

Putting Delaware Back to Work: Economic Recovery in the First State

The necessary and well-considered restrictions enacted by the State of Delaware and the guidance from the CDC as a result of the COVID-19 pandemic have brought Delaware's economy to a standstill. Appropriately, state leaders and healthcare industry leaders are laser-focused on dealing with the public health crisis; Delaware is blessed to have so many talented, experienced and compassionate healthcare workers at this critical time in our history.

Just as those leaders are dealing with efforts to minimize the impact of the virus on Delawareans, business community leaders are beginning to consider the most effective way to get Delawareans back to work and drive economic recovery in Delaware without a resurgence of the virus. We believe the business community must be full partners in the decision-making process for development and implementation of any and all economic recovery initiatives that are undertaken. Clearly, there will be specific items in the recovery effort that are more applicable to the federal government (e.g., making decisions regarding J1 or H2A visas) to state government (e.g., policy changes to enable swifter permitting) or to the business community (e.g., surveying industries to determine what they need to begin to reopen). However, it is expected that for the most part Delaware's economic recovery will require a public-private partnership with many stakeholders that will work seamlessly for the entire State. This document includes recommendations for a number of the areas noted above.

A number of important trends may arise or be heightened as a result of the pandemic:

- Testing and surveillance availability will be essential to reignite consumer confidence, particularly in the restaurant and retail industries, and to ensure that workers in Delaware feel confident that they are working in a safe environment;
- Procurement of PPE and other needed supplies – both to enable a safe and responsible phased opening of Delaware's economy and to be certain such supplies are available in the event of a resurgence later in the year – will be a major issue for both the private and public sectors;
- Hospitality, restaurants, bricks and mortar retail, and other small businesses will have a long lead time to enact a phased recovery. The yet-to-be-determined impact on commercial real estate could have downstream consequences for municipalities and school districts in terms of revenue;
- Inequality with respect to income and healthcare access and affordability will emerge as an increasingly important, high profile public policy issue as a result of the prevalence and incidence of COVID-19 in minority communities;
- There will be a heightened focus on digitalization, with working remotely, telemedicine and online learning expanding dramatically, thereby amplifying the need for enhanced broadband capacity statewide;
- Business continuity and sustainability concerns will cause businesses to locate or expand operations in places other than large metropolitan areas, with an accelerated population migration, particularly young people, moving to smaller cities or more rural areas with access to transportation links;
- "American Made" will become more popular than ever before, particularly in important commodities like medicine, PPE, etc.;

- Competition between states for jobs, talent and investment will be amplified, particularly in high tech industries such as biopharmaceuticals.

State economic development policy strives to create the conditions for a growing economy that provides jobs and opportunities for a state's residents. States make investments to encourage these outcomes, including investment in the marketplace, investment in the workforce, and investment in the community (infrastructure). Successful economic development strategies coordinate all three types of investment. Each investment has both short and long-term costs and benefits that a state must balance to maximize resources and encourage economic progress. (Urban Institute). Unlike the federal government, Delaware is constitutionally bound to balance its budget. As a result of limited resources, Delaware must prudently maximize its investment in key areas that will put Delawareans back to work -- adequately preparing them for the "new, old jobs" that technology is making available -- while at the same time taking this opportunity to resolve long-standing barriers to prosperity for individuals and businesses. It should be noted that Delaware has wisely agreed to join a coalition of states in the northeast region for the purpose of discussing plans to reopen their economies. While Delaware can learn from other states' experiences and a knowledge of their actions with respect to reopening will be helpful, economic development competition between states will not disappear; in fact, such competition seems likely to increase based on the need to kick-start each state's respective economy and bring jobs back.

Keeping in mind the foregoing trends as well as others that arise, the goal of Delaware's economic recovery plan should be to:

- Put Delawareans back to work;
- Compete more effectively in the region;
- Drive state revenue to deal with the ongoing pandemic impact on the State.

As with any major undertaking, a robust communications program will be essential. There are federal, state and local recovery programs that either exist or are under development and the process of making those programs easily understood and available will be a major determinant in how quickly Delaware recovers. Delaware-specific guidelines for the reopening of businesses must be clearly articulated and communicated. The State and the business community should partner to ensure such communication is widely available, accurate and actionable.

It should be noted that the following recommendations will have either immediate, mid-term or long-term impacts. Initiatives in all three areas will be required to support a swift, safe and sustainable recovery:

1. Testing Delawareans

Perhaps the most important step toward a phased economic recovery is to focus on reopening Delaware's economy with clear guidance from a public health perspective and ensure, to the extent possible, that those Delawareans who are able to go back to work are healthy and protected. It is difficult to imagine how the state can safely and responsibly allow businesses that have been

shuttered to renew operations without some degree of testing or screening/surveillance of employees to prevent a resurgence. Debate and discussion by experts is progressing on a daily basis, and certainly our path forward must be guided by evidence and experience. To many observers it appears that both diagnostic testing and antibody testing may be essential to confidently allow certain segments of the economy to phase in operations; for other segments, screening/surveillance may be adequate. In addition, some level of contact tracing may be necessary. It is clear that such testing and screening/surveillance will require enormous resources from the federal and state government and from the business community.

In this highly technical and dynamic environment where a delicate balance must be struck between public health and economic activity, we recommend that Delaware begin now by establishing a leadership task force comprised of experts from the state, the healthcare industry and the business community to bring together the leaders necessary to choose an effective path based on the best evidence and information available.

The availability of additional testing also will enable the design and implementation of programs to ensure specific businesses can open safely. For example, the Division of Public Health could offer restaurants a “clean bill of health” by requiring restaurant employees be tested to ensure they are healthy. Such a “clean bill of health” designation for a restaurant could inspire consumer confidence that a particular restaurant has done everything possible to serve food in a healthy environment.

Reestablishing consumer confidence in restaurants, retail establishments and workplaces will be a key to how quickly Delaware can emerge from the pandemic.

Recent news reports indicate a growing concern on the part of CDC leadership that a resurgence of the COVID-19 virus could occur later in the year or early in 2021. It is essential that Delaware leaders begin now to ensure that we have healthcare capacity and the necessary PPE and other equipment to deal with any resurgence which may occur.

2. Retaining Key Employers

The business community must immediately survey as many businesses as possible – particularly large, key employers – to ask them what plans they have to reopen and to better understand any impediments they might have to reopening. It is essential that Delaware leaders know and understand the challenges faced by the various industries that comprise Delaware’s economy in order to responsibly stage the reopening of the economy without causing a resurgence of the virus. In particular, we must remember that the healthcare industry is Delaware’s largest private employer and since turning its attention to deal effectively with COVID-19, the industry has seen revenue plummet and virus-related expenses tremendously increase. Reaching out to as many stakeholders as possible to establish reopening guidelines that must be made available as soon as possible will enable a carefully crafted, phased recovery for those employers.

Hospitality, restaurant and small business impacts are often highlighted on the nightly news because they account for an enormous portion of those businesses most hard-hit by business closures. We need to understand the needs of all these business segments and workers and how to help them in order to enable an effective recovery. In addition, many of the essential businesses that have remained open have stepped up to offer their customers special payment consideration given the fact that many are out of work. For example, many companies have waived late fees and stopped

disconnecting service to customers unable to pay. Perhaps consideration could be given to establishing a type of matching fund that could be used to help businesses that are providing much-needed assistance to customers dealing with loss of income during the pandemic to lessen the burden and help them get back on their feet over time.

3. Worker Retraining

For years Delaware has recognized the clear and urgent need to train people so they can move from minimum wage, low-paying jobs to higher wage, in-demand jobs where growing vacancies exist. Because the pandemic impact will cause substantial disruption in businesses, resulting in cutbacks and bankruptcies, it is essential that we begin immediately an initiative to retrain the Delaware workforce. We need skilled tradesmen and women, health care workers to assist a growing and aging state population, and information technology specialists to manage technology at our hospitals, our banks and on manufacturing floors. There is a significant population in Delaware of underemployed workers that require additional skills training in order to improve their career trajectory. Through conversations with businesses and training providers, it is clear a model exists for high-quality training with positive results.

We propose a substantial investment by the State and the federal government that would cover training costs for at least 500 trainees per year and provide for living expenses while that person is in training. This support removes the barrier most underemployed believe is standing between where they are and where they hope to be. Specifically, an eight-hour day, five-day week approach allows for a compressed schedule to ensure graduates make a transition quickly and efficiently. To the extent an incentive to participate in such a program may be appropriate, policymakers could consider, for example, an additional stipend be made available to participants while they complete training. Without focusing on this problem now as a result of the disruption caused by the pandemic, Delaware stands to lose an opportunity to significantly improve the quality of life for its workers and their families.

This is a classic 'win-win' proposition. As taxpayers, the increase in Personal Income Tax (PIT) people pay as they earn higher wages, returns more of the investment in this program over time. In addition, the diminished need for social services, and hopefully the avoidance of the kind of trouble frequently associated with unemployment or underemployment, benefits us all. We recommend that consideration be given to the development of a program similar to Georgia's "QuickStart" program, which provides seamless, customized workforce training so that a company that chooses to locate in that state can hit the ground running.

4. Broadband in Delaware

If the COVID 19-pandemic has taught us anything, it is the critical importance of internet availability. Many businesses have been able to have employees work from home, schools are providing classwork to students who are sheltered-in-place at home, doctors and nurses are increasingly engaging in telemedicine to care for patients and on-line shopping for such daily necessities as groceries has increased dramatically. However, that's not the case for many in Delaware, largely in Kent and Sussex counties, who cannot take advantage of such opportunities because internet access and affordability are major issues.

Recognizing this need, in July 2018 the State of Delaware began a program to expand access to promote fixed wireless broadband solutions and reach underserved populations, particularly in rural areas, through the use of pilot programs. At that time, the Delaware Department of Technology and

Information estimated that target areas for the program included approximately 127,700 homes and businesses in rural parts of Sussex and Kent Counties. It is clear that high speed internet must become a reality for all Delawareans. We are aware that Sussex County is also engaged in an effort to expand broadband capacity.

We propose increasing the speed with which the State and counties are able to complete this effort. It must be determined the extent to which federal or state funds may be used to accomplish this goal, in concert with private sector investment.

5. Site Readiness

While the nation recovers from the impact of the pandemic, as part of their business continuity concerns many businesses may consider the location and the potential benefits of having a footprint in part of the country that is not considered a major metropolitan area. As those potential opportunities arise – and as a result of ongoing prospects under development by the Delaware Prosperity Partnership – Delaware should increase the availability of infrastructure-ready sites in each of our three counties that are immediately available for such investment. Governor Carney took a significant step forward in his proposed budget for the coming fiscal year by including a \$10 million Site Readiness Fund. We would recommend that DPP lead an effort to determine the extent to which we could increase the size of the Site Readiness fund and the speed by which funds could be made available. Involving developers in these discussions would be an important step. Also, we should include county officials and others in this discussion by challenging them to identify three sites in each county that are consistent with their long-range development plans. Finally, a particular focus should be made to determine the extent to which brownfield sites could be utilized, thereby satisfying the dual goals of cleaning up contaminated sites and creating jobs and investment.

6. Temporary Regulatory Relief

With the economy slowed to a crawl, there are currently construction projects whose sponsors are teetering between go/no-go decisions with regard to continuing on to completion. There are a number of actions that could be taken in Delaware to encourage such projects to proceed:

- Removal of impact fees and permits from all municipalities for 18 months;
- Removing the need for major record plan approval for redevelopment projects on sites with similar or less proposed square footage of facilities that already have existed on properties since 2000;
- Removal of the “reset” requirement for traffic impact studies, instead relying on the traffic of the previous user (not the “reset” of traffic after the facility has been in decline or shuttered).

Such regulatory relief must be considered for a number of other industries and areas of our economy based on the relative economic impact of the pandemic.

7. Ready in 6

In terms of competing with other states for jobs and investment, we recommend that the State immediately proceed to enact the following components of the Analysis of Delaware’s Permitting Competitiveness prepared by KPMG, an internationally recognized firm, and promoted by the Ready in 6 Coalition, which includes virtually all segments of the business community statewide:

- Eliminate the Preliminary Land Use Service (PLUS);
- Require owner/operator of sewer system to conduct review process for DNREC Division of

Water/Surface Water Discharge Section Construction Permit and eliminate DNREC's duplicative review;

- Eliminate Department of Health and Social Services Application for Construction of New/Existing Water systems (redundant);
- Stacking the Permitting Process -- Require all agency approval processes to be independent of other agencies. State or local agencies should not wait to review and/or approve submitted plans until other effected agencies review or approve. Agencies should base their approvals on their own codes and requirements and grant conditional approvals;
- Create a "Project Concierge" to assist in fast-tracking projects through the permit approval process. (Included in Governor Carney's proposed budget).

8. Intern Delaware

Currently, many businesses look to recruit new talent to our State through intern programs. Traditionally these programs commence in May but with the unknown timeframe when companies can resume business as usual, many are searching for solutions. Some are eliminating their summer recruitment programs, while others are reducing the numbers of interns, or considering a virtual option. This is not solely a Delaware predicament. However it is one we can leverage and move upon quickly as we compete with neighboring states for talent.

Intern Delaware, an organization dedicated to building the future workforce by keeping talent in Delaware, proposes to double down on its investment and attract a talent pool of summer interns (graduate and undergraduate) into Delaware to focus on projects that can support a recovering economy. Interns can work from two floors at the CSC Station in Wilmington starting this summer with Intern Delaware managing the program day-to-day for as many as 250 summer interns.

We envision starting with a 10-week apprenticeship focused on technical and data science that would be the beginnings of a Delaware innovation center. CompassRed would be engaged as "project managers" of the apprentices and projects and supply them with live problems to focus their work and identify solutions. All of these students will be part of the Intern Delaware programs and event series sponsored by the program throughout the summer. Each will be given access to our business and government decision makers as well as the current 22 corporate partners' members.

9. Analysis of Regional States

Notwithstanding the fact that Delaware has joined with a number of states in the region to discuss how to reopen economic activity, one of the outcomes of the COVID 19 economic downturn will be heightened competition between states for companies wishing to expand and create jobs. In this regard, regional differentiation will make an enormous difference in a state's speed of recovery. It is not important that Delaware be the best in the nation in terms of business climate; it is, however, incredibly important for us to be the best in our region. To get a more specific determination of how the state can become the best in the region, we are working to secure a proposal from KPMG to provide a quick snapshot of the variety of points of comparison between the states in our region in terms of laws and regulations impacting employment, labor, taxation, the environment and others.

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