GOVERNOR JOSH SHAPIRO LAUNCHES FIRST STATEWIDE ECONOMIC DEVELOPMENT STRATEGY IN NEARLY TWO DECADES

Date: 14 February 2024

US Policy and Regulatory Alert

By: Michael F. Doyle, Tracy L. Lawless

From 2018 to 2022, Pennsylvania was outspent on economic development incentives by neighboring states in both total incentive spending and average deal size. Over the same period, neighboring states also outspent Pennsylvania on discretionary economic development funding and on site development funding. This resulted in our neighboring states winning more deals, attracting more private capital investment, and successfully bringing

©2005-2026 K&L Gates LLP. All Rights Reserved.

online more commercial and industrial sites than Pennsylvania.

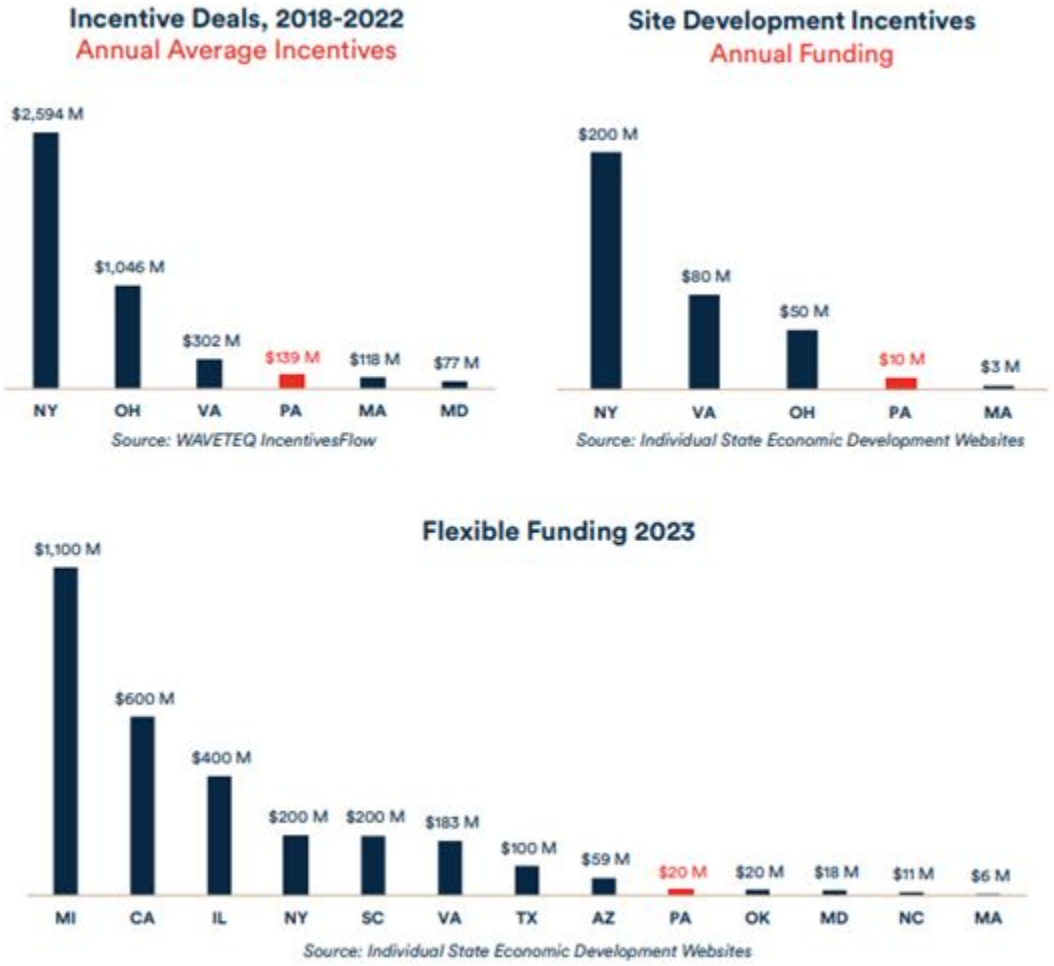


Image Source: US Dept of Commerce, International Trade Administration (2021)

To address this issue, Governor Josh Shapiro and Department of Community and Economic Development (DCED) Secretary Rick Siger have announced Pennsylvania's Economic Development Strategy — the first comprehensive plan of its kind to guide the Commonwealth's economic growth in almost 20 years.

The plan, unveiled during a visit to a manufacturing company was well-received by business organizations. “On behalf of the PA Chamber, the state's largest broad-based business advocacy organization, the business community stands ready to work with the Governor, his Administration, and the legislature towards the shared goal of making Pennsylvania the most competitive state in the country to do business,” Luke Bernstein, President and CEO of the Pennsylvania Chamber of Business and Industry, said.

The Governor plans to create a *Pennsylvania Innovation Fund*, a flexible and large-scale innovation fund to leverage Pennsylvania's best-in-class research and development assets. The Fund will be state government's premier tool to support innovators' most promising ideas, build collaboration amongst key partners, and make meaningful investments in our entrepreneurial ecosystem.

©2005-2026 K&L Gates LLP. All Rights Reserved.

Taking inspiration from competitions like the federal Build Back Better Regional Challenge, the Administration also plans to create a *Pennsylvania's Regional Hubs Challenge* which plans to both incentivize the development of regional plans and strategies, and fund those plans at scale on a competitive basis.

GOVERNOR SHAPIRO'S PLAN SETS FORTH FIVE AMBITIOUS GOALS FOR THE COMMONWEALTH TO

- Invest in our economic growth to compete, and prioritize economic development investments that capitalize on Pennsylvania's strengths and result in real opportunities for businesses, communities, and residents.
- Continue to make the government work at the speed of business, and ensure all companies find an attractive business environment where they can innovate, thrive, and get responses from the government on a reasonable timeline.
- Open doors of opportunity for all Pennsylvanians, and increase pathways to the workforce that enable every Pennsylvanian to secure a family-sustaining job and have a meaningful career.
- Innovate to win, because innovators become entrepreneurs and new discoveries enable our people and companies to succeed.
- Build vibrant and resilient regions, where every community flourishes, we focus on each region's diverse strengths, and localities can provide for the needs of all residents and businesses.

THE SHAPIRO ADMINISTRATION HAS ALSO IDENTIFIED FIVE KEY INDUSTRY SECTORS WHERE THEY WANT TO TARGET RESOURCES AND MAXIMIZE OPPORTUNITIES FOR GROWTH

Energy

- The Governor acknowledged Pennsylvania's abundance of energy resources and noted Pennsylvania as the 2nd largest energy supplier in the United States. This has a significant impact of the energy economy and all of PA's priority industry sectors.
- Critically, energy production, transmission, and distribution are a key enablers to the state's economy. Each are especially important for energy-intensive industries, like additive and advanced manufacturing.
- Diverse energy resources position us well to innovate across the energy space. The Governor wants to leverage PA's formidable electric grid to deploy next generation power technologies and deliver businesses the energy needed to manufacture the products that will help the world decarbonize.
- New energy industries can serve as lynchpins to developing a clean energy economy to combat climate change. Investments through the federal Bipartisan Infrastructure Law and Inflation Reduction Act can help spur Pennsylvania's low carbon economic growth over the next decade.

©2005-2026 K&L Gates LLP. All Rights Reserved.

- *Pennsylvania is the only state in the nation to receive two major investments in the US Department of Energy's Regional Clean Hydrogen Hubs program. The Mid-Atlantic Clean Hydrogen Hub (MACH2) and the Appalachian Regional Clean Hydrogen Hub (ARCH2) are poised to collectively receive US$1.7 billion in federal infrastructure and workforce development investment and create over 40,000 family sustaining jobs.*

Robotics and Technology

- *Billions in new federal funding is available to reshore technology manufacturing (CHIPS Act, Bipartisan Infrastructure Law, and Inflation Reduction Act).*
- With a projected ~17,000 net new jobs created across the robotics and technology sectors over the next decade, Pennsylvania is primed to become a leader in these high-growth industries.
- *Governor Shapiro's budget invests US$20 million to support large-scale innovation and leverage Pennsylvania's best-in-class research and development assets. This funding will be used to incentivize additional private venture capital, positioning Pennsylvania as a national center for innovation while proactively making investments in entrepreneurs who have historically lacked access to venture capital funding.*

Life Sciences

- Pennsylvania has the 4th highest academic research and development expenditures in the nation at US$5 billion in annual R&D spending. Growth in the life sciences field is anticipated to create more than 6,500 net new jobs in Pennsylvania from 2022 to 2032 with nearly 60% of that growth concentrated in research and development (R&D). (LightcastTM)
- Since 63% of Pennsylvania's academic R&D activities are related to life sciences the Department of Community and Economic Development wasn't to harness these existing asset and accelerate targeted investments. The Governor recognizes that this sector produces quality high paying jobs.
- Pennsylvania boasts a robust healthcare industry supported by world-renowned academic medical centers contributing to over 1,200 clinical trials in 2021.

Manufacturing

- Every region in Pennsylvania specializes in different and diverse segments of manufacturing.
- Manufacturing boasts exceptional employment multipliers, with seven indirect jobs created to support every one new job in the sector.
- PA's strategic location and transportation network allows manufacturers to distribute their products to nearly 40% of the US population and 60% of the Canadian population in a day's drive.
- *PA SITES provides US$10 million in grant funding to conduct site assessments and prepare them for remediation. DCED received 102 applications requesting more than US$236 million in funding. The newest budget calls for US$500 million in PA SITES funding to bring more commercial and industrial sites online and ensure companies have options for attractive business environments where they can thrive in Pennsylvania.*

©2005-2026 K&L Gates LLP. All Rights Reserved.

Agriculture

- With 16.62 million acres of forestland, Pennsylvania has the most abundant hardwood forest in the United States and accounts for US$21.8 billion in direct and US$36 billion in indirect impacts on the state's economy.
- Pennsylvania is a national leader in several key commodity areas including dairy, fruit production, specialty crops, livestock, and poultry production.
- Pennsylvania is a leader in organic agriculture ranking 1st in the nation in organic poultry production, 1st in the nation in organic mushroom production and 3rd in the nation in overall organic sales.
- Proximity to major markets and strong transportation infrastructure makes Pennsylvania a key location for agricultural producers to efficiently distribute their products.

While the plan is ambitious, it will be included in contentious budget negotiations. Gov. Shapiro has warned that being competitive will take money, and he plans to ask lawmakers for millions to kick-start the plan.

Shapiro said his budget proposal, despite the extra earmarks for economic development, would not require raising taxes.

The firm's Pennsylvania policy practice team stands ready to assist clients with navigating the state agencies tasked with implementing the components of the Governor's vision. We work closely with regulators who handle permitting and regulations, business incentives, and funding programs that help new businesses and startups flourish.

KEY CONTACTS



MICHAEL F. DOYLE
GOVERNMENT AFFAIRS COUNSELOR

PITTSBURGH
+1.412.355.6400
MIKE.DOYLE@KLGATES.COM



TRACY L. LAWLESS
GOVERNMENT AFFAIRS COUNSELOR

PITTSBURGH, HARRISBURG
+1.412.355.8910
TRACY.LAWLESS@KLGATES.COM

This publication/newsletter is for informational purposes and does not contain or convey legal advice. The information herein should not be used or relied upon in regard to any particular facts or circumstances without first consulting a lawyer. Any views expressed herein are those of the author(s) and not necessarily those of the law firm's clients.

©2005-2026 K&L Gates LLP. All Rights Reserved.