



Senate Committee on Community, Economic and Recreational Development

Catherine A. Cresswell
Executive Director
ccresswell@pasen.gov

Senator Jane M. Earll
Chairwoman

Jason R. Brehouse
Executive Counsel
jbrehouse@pasen.gov

Senate Box 203049 • Harrisburg, PA 17120-3049 • (717) 787-8927

Memorandum

DATE: April 24, 2009

TO: Senate Community, Economic & Recreational Development Committee
Senators

From: Senator Jane Earll

RE: Questions for DCED Budget Hearing
April 27, 2009 8EWB 10:00 a.m. – 12:00 p.m.

Tourism Promotion Agencies and Tourism Marketing Budget (Acting Secretary Cornelius and Mickey Rowley)

Pennsylvania FACTS – Did you know?

The 2007 Pennsylvania annual travel profiles tells us “United State travelers spent a record high \$25.7 billion in Pennsylvania in 2007”

Pennsylvania hosted a record high 138 million travelers in 2007, a total that includes all travel segments (leisure and business travelers taking overnight and/or day trips)

Pennsylvania remained the 4th leading destination state for the United States overnight leisure travel in 2007

Analysis in a February 2009 report prepared by HIS Global Insights and D.K. Shifflet & Associates, Ltd. Entitled “Public Tourism Promotion ROI, Cutting the Promotional Budget Is Tempting, Is It Worth It?” The bottom line conclusion of the report is “cutting public tourism promotion in the name of reducing a budget deficit is a risky proposition at best. It would take a surprisingly small loss in visitation to entirely negate any budget savings. Moreover, a promotional hiatus would have negative impacts well beyond the current fiscal year. At worst, it could result in visitation and spending losses that, translated into economic impact, could add significantly to the deficit a self defeating move.”

Reality for Pennsylvania's Tourism Promotion Agencies

This bleak picture for stimulating economic impact at the state level is also played out, and even magnified at the local level. Governor Rendell's plan to reduce the Tourism Promotion Assistance program by \$5,588,000 will have an equally devastating impact on communities attempting to market tourism.

1. What kind of feedback has DCED received from the tourism industry, specifically the Tourism Promotion Agencies, regarding the Governor's proposed budget cuts?
2. How do you propose that local agencies can properly market the state with such a significant reduction in funding at the local level? Wouldn't this reduction cause a decrease in staffing, tour trade shows, and overall marketing resources?
3. What would be your bottom line figure that DCED could adequately cover statewide marketing via the "Marketing to Attract Tourists" line item?
4. Delays by DCED in releasing monies to the Tourism Promotion Agencies during the current fiscal year crippled the destinations ability to conduct their business. What can you do to expedite payments to these agencies so that they can prepare their marketing materials, update websites, etc. in a timely fashion?

Commonwealth Financing Authority (Acting Secretary Cornelius and Scott Dunkelberger)

The Governor's FY 2009-10 Budget indicates that the Commonwealth Financing Authority (CFA) will be asked to leverage existing assets to generate an additional \$100 million of capital in order to reinvigorate the Business in Our Sites program (\$60 million), along with investing in water and wastewater infrastructure projects (\$40 million).

Apparently, the plan is to securitize future payments of Business in Our Sites funds to generate income in order to cover debt service on a bond issuance. This does not appear to comport with the legislative intent of the program. Essentially, the Governor will be taking future payback dollars, which would normally revolve back into future projects out of the system now so that he can spend them during his term in office, thereby eliminating the benefit of the program for future administrations.

1. Can you explain to us how this \$100 million will be generated without requiring an appropriation? Are you proposing to securitize the funds repayments stream?
2. Will an additional \$100 million of debt be issued by the CFA?
3. Does this proposal comply with the legislative intent of the original Business in Our Sites program? If not, will this proposal require a statutory change?

4. I understand that the Business in Our Sites program was designed to be a revolving loan fund, whereby payments received from loans are infused back into the program in order to fund future projects. If the repayment stream is securitized, won't the program lose its ability to fund future projects on an ongoing basis after this administration leaves office?
5. How would you describe the payback of the loans being made by the CFA? Also, has the recent economic turmoil had any noticeable effect on the performance of these loans?

Film Production Tax Credits (Acting Secretary Cornelius and Mickey Rowley)

The 2007 / 2008 and 2008 / 2009 budgets included \$75 million each year for tax credits for 25% of qualified film production expenses. To qualify, the expenses must have been incurred in the production of a film, television, commercial, or certain television shows intended for a national audience.

1. Can you briefly describe the major impact numbers to date of the recipients of the film production tax credits? ~ how many films, # of jobs created, what market areas, etc?
2. This is the largest single line item in the DCED budget. How is it that film production has outranked ALL of the other economic development programs which create long term family sustaining jobs, permanent capital investment, and community building.

Local Income Tax Collection System Reform

1. Has the recently enacted local income tax collection reform been successful?
2. What has DCED done to date to ensure the proper implementation of the local income tax collection system reforms, including countywide consolidation?
3. In your opinion, are there any major hurdles that need to be overcome in order for the reform to be successfully and fully implemented?
4. Have you been actively working with all stakeholders to address any concerns?
5. Can you tell us whether DCED has received any feedback, positive or negative, with regard to local income tax collection reform?
6. Your Department helped produce estimates which showed that the former local tax collection system resulted in the loss of revenues in excess of \$100 million per year. Do you have, or will you have, any data that shows whether the reforms have had the intended effect of collecting substantially more tax revenues at the local level?

Economic Advancement and Community and Regional Development Programs (Acting Secretary Cornelius and Steve Fishman)

Background: The current year's Budget (i.e. FY 2008-09) included \$17.8 million for the relatively new Economic Advancement program and \$15.9 million for the relatively new Community and Regional Development program. The Governor's FY 2009-10 Budget is requesting \$9.9 million for the Economic Advancement program and \$12.6 million for the Community and Regional Development program. Very little is known with respect to how this total of \$22.5 million will be authorized or approved. DCED's budget materials describe the Economic Advancement program as follows:

The Economic Advancement Program supports opportunity projects involved in the development and enhancement of material wealth of Pennsylvania individuals, communities, or groups.

The Community and Regional Development program is described as follows:

The Community and Regional Development Program supports the projects and initiatives of civic leaders, activists, involved citizens and professionals to improve various aspects of local communities in Pennsylvania.

Questions:

1. Can you tell us the statutory authority for the relatively new Economic Advancement and Community and Regional Development programs?
2. The program descriptions contained in your Department's budget materials do not clearly explain the purpose of these programs. What would you say is the primary function of these two programs?
3. Has the Department developed and published any guidelines and/or applications relative to these programs?
4. Why did your Department choose to continue funding these particular programs, albeit at a reduced level, when other similar programs were completely eliminated?
5. Will you please provide to us a listing, within ten days, of projects so far approved for funding under these two programs? If so, please provide the applicants' names, a brief description of the project, the dollar amount, and the approving authorization (e.g. Secretary, Governor, Legislator).