services to businesses and entrepreneurs, both technical and financial, which have been created and adapted to meet the needs from businesses we have heard first-hand. At DCED, we strive to be as flexible as possible, because we know that the needs of the business community and the economy are fluid. Moving pieces of this agency into a newly created “super-agency” may create unintended lags in service upon which businesses rely, and we cannot lose sight of the small but important details these businesses require. Every dollar DCED receives in the annual budget is important and provides vital services. Any merger would need to carefully consider the impacts to these services upon which our business owners and communities require.

Governor Wolf has stressed an unprecedented level of cross-agency collaboration to myself and my counterparts. Initiatives like the PA Business One-Stop Shop cannot happen without close collaboration between all agencies involved in business ownership and operation. With laser focus on the result, a better business environment and fewer roadblocks for prosperity, we can provide the services these businesses and communities need, without uprooting the entire framework that has been carefully built and implemented. I invite you to take some time to review DCED's current programs and services through our website at www.dced.pa.gov and the PA Business One-Stop Shop website at www.business.pa.gov. As a result of the pandemic, we need to continue to focus on the changing needs of businesses. Working through a disruption of these services would only further delay the recovery of our small and vulnerable businesses.

Thank you for the opportunity to comment on SB 1131 and for keeping the needs of businesses and residents of Pennsylvania at the top of mind. Now more than ever, we need to do whatever we can to help businesses through these trying times. We look forward to additional discussions on this topic.