



OFFICE OF TRANSFORMATION AND
OPPORTUNITY

IMPACT REPORT

20
23

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INTRODUCTION & OVERVIEW

In his first full week in office, Governor Shapiro signed Executive Order 2023-05, establishing the Office of Transformation and Opportunity (OTO), charged with making Pennsylvania an easier, better place to do business. Over the last year, OTO has carried this message to the business community and agency partners, serving as both a customer service center and internal advocate. Through coordination and collaboration with stakeholders both internal and external to government, OTO is working to smooth the implementation process for major economic development projects, ensure alignment across Commonwealth agencies and bring a customer-centric approach to how Pennsylvania interacts with the business community, serving as a front-door for companies to raise and work through various issues and challenges.

From approving permits and completing inspections, to providing grants, loans and tax credits, Commonwealth agencies play a vital role in facilitating economic activity in Pennsylvania. In its first year, OTO has identified opportunities and mechanisms to complement and support the work Commonwealth agencies do day-in and day-out to foster economic development across Pennsylvania. At the same time, the Office has identified ways to streamline and modernize these core processes to deliver an enhanced customer experience for users. From working in collaboration with the Office of General Counsel (OGC) and the Commonwealth Office of Digital Experience (CODE PA) to implement Governor Shapiro's Executive Order on Permit Reform, to collaborating with the Budget Office to simplify the Redevelopment Assistance Capital Program (RACP) application process, OTO has been proactive and nimble about finding opportunities to help Commonwealth government improve how it interacts with its customers.

In addition to working closely with internal stakeholders, OTO has been a force multiplier for the Shapiro Administration's ongoing communication and engagement with the business community. OTO has met with countless business leaders and chambers of commerce, amplifying the Governor's message that Pennsylvania is open for business and listening to the business community's input and concerns about the current landscape and its challenges. Additionally, Chief Transformation Officer Ben Kirshner's role co-chairing the Team PA board has provided an important mechanism for ongoing, strategic engagement with business leaders from across the Commonwealth. This stakeholder engagement has been of particular focus as OTO has worked alongside the Department of Community & Economic Development (DCED), the Governor's Policy Office and Team PA on developing a comprehensive economic development plan for Pennsylvania. The business community, and the site selector industry in particular, has provided clear feedback that the Commonwealth must compete on incentives and business climate, as well as implementation and ease of doing business, giving OTO clear direction on how to support the Commonwealth's economic development work going forward.

As it has undertaken this work and its scope has expanded, OTO has also invested in building out its own internal infrastructure, with an emphasis on leveraging skills and roles that help the Office engage with agencies that have

historically been resistant to engagement. The Office grew from a team of three through September, to a team of nine today, plus two contractors to help implement major IT projects; it has developed an internal system for managing projects and stakeholder relationships; and it has taken on additional projects and priorities to further the Governor's agenda, like supporting Department of General Services (DGS) in its work to diversify the Commonwealth's procurement and contracting.

Going forward, OTO's focus will be squarely on building out robust, scalable tools, mechanisms and systems to assist project implementation and business attraction, assisting DCED in promoting the Shapiro Administration's economic development plan, spearheading technology modernization and ensuring that agencies have all the tools, skills and support necessary to improve, measure and sustain efforts to make Pennsylvania the most business friendly state in the nation.

STRATEGIC OBJECTIVE 1:

Supporting Economic Development Projects Through Cross-Agency Coordination & Collaboration

Economic development projects involve numerous Commonwealth agencies, as well as utility providers, local governments and business partners. Developing alignment across stakeholders and processes is critical to increasing speed-to-market and attracting and implementing economic development projects. Through coordination and collaboration, OTO helps project sponsors navigate these processes and creates alignment across agencies to accelerate and support economic development.

GOAL: Work in partnership with all relevant state agencies, as well as local government partners, utilities and other stakeholders, to support implementation of economic development projects within the Commonwealth.

Current Initiatives

Case-by-Case Project Assistance – OTO works with individual companies and project sponsors to help them navigate bureaucratic roadblocks, often serving as a translator between agencies and project teams, expediting review of critical permits and ensuring timely responses from government. OTO has also stood up an internal project management system to track interactions with specific project sponsors and manage follow-ups with agencies and other stakeholders.

PA Permits Fast-Track – To provide high-touch project management services for the Commonwealth's most impactful projects, OTO is standing up a fast-track permitting process. While this process is modeled on one used at the federal level to ensure transparency, accountability and inter-agency coordination for critical infrastructure projects, OTO's process will support both critical infrastructure and the Commonwealth's largest, most impactful economic development projects. The introduction of this program will turn a historic weakness of Pennsylvania's economic development apparatus into a strength.

Engagement with Utility Companies/PJM – Grid interconnection remains a major component of growth in the Commonwealth's energy sector, but connection to power has slowed numerous economic development projects throughout Pennsylvania. To address these challenges, OTO has engaged both PJM and our energy distribution utilities at the C-Suite level to develop the relationships and mechanisms necessary to collaborate and smooth these processes for critical projects.

GOAL: Support the Commonwealth's economic development efforts and help win federal funding for transformational projects.

Current Initiatives

Prospective Project Engagement – Companies seeking incentives for moving to or expanding in Pennsylvania typically engage with DCED's Governor's Action Team (GAT), but those not seeking financial assistance have not had clear partnerships to help define project pathways. OTO is filling this gap by interacting directly with these companies, helping them get answers to the policy, regulatory and permitting questions that inform their decision-making. Through responsive customer-service, OTO is highlighting the Commonwealth as a proactive and engaged partner in a way that has never been done at this scale before.

Collaborating with the Critical Investments Team – As more potential project implementers and investors seek to capitalize on federal funding opportunities in the Commonwealth, OTO has made concerted efforts to collaborate with the Critical Investments (CI) team on nurturing these relationships. As CI has honed its pitch to potential partners around funding opportunities, OTO has emphasized the support the Office can provide in helping projects cut through red tape and get to completion. This partnership is expected to deepen in the year ahead as more opportunities become available and awarded dollars are programmed and deployed.

Permitting Case Studies and Timelines – In response to feedback received from site selectors at the DCED/OTO site selectors conference in Fall 2023, OTO has begun putting together communication materials detailing the typical permits needed for different types of projects, including expected timelines for each step in the review process. These case studies will demonstrate that Commonwealth government has the expertise and coordination necessary to get complex projects done and will give site selectors and their clients some level of certainty around permit timelines, enhancing Pennsylvania's competitiveness.

Future Initiatives

Incorporating L&I into Business Attraction Efforts – It is critically important for site selectors and potential companies to understand both the permitting landscape in the Commonwealth and the labor market and opportunities for partnerships to meet their skilled labor needs. Pennsylvania's Department of Labor & Industry (L&I) has a wealth of statistical tools and potential program offerings that could help fill in these knowledge gaps going forward, and OTO has plans to leverage these tools to ensure project implementers have as much information as possible when designing their proposals.

GOAL: Work with diverse stakeholders, both internally and externally, to help develop, support and drive the Commonwealth's economic development and enhance its competitiveness by soliciting feedback, identifying and clearing roadblocks, and building structural enablers.

Current Initiatives

Helping Craft the Commonwealth's Economic Development Strategy – OTO has worked closely with DCED, the Governor's Policy Office and Team PA to craft the Commonwealth's first economic development strategy in two decades. This comprehensive strategy, grounded in data and analysis, will serve as a roadmap for Commonwealth investments in both programs and sectors, guiding the Shapiro Administration's economic development policies going forward.

Coordinating through the Economic Strategy Group – Governor Shapiro’s order creating OTO also created the Economic Strategy Group within the Administration, comprised of agency secretaries involved in economic development work. OTO has worked to bring these secretaries together around key projects and initiatives, like the possible expansion of the Port of Philadelphia and to the deal table for the attraction of key investments to the Commonwealth. The group has also convened to provide input to the economic development strategy. In year two, OTO plans to convene this group regularly to coordinate on policy initiatives and specific projects.

Standing up Commonwealth Councils – OTO is working to establish Commonwealth Councils for those industries identified through the Commonwealth’s economic development strategy as being high-growth areas for future investment. To date, OTO has stood up a Council of Life Science leaders and plans to build out four more councils in 2024. Each council will keep the Shapiro Administration apprised of major industry developments and assist in networking and attracting other firms in their respective sectors to Pennsylvania.

Laying the Groundwork for Federal Investments – OTO is working closely with the Critical Investments team and others across Commonwealth government to prepare for major federal investments. OTO’s deepest engagement thus far has been with the Broadband Authority, developing a playbook for the Authority to use with agencies to navigate anticipated right-of-way issues and a set of legislative asks that will smooth interactions with other stakeholders to ease the broadband rollout. OTO’s PA Permits Fast-Track came out of discussions about how to speed up the permitting process for Inflation Reduction Act (IRA) and Infrastructure Investment & Jobs Act (IIJA) - funded projects in order to make Pennsylvania a more competitive destination for these dollars.

Identifying Policy, Regulatory and Legislative Changes to Make PA More Competitive – Throughout the year, OTO has heard from myriad business community leaders about specific ways that Pennsylvania can better meet the needs of specific industries and sectors through policy, legislative and regulatory changes. Based on that feedback, OTO works with the necessary agencies and others in the Governor’s Office to vet, and when appropriate, advocate for those changes to be made in the appropriate bodies. Examples include working with Department of Environmental Protection (DEP) on new rules defining what level of chemical spill triggers reporting, partnering with Department of Health (DOH) on legislation creating a new type of license for certain pharmaceutical manufacturing operations, providing input to DCED on proposed changes to the Municipal Planning Code (MPC), and collaborating with External Affairs and DEP on closing loopholes with the Environmental Hearing Board process.

STRATEGIC OBJECTIVE 2: Improving and Streamlining Permitting Across the Commonwealth

In addition to helping move specific permit applications and providing greater transparency to permitting outcomes, OTO is focused on improving Pennsylvania's overall permit, license and certification systems. The Office is working to implement changes that make the permit experience more efficient and effective for customers and Commonwealth employees alike.

GOAL: Identify and address pain points in the permitting process for program staff and users to execute processes more quickly and consistently.

Current Initiatives

Cataloguing the Commonwealth's Permits, Licenses and Certifications – Following Governor Shapiro's signing of Executive Order 2023-07, OTO worked closely with the Office of General Counsel and agencies under the Governor's jurisdiction to catalogue all permits, licenses and certifications administered by each respective agency. This catalogue included critical data on average processing time, annual application volume, statutory basis and regulatory requirements, application fee amount, the refundability of those fees, and other key pieces of information. OTO solicited feedback directly from program staff on what changes they would implement to improve processes for each underlying permit, license and certification. Across the enterprise, these changes were then filtered into one of five categories: legislative, regulatory, process, IT or HR. The process culminated with reports for each agency, aimed at identifying areas of impact and laying out steps the agency can take to derive greater efficiency and improve their permitting processes.

Supporting technology overhauls – One of the core findings of the permit, license and certification catalogue was the critical need for modern, customizable permitting platforms to track and process applications. This need was most acute for the Department of State, Department of Environmental Protection and Department of Education. As a result, OTO has worked closely with these agencies to support their ongoing technology upgrades, advocating for greater continuity amongst the platforms being utilized across the enterprise and ensuring that new technology is not implemented on top of inefficient operational workflows.

Standing Up PAYback – To further implement Governor Shapiro’s Executive Order 2023-07, OTO collaborated with CODE PA to design and build PAYback, the Commonwealth’s system for refunding application fees for any permit, license or certification issued beyond an agency’s published recommended processing time. In addition to compiling all foundational data driving the system’s functionality, OTO worked with agency staff to help train them on the front and back-end administration of the PAYback system and has had continuous dialogue with agency leads to improve the future functionality of the site. As of December 15, 2023, over 8000 users have engaged with the PAYback site, the vast majority of whom have visited the site to check the expected processing timeline for a specific permit and have then dropped out of the workflow. Three refund requests have been submitted, and all have been denied due to missing or insufficient information in the permit, license or certification application submitted to the agency.

A screenshot of the main landing page of the PAYback website

A screenshot of when a specific permit is selected on the PAYback website

Future Initiatives

Ongoing Facilitation and Technical Assistance – While technology change is a major driver of permit improvement, OTO sees the change management component as critical to success as well. OTO has hired a Director of Permit, License & Certification Innovation to work directly with agency staff to provide facilitation services and technical assistance as teams work through process and technology change.

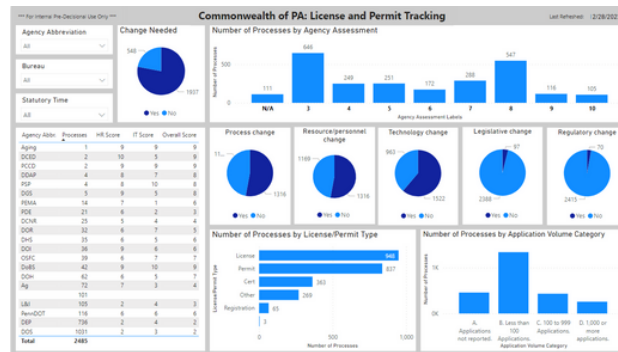
Permitting Accelerator and Innovation Seed Fund – As part of a tandem effort to both train and support employees in their efforts to drive change across agencies, OTO is working to develop an accelerator and funding program that will help program staff identify, develop and pilot creative solutions to challenges that impact economic development programs, like permit processes, technology transformations and staffing needs.

PermitConnectPA – In partnership with the Critical Investments team, OTO is planning PermitConnectPA, a conference focused on accelerating the time it takes for major investments in Pennsylvania to move through bureaucratic approvals at all levels of government. Through conversations among local government officials, utilities, project sponsors and Commonwealth government leaders, the conference will identify concrete steps stakeholders can take to remove bureaucratic barriers, increase coordination and create alignment to get projects moving more quickly.

GOAL: Implement the tools and benchmarks necessary for tracking and measuring permit reform, establishing baselines and aspirational performance indicators to increase transparency and accountability and drive for improved outcomes.

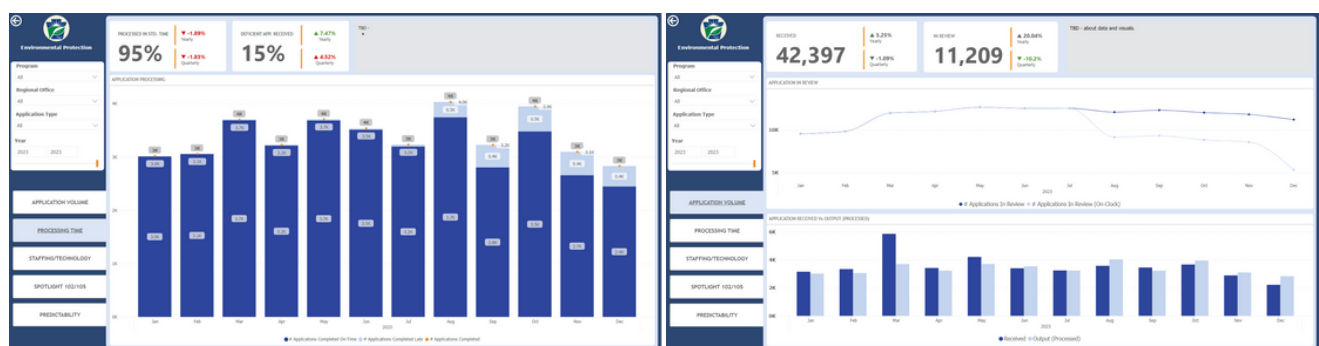
Current Initiatives

Permit & License Dashboard – A centralized dashboard was created to visualize the insights gathered via the cataloging of all permits, licenses, and certifications. This data will be updated on an annual basis by each agency to measure progress across key operational metrics.



A screenshot of the main executive summary page of the PLC Dashboard

Business Friendly Dashboard – To provide a more real-time assessment of the operational performance of agencies core to economic development activity in the Commonwealth, OTO has designed and built out a Business Friendly Dashboard for the Governor’s Office to highlight key performance indicators. The Office collaborated with DEP to develop an initial proof of concept, established data sharing infrastructure between agency databases and a centralized OTO datalake, and will continue to refine the analytics and insight capability of the dashboard to enhance agency performance and support resource allocation decisions.



Two screenshots highlighting data from the Business Friendly Dashboard

Future Initiatives

Iterate and Expand the Reporting and Analytics Capability of the Business Friendly Dashboard - Through this work OTO is beginning to lay the foundation for a central repository of permitting and project development data which can be leveraged for other internally and externally facing strategic initiatives.

STRATEGIC OBJECTIVE 3: Structural Improvement & Internal Advocacy

OTO recognizes that there are often deep-seated bureaucratic and historical barriers to driving change and improving outcomes in government systems, and even when those barriers are identified, it can be exceptionally challenging to lift them. The Office is committed to continuing to find roadblocks and champion solutions, both in partnership with and on behalf of agencies and stakeholders, to structural and enterprise-wide challenges, using collaboration to develop technology, process and policy fixes.

GOAL: Work with agencies to modernize, streamline and improve how businesses and constituents interact with the Commonwealth.

Current Initiatives

Harnessing Generative AI for Government – As AI increasingly impacts the lives of Pennsylvanians, it is imperative that the Commonwealth lay out guidelines for how agencies will responsibly embrace this technology. OTO has been an internal advocate for incorporating AI in Commonwealth agencies when appropriate, and has worked with stakeholders across government to develop responsible standards and a governance framework for generative artificial intelligence, implemented through the Governor’s Executive Order 2023-19.

RCAP Process Improvement – While RACP is one of the Commonwealth’s most important economic tools, the process of winning and drawing down these funds has long been a point of frustration for the business community. Based on this feedback, OTO worked with the Office of the Budget to identify ways to streamline the application process and simplify the information about the program to applicants.

Grants Process Overhaul – In partnership with CODE PA and the Office of the Budget, OTO is overhauling the grants process across the Commonwealth. This overhaul will have both internal and external components aimed at expanding access to programs, radically simplifying the process for applicants, and strengthening financial tracking.

Future Initiatives

Upgrade Budget’s System of Record – As the Office of the Budget considers how to upgrade its core system, OTO will work with them to ensure that whatever solution is implemented provides the integration, functionality and ease-of-use needed for the agency to do its job as smoothly as possible.

GOAL: Simplify, streamline and improve the Commonwealth's procurement processes and improve contracting opportunities for small businesses and diverse businesses.

Current Initiatives

Improved State Government Contracting Opportunity for Small and Small Diverse Businesses – OTO has worked closely with DGS, agency liaisons and external stakeholders to understand the challenges small and small diverse businesses face in seeking out and winning state contracts. Challenges include a lack of clear data, a costly and cumbersome certification process, hard-to-navigate websites outlining available opportunities, costly bonding requirements and a limited number of small and small diverse firms able to take on major work. To begin to address these challenges, OTO helped craft Governor Shapiro's Executive Order 2023-18, supported The Office of Budget in addressing data constraints, and collaborated with stakeholders to identify innovative ways to support these businesses based on success stories and best practices from other states.

Future Initiatives

Procurement Reform – Moving into 2024, OTO will be working with DGS and other stakeholders on a Commonwealth-wide procurement reform initiative aimed at streamlining the procurement process for agencies while at the same time working to be responsible stewards of taxpayer dollars.

ANALYSIS OF PA ECONOMIC DEVELOPMENT OPPORTUNITIES

OTO works closely with the Department of Economic and Community Development which, through the Governor's Action Team (GAT), is the Commonwealth's lead entity for attracting new economic development to Pennsylvania. In 2023, the Commonwealth helped secure more than \$1.2 billion in private sector investment through direct involvement with companies looking to move to or expand in Pennsylvania. Although each partner plays a distinct role in the process, including analyzing each deal on an individual basis, OTO has identified a number of broad themes in the Commonwealth's business attraction ecosystem, many of which are being addressed through the new Economic Development Strategy.



Outbound Sales

The Commonwealth lacks an outbound sales mechanism, putting PA at a disadvantage compared to peer states that reach out to businesses to encourage them to locate there. Building a proactive marketing and engagement mechanism is a crucial step in the Commonwealth's economic development efforts.



Speed-to-Market

Increasingly, speed-to-market is a key variable in companies' investment decisions, making this a critical element for the Commonwealth to solve for to increase competitiveness relative to peer states.



Cross-Agency Collaboration

A cross-agency approach to addressing speed-to-market would ensure key stakeholder agencies are brought to the table early in the process to help address and get ahead of potential roadblocks before they become serious.



Streamlined Regional Coordination

To help streamline workflows and projects, the Commonwealth could consider designating "lead" economic development partners to serve as regional coordinators and liaisons to the Commonwealth, helping to alleviate the challenge of too many stakeholders involved in a given project and creating a more nimble economic development mechanism.



Lack of Competitiveness in Incentives

The tools in PA's toolbox to incentivize economic development activity put the Commonwealth at a disadvantage among peer states, both in the scale of incentives available and the ease of deploying these tools.



Scaling / Growth Capital

While the Commonwealth's toolkit includes incentives to help very early stage companies and larger more established companies, it lacks a mechanism to provide scaling or growth capital - a critical variable for businesses deciding where to put down roots.

BUSINESS TESTIMONIALS & SUCCESS STORIES



A major developer of logistics and warehouse spaces across the Commonwealth partnered with a multi-national corporation to make significant upgrades to support its life science operations at a Pennsylvania facility. After years of challenges getting the local utility to make the required upgrades to the building's power supply, the developer reached out to OTO for assistance. Through OTO's engagement with the local utility, the upgrade was made so that the building could open on time.



A small diverse digital communications firm was struggling to get their SDB certification ahead of applying for a state contract. With the assistance of OTO, the firm completed its certification in time to participate in Commonwealth solicitations.



A controlled-environment agriculture company had been waiting on an NPDES permit. OTO assisted the firm in ensuring that it properly received the applicable permit, which was the facility's final permitting step before its ribbon-cutting.



A green energy company developing a solar project that will help the City of Philadelphia meet its green power needs was set for its grand opening in December. OTO assisted the company with navigating and expediting the NPDES permit process and helped ensure that the permitting process was completed in time to avoid the adverse economic impacts of delay.



The business community has long asked DEP for clear standards on what volume of spilled chemicals would trigger reporting to the department. Through discussions between the business community, OTO and DEP, the Department is now working to set those standards through regulation.



A large multi-state firm reached out to OTO to determine the status of an RACP grant. OTO stepped in to help the Budget Office, a related non-profit, and the firm clearly understand what was needed to advance the grant making process. All documentation for this RACP has now been submitted and payment should be issued early in 2024. Relatedly, OTO assisted the firm with navigating its elevator certificate from L&I for a new office building in downtown Philadelphia. With assistance from OTO, the firm received the certificate from L&I in time, preventing any delay.



As a firm was set to break ground on a major investment in Philadelphia, it still lacked its Highway Occupancy Permit from PennDOT. Thanks to intervention from OTO, the permit was issued ahead of the groundbreaking and the project was able to move forward on time.



A leading medical provider in the Philadelphia region reached out to OTO because he was struggling to obtain his business license renewed by the Department of State (DOS). OTO contacted the DOS and assisted the provider in addressing misunderstandings between the provider and DOS. As a result, the provider received his license in time, allowing him to continue to care for his patients without interruption.

CONCLUSION

The Office of Transformation and Opportunity (OTO) submits this Annual Report to Governor Josh Shapiro as prescribed by Executive Order 2023-05. This report is provided to the Governor for his consideration and deliberation and is designed to inform future guidance and decision-making with respect to economic development initiatives in the Commonwealth.

The Four Pillars of the Office of Transformation and Opportunity



Solve problems and address bottlenecks that impact the business communities' interaction with the Commonwealth



Help lead a coordinated effort to develop the Commonwealth's economic development and innovation strategy



Design and implement a Performance Management System and other data visualization tools for the Governor's Office



Serve as a single point of contact for businesses as they navigate complex projects that require coordination amongst multiple state agencies

"Pennsylvania needs a government that works more quickly, one that is able to figure out a way to get to yes." - Governor Josh Shapiro