

Economic Development Incentives

INTRODUCTION

Economic development incentives attempt to stimulate economic growth through various direct (e.g., expenditures) and indirect (e.g., tax credits) spending mechanisms. Many states publish comprehensive reports that detail their spending on economic development incentives. In Pennsylvania, the information is dispersed across multiple sources and is not readily available.

This research brief compiles data on economic development incentives into a single document to facilitate a tabulation of Commonwealth spending on these incentives. The report displays this information for the two most recently completed fiscal years (FY): 2013-14 and 2014-15.

In order to compile these data, the term *economic development incentive* must be defined. For the purpose of this report, the following three criteria were applied to determine whether a particular program qualifies as an economic development incentive.

1. Economic development is the main goal.

The Commonwealth offers a variety of programs that encourage or subsidize activities that may result in economic development. A program is included in this report if job creation, business growth or industry promotion is a primary objective. Some programs may eventually lead to economic development as a secondary effect, such as programs that enhance infrastructure or encourage educational attainment. However, since economic development is not the main purpose of those programs, they are excluded from this report.

2. Intended to influence business decisions.

One objective of economic development incentives is to encourage businesses to engage in activity that they may not otherwise have done. For example, incentives may encourage businesses to create jobs, locate in the

state, invest in machinery or other equipment and build more than they would have otherwise. Incentive programs seek to accomplish this through expenditures, tax breaks, loans or grants.

The report excludes provisions that are intended to reduce distortions attributable to the tax code. For example, the sales and use tax excludes most business-to-business purchases. This exclusion is not intended to influence business spending, but rather to prevent tax pyramiding (i.e., tax is paid at each level of the supply chain: from raw materials to the final product purchased by consumers).

3. Only includes state-funded programs.

The report focuses on economic development incentives that are funded by state government, including those in which local government serves an administrative role. The report excludes programs that are solely funded by local or federal governments.

The report classifies economic development incentives (may be called incentives or programs, for short) into three categories: (1) tax incentives, (2) General Fund and special fund expenditures and (3) off-budget expenditures. The dollar amounts reported for each incentive represent the amount available or distributed for economic development in the applicable fiscal year. Amounts expended for debt service on borrowing that financed current or prior economic development spending are not included in the tables, but are itemized separately in the off-budget expenditures discussion. For programs financed through debt service, the amounts reported represent the actual awards or distributions in the applicable fiscal year instead of the debt service that was paid.

A summary follows, which includes totals for these categories. A final page includes detail on data sources if additional information is desired.

TAX INCENTIVES

The first category of economic incentive programs is tax incentives. Tax incentives are designed to encourage certain economic activity and afford qualified taxpayers special treatment within the tax structure. Tax incentives reduce tax liabilities and may take the form of credits, deductions, exemptions or exclusions. The tax incentives below allocate resources through the tax system instead of through the annual budget process. These values should not be construed as the revenue that could be gained if a particular tax incentive were repealed, as the economic activity may not have occurred in the absence of the special treatment.

Although some of these programs did not award any credits in the two fiscal years shown, future credits may be awarded. For other programs, the amount of the tax incentive is unknown (N/A) or nominal.

The Department of Community and Economic Development and the Department of Revenue administer most tax incentives. Figures shown below are generally from the tax expenditure section of the Executive Budget. Figures for the Neighborhood Improvement Zone are from the state accounting system.

Tax Incentives by Fiscal Year (\$ thousands)			
Name	FY 2013-14	FY 2014-15	Description
City Revitalization and Improvement Zone	\$0	\$0	Establishes areas of up to 130 acres for economic development projects. Projects are financed through bonds issued by a contracting authority and are paid with specified state and local tax revenues attributable to the zone.
Film Production Tax Credit	\$60,000	\$60,000	Provides a 25 percent tax credit for incurred production expenses on a film, television commercial or certain television shows produced in Pennsylvania and intended for a national audience.
Historic Preservation Incentive Tax Credit	\$0	\$0	Allows a tax credit equal to 25 percent of the costs and expenses associated with the restoration of a historic commercial building.
Innovate in PA Tax Credit	\$0	\$0	Provides early-stage venture capital investment funding through the Ben Franklin Technology Partners, the Venture Investment Program and the Life Sciences Greenhouses. Funds were raised through the sale of \$100 million in tax credits to insurance companies in 2015, and may be applied against tax liabilities beginning January 1, 2016.
Job Creation Tax Credit	\$10,100	\$10,100	Allows a \$1,000-per-job tax credit available to an employer creating at least 25 new full-time equivalent jobs or increasing their workforce by at least 20 percent.
Keystone Innovation Zone	\$15,100	\$17,100	Provides tax credits to companies that operate within a targeted industry and are located within the boundaries of a Keystone Innovation Zone. A company may claim a tax credit equal to 50 percent of its gross revenues attributable to its activities in the zone from the previous year.

Tax Incentives by Fiscal Year (\$ thousands)

Name	FY 2013-14	FY 2014-15	Description
Keystone Opportunity Zone	\$87,400	\$80,500	Allows specific areas of deteriorated property to be designated as Keystone Opportunity Zones (KOZs), Keystone Opportunity Expansion Zones (KOEZs) and Keystone Opportunity Improvement Zones (KOIZs). Residents and businesses located within the zone are provided certain tax exemptions and credits.
Keystone Special Development Zone Tax Credit	N/A	N/A	Allows companies that locate and operate in a certified industrial brownfield zone to claim a tax credit equal to \$2,100 for each full-time equivalent employee working in the zone.
Mobile Telecommunications Broadband Investment Tax Credit	\$0	\$0	Allows a provider of mobile telecommunications to claim a tax credit of 5 percent of the purchase price of broadband equipment placed into service in Pennsylvania.
Neighborhood Assistance Programs	\$18,000	\$17,700	Provides a tax credit for contributions or investments to neighborhood assistance programs or organizations in impoverished areas. The offset varies from 25 to 80 percent and is dependent on the specific program to which the contribution or investment is made. Eligible programs include: affordable housing, community services, crime prevention, education, job training or neighborhood assistance programs.
Neighborhood Improvement Zone	\$29,947	\$38,694	Established an area of 128 acres for economic development projects. Projects are financed through bonds issued by a contracting authority and are paid for by specified state and local tax revenues attributable to the zone.
Pennsylvania Resource Manufacturing Tax Credit	\$0	\$0	Created for the potential development of an ethylene manufacturing facility that would remove ethane and ethane derivatives from natural gas to make industrial products. To qualify, the facility must make a capital investment of \$1 billion and create 2,500 full-time jobs.
Promoting Employment Across Pennsylvania Program	\$0	\$0	Permits companies to retain 95 percent of Pennsylvania personal income tax withheld from new employees. To qualify, a company must create 250 new jobs within five years. The new jobs must provide health insurance and pay at least the average wage for that county.
Research and Development Tax Credit	\$55,000	\$55,000	Allows a tax credit of 10 percent (20 percent for small businesses) for research expenses incurred over a base amount.
Strategic Development Areas	Nominal	Nominal	Provides tax exemptions and credits to businesses located in the area that create or maintain 500 jobs within three years or invest a minimum of \$45 million in capital investment.

GENERAL FUND AND SPECIAL FUND EXPENDITURES

General Fund and special fund expenditures represent the second category of economic development incentives. These expenditures may be offered in the form of grants, loans or loan guarantees, general funding or a combination of the three. The administrative costs (e.g., staff salaries and operational expenses) associated with these types of expenditures are excluded for the purposes of this report.

Grants are a direct transfer of funds from state government to a particular organization or business. Typically, grants require an application and approval process, and successful applicants may be required to meet certain criteria, such as a private funding match. There may be a lag between the award of the grant and its distribution due to the time necessary to meet all grant criteria. An example of a grant program is the Infrastructure Technology Assistance Program.

The state also offers loans or loan guarantees (the state assumes debt payments if a borrower defaults). In general, the loans receive a below-market rate of interest, which make them attractive to borrowers. In many cases, a program may use principal and interest payments on prior loans to issue new loans (i.e., revolving loan programs). For example, the Small Business First and the Machinery and Equipment loan programs received \$14.6 million in loan repayments for FY 2014-15, all of which may be used for new loans. Total loan expenditures are included in this report.

For some programs, a department may receive general funding, but no state money is distributed to entities outside of the government. For example, an agency may administer a program that educates businesses in subject matters that promote economic development (e.g., World Trade PA).

The last way in which an incentive program may be offered is a combination of the previous methods. A program may have a grant and/or loan component, along with an agency run component. For example, the Marketing to Attract Tourists program offers grants to non-profit entities and oversees state-run marketing campaigns.

This report separates economic development expenditures into two tables based on the fund from which they are made: (1) General Fund and (2) all other (special) funds. Unless noted otherwise in the tables, General Fund expenditures for economic development incentives consist of appropriations that may be increased, decreased or eliminated through the annual budget process.

Most of the special fund expenditures are fixed by statute or formula and are not subject to the annual appropriation process. Some statutes provide blanket appropriation authority, but executive authorization may be required for the funds to be spent. In general, the special fund expenditures may be adjusted, but doing so requires an explicit change in the statute.

The economic development incentive programs in the two tables that follow are organized by the department that administers the program. In a few cases, the programs are not administered by a department within the state government, but rather a private or non-profit agency. The departments included in the two tables in this section and a brief description of the types of incentives they offer are as follows:

Agriculture promotes the viability of farms and agricultural products through research and education.

Community and Economic Development administers programs related to business growth, tourism and general economic development.

Environmental Protection awards loans and grants to encourage energy efficiency and conservation measures and the use of alternative fuels.

Executive Offices administer programs relating to the arts industry.

Labor and Industry provides workforce education and development programs for job training assistance.

Transportation administers a program that provides rail freight assistance.

Data for the two tables in this section are from the Executive Budget. For the Pennsylvania Race Horse Development Fund, data are from the state accounting system.

General Fund Expenditures by Fiscal Year (\$ thousands)

Name	FY 2013-14	FY 2014-15	Description
Department of Agriculture			
Agricultural Excellence	\$600	\$1,100	Provides funding for the Center for Dairy Excellence and the Center for Beef Excellence, which support the dairy and beef industries through profitability and quality assurance workshops and consumer education.
Agricultural Promotion, Education and Exports	\$196	\$250	Promotes Pennsylvania food and agricultural products through point of sale materials, recipe books and brochures.
Agricultural Research	\$787	\$787	Provides funding for collaborative research efforts that address Pennsylvania-specific production problems within the agriculture industry.
Food Marketing and Research	\$494	\$494	Provides funding for food marketing and research. The program provides a grant to Saint Joseph's University.
Hardwoods Research and Promotion	\$350	\$350	Supports Pennsylvania's timber and wood products industry through trade promotion and marketing, research and technical assistance, support of non-profit hardwood organizations, policy advocacy and public education.
Livestock Show	\$177	\$177	Used for the planning and staging of the Keystone International Livestock Show. Major disbursements are for premiums, ribbons and trophies, judge honorariums, travel expenses, printing, postage and promotional activities.
Open Dairy Show	\$177	\$177	Used for the planning and staging of the All-American Dairy Show as a preliminary to the Keystone International Livestock Show.
Youth Shows	\$140	\$140	Provides funding for the Pennsylvania Junior Dairy Show, 4-H Club shows and the Future Farmers Organization.
Department of Community and Economic Development			
Discovered in PA, Developed in PA	\$9,862	\$5,000	Increases economic opportunity by seeding innovative ideas that promote entrepreneurship, technology transfer, business outreach and increased capacity. The program was discontinued in FY 2015-16.
Infrastructure & Facilities Improvement Grants	\$19,007	\$19,000	Provides grants to authorities for projects benefiting manufacturers, industrial, retail, research and development enterprises, convention centers, hospitals and hotels with convention centers.
Infrastructure Technology Assistance Program	\$1,750	\$1,750	Provides grants to Lehigh University to assist the state and companies therein to increase operating efficiency and to enhance economic development.

General Fund Expenditures by Fiscal Year (\$ thousands)

Name	FY 2013-14	FY 2014-15	Description
Department of Community and Economic Development (continued)			
Marketing to Attract Business	\$3,360	\$2,008	Provides funding for public relations, radio and television advertising, industry trade shows and other support for the state's marketing efforts. Also provides grants for projects that market the state as a destination of choice for investment or promote the attributes and assets of individual regions.
Marketing to Attract Tourists	\$7,235	\$7,264	Provides funding to support international tourism, sports marketing, outdoor recreation and cultural attractions. Also provides grants to non-profit organizations that have a significant interest in tourism development.
Partnerships for Regional Economic Performance	\$11,880	\$11,880	Provides grants to economic development service providers that may co-locate, develop partnership agreements or create a coordinated and performance-based service delivery system that ensures inquiries or leads from a business or potential entrepreneur are referred to, and acted upon expeditiously by, the appropriate service provider(s) in the region.
Pennsylvania First	\$37,800	\$20,000	Provides grants, loans or loan guarantees to businesses, industrial development authorities or municipalities for job training through the Guaranteed Free Training Program, land and building acquisition and construction, purchase and upgrade of machinery and equipment, construction and rehabilitation of infrastructure, working capital and environmental assessment and remediation.
World Trade PA (Office of International Business Development)	\$7,223	\$5,824	Promotes Pennsylvania exports in key international markets and attracts foreign direct investment by providing assistance to businesses in areas such as export counseling, education and market research.
Department of Environmental Protection			
Alternative Fuels	\$4,175	\$2,958	Awards grants for incurred expenses to install, upgrade, retrofit or purchase alternative fuel equipment, facilities or vehicles. The monies for this program are from a restricted account within the General Fund.
Executive Offices			
Council on the Arts	\$898	\$898	Provides arts and cultural programs and services to residents and communities with funding, information and other resources for arts organizations, arts programs and projects, artists, schools, educational and community organizations.
Grants to the Arts	\$8,179	\$8,590	Supports the arts (e.g., music, dance, theater, museums) through grant programs, services and a network of community-based organizations.

General Fund Expenditures by Fiscal Year (\$ thousands)

Name	FY 2013-14	FY 2014-15	Description
Department of Labor and Industry			
Industry Partnerships	\$1,813	\$1,813	Promotes collaboration and communication among similar companies in the same industry in order to identify specific training and skill gaps, connects young people to high-priority careers, aligns educational and training curriculum with industry demands, addresses recruitment and retention of workers, develops career ladders and highlights best practices.
Keystone Works	\$500	\$100	Provides business-driven training opportunities for eligible unemployment compensation claimants. Claimants remain eligible for benefits while participating in the program and businesses are eligible to receive incentive payments when certain criteria are met.
New Choices / New Options	\$500	\$500	Provides services designed to help single parents, displaced homemakers and individuals in transition achieve economic security and self-sufficiency.

Special Fund Expenditures by Fiscal Year (\$ thousands)

Name	FY 2013-14	FY 2014-15	Description
Department of Community and Economic Development			
Ben Franklin Technology Development Authority	\$19,000	\$19,000	Promotes advanced technology in traditional and emerging industries and assists businesses throughout various stages of the lifecycle. Grants and funding are provided through Ben Franklin Technology Development Authority Fund expenditures.
Energy Development Projects	\$0	\$7,694	Provides project funding for facilities to liquefy or refine natural gas, oil or other fuels, or to convert natural gas to ethane, propane or other substances. Marcellus Legacy Fund expenditures from impact fee revenues support these projects.
Life Sciences Greenhouses	\$966	\$3,000	Advances biotech and medical device startups by providing access to funding, investors and technical expertise. The program receives appropriations from the Tobacco Settlement Fund.
Local Share Assessment	N/A	N/A	Distributes monies to local governments from the slots and table games local share assessment. The funds are used for a broad range of services, such as debt service repayment, infrastructure, recreation, community development, human services, public safety or general spending. Due to data limitations, the portion directly attributable to economic development could not be determined accurately.
Machinery and Equipment Loans	\$25,000	\$6,000	Provides low-interest machinery and equipment loans for businesses engaged in certain operations such as manufacturing, information technology and medical facilities. The program is supported by loan repayments and interest, as well as expenditures from the Machinery and Equipment Loan Fund. Act 161 of 2014 transitioned the administration of this fund to the Pennsylvania Industrial Development Authority.
Minority Business Development Loans	\$1,000	\$1,000	Provides low-interest loans to businesses owned and operated by ethnic minorities. The program is supported by loan repayment and interest, as well as expenditures from the Minority Business Development Fund.
Small Business First Loans	\$23,500	\$21,500	Provides low-interest loans for small businesses of 100 employees or less. Loan programs include Small Business First, Community Economic Development and Pollution Prevention. The program is supported by loan repayments and interest, as well as expenditures from the Small Business First Fund. Act 161 of 2014 transitioned the administration of this fund to the Pennsylvania Industrial Development Authority.

Special Fund Expenditures by Fiscal Year (\$ thousands)

Name	FY 2013-14	FY 2014-15	Description
Department of Environmental Protection			
Energy Development Loans/Grants	\$0	\$950	Awards loans and grants for energy development projects. Expenditures from the Energy Development Fund support the program.
Natural Gas Energy Development Program	\$7,500	\$2,500	Awards grants over a three-year period to help pay for the incremental purchase and conversion costs of natural gas vehicles. Expenditures from the Marcellus Legacy Fund support the program.
Department of Labor and Industry			
Job Training	\$5,000	\$5,000	Awards grants to entities that provide services for job training assistance to incumbent workers, dislocated workers, and other adult and youth workers. Expenditures from the Job Training Fund support the program.
Department of Transportation			
Rail Freight Assistance	\$1,000	\$1,000	Provides rail freight grants for projects related to or directly benefitting the commonwealth's Marcellus Shale gas drilling industry. The program is supported by expenditures from the Unconventional Gas Well Fund.
Other			
Housing Affordability and Rehabilitation Enhancement	\$0	\$18,041	Addresses the need for affordable housing in the counties where producing unconventional gas wells are located. The program receives transfers from the Unconventional Gas Well Fund and is administered by the Pennsylvania Housing Finance Agency (non-profit).
Keystone Home Energy Loan Program	\$7,225	\$0	Offers affordable loans to finance home energy efficiency projects. The program receives funding from the Treasury Initiative Support Fund. The program is administered by Renew Financial (private company).
Pennsylvania Race Horse Development Fund	\$220,815	\$223,397	Provides funding from slots tax revenues to licensees conducting live horse racing and various horseman's organizations to support the Pennsylvania horse racing and breeding industries. The amounts reported here are expenditures from the Pennsylvania Race Horse Development Fund to purses, health and pension benefits for horseman's organizations, the Breeders' Fund, Standard-bred Fund and the Sire Stakes Fund.

OFF-BUDGET EXPENDITURES

The third category of economic development incentives is off-budget expenditures made through authorities or expenditures financed exclusively through debt. Off-budget expenditures do not appear in the Executive Budget and are not subject to the annual budget process. The authorities providing incentives in this category include the Commonwealth Financing Authority (CFA), the Pennsylvania Industrial Development Authority (PIDA) and the Pennsylvania Energy Development Authority (PEDA). In addition, projects financed through the Pennsylvania Gaming Economic Development and Tourism Fund (GEDTF) are included in this category because, similar to the CFA, the economic development projects to-date have been financed exclusively by the issuance of debt.

Commonwealth Financing Authority

The CFA offers loans, grants and loan guarantees for a variety of purposes and is administered by the Department of Community and Economic Development. In order to fund the programs included in this section, the authority issues bonds. The proceeds of the bonds are used over multiple years to finance economic development incentives and other programs. Debt service on the bonds is paid through a General Fund appropriation to the Department of Community and Economic Development. These appropriations were \$72.7 million and \$77.8 million for FY 2013-14 and FY 2014-15, respectively. Most of the debt service relates to economic development incentives; however, a portion is related to other types of programs such as community development or infrastructure. The debt service itself is not included as an economic development incentive because much of it relates to distributions that occurred in prior fiscal years. Distributions from the borrowing proceeds in FY 2013-14 or FY 2014-15 are included in the table as economic development incentive expenditures.

Pennsylvania Industrial Development Authority

PIDA offers revolving loan programs and is administered by the Department of Community and Economic Development. Act 161 of 2014 merged the Machinery and Equipment Loan program and the Small Business First program into PIDA. Although these programs are currently administered by PIDA, their expenditures are reported in the prior section.

New PIDA loans are funded through interest and principal payments from prior loans. In prior years, PIDA received monies for the loan program through state expenditures (the last year was FY 2000-01) and borrowing authority (1991, 1994, 1996 and 2002). Since that time, state monies have not been used to pay for debt service or for the loan programs. For that reason, loan disbursements, which reflects current expenditures on loans made to customers from repayment and interest are shown in the table that follows.

Pennsylvania Energy Development Authority

PEDA offers revolving loans and grants and is administered by the Department of Environmental Protection. Initial funding for PEDA was provided through expenditures from the Growing Greener Bond Fund. The Growing Greener program allocated state funding to address environmental issues and provided \$10 million annually to PEDA between FY 2005-06 and FY 2009-10. PEDA also received initial funding from a Duquesne Light Settlement Agreement with the Public Utility Commission.

PEDA does not currently receive state funding on an annual basis. New loans and grants are funded through loan repayments and any remaining monies from Growing Greener and the Duquesne Light Settlement Agreement. Payment of debt service for Growing Greener bonds is made from the Growing Greener Bond Sinking Fund. PEDA's operations are supported by the Energy Development Fund.

Gaming Economic Development and Tourism Fund

The GEDTF receives a 5 percent assessment on each licensed gaming facility's slots revenue and is administered by the Department of Community and Economic Development. The proceeds are used to support projects itemized in various capital budgets and for other projects related to economic development, job training and projects of public interest. Previous economic development incentive projects include the convention center, the hockey arena and urban redevelopment in Allegheny County and the convention center in Philadelphia County. The GEDTF also finances water and sewer, flood control and high hazard dam projects.

Debt was issued to provide the funding for the economic development incentive capital projects, and the debt service is paid from the proceeds of the fund. Debt service for economic development incentives was \$76.4 million in FY 2013-14 and \$53.0 million in FY 2014-15. The debt service is not included as an economic development incentive because it relates to expenditures that occurred in previous fiscal years. Expenditures for economic development projects in

FY 2013-14 or FY 2014-15 would be included in the table, but there were no such expenditures in those years.

The table below displays expenditures for the CFA, PIDA, PEDA and the GEDTF. Data are from the agencies that administer the programs and the Office of the Budget.

Off-Budget Expenditures by Fiscal Year (\$ thousands)			
Name	FY 2013-14	FY 2014-15	Description
Commonwealth Financing Authority (Act 1 of Special Session 1 of 2008 Projects)			
Alternative and Clean Energy	\$10,638	\$7,459	Provides grants and loans to businesses, non-profit economic development organizations and political subdivisions to encourage the implementation of alternative energy production projects and clean energy projects.
High Performance Building	\$0	\$0	Provides loans or grants to small businesses or individuals for construction or renovation of a building or dwelling that meets or exceeds energy efficiency standards.
Solar Energy	\$0	\$0	Provides loans and grants for alternative energy production projects related to solar energy. The program was suspended in 2013.
Renewable Energy	\$0	\$0	Provides loans and grants for projects related to geothermal or wind energy. Eligible wind energy projects include manufacturing facilities for wind turbines and other energy components.
Commonwealth Financing Authority (Act 22 of 2004 Projects)			
Building Pennsylvania	\$4,628	\$86	Provides loans to fund managers for investment in real estate projects in the state. Fund managers that receive investments from the program must match dollar-for-dollar with privately-raised capital. That money is used for gap financing related to viable commercial, industrial and multi-use real estate development projects.
First Industries Guarantee Program	\$0	\$0	Provides loan guarantees for projects related to tourism and agriculture. Approximately two-thirds of the funds available for this program are used for financing agriculture projects.

Off-Budget Expenditures by Fiscal Year (\$ thousands)

Name	FY 2013-14	FY 2014-15	Description
Commonwealth Financing Authority (Act 22 of 2004 Projects and the Local Share Assessment)			
First Industries Program	\$200	\$0	Provides grants and loans for projects related to tourism and agriculture. Approximately two-thirds of the funds available for this program are used for financing agriculture projects. Funding for the grant program has been exhausted, while principal and interest payments from loans are used for relending.
New Pennsylvania Venture Guarantee Program	\$0	\$0	Provides guarantees to venture capital partnerships for investments in Pennsylvania-related companies in the early to mid-stage of development.
New Pennsylvania Venture Capital Investment Program	\$120	\$3,959	Provides loans to venture capital partnerships for investment in Pennsylvania-related companies. Most of the monies in this program were distributed to venture capital funds in Philadelphia, Pittsburgh and a portion to underserved areas.
Second Stage Loan Program	\$0	\$0	Provides loan guarantees to commercial lending institutions that make loans for life sciences, advanced technology or manufacturing businesses that have been in existence between two to seven years.
Local Share Assessment	N/A	N/A	The CFA distributes the local share assessment for Fayette County, Luzerne County, Monroe County, Montgomery County and Washington County. As noted in the previous section, the portion attributable to economic development was unable to be determined due to data limitations.
Pennsylvania Industrial Development Authority			
PIDA Loans	\$33,624	\$34,997	Offers loans for land and building acquisition, building construction and renovation for businesses. It also offers loans for industrial park development and multi-tenant building construction, acquisition and renovation to local Industrial Development Corporations.
Pennsylvania Energy Development Authority			
PEDA Loans and Grants	\$42	\$391	Provides grants and loans to projects that develop and use energy resources indigenous to Pennsylvania.
Pennsylvania Gaming Economic Development and Tourism Fund (Act 53 of 2007)			
Various Local Projects	\$0	\$0	Used for economic development and tourism projects in Philadelphia and Allegheny counties. Current distributions are used for repayment of debt service.

SUMMARY

This section displays subtotals for the three main categories of economic development incentives: tax incentives, General Fund and special fund expenditures (itemized separately) and off-budget expenditures.

As shown in the table below, more than \$725 million of state resources were available to fund economic development incentives for each fiscal year. Approximately 38 percent of the available funding is attributable to indirect spending via tax incentives. Direct spending on economic development incentives comprises the remaining 62 percent of available funding. That total can be broken down into (1) General Fund and special fund expenditures (56 percent) and (2) off-budget expenditures (6 percent).

Direct spending includes incentives funded by bonds issued in previous years. The tables in this report quantify the value of the incentives distributed or available in a particular fiscal year, but do not include debt service on the previously-issued bonds. Examples of such debt service payments include a General Fund appropriation to the Department of Community and Economic Development for the Commonwealth Financing Authority and certain expenditures from the Gaming Economic Development and Tourism

Fund. For FY 2013-14 and FY 2014-15, these expenditures totaled \$149.1 million and \$130.8 million, respectively, and represent current spending for previously-issued bonds. The underlying debt must be repaid even if no additional distributions are made for the relevant programs.

Direct spending also includes revolving loan programs, which recycle principal and interest payments the Commonwealth receives on prior-year loans. These programs do not receive funding through the annual budget process. If new loans are discontinued, the principal and interest payments on prior loans will continue to be remitted and will accrue in the relevant fund.

Similar to reports issued by other states, this brief contains a comprehensive list of economic development incentive programs offered in Pennsylvania. It also includes a tabulation of various types of spending mechanisms that the Commonwealth uses to deliver these programs. The compilations and tabulations contained in the report are intended to assist policy-makers as they deliberate the appropriate level and type of economic development incentives.

Economic Development Incentive Totals by Category (\$ thousands)			
Type	FY 2013-14	FY 2014-15	Description
Tax Incentives	\$275,547	\$279,094	Represents indirect spending on tax incentives, which reduces the amount of tax revenue that would otherwise be collected by the Commonwealth.
General Fund Expenditures	\$117,103	\$91,060	Represents direct state spending on economic development incentives through General Fund appropriations.
Special Fund Expenditures	\$311,006	\$309,082	Represents direct state spending on economic development incentives through special fund expenditures.
Off-Budget Expenditures	\$49,252	\$46,892	Represents direct off-budget expenditures made through revolving loan programs and bond issues. Contains the expenditures from the CFA, PEDDA, PIDA and GEDTF.
Total	\$752,908	\$726,128	Represents total direct and indirect available resources for economic development incentives.

Resources for Further Information

For additional information on the state economic development incentives included in this report, the following resources are available:

- **Pennsylvania Executive Budget** (budget.pa.gov/PublicationsAndReports/CommonwealthBudget) Includes background information and estimates for tax expenditures. Provides detailed expenditure information by agency, program and funding source for each department. Includes program performance measures that identify and quantify activities and results. Contains a brief overview of the state's debt obligations as well as descriptions for all special funds.
- **Department of Community and Economic Development** (newpa.com) Provides information on applications, program funding, archived programs, housing and development, community development and certified economic development organizations. Provides information for business assistance, including business financing, small business assistance, expansion and relocation and tax-free zones. Includes an overview of the Commonwealth Financing Authority (CFA).
- **Department of Environmental Protection** (dep.pa.gov) Provides grant and loan information for alternative fuel incentives as well as an overview of the Pennsylvania Energy Development Authority (PEDA).
- **The Pew Charitable Trusts** (pewtrusts.org/en/projects/economic-development-tax-incentives) Provides research and reports on state economic development incentives. Also provides basic informational videos and a frequently asked questions section, which discusses the definition of economic development incentives.

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