

The PA Business Development Authority concept targets resources to meet the needs of the current economic climate; a job creation program that is customer-friendly and easy to access.

- > Creates a one-stop-shop for job creators seeking capital to grow their business.
- > Provides flexibility in financing tools to respond to an ever-changing economy.
- > Transforms a complicated process into a simplified system consolidates eight programs to create a single authority:
 - >> customer service
- >> a single loan issued and

>> efficiency

- >> a predictable process to approve loans
- >> a single application
- > Leverages assets Pools nearly \$1.1 billion in resources which will create the ability to attract additional funds. A million dollars lent to a job creation project can leverage millions of dollars of federal and private sector investment.
- > Maximizes business investment the PA Business Development Authority consists of loan programs; the authority will have the ability to reinvest loan repayments into future projects.



Purpose

To improve customer service and efficiency for Pennsylvania's job creators by consolidating eight different business financing programs, currently governed by four different entities into one authority to be known as the PA Business Development Authority, creating a simplified, one-stop-shop for job creators seeking capital to grow their businesses.

Existing Financing Tools to be Consolidated

- > The Small Business First Program (Title 12 Commerce and Trade, Chapter 23) provides low-interest loans and lines of credit to small businesses for capital development projects that will stimulate the expansion and assist in the viability of small businesses.
- > The Community Economic Development Program (Title 12 Commerce and Trade, Chapter 23) provides loans for small businesses located in distressed communities, which are involved in the business-to-public service, mercantile, commercial, or point of sale sectors.
- > The Export Financing Program (Title 12 Commerce and Trade, Chapter 23) provides lines of credit to export businesses, as defined in section 1704, for working capital and accounts receivable financing.
- > The PA Industrial Development Authority Program May 17, 1956 (1955 P.L.1609, No. 537) provides loans for industrial development projects, industrial parks, and multiple tenant building projects.
- > The PA Minority Business Development Authority (July, 1974 P.L. 598, No.206) provides low-interest loan financing to businesses owned and operated by ethnic minorities.
- > The Machinery and Equipment Loan Program (Title 12 Commerce and Trade, Chapter 29) provides loans to businesses involved in the industrial processes, manufacturing, mining, production, agriculture, information technology, or biotechnology for the purchase, installation or upgrade of equipment and machinery, including computer hardware and software.
- > The First Industries Program (April 1, 2004, P.L. 163 Act 22 of 2004, Chapter 1541) provides financial assistance loans for projects located within the commonwealth related to tourism and agriculture.
- > The Second Stage Loan Guarantee Program (April 1, 2004, P.L. 163 Act 22 of 2004, Chapter 1553) provides loan guarantees to commercial lending institutions that make loans to life sciences, advanced technology or manufacturing businesses.

Governance

- > A simple majority of the board will meet to approve loan applications on a monthly schedule.
- > The board structure, similar to the existing Pennsylvania Industrial Development Authority Board, will be a 15-member board that is a public/private partnership.
- > Four (4) members of the Governor's Cabinet (DCED, Agriculture, Banking and Budget).
- > Eleven (11) members appointed from the private sector:
 - >> Seven (7) who shall be appointed by the Governor.
 - >> Four (4) who shall be appointed by each of the four legislative caucus leaders of the General Assembly (one (1) each by the President of the Senate, the Minority Leader of the Senate; the Speaker of the House, and the Minority Leader of the House), and all of whom may not be members or staff of the General Assembly, nor otherwise employed by the Commonwealth.



Annual Financing Strategy

The PA Business Development Authority will identify the real-time financing needs of businesses and apply resources to address those needs through an annual financing strategy that outlines to the Governor, General Assembly, and the business community where resources will be focused in the coming year.

Leveraging Assets

The PA Business Development Authority will be able to pledge its unencumbered assets as security to leverage additional private funds (This new capital will be used to meet the financing needs of businesses and bolster the authority's assets over time).

Loan Applications

All loan applications will be originated by economic development agencies certified by the authority to work hand-in-hand with businesses to prepare applications for consideration by the board. This will ensure business customers receive superior service.

Other Changes

- > Community Economic Development Loan Program (a) Simplifies the definition of a distressed community by eliminating the paragraphs related to census tracks, etc. (b) Gives the board the authority to set maximum loan amounts, rather than setting those limits in statute. The maximum lending limits set in the small business lending programs are outdated related to the current costs of capital improvements. If the board is authorized to set the lending amounts like the PIDA Board does, legislation would not be required to bring them up to date.
- > Small Business First (SBF) The board gives SBF the ability to offer working capital lines of credit rather than just three-year term loans for working capital. This bill allows the board to have the ability to adjust the job requirements and loan amounts as appropriate.
- > Machinery and Equipment Loan Program Allow the board to establish the maximum loan amount and job requirements for the same reasons stated above.
- > PA Minority Business Development Authority Removes the language that specifically identifies by race and ethnicity as to what constitutes a minority. Instead, this pot of money will be focused on socially and economically disadvantaged businesses.
- > **Second Stage Loan Program** (a) Eliminates the prohibition on companies older than seven years participating in the program. (b) Instead of a declining guarantee over time, provides a guarantee of 50 percent of the outstanding balance for the life of the loan.
- > PIDA (a) Modifies the definition of an individual of the industrial park to allow the authority to lend to privately-owned entities instead of only Industrial Development Corporation (IDC) industrial parks. (b) Modifies the definition of a multiple-tenant building to allow the authority to lend for privately-owned multiple tenancy buildings instead of only IDC multiple tenancy buildings. (c) Modifies the complex formula for establishing loan participation rates by county by making the rate 50 percent for all projects. (d) Eliminates the 10 percent equity requirement for certain projects.
- > All Programs Would have to originate and be packaged by a certified provider.





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