



# ▶ THE IMPORTANCE OF THE PA BUSINESS DEVELOPMENT AUTHORITY

Maximizing Investment and Job Growth and Minimizing Bureaucracy

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
  - >> efficiency
  - >> a single application
  - >> a single loan issued and
  - >> a predictable process to approve loans
- > 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.



# 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 tracts, 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 The maximum lending limits set in the small business lending programs are outdated related to the current costs of capital improvements.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.

### For more information, contact:

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