



The Onorato Plan for Economic Development

*Making Pennsylvania the Leader in Next-Generation Jobs &
Helping Our Core Industries Thrive*

The single most important job for the next Governor is to spur Pennsylvania to lead the nation in job creation and business vitality. Dan Onorato will get the economy back on track and create a climate where businesses can succeed – including our historic manufacturing sector through the newest pioneers in the emerging Green economy. As Governor, Onorato’s chief focus will be on creating well-paying sustainable jobs that improve the economic security of all of the Commonwealth’s residents – just as he has done as Allegheny County Executive.

Pennsylvania’s diverse economy has the potential for unbridled growth. Nearly \$1 out of every \$6 of the state’s total private-sector economic activity comes from the manufacturing sector – still the largest component of the economy. At the same time, Pennsylvania has built a competitive advantage in key segments of the Knowledge Economy, including through its unrivaled “eds and meds” – higher education institutions and medical institutions – and through its burgeoning science- and technology-related fields. And perhaps no sector holds greater opportunity for the Commonwealth than energy, with intense competition for alternative and renewable energy and energy conservation strategies, combined with Pennsylvania’s vast holdings across the broad range of energy sources – including the enormous economic potential of the Marcellus shale natural gas reserves that lie just under the Commonwealth’s surface.

A similar variety is found in the make-up of Pennsylvania’s companies. The largest 2% of Pennsylvania businesses employ the majority of the state’s workers – but in recent years small businesses have been responsible for creating far more jobs than big companies, and the largest increases in business owners has been among women-owned and minority-owned firms. Small firms are in many cases the proving ground for innovation and entrepreneurship, and create more than half of the nation’s private-sector economic activity and over 60% of net new jobs.

Dan Onorato understands that Pennsylvania is hurting as the national recession strikes working families from one end of the Commonwealth to the other. Lost jobs and lower wages have been the recent hallmark of so many communities across the country, as these tough times have forced terrible circumstances on many Pennsylvanians. This perilous recession demands that the next Governor enter office with a record of economic development and a commitment to making the difficult decisions that will grow Pennsylvania’s economy and create sustainable next-generation jobs that will bring confidence and security to the state’s hard-working residents.

A Proven Track Record

Dan Onorato is the only candidate for Governor who knows what it takes to turn around a large economy – because he has done it. After six years of his leadership, today Allegheny County has more jobs than any other county in Pennsylvania and the county’s unemployment rate is one of the lowest in the state and over 2 percentage points lower than the nation’s.

As Executive of Pennsylvania’s second-largest county, Onorato spearheaded the transformation of the region’s economy and the promotion of smart and sustainable growth: attracting new jobs, helping existing businesses grow and making Western Pennsylvania a leader in the Green economy. Onorato reclaimed and restored 1,500 acres of brownfields, eliminating blight and turning them into shovel-ready sites that could be used for economic development. He worked with his community college to create a landmark Green Institute to train workers for well-paying high-demand jobs. He capitalized on Southwestern Pennsylvania’s rich manufacturing history to match employers and workers in advanced manufacturing jobs in the development of wind and solar energy components that are integral to America’s long-term quest for energy independence. And he recognized that wage gaps and employment discrimination are direct threats to the economic well-being of the entire Commonwealth, and used his Executive authority to promote equity in economic opportunity.

A Vision for Pennsylvania’s Future

Pennsylvania’s economic growth will be the unquestioned focus of an Onorato Administration. Under the Onorato Plan for Economic Development, Pennsylvania will:

1. Establish a climate where businesses can succeed;
2. Launch a “Grow Your Own” success strategy to help firms start, expand and prosper;
3. Encourage entrepreneurship and innovation;
4. Boost export opportunities for Pennsylvania companies and attract foreign companies to the state; and
5. Ensure that Pennsylvania’s workforce is prepared for and able to access high-skill, well-paying jobs.

Establishing a climate where businesses can succeed

Having a competitive business environment is a prerequisite for strong and sustainable economic growth. As Governor, Dan Onorato will:

- **Make Pennsylvania’s business tax structure competitive.** Pennsylvania’s corporate income tax rate is currently the second-highest in the nation. While many companies do not pay this tax, the high rate is a red flag that discourages companies from building their future here with Pennsylvania workers. Onorato will call for comprehensive business tax reform that puts in law a 4-year plan to accomplish the following goals:
 - Reducing the Corporate Net Income Tax (CNIT) from 9.99% to 7.99% or lower;
 - Eliminating the current cap on net operating losses for the CNIT;
 - Ensuring that the weighting of the sales factor in the CNIT calculation encourages more businesses to grow their Pennsylvania workforce and their manufacturing and production operations;
 - Identifying business tax changes to fully pay for these reforms to the CNIT so that the tax burden is not shifted to Pennsylvania’s working families; and
 - Finishing the phase-out of the Capital Stock & Franchise Tax, a tax which particularly punishes Pennsylvania manufacturers.

- **Establish efficiency, predictability and transparency in the regulatory environment.** Pennsylvania must ensure that environmental and other standards are always upheld by businesses, and at the same time the state must do a better job providing timely responses to companies that seek permits and other regulatory approvals. Onorato will:
 - Ensure that state government agencies with these business regulatory functions have adequate staffing to responsibly and efficiently respond to permitting applications and other required approvals;
 - Set clear and public benchmarks for the amount of time the permitting process should take; and
 - Require public reporting from all state, regional and local agencies on actual permitting timeliness.
- **Provide relief from skyrocketing electricity costs.** Pennsylvania businesses and residents could face untenable electric rate increases as current caps expire. Rate caps ended for about a quarter of Pennsylvania consumers at the end of December, and the remaining 60% of businesses and homes will see their rate caps end on the last day of 2010. Onorato hopes that this issue is addressed in the current session of the General Assembly in order to ease the transition to a fully competitive electricity market – and if not, he will do so immediately upon taking office. Onorato supports:
 - Limits on the amount that rates can increase over a 3-year phase-in period following the end of caps in any region of the state;
 - Strategies that assist and enable companies to enter into long-term purchasing agreements with predictable rates;
 - Encouraging bulk energy purchasing, including the use of regional authorities and other entities to help small businesses aggregate their purchasing power; and
 - Pursuing demand-side strategies for industrial and manufacturing firms in order to reduce their energy bills, including conservation and off-peak usage.
- **Improve the roads, bridges, highways and other infrastructure that commerce relies on.** Pennsylvania’s economic success is dependent on a strong infrastructure, and the Commonwealth’s current needs far outnumber available resources. Onorato will improve Pennsylvania’s infrastructure by ensuring adequate state funding, being an advocate for greater federal funding and pursuing public-private partnerships and other innovative funding approaches.
- **Ensure that there are shovel-ready sites available for business location and expansion.** Just as Onorato used brownfield rehabilitation as a strategy for both community and economic development in Allegheny County, so will he continue efforts to clean up brownfields and old industrial sites across the state and return them to productive use. Onorato will use site development, along with infrastructure investment, as part of a strategy to encourage smart, sustainable growth.
- **Improve accountability and transparency in Pennsylvania’s economic development programs.** Pennsylvania’s economic development programs provide critical assistance for business attraction, growth and retention. Onorato will ensure that these programs have the financial resources to encourage economic growth, and he will improve their accountability and transparency by:
 - Eliminating WAMs in the state budget, as described in Onorato’s Government Reform Policy Paper, in order to improve confidence in community and economic development investments;

- Establishing clear standards – and making them public – for how the state makes economic development investment decisions;
- Publishing an annual report to the General Assembly and the public that details all forms of state spending on economic development, including direct funding for business assistance and workforce development as well as tax credits, to show their impact by industry sector and geographic region;
- Upgrade the state’s “Investment Tracker” Internet database so that the public can easily access information about actual job creation, wages and benefits; industry sectors; and location (to determine whether a project assists older communities or encourages sprawl) for all economic development investments; and
- Establish an ombudsperson in the Department of Community & Economic Development to link women- and minority-owned businesses to the state’s economic development programs and funding sources.

Launching a “Grow Your Own” success strategy to help firms start, expand and prosper in targeted sectors

Pennsylvania’s economic development strategy should focus on the establishment and expansion of companies in key occupational clusters that can constitute a competitive advantage for each region of the state. This policy will move Pennsylvania to the forefront in creating high-tech jobs in the Green and knowledge-based economies while building on our existing strengths in manufacturing, education, life sciences and other sectors. As Governor, Dan Onorato will:

- **Spearhead a new focus on Pennsylvania’s new and fast-growing firms.** To encourage Green company development and growth in other emerging sectors, Onorato will:
 - *Help new businesses invest in their own growth.* Onorato will create a tax incentive that enables small high-growth companies to retain more of their initial earnings to be used as a reinvestment in working capital through a tradable tax credit or exemption. The size and scope of this High-Growth Investment Tax Incentive will be based on economic conditions and be developed in partnership with industry and workforce stakeholders.
 - *Ensure access to working capital.* Onorato will partner with lending institutions to help make loans available to new and growing companies. This strategy will include a focus on community financial institutions and outreach in order to reach the minority- and women-owned businesses that represent a sizeable share of new company owners.
 - *Encourage the next generation of manufacturing success.* As Pennsylvania’s role in energy continues to expand, so will the opportunities for firms that develop and produce components in alternative energy production and energy conservation strategies – such as wind and solar components, Green buildings, grid management and battery technology. Just as Onorato worked to bring a plant to Allegheny County that will manufacture glass and mirrors for solar panels, he will increase Pennsylvania’s focus on the supply chains for the energy economy. This strategy is particularly important to meeting Onorato’s goal of ensuring that Pennsylvania workers and businesses benefit from the Marcellus shale natural gas reserves along with other opportunities in the energy sector.

- *Provide support to help businesses grow.* Onorato will collaborate with economic development agencies and other partners that work directly with businesses to create individualized growth plans and then link those businesses to state and other funding sources in order to finance the growth strategies. Adequate funding for Small Business Development Centers and economic development organizations is essential to achieving this goal. In addition, Onorato will engage local Chambers of Commerce in identifying and convening firms in need of assistance.
- *Provide access to technical assistance for management and administrative skills.* Fast-growing companies often face unique management challenges as they move from a 2- or 3-person operation to one that is 10 or 20 times larger in size. Onorato will ensure access to technical assistance in helping firms plan for and overcome this hurdle, working with the Small Business Development Centers and other partners. This technical assistance will include training on establishing an inclusive environment for employees based on corporate best practices – a capacity that is especially important since workforce experts predict that women will constitute the vast majority of employee growth in the first half of this decade, with an 8% increase in the labor force.
- *Expand the use of business coaches who can provide expertise in targeted fields.* Onorato will expand the Pennsylvania Technical Assistance Program, known as PennTAP, which hires experienced industry experts to work as business coaches with interested companies.
- **Encourage the in-state growth of companies headquartered outside of Pennsylvania in targeted New Economy sectors.** Onorato will launch a Domestic Business Outreach Program to mirror the state’s international effort with companies whose headquarters is located outside Pennsylvania and who have branches in the state, designed to encourage their next phases of growth to be in Pennsylvania.
- **Promote the economic success of rural Pennsylvania.** Onorato recognizes rural Pennsylvania as an essential component of the state’s economic development capacity and opportunity – both in and beyond the vast Agricultural Economy. While rural Pennsylvania will benefit from all of the policy proposals in this paper, Onorato recognizes that rural areas also have unique needs and he commits to meeting them, such as through specific infrastructure investments including greater broadband deployment. The Onorato Policy Papers on Higher Education and Agriculture also describe targeted economic development strategies for rural Pennsylvania.
- **Help small businesses as they prepare for inter-generational transfers.** As the first of the Baby Boom generation retires, many small family-owned businesses in manufacturing and other targeted sectors will be preparing to be passed down to the next generation of entrepreneurs. Onorato will work with the Industrial Resource Centers to provide legacy planning so that these businesses have access to technical assistance and state programs such as equipment upgrades in order to promote their continued viability.

Encouraging entrepreneurship and innovation

In order to become the leader in business creation, Pennsylvania must also become pre-eminent in the formation of *new ideas* that can lead to economic growth. Pennsylvania was responsible for 3% of the nation's Green technology patents from 2006 to 2008 and ranks 6th in "clean-tech" venture capital – and the Commonwealth must continue to improve in order to become the national leader in emerging economic sectors. As Governor, Dan Onorato will:

- **Increase venture capital investment in Green companies and other emerging sectors.** Onorato will prudently increase the state's venture capital investment in Pennsylvania companies to spur Green and other high-tech innovation. He will also support and expand the Pennsylvania Angel Network that links early stage capital to innovative new companies.
- **Create a pilot micro-lending initiative.** Pennsylvania's world-class higher education institutions boast some of the nation's most talented future entrepreneurs, and Onorato will fuel their growth while deepening their Pennsylvania roots. This initiative will make small loans to budding entrepreneurs and link them to New Economy companies already in the state.
- **Establish Regional Centers on Innovation and Entrepreneurship.** Onorato will encourage business accelerator centers formed through regional partnerships of higher education institutions and other partners that focus on targeted economic sectors.
- **Implement an aggressive strategy to transform research into new jobs.** As described in his Higher Education Policy Paper, Onorato supports:
 - *Creating and protecting jobs by encouraging industry-sponsored research.* Onorato will set a target to establish a \$25 million per year competitive funding pool within four years to serve as a match for industry-sponsored research at public and private Pennsylvania colleges and universities. This initiative will improve the competitiveness of Pennsylvania firms – with an emphasis on manufacturing jobs – and address the emerging needs of Marcellus shale development.
 - *Strengthening entrepreneurship at research institutions.* Onorato will create the "Pennsylvania 100": 100 Entrepreneurs-in-Residence in the most promising research labs in the Commonwealth, with the aim of doubling the number of university-based start-ups in Pennsylvania. He will also ensure that these start-ups access the technical assistance of the state-funded Regional Export Networks in order to help achieve their export potential.
 - *Increasing support for Ben Franklin Partners and the Greenhouses.* These organizations have been essential partners of state government in working with new start-up businesses in critical sectors of the economy, and Onorato supports their growth.
 - *Encouraging university spin-offs by supporting access to capital.* Onorato will work with the higher education and business communities to ensure that the Small Business First loan program meets the working capital needs of start-ups and early stage companies being created as spin-offs from colleges and universities.
 - *Supporting the growth of new companies through the Research & Development Tax Credit.* To provide financial incentives for new technology-based companies, Onorato supports restoration of the temporary cuts to the Research & Development Tax Credit that were enacted as part of the FY2009-10 budget, if possible based on economic conditions.

Boosting export opportunities for Pennsylvania companies and attracting more foreign companies to the state

Although Pennsylvania businesses have been among the nation's leaders in increasing their international exports, the state still stands among the bottom-third in the nation for exports as a percent of total economic activity. This represents an opportunity for economic growth, and Onorato will champion the export potential of Pennsylvania companies – as well as expand the investment of foreign companies' growth in Pennsylvania. As Governor, Dan Onorato will:

- **Expand international business development in energy and other key sectors.** Onorato will expand the state's international business development assistance to attract exports and foreign direct investment – combining the work of multiple state agencies where possible – to focus on the energy sector, agriculture, technology companies and other markets where Pennsylvania is highly competitive.
- **Help manufacturing companies reach international markets.** Onorato will increase the state's emphasis on providing outreach and technical assistance to manufacturing companies through a targeted strategy tailored to the manufacturing strengths of each region and including assistance in the development of production services that can be marketed overseas.
- **Establish an export presence in additional emerging global markets.** Onorato will open new export offices in countries that show an opportunity to dramatically increase export opportunities for Pennsylvania companies.
- **Increase the role of Pennsylvania's ports in the state's economic development strategy.** Onorato will link Pennsylvania port marketing into business attraction and incentive packages in order to drive down logistic costs to make the state more competitive and to take advantage of the Commonwealth's location advantage.
- **Encourage additional international flights.** International flights provide a critical link between Pennsylvania companies and their overseas markets and for international businesses seeking to launch operations here with Pennsylvania workers. Onorato will analyze where there are needs for additional international flights and provide leadership and incentives to fill gaps.
- **Use arts and cultural events to attract foreign direct investment.** Pennsylvania's wealth of arts, cultural and sports excellence can serve as a magnet to attract international investment to the Commonwealth, as evidenced through the Pittsburgh Symphony Orchestra's recent tour of Asia. Onorato will work to synthesize these strengths with economic development opportunities.

Ensuring that Pennsylvania's workforce is prepared for and able to access high-skill, well-paying jobs

Economic development depends on a well-trained, highly skilled workforce. As Governor, Dan Onorato will:

- **Provide immediate economic relief to struggling families.** For Pennsylvanians suffering from the recession, the highest priority is employment. Onorato will create a temporary tax rebate program for businesses that hire unemployed workers or new entrants to the labor force. The tax rebate program will only apply to permanent jobs that offer a family-sustaining wage and will include incentives for positions that include health care. The rebate will phase out as the economy recovers.

- **Focus on emerging and high-growth sectors of the economy.** Onorato will ensure that Pennsylvania’s workforce development system continues to adapt to meet the needs of high-priority and emerging occupations and to establish new career pathways, including by:
 - *Focusing on workforce opportunities in the Green economy.* Current labor market projections anticipate significant growth in “Green collar” jobs in energy-related occupations, weatherization and related fields. Onorato will ensure that the workforce development system prepares Pennsylvanians to benefit from this long-term economic opportunity.
 - *Creating a Marcellus Shale Workforce Development Blueprint.* Onorato will convene industry, labor, environmental and community leaders to ensure that Pennsylvanians have access to and are well-positioned for job creation that results from the Marcellus shale.
 - *Preparing Pennsylvanians for health careers.* The health sector is projected to have among the highest employment growth rates in the coming years, and Onorato will emphasize a multi-pronged strategy for meeting the demand that includes ensuring adequate capacity for education and training and addressing the needs of workers in the health fields – including by establishing a Consumer Workforce Council for direct care workers. He will also continue the work of the Center for Health Careers.
 - *Increasing Industry Partnerships in targeted sectors.* Industry Partnerships are a valuable component of the state’s workforce development system that bring together management and labor from businesses in a specific sector and identify and then meet their shared workforce needs. Onorato will expand this program to reach additional high-priority and high-growth firms and sectors of the economy, with an emphasis on energy production and conservation and on manufacturing.
 - *Ensuring that workforce gaps are filled as retirements occur.* The oldest Baby Boomers will turn 65 next year, and Onorato will match projected retirements in skilled professions to workforce development opportunities for incoming workers.
 - *Preparing Pennsylvanians for Science, Technology, Engineering & Math (STEM) careers.* Onorato’s Higher Education Policy Paper includes a detailed plan to increase the number of Pennsylvanians prepared for reliable well-paying STEM fields, including specific attention to students who are the first in their family to attend college and groups traditionally under-represented in the STEM professions, including women, African-Americans and Latinos.
- **Strengthen the state’s education and training systems – and their links to regional employers.** Onorato’s comprehensive strategy for education and training – much of which was included in his Higher Education Policy Paper or will be described in his upcoming PreK-12 Education Policy Paper – includes:
 - *Continuing to implement the Legislature’s Costing-Out Report so that students are prepared for the workforce.* Onorato supports continued funding of the Costing-Out Report and accountability for how the new resources are invested in preparing students for success after graduation.
 - *Strengthening links between employers and students.* Onorato will expand career education programs that begin in the middle grades and provide students with the ability to explore future workforce opportunities and to understand the

educational skills they will need to develop in order to pursue their areas of interest.

- *Improving Career and Technical Education for high school students and adults.* Many high-demand jobs require industry certification without the immediate need for a college degree. Onorato will expand high-quality vocational programs that prepare students for these high-skill fields in sectors with strong regional demand.
- *Building on the power of Pennsylvania's community colleges.* Onorato will create a Pennsylvania Community College Coordinating Board to strengthen the formal bonds of the Commonwealth's 14 community colleges while still respecting their autonomy and entrepreneurship, and he will make the community college funding formula more responsive to industry needs. In addition – because many Pennsylvanians do not have access to a nearby community college – Onorato will increase rural access to workforce certification and associate degree programs by creating affordable satellite community college campuses in rural and other under-served areas – including through the use of online courses, distance learning and blended programs – with the goal of having a community college or equivalent educational opportunity within a one-hour drive of as many Pennsylvanians as possible.
- *Helping adults who are trying to earn their degrees.* Onorato will double the percent of adults with only a high school diploma who are pursuing college degrees: from 3.8% to 7.6% of working-age Pennsylvanians. To achieve this goal, Onorato supports launching an Adult Learning Initiative that provides college credit for applied learning, is flexible with when and where courses are scheduled, and ensures access to adequate financial aid – which requires fixing the state's tuition grant program so that it works for adults.
- **Address the needs of low-income Pennsylvanians trying to access the labor market.** Low-income working families sometimes need additional supports in order to succeed in the workforce. Onorato supports:
 - *Creating a state Earned Income Tax Credit.* A state EITC will promote economic security and encourage workforce participation for low-income Pennsylvanians. The timing and scope of the refundable state EITC will depend on economic conditions and available funding.
 - *Increasing job access for working families.* Onorato will encourage work sites to be conducive to all employees, including by promoting the availability of quality nearby child care, flexible scheduling and paid sick leave.

DAN ONORATO: MAKING ECONOMIC GROWTH PENNSYLVANIA'S NUMBER ONE PRIORITY

Dan Onorato will focus on the needs of Pennsylvania's businesses and workers from Day One. As Governor, Onorato will make the Commonwealth the national leader in next-generation job creation – encouraging businesses creation and expansion that puts Pennsylvanians back to work and leverages the full potential of Pennsylvania's enormous resources.