

**House Appropriations Committee
Public Hearing on DCED Special Funds
January 24, 2018**

BEN FRANKLIN TECHNOLOGY DEVELOPMENT AUTHORITY FUND

Established in 2001, the Ben Franklin Technology Development Authority (BFTDA), a world-renowned model for state technology-based economic development programs, serves as the catalyst for businesses growth, job creation, and transforming research into commercial technologies. Programs historically funded through the BFTDA have included the four regional Ben Franklin Technology Partners (Partners), the Keystone Innovation Zone program, a venture investment program and programs that supported the development of new commercial technologies in our colleges and universities.

As funding to the BFTDA has diminished (level funded at \$14.5M since FY 09-10), the BFTDA's sole focus has been on granting the annual appropriation received by the General Assembly to the Partners and to invest the capital in its Revolving Venture Capital Loan Account (Account) in qualified venture capital funds.

Grants to the Partners are awarded at the time a budget passes and an equal allocation is deployed to the Partners in an expeditious manner. At present time the FY 17-18 appropriation has been fully deployed and both new and follow-on investments are being actively made by the Partners in the most promising tech- enabled businesses.

An independent, third party report shows that in 2016 alone, the Partners:

- o Supported 1,412 companies;
- o Created approximately 1,383 jobs;
- o Retained another 7,919 jobs;
- o Created 168 new companies and launched 446 new products; and
- o Generated more than \$900 million in sales revenue.

A statewide initiative, the Ben Franklin Technology Partners play a critical role in supporting the entrepreneurial ecosystem in Pennsylvania, often putting the earliest capital into a company to prove its technology in the marketplace.

Early stage tech firms and established companies have needs beyond funding. The Partners provide clients with real-world expertise in product development, marketing, fundraising, accounting, operations, human resources and more.

Another critical piece in supporting Pennsylvania's tech companies is the three venture capital investment programs administered by the Department including the Commonwealth Financing Authority's Venture Investment Program and the BFTDA's two programs, the Venture Investment Program and the venture capital program being supported through Innovate in PA.

Investments are made in the form of a loan to qualified venture capital funds, based on various criteria including, but not limited to, the location of the venture capital firm, its investment focus (i.e., seed, early stage, later stage, growth), the team and the fund size.

A high level of due diligence is conducted on every firm that comes before the BFTDA for investment consideration. The BFTDA has established a subcommittee to ensure that the funds are being invested in a prudent fashion. The subcommittee is made up of three board members, two of whom are seasoned venture capitalists.

It is important to recognize that venture capital is patient capital, meaning that investments made from this Account are done so in a prudent manner and are often dictated by the market. A venture capital investment is traditionally a

10-year commitment and often extended for two additional years. Funds are either in fundraising mode, investment mode or winddown mode.

It is also important to recognize that the funds in the Revolving Venture Capital Loan Account are restricted to venture capital investments. These funds shall not be used for any other purposes (i.e., grants to support the Partners or to fund other programs).

Since inception of the BFTDA's Revolving Venture Capital Loan Account, the BFTDA has committed \$38.5M to 19 venture capital funds. Five (5) of those investments have concluded or have wound down, closed. Three (3) were written off by the BFTDA while the remainder have either fully returned or are projected to return principal.

The BFTDA also administers the Innovate in PA Venture Investment Program. This program has been the focus of the BFTDA venture capital investments since it launched in July 2015. The final payment to the BFTDA for this program was January 17, 2018. A total of \$38,452,097 was received for venture capital investments as set forth in the enabling legislation.

Through the Innovate in PA Venture Investment Program, 11 investments have been approved to date for a total of \$23.5M. Of those investments, all but one has closed. The remaining open fund is being processed and is slated to settle before 2Q 2018. Due to timing discrepancies, however, the BFTDA Financial Statements, dated June 30, 2017, reflect only the initial seven funds totaling \$17.5M that have closed as of the Statement's official cut-off date.

At its January 25, 2018 meeting, the BFTDA Board will be asked to approve a \$2M commitment to a venture capital manager that has previously received commitments from both the CFA and the BFTDA. The BFTDA's investment will be in the form of a Participating Loan Agreement and will be derived from the Innovate in PA Venture Investment Program.

It is intended that once the Innovate in PA Venture Investment funds are fully committed (12 to 18 months) the BFTDA board will continue to support venture capital investments via the BFTDA Venture Investment Program and/or the Commonwealth Finance Authority.

Each of these Programs have experienced returns from the venture capital funds in which they invested. All things being equal, the CFA and BFTDA existing venture investments should continue to generate returns over the next 4-5 years. In just the past six months of 2017, the BFTDA and the CFA received distributions of \$1,232,557 and \$6,917,579, respectively. This latest distribution to the BFTDA, is not reflected on the Financial Statements of the BFTDA dated June 30, 2017.

Performance in general indicates that the BFTDA is on track to receive back most of the dollars loaned. To date, 53% of the outstanding loan principal has already been returned to the BFTDA since inception of the program and the aggregate value of the BFTDA loan pool (distributions plus remaining asset value), including recently originated Innovate in PA commitments, totals over 90% of deployed capital.

Staff is mindful of the BFTDA's mission to enable economic transformation and in turn, to create cutting edge companies and good paying jobs. To this end, staff collects and carefully monitors these activities among our venture funds.

The BFTDA's venture dollars have been efficiently awarded such that our average commitment size, since inception, has totaled less than \$2M. That dollar amount renders us, for the most part, a minor player in terms of total venture capitalization, i.e., our loan amount, on average, comprises only 4.3% of total venture dollars amassed

by our funds.

This seemingly small percentage participation has influenced outcomes. In terms of PA presence, BFTDA's seasoned venture funds (not including the newly minted Innovate managers) have invested approximately 30% of dollars into PA.

On absolute terms, BFTDA managers have deployed over \$215M into PA companies and translates into substantial leverage for the BFTDA, i.e., our dollars are matched by outside investors on a 5:1 basis.

In terms of PA company formation, the statistics are more robust. PA companies comprise 45% of venture fund rosters. Most of our managers admit, that not for the mandate of the BFTDA, their PA exposure would likely not be as extreme. The BFTDA has enabled the early financing of 201 PA companies. The company formation has laid the groundwork for new jobs and it's been reported that the venture program has assisted in creating 3,722 technology-oriented jobs statewide.

In addition to tallying in-state company and job activity, DCED staff has also included venture sponsor rankings to lend insight into the specific venture groups that are best assisting us in our mission. The rankings indicate that some of our smallest managers are most successful in seeding PA-based start-up companies. As has been the case since the establishment of Innovate in PA, we intend to refer to these files as an informed means for awarding venture loans going forward.

Additionally, DCED staff measures venture manager follow-on financing activity in conjunction with the Ben Franklin Technology Partners. Given that our managers seek to back the most promising of start-ups, it is not surprising, that according to our surveys, only 10% of our venture manager's companies emanate from the Partner's portfolios. This finding highlights the larger universe addressed by the BFTDA's venture investment program and the additional reach engendered by the effort.

As one might suspect, Southeast PA garners most of the loan dollars and in turn generates a bigger impact. In terms of future commitments, however, DCED Staff is conscientious about this mix and endeavors to apportion dollars more evenly while remaining mindful that these investments must be made in a prudent manner. To this end, staff routinely communicates with Pennsylvania-based fund managers to identify who is in fundraising mode and whether an investment is possible. The BFTDA's Venture Investment Subcommittee is apprised of prospective deals and has identified six potential Western PA candidates that are slated to apply for funding in the coming 18 months.

Maintaining a healthy fund balance in the BFTDA Venture Investment Program is vitally important as we continue to grow high-tech, high-skilled jobs in Pennsylvania. There remains an indisputable lack of early stage capital in Pennsylvania and programs such as the BFTDA Venture Investment Program and Innovate in PA play a critical role in supporting not only the venture investment funds but the companies in which they invest.

Open Grant/Loans BFTDA - Not Yet Disbursed	
Applicant	Available Balance
Mcnees Wallace & Nurick LLC	\$ 17,211
Ben Franklin Technology Center Of	\$ 1,812,500
Ben Franklin Technology Partners	\$ 1,812,500
Ben Franklin Technology Partners	\$ 1,812,500
Innovation Works Inc	\$ 1,812,500
Pittsburgh Life Sciences Greenhouse	\$ 241,666
Life Sciences Greenhouse	\$ 241,666
Bioadvance DbA Biotechnology	\$ 241,666
TECH Council	\$ 1,000,000
Total not disbursed	\$ 8,992,209
Funds are expected to be fully disbursed in 6 months	
Open Loans BFTDA - Under Review	
Applicant	Available Balance
1855 Fund	\$ 2,000,000
Total Under Review	\$ 2,000,000
Funds are expected to be fully disbursed in 6 - 12 months	

INDUSTRIAL SITES REUSE PROGRAM

The Industrial Sites Cleanup Fund (ISCF), or Act 2 of 1995, was designed to encourage the reuse of blighted and former industrial sites. The program provides grants and low interest loans to companies, municipalities and private non-profit economic development entities for environmental assessments and remediation work. Funds are available for both site assessment and remediation, and can fund up to 75% of the project costs, with a maximum of \$200,000 for site assessment and \$1,000,000 for site remediation.

The Industrial Sites Environmental Assessment Fund (ISEAF), or Act 4 of 1995, authorizes grants to municipalities, counties, municipal authorities, redevelopment authorities, and economic development agencies to perform environmental assessments of contaminated industrial sites. The Department of Community and Economic Development (DCED) combines the resources of ISEAF with the ISCF to operate the Industrial Sites Reuse Program (ISRP).

Investments in the redevelopment of brownfields and contaminated sites yields quantifiable results that immediately benefit the communities where these sites are situated. The benefits of brownfield remediation and redevelopment extend beyond removal of contaminants, in that it brings a previously utilized site back to active use - returning it to the tax rolls, leveraging private investment, and creating businesses and jobs. The fiscal impacts of brownfield redevelopment include generating new sources of local revenue derived from previously unproductive land and lowering the risk exposure and financial requirements for investment in infrastructure to accommodate growth. On the environmental side, brownfields redevelopment, when compared to greenfield development, saves land from the negative externalities associated with sprawl, reduces air emissions and greenhouse gases, improves water quality through reduced runoff, and generally accommodates growth in an environmentally responsible fashion. Since inception, the ISRP has provided \$126,807,103 to 628 projects located in 54 counties.

As with any redevelopment, brownfield redevelopment fluctuates with the economy. When the economy is thriving, brownfield redevelopment increases, when the economy is struggling so does brownfield redevelopment. In FY08-09, at the beginning of the economic downturn, DCED had the lowest number of ISRP projects funded at 17 and it wasn't until FY15-16 that the economy improved and there was an increase in the number of ISRP projects approved. The only exception was FY12-13 where there were 23 projects approved. However, only 7 of the 23 projects approved were actual remediation projects.

Repayments from loans made under the ISCF revolve and help to sustain the fund. Both the ISCF and ISEAF receive \$2M transfers annually from the Department of Environmental Protection (DEP) authorized by the Hazardous Site Cleanup Act to help offset those funds that have been encumbered during the previous fiscal year. In addition, in 2006 DCED started to receive additional transfers from the Growing Greener II (GGII) initiative. Over the years, these transfers amounted to \$20,358,856 and needed to be used on projects that were eligible under ISCF. GGII funds have been exhausted and there will be no more transfers.

The beginning balance of the ISCF fund as on July 1, 2017 was \$20,374,454 but the statute limits the amount of grant funds that can be used in any given fiscal year to 20% of the funds available, \$4,074,890 for FY17. To date \$4,044,637 of ISCF (Act 2) funds have been awarded to 8 projects leaving only \$30,253 for remediation projects for the remainder FY17-18. ISEAF does not have this limitation but there is less demand for assessment funds and the grants are much smaller, than remediation grants. The charts below show the current demand for the program. DCED has requests for assessment funds totaling \$917,164 and \$5,795,244 for remediation funds. There are 4 applications currently under review totaling \$695,577 and 18 Letters of Intent (LOIs) totaling \$6,016,831 from applicants who have been invited to apply to the program. Of the 4 applications there are insufficient grant fund capacity in ISCF at this point to fund those projects. Demand for the remediation funds has been increasing over the last couple of years.

As of January 16, 2018, there are current commitments of \$6,187,226 under the ISCF and \$1,341,284 under the ICAF. In addition, there are 4 awards that have been approved but have not posted at this time totaling \$360,164, of which one is an ISCF for \$97,672 and three are ISAF totaling \$262,492.

The redevelopment of brownfields is an important objective of DCED to ensure that contaminated sites are remediated and to provide benefits to the community including an increased tax base, the creation of jobs, and the removal of blight. However, DCED's ability to meet the increase in demand is hampered by the limitations in the ISCF program. This could be mitigated if DCED could transfer funds between ISAF and ISCF, at the agency's discretion, without having the transferred amount being subject to the 20% limitation. This will enable DCED to meet the growing demand during times when the economy is doing well and build that momentum to sustain the redevelopment during the next economic downturn.

Open Grants/Loans ISCP - Not yet disbursed	
Applicant	Available Balance
The Ridc Regional Growth Fund	\$ 1,575
Greenville Reynolds Development	\$ 311,912
Philadelphia Authority For	\$ 160,500
Chester County Economic	\$ 829,125
Redevelopment Authority Of The	\$ 90,719
Hazleton Redevelopment Authority	\$ 59,943
Our City Reading Inc	\$ 804,975
Redevelopment Authority Of The	\$ 1,763
Petra Community Housing	\$ 108,011
Greenville Reynolds Development	\$ 144,375
Redevelopment Authority Of The	\$ 6,855
Westmoreland County Industrial	\$ 960,300
Urban Redevelopment Authority	\$ 198,425
The Greater Wilkes-Barre Industrial	\$ 680,375
Redevelopment Authority Of The	\$ 828,373
City Of York Redevelopment	\$ 1,000,000
Barley Square Senior Apartments Lp	\$ 97,672
Total Not Disbursed	\$ 6,284,898
Funds are expected to be fully disbursed in 6-12 months	

Open Grants/Loans ISEAP - Not yet disbursed	
Applicant	Available Balance
Forest Hills Borough	\$ 2,684
North Side Industrial	\$ 623
North Side Industrial	\$ 7,992
Philadelphia Redevelopment Authority	\$ 115,687
North Side Industrial	\$ 2,696
Redevelopment Authority Of The	\$ 50,175
The Greater Wilkes-Barre Industrial	\$ 27,629
North Side Industrial	\$ 20,230
Greater Erie Industrial Development	\$ 9,314
City Of Coatesville Redevelopment	\$ 2,964
Urban Redevelopment Authority	\$ 8,521
City Of Johnstown	\$ 12,999
Redevelopment Authority	\$ 375
Petra Community Housing	\$ 4,669
Urban Redevelopment Authority	\$ 116,622
15ccd Corporation	\$ 17,068
Redevelopment Authority Of The	\$ 87,517
Greene Co Industrial Development	\$ 1,445
Redevelopment Authority Of The	\$ 187,500
Redevelopment Authority	\$ 64,137
The Greater Wilkes-Barre Industrial	\$ 696
Borough Of Dalton	\$ 45,000
Berks County Industrial	\$ 4,062
The Greater Wilkes-Barre Industrial	\$ 60,697
North Side Industrial	\$ 2,541
Cumberland Area Economic	\$ 9,825

Union Township Road District	\$ 37,500
Forest County Commissioners	\$ 59,938
Cumberland County Redevelopment	\$ 55,543
Martinsburg Borough	\$ 43,109
Municipality Of Norristown	\$ 59,400
Altoona Blair County Development	\$ 1,545
Altoona Blair County Development	\$ 157,742
Redevelopment Authority	\$ 15,089
Urban Redevelopment Authority	\$ 44,000
City Of York Redevelopment	\$ 3,750
Capital Region Economic Development	\$ 8,100
Redevelopment Authority Of The County Of Bucks	\$ 101,010
City Of Easton	\$ 153,382
Total Not Disbursed	\$ 1,603,776
Funds are expected to be fully disbursed in 6-12 months	

Open Grants/Loans ISCP - Under Review	
Applicant	Available Balance
Borough of Fleetwood	\$ 348,750
Redevelopment Authority of the County of Montgomery	\$ 200,000
Berks61 LLC	\$ 1,000,000
Cambo GP, LLC	\$ 80,000
Chester County Economic Development Council	\$ 1,000,000
Frankford Community Development Corporation	\$ 120,000
Kennett Business Park, LP	\$ 75,000
McKees Rocks Community Development Corporation	\$ 48,750
Oxford Development	\$ 1,000,000
Real Estate Collaborative, LLC	\$ 231,750
Redevelopment Authority of the County of Montgomery	\$ 993,494
Redevelopment Authority of the County of Westmoreland	\$ 172,500
Renaissance Land Associates II & III, L.P	\$ 1,000,000
Total Under Review	\$ 6,270,244
Funds are expected to be fully disbursed in 12-16 months	

Open Grants/Loans ISEAP - Under Review	
Applicant	Available Balance
City of Nanticoke	\$ 22,500
Redevelopment Authority of the County of Bucks	\$ 124,327
Altoona-Blair County Development Corporation	\$ 39,677
City of Johnstown	\$ 28,500
Delaware County Redevelopment Authority	TBD
Enterprise Development Center of Erie County	\$ 63,750
Lackawanna County Department of Planning & Economic Development	\$ 31,500
Municipality of Norristown	\$ 31,500
Redevelopment Authority of the County of Bucks	\$ 100,410
Total Under Review	\$ 442,164
Funds are expected to be fully disbursed in 12-16 months	

LOCAL GOVERNMENT CAPITAL PROJECT LOAN FUND

The Local Government Capital Project Loan Fund (LGCPL) provides low-interest loans to our municipalities that enable them to purchase necessary equipment, rehabilitate or construct municipal buildings. More than 20 active loans are currently in place, and municipalities representing more than one-third of Pennsylvania counties have been helped via the LGCPL Program since 2014.

Currently, there is little to no demand due to program restrictions. We will be seeking the following legislative changes in order to deploy these monies.

- Due to legislation fixing the program's interest rate, we do not have the flexibility to lower the rate to make our loans competitive with market rates. We would seek this flexibility.
- Raising the population threshold from 12,000 residents to 15,000 would make it available to more municipalities without having it drained by larger local governments.
- The program will not pay for commitments made prior to the loan being approved. Municipalities are unable to order or sign a contract for a piece of equipment prior to applying for a loan. We would like to seek a non-prejudicial approval allowing projects to commence prior to formal approval.
- Raise maximum loan amounts to \$150,000 for vehicles and \$500,000 for buildings.

Open Loans LGCPL - Not Yet Disbursed	
Applicant	Available Balance
Lock Haven City	\$ 50,000.00
Total Not Disbursed	\$ 50,000.00
Funds are expected to be fully disbursed in 6 months	

MACHINERY AND EQUIPMENT LOAN FUND AND SMALL BUSINESS FIRST FUND

In 2014, two transfers totaling \$180 million were made to the General Fund, \$85 million was transferred from the Machinery and Equipment Loan Fund (MELF) and \$95 million was transferred from the Small Business First Fund (SBF). It is easy to quantify the extreme impact these transfers had on the Department's ability to do business. This report will show the strain the transfer placed on the two funds housed under the Pennsylvania Industrial Development Authority (PIDA) and the impact of yet another potential fund transfer. As will be shown, the Department had 42 pending MELF applications that had to be turned away, lowering the credibility of the Governor's Action Team, the Department, and the Commonwealth. Since the transfer, DCED has worked to restore this credibility with partners and potential businesses located throughout Pennsylvania. The interest in the PIDA program has finally rebounded, with the availability for companies to utilize the MELF program for the first time since the transfer.

Small Business First Fund (SBF)

While legislation in 2014 moved the Small Business First Fund under the Pennsylvania Industrial Development Authority, the SBF fund remains the most critical tool for assisting the development and expansion of small businesses in Pennsylvania. Businesses can receive assistance through the Small Business First, Community Economic Development, Pollution Prevention Assistance, and Export Finance programs. At the time of the transfer in 2014, the Small Business First Fund had \$107 million in net funds available and there were 33 SBF applications submitted with a total demand of \$5.2 million. After the transfer, the SBF fund had an available balance of \$23.4 million remaining.

Machinery and Equipment Loan Fund (MELF)

The Machinery and Equipment Loan Fund is the primary equipment financing tool utilized by the Department and the Governor's Action Team (GAT) to finance machinery and equipment purchases, the majority in support of Pennsylvania's manufacturers. At the time of the transfer, the MELF fund had \$95.5 million in net funds available. The MELF fund was left severely depleted. At the time of the transfer, there were 42 pending MELF applications demanding \$53.64 million. 16 of these projects (totaling \$27.05 million) were part of incentive packages by the Governor's Action Team to create new and retain existing jobs throughout the Commonwealth. In addition to the 42

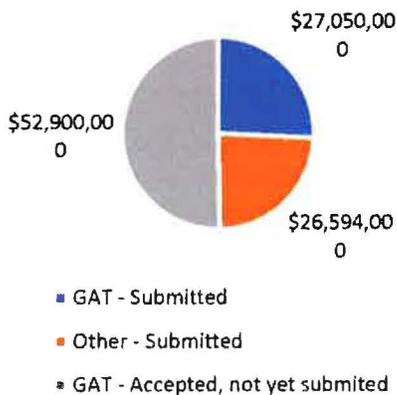
submitted loan applications, there were 46 additional projects in which GAT had offered MELF funding as an incentive. These companies had accepted the offer but had not yet submitted the loan application for funding.

As of August 2014, there was a significant shortfall in the MELF fund. The fund was left with just over **\$10 million** to approve new loans.

After the transfer, the program was deactivated, with no ability to submit a funding application online. With 42 loan applications under review, DCED staff was forced to contact companies and advise them that their project could no longer be considered for

funding. A list of the projects, including the loan amount, private leverage and job figures are provided below. As can be seen, the projects in the pipeline would have **leveraged \$200 million in private investment** and would have **created 2,081 new full-time jobs and retained 2,795 existing full-time positions** in Pennsylvania.

MELF Demand at Time of Transfer



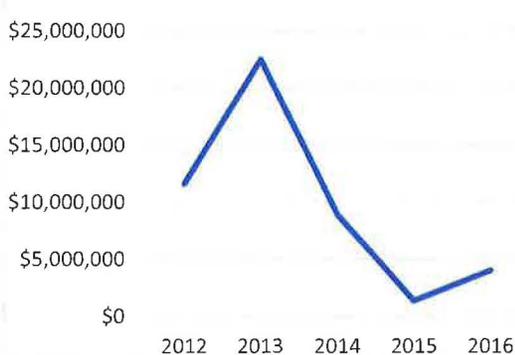
Loan Amount Requested	Private Leverage	Jobs Created	Jobs Retained	County
\$280,000	\$1,440,000	16	0	Mercer
\$861,250	\$861,250	0	40	Luzerne
\$856,000	\$856,000	25	56	Bucks
\$625,958	\$625,958	22	76	Mercer
\$791,076	\$1,198,788	9	30	Crawford
\$1,875,000	\$17,975,000	75	1	Lehigh
\$720,000	\$1,080,000	110	0	Blair
\$325,000	\$325,000	13	3	Montgomery
\$3,200,000	\$12,909,760	128	0	Luzerne
\$4,949,225	\$13,513,724	49	92	Cambria
\$1,000,000	\$1,000,000	96	0	Erie
\$5,000,000	\$30,000,000	200	691	Philadelphia
\$3,750,000	\$23,000,000	150	7	Allegheny
\$273,500	\$273,500	88	0	Bucks
\$275,050	\$1,285,000	68	155	Butler
\$588,350	\$588,350	0	0	Adams
\$2,000,000	\$7,982,000	87	0	Erie
\$1,050,000	\$4,418,000	28	2	Erie
\$448,662	\$448,662	2	252	Schuylkill
\$425,000	\$435,000	25	42	Butler
\$300,000	\$811,000	4	8	Lancaster
\$400,000	\$400,000	16	45	Berks
\$5,000,000	\$12,437,000	2	510	Adams
\$2,300,000	\$7,614,000	30	0	Northampton
\$750,000	\$932,000	9	85	Northampton
\$1,500,000	\$1,552,000	60	0	Lawrence
\$550,000	\$3,456,000	43	0	Dauphin
\$200,000	\$300,000	0	100	Snyder
\$500,000	\$2,530,000	51	36	Allegheny
\$350,000	\$1,150,000	15	97	Bucks
\$1,675,000	\$1,432,000	258	0	Cumberland
\$440,000	\$700,000	31	5	Westmoreland
\$1,197,900	\$1,464,424	10	126	Montgomery
\$200,000	\$200,000	31	29	Allegheny
\$84,000	\$84,000	3	7	Berks
\$2,575,000	\$2,575,000	0	220	Monroe
\$700,000	\$700,000	0	59	Lawrence

\$1,825,000	\$3,260,000	73	0	Lehigh
\$250,000	\$250,000	20	15	Mifflin
\$1,600,000	\$5,759,000	67	5	Philadelphia
\$1,935,000	\$32,815,000	165	0	Delaware
\$19,000	\$19,000	2	1	Lycoming
\$53,644,971	\$200,656,416	2,081	2,795	

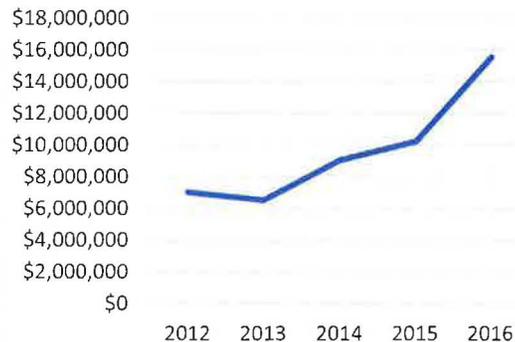
As indicated in a previous graph, there was also \$52.9 million in pending GAT offers that were accepted, but the company had not yet applied. Those projects would have potentially **created an additional 3,074 full time jobs and retained another 2,603**. There were also tentative offers made to 15 companies to utilize the MELF program that had not yet been accepted. This totaled \$33.275 million and would have **created 2,484 full time jobs and retained 4,215 positions** throughout Pennsylvania. The figure below recaps total MELF applications in the pipeline that could not move forward after the transfer.

<u>Application Status</u>	<u>Number of Projects</u>	<u>Amount Requested</u>	<u>Jobs to be Created</u>	<u>Jobs to be Retained</u>
Under Review	42	\$53,644,971	2081	2795
GAT - Offer Accepted	46	\$52,900,000	3074	2603
GAT - Offer Outstanding	15	\$33,275,000	2484	4215
Totals	103	\$139,819,971	7639	9613

MELF Approved by FY



SBF Approved by FY



As can be seen by the figure above, the total approved MELF amounts dropped off significantly after the transfer of funds in 2014 to almost zero.

The reduction in SBF funds forced DCED to explore other sources of funding for projects. The First Industries Fund (FIF), under the Commonwealth Financing Authority (CFA), was severely underutilized. A partnership between the Administration and the Legislature formed when the CFA agreed to fund eligible agriculture projects from the FIF SBF fund. Without the use of the FIF, the SBF fund would be below \$10 million as there have been nearly \$15 million in projects pushed through the CFA. Doing this has allowed PIDA to focus SBF funds on critically needed projects, such as small business manufacturers throughout the Commonwealth. If applicable, the SBF fund was used to fund MELF projects that fit the SBF eligibility criteria. Projects that were eligible could obtain up to \$400,000 for their machinery and equipment project that would have normally been eligible for up to \$5 million through MELF prior to the transfer.

Below is a snapshot of available funds for MELF and SBF as of January 4, 2018. These figures show the net funds balance as per the latest financials (November 30, 2017) as well as the committed loans since that time.

	MELF	SBF
Cash Balance as of November 30, 2017	\$57,344,370	\$29,917,636
Ag Loans	-	\$14,500,500
Loans Committed since November 30, 2017	\$1,608,823	\$2,600,000
Applications Under Review	\$3,980,282	\$6,210,100
GAT Offers, not yet applied	\$8,784,750	-
Subtotal	\$44,579,338	\$6,607,036**
Add back SBF-Ag	-	\$14,500,500
Funds Available	\$44,579,338*	\$21,107,536

*\$5.7 million dollars of the available balance are earmarked with federal funds through the SSBCI initiative.

** By pushing SBF Ag projects to the CFA, the SBF Fund was able to be used for more projects.

After a successful interest rate reduction period, this FY, the PIDA umbrella of financing programs is on pace to hit its highest number of applications since the merger in November 2014. So far, there have been 45 applications approved in FY17. Currently, there are 37 loan applications under review, 20 of which are SBF and 7 are MELF. Companies throughout Pennsylvania are turning to PIDA to finance their expansion and relocation into the Commonwealth. A transfer of funds at this point would have the same effect as the transfer in 2014, a detriment to the integrity of the Commonwealth in the eyes of our partners and businesses alike. DCED has worked tirelessly to return the credibility of these programs back to levels prior to the transfer. With events unfolding exactly as they did in 2014, a transfer of funds would force DCED to turn potential businesses away, resulting in the loss of good paying jobs in desperate areas throughout Pennsylvania. The following figures outline the current open MELF and SBF commitments as well as applications under review.

Open Loans MELF - Not yet disbursed		
Applicant	Approved Amount	Approved Date
Fayette Pipe Co., LLC	\$1,400,000	11/1/2017
Mickey Truck Bodies	\$1,285,182	10/4/2017
TruFood Mfg., Inc.	\$850,000	12/4/2017
Matric Limited	\$698,823	12/4/2017
Abinton Reldan Metals	\$632,995	11/1/2017
Diamond Tool & Fasteners, Inc.	\$473,058	11/1/2017
Robert Gordon Industries, Ltd.	\$400,000	2/1/2017
Select Products Holdings, LLC	\$400,000	6/1/2016
LPUSA, Ltd.	\$248,500	9/6/2017
Ailya Chemical	\$165,437	4/5/2107
Rhino Cable, Inc.	\$60,000	12/18/2017
Total not disbursed	\$6,613,995	
Funds are expected to be fully disbursed in 6-12 months		

Open Loans SBFF - Not yet disbursed		
Applicant	Approved Amount	Approved Date
TMW Candies, LLC	\$400,000	11/1/2017
Tyger Scientific, Inc.	\$400,000	10/4/2017
Maplehofe Dairy, Inc.	\$400,000	1/6/2016
Matthew Martin	\$400,000	12/4/2017
Penn's Peaceful Meadow Farm	\$400,000	1/3/2018
Meadow Spring Farm, LLC	\$400,000	1/3/2018
Josiah and Chelsea Rohrer	\$400,000	1/3/2018
Luda and Krista Shaffer	\$400,000	1/3/2018
Puro-Tec, Ltd.	\$365,000	10/4/2017
Tyber Medical	\$362,500	4/6/2016
Wen-Crest Farm, LLC	\$300,000	12/4/2017
Higher Information Group	\$300,000	1/3/2018
Widening Gyre, LLC	\$285,000	2/1/2017
Justin M. Strasser, LLC	\$218,250	9/6/2017
Jean Madelin Education Center	\$199,000	7/11/2017
Zoetropolis, LLC	\$187,500	7/26/2017
Cutting Edge Machining Solutions	\$161,932	11/22/2017
Green Mill Systems, LLC	\$100,000	12/26/2017
Mellow Mink Brewing, Inc.	\$98,300	12/29/2017
Chef Hosch & Ann Catering, Inc.	\$79,250	11/21/2017
Robert A. Kirkpatrick	\$76,500	6/12/2017
Total not Disbursed	\$5,933,232	
Funds are expected to be fully disbursed in 6-12 months		

Open MELF Loans - Under Review	
Applicant	Requested Amount
Fluortek, Inc.	\$1,500,000
Pasqualichio Brothers, Inc.	\$530,182
Brookdale Enterprises, LLC	\$410,500
Keystone Foam Corporation	\$300,000
Lyophilization Technology, Inc.	\$115,000
Clapper's Industries, Inc.	\$400,000
Amish Country Bakehouse, LLC	\$375,000
Velocity Network, Inc.	\$710,100
American Overhead Door	\$50,000
Total Under Review	\$4,390,782
Funds expected to be fully disbursed in 12-16 months	

Open SBFF Loans - Under Review	
Applicant	Requested Amount
Kulp Family Dairy	\$400,000
Reyburn Farm	\$400,000
Mitchell and Heather Shellenberger	\$400,000
Zahncroft Dairy, LLC	\$400,000
Ricky and Miriam Manwiller	\$400,000
Benjamin and Tonya Moyer	\$400,000
Triple Bottom Brewing Company	\$400,000
R & F Family Farms	\$400,000
Brian and Dawn Stair	\$400,000
Brubaker Run Farms, LLC	\$362,500
East Freedom Surgical	\$350,000
Cathedral Pines, Inc.	\$318,000
CoreTech International, Inc.	\$252,000
Cliff's Restaurant Group, Inc.	\$200,000
C.R.H. Catering Co., Inc.	\$200,000
Rushabh Instruments, LLC	\$199,900
Targeted Solutions, LLC	\$180,000
Johnson Tax & Accounting	\$130,000
Joshua and Stacy Martin	\$103,600
Robert A. Kirkpatrick	\$100,000
McAulliffe Chiropractic	\$15,800
Total Under Review	\$6,011,800
Funds expected to be fully disbursed in 12-16 months	

MUNICIPALITIES FINANCIAL RECOVERY REVOLVING AID FUND

The Center for Local Government Services has a responsibility, under Act 47 of 1987, to assist local governments facing potential financial insolvency. Many of these municipalities face difficult challenges in providing for the health, safety, and welfare of their citizens. When a municipality is declared financially distressed by the Department, Center officials immediately hire a financial management consultant and advisor to develop a Recovery Plan for the municipality. The Recovery Plan is designed to be similar to a Bankruptcy Judge's bankruptcy restructuring order of the municipality's financial resources. The Recovery Plan includes extensive technical assistance in the fields of financial management, public administration, public works, and public safety which includes police and fire operations. The Recovery Plan Coordinator may recommend an immediate emergency loan or other financial assistance through the Municipalities Financial Recovery Revolving Aid Fund, as part of the development of the Recovery Plan. The overarching goal of the Recovery Plan implementation is to assure necessary and vital municipal services may continue without interruption within the municipality. Act 47 also empowers the Governor to issue a declaration of fiscal emergency, if necessary, to enable the Department to prepare an emergency action plan and to appoint a receiver to prepare a recovery plan to be confirmed by Commonwealth Court. This has only happened once in Commonwealth history. The City of Harrisburg was declared a fiscal emergency and a receiver was assigned to it.

Since its inception, DCED has aided 30 designated distressed municipalities. Twelve (12) municipalities have successfully exited the Act 47 status including four third class cities. Currently, 18 municipalities are designated as distressed. During FY 16-17, the City of Hazleton, Luzerne County was designated as distressed. (One municipality has entered Act 47 in each of the past four fiscal years. This is significant because it is likely we will continue to see at least one municipality enter the program through 2025.) A Recovery Coordinator was appointed in October 2017 and they are working with City officials to develop a Recovery Plan. The City will implement the plan under the Coordinator's guidance. The Coordinator has worked with the City to address critical cash flow issues and included an Act 47 emergency loan of \$800,000 to address outstanding obligations.

Recovery Plans have been completed and are currently being implemented in all 18 of the municipalities still in the Act. Over the last year, an initial recovery plan was developed and enacted in Mahanoy City Borough and three updated recovery plans were enacted in the City of Altoona, Blair County, City of Chester, Delaware County and the Borough of Greenville, Mercer County. Further plan modifications to the Harrisburg Strong Plan were developed by the Receiver/Recovery Coordinator, approved by Council in April 2016 and confirmed by Commonwealth Court on July 20, 2016.

Any monies taken from the Municipalities Financial Recovery Revolving Aid Fund would have an immediate impact on the Commonwealth's ability to provide vital assistance to designated municipalities. Without funding and technical assistance, Chester, Hazleton, and Wilkes-Barre would all be in immediate jeopardy of declaring bankruptcy. Other municipalities such as New Castle, Johnstown, and Aliquippa could also easily fall into bankruptcy based on their current financial position. If a municipality, let alone multiple municipalities, would fall into bankruptcy, it would have a significant impact on municipal borrowing in Pennsylvania and would significantly impact the municipal bond market. The impact would be felt both in terms of restricted access to capital and higher borrowing costs. This would only exacerbate the problem and cause irrevocable harm to these local governments.

Current Act 47 Designated Municipalities

City of Farrell, Mercer County	Designated 11/12/87
City of Aliquippa, Beaver County	Designated 12/22/87
Borough of Braddock, Allegheny County	Designated 06/15/88
Borough of Franklin, Cambria County	Designated 07/26/88
Borough of Rankin, Allegheny County	Designated 01/9/89
City of Duquesne, Allegheny County	Designated 06/20/91
City of Scranton, Lackawanna County	Designated 01/10/92
City of Johnstown, Cambria County	Designated 08/21/92
City of Chester, Delaware County	Designated 04/6/95
Borough of Greenville, Mercer County	Designated 05/8/02
City of Pittsburgh, Allegheny County	Designated 12/29/03
City of New Castle, Lawrence County	Designated 01/5/07
City of Reading, Berks County	Designated 11/12/09
City of Harrisburg, Dauphin County	Designated 12/15/10
City of Shamokin, Northumberland County	Designated 06/16/14
Borough of Colwyn, Delaware County	Designated 05/6/15
Borough of Mahanoy City, Schuylkill County	Designated 02/17/16

Distress Determination Rescissions

Borough of Shenandoah, Schuylkill County	Designated 5/20/88	Rescinded 4/16/93
Borough of Ambridge, Beaver County	Designated 4/10/90	Rescinded 4/16/93
Borough of Wilksburg, Allegheny County	Designated 1/19/88	Rescinded 11/10/98
Borough of East Pittsburgh, Allegheny County	Designated 11/13/92	Rescinded 12/27/99
Borough of North Braddock, Allegheny County	Designated 5/22/95	Rescinded 4/11/03
Borough of Homestead, Allegheny County	Designated 3/22/93	Rescinded 3/28/07
Borough of Millbourne, Delaware County	Designated 1/7/93	Rescinded 3/20/14
Westfall Township, Pike County	Designated 4/14/09	Rescinded 10/22/14
Borough of West Hazleton, Luzerne County	Designated 3/27/03	Rescinded 10/23/14
City of Nanticoke, Luzerne County	Designated 5/26/06	Rescinded 8/24/15
City of Clairton, Allegheny County	Designated 1/19/88	Rescinded 11/24/15
Township of Plymouth, Luzerne County	Designated 7/27/04	Rescinded 5/3/16
City of Altoona, Blair County	Designated 12/19/12	Rescinded 10/12/17

Open MFRA Contracts/Grants - Not Yet Disbursed	
Applicant	Available Balance
The Novak Consulting Group Inc	\$ 48,614
Public Resources Advisory Group Inc	\$ 29,384
Stevens & Lee Pc	\$ 128,707
Eckert Seamans Cherin And Mellott	\$ 171,544
Deborah Grass	\$ 91,502
Public Financial Management Inc	\$ 204,618
Pennsylvania Economy League Inc	\$ 268,460
Econsult Solutions Inc	\$ 100,973
Elliott Greenleaf Pc	\$ 17,124
Harris Wiltshire And Grannis Llp	\$ 110,318
Dilworth Paxson Llp	\$ 55,465
Deborah Grass	\$ 26,418
Econsult Solutions Inc	\$ 73,681
The Novak Consulting Group Inc	\$ 98,513
Pennsylvania Economy League Inc	\$ 96,007
Resource Development And Management	\$ 31,280
Mary Jane Kuffner Hirt	\$ 49,905
George W Dougherty Jr	\$ 45,074
Eckert Seamans Cherin And Mellott	\$ 63,994
Pennsylvania Economy League	\$ 130,630
Pennsylvania Economy League Inc	\$ 29,786

Stevens & Lee Pc	\$ 44,334
Pennsylvania Economy League Inc	\$ 117,775
Pennsylvania Economy League Inc	\$ 14,625
City Of Reading	\$ 520,000
City Of Johnstown	\$ 33,637
City Of Aliquippa	\$ 18,051
City Of Shamokin	\$ 74,606
Borough Of Colwyn	\$ 149,972
City Of New Castle	\$ 42,799
City Of Harrisburg	\$ 305,483
City Of Scranton	\$ 65,340
City Of Chester	\$ 251,970
Altoona City	\$ 190,910
Rankin Borough	\$ 12,000
City Of Aliquippa	\$ 59,188
Borough Of Mahanoy City	\$ 145,000
Total Not Disbursed	\$ 3,917,684
Funds are expected to be fully disbursed in 6 months to 3 years	