

June 27, 2023

**Chairman Samuelson, Chairman Greiner, members of the Finance Committee,
Thank you for the opportunity to be here this morning.**

**I am Bill Schenck, Vice Chairman and co-founder of TriState Capital Bank,
headquartered in Pittsburgh. Prior to this, I was Secretary of Banking during
the Rendell Administration.**

**We are here today to discuss the Neighborhood Assistance Program which
provides tax credits as an incentive to support low-income communities. We
are asking that you increase the program from \$36 million to \$72 million.**

**Let me tell you why we are asking you to do this by focusing on just one part
of the NAP.**

Some background first.

**As you know, there are many communities in Pennsylvania which are
struggling financially. And a number have turned themselves around. Three
examples in Western Pennsylvania are East Liberty, Lawrenceville and the**

South Side of Pittsburgh.

Turn around is a long process, and in every successful case, it starts the same way. A group of volunteers from within the community come together, gather consensus, and develop a plan to return to economic vitality.

The challenge is, volunteers have jobs or other responsibilities.

Implementing an economic development plan can only be done with someone on the ground, in the community, working full time to make positive change happen. The community has to hire a professional. But the community is struggling, so where does the money come from? And where does it come from on a sustained basis, so that people working to implement the plan don't have to spend their time seeking funds to pay next year's salaries and rent?

In the early 70's, this Legislative took an imaginative, enlightened step. It established the NAP and made the Neighborhood Partnership Program a part of it. This program says to any corporation that wants to support a community development organization: If you will commit to contribute to a struggling community for six years, you will receive an 80% tax credit.

It has provided the funding to allow communities like East Liberty, Lawrenceville, and the South Side to turn around and put many other communities on the way.

Because of the term of the commitment, it has also created partnerships between corporations and community development organizations. Pro-bono legal, marketing, accounting and real estate advice and support is common.

And this is virtually the only sustained source of operating money available to community development organizations in Pennsylvania. If a philanthropic organization funds operating expenses at all, it will typically be for one year.

Last year, \$55 million in applications with funding commitments were submitted to DCEC. As you know, the program is capped at \$36 million. And demand continues to increase across the State.

In 1960 there were 16,000 people in Beaver Falls. In 1980, Babcock and Wilcox closed a plant there employing 11,000 people. Today there are 8,000 people living in Beaver Falls, The poverty rate is 30%. If you want to get a job, you work at the public school, the hospital, or Geneva College.

There are strong leaders in Beaver Falls. They have community plans. But they are volunteers. And they are not going to apply for a six-year Neighborhood Partnership commitment because they know there are no tax credits available.

I believe this is the most important tool for permanent, positive economic change available in Pennsylvania. Seventy-two million dollars will allow that change to continue.

I want to raise one more point. In recent years we have heard resistance to funding NAP Programs from some corporations because they feel they can provide community support through EITC, which is a 90% tax credit for one year.

So the second part of our request is to raise the tax credit percentages for NAP's various programs. This would not raise the \$72 million cap, just the tax credit percentages allowed within that cap.

Most important, in my view, we are asking that the 80% credit for the six-year commitment go to 95% to be competitive with EITC and to provide a premium

for the commitment of not one, but six years.

Ladies and gentlemen, the NAP has created positive, permanent economic change in struggling communities across this State. It is a public-private partnership where the funders become engaged with the communities they support. It works.

We ask that you take the tax credits from \$36 million to \$72 million and make the percentages competitive.

Thank you.