

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
COMMERCE COMMITTEE HEARING

SHENANGO VALLEY CHAMBER OF COMMERCE
FOUNDERS BOARD ROOM
SHARON, PENNSYLVANIA

THURSDAY, SEPTEMBER 13, 2007, 10:00 A.M.

PRESENTATION ON
AGENCY AND INSTITUTIONAL FRAMEWORK
OF ECONOMIC DEVELOPMENT IN THE COMMONWEALTH

BEFORE:

HONORABLE JARET GIBBONS
HONORABLE MARK LONGIETTI
HONORABLE JAMES MARSHALL
HONORABLE DAVE REED
HONORABLE JOHN SIPTROTH
HONORABLE JIM WANSACZ

ALSO PRESENT:

DAVE CALLEN
DIANE HELBIG

JEAN M. DAVIS, REPORTER
NOTARY PUBLIC

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X
TESTIFIERS

NAME	PAGE
JOHN BLAKE	6
SCOTT DUNKELBERGER	46
JACKIE PARKER	74
LARRY D. REICHARD	94
ANGELA PALUMBO	114
KEVIN SHIVERS	130

1 REPRESENTATIVE LONGIETTI: I would like to
2 take this opportunity to have the members of the
3 Commerce Committee and the Representatives introduce
4 themselves, and we will start with Jim Marshall at the
5 end.

6 REPRESENTATIVE MARSHALL: Thank you, Mr.
7 Chairman.

8 I am State Representative Jim Marshall from
9 Beaver County, District 14.

10 REPRESENTATIVE REED: Dave Reed, Indiana
11 County, District 62.

12 MR. CALLEN: I'm Dave Callen. I am the
13 Executive Director of the committee.

14 REPRESENTATIVE LONGIETTI: Mark Longietti. I
15 am the Secretary of the Commerce Committee.

16 REPRESENTATIVE SIPTROTH: I am John Siptroth,
17 representing Pike and Monroe Counties.

18 REPRESENTATIVE WANSACZ: Representative Jim
19 Wansacz, representing parts of Lackawanna, Luzerne,
20 Wyoming, and Susquehanna Counties.

21 MS. HELBIG: My name is Diane Helbig, and I
22 am here representing Representative Michele Brooks,
23 who is from the 17th District, Mercer, Crawford, and
24 Lawrence Counties.

25 REPRESENTATIVE LONGIETTI: I want to thank

1 everybody for attending this hearing. We have a nice
2 full room. I appreciate all the folks that came out.
3 We certainly appreciate the owner of the Radisson
4 Hotel where a number of our members stayed last night.
5 Thank you for your hospitality.

6 I want to thank Chairman Daley, Peter Daley,
7 who is the chairman of the Commerce Committee. He had
8 an unavoidable schedule issue that kept him away from
9 this hearing, but he did schedule it here for Sharon,
10 and I am so appreciative of that.

11 Also in the way of thank yous, I want to
12 thank Dave Callen, who is the Executive Director of
13 the committee, and Chairman Daley's staff -- Destiny
14 Zeiders, Sandy Altland, and Ron Luci -- who helped set
15 this hearing up, as well as my staff -- Brenda Tomko,
16 who is in the back of the room, and Lori Bertolasio,
17 who also did a lot of work to pull all this together.

18 And certainly we want to thank George Gerhart
19 and the Chamber of Commerce for hosting us at this
20 beautiful facility this morning.

21 Let me just highlight the purpose. This is
22 the first economic development hearing that the House
23 Commerce Committee is holding, and it certainly is an
24 honor to have it here in Sharon, and today what we
25 want to hear is we want to hear about the needs of

1 small businesses in our region and other economic and
2 workforce development issues affecting Pennsylvania.
3 We are on an information gathering mission here. And
4 the goal is to establish a clear, comprehensive
5 picture for the committee on what is being
6 accomplished by the many State, regional, and economic
7 development agencies and the programs that they
8 administer. Then we can determine whether there is
9 any unnecessary duplication or gaps in coverage, and
10 we can develop a strategy to solve identified
11 problems. Our main focus is to make the process more
12 understandable and accessible for businesses and
13 communities, because after all, that is who we serve.

14 As I said, we are honored to have this
15 hearing here in the Shenango Valley in Mercer County
16 this morning, and we often ask the question, does
17 Harrisburg listen to us or care about our needs?
18 Well, here we sit today with a group of State
19 Representatives from the House Commerce Committee, a
20 number of folks from State economic development
21 agencies and local economic development agencies, to
22 get input from us, to tell us about what the State of
23 Pennsylvania is doing and how we can take advantage of
24 the programs, and also some input from us on what we
25 need here locally. It gives us an opportunity to

1 showcase and highlight our area and to put a face on
2 economic development.

3 And the last thing that I want to say, and I
4 am not sure if he is here yet, but this is the example
5 of the small businesses that we want to help develop
6 and grow. I had an opportunity a couple of days ago
7 to tour Dalko Resources in Sharpsville. Len Grandy is
8 the CEO. They started in 2002 in his basement. It is
9 a logistics company that provides logistics and
10 shipping for the rail industry. The first month, in
11 December of 2002, they did \$15,000 worth of sales.
12 Today they are now doing \$22 million annually in
13 sales. They have 24 employees, they are building
14 another building, and they are expanding. So those
15 are the kinds of small businesses in our area that are
16 successful, that we are so proud of, and that we want
17 to help encourage to grow.

18 So having said all of that, I would like to start
19 the hearing, and we will introduce our first
20 presenter, and that is John Blake, who is the
21 Executive Deputy Secretary of the Department of
22 Community and Economic Development. Thank you.

23 MR. BLAKE: Thank you, Mr. Chairman, and
24 thank you to the House Commerce Committee. I want to
25 express on behalf of Secretary Yablonsky, all of my

1 senior staff, in fact all of our staff at the
2 department, our most sincere thanks for the
3 opportunity to present before the committee and
4 express our thanks also for your interest in our
5 mission.

6 Clearly it was determined we have a dual
7 mission, community and economic development, and if I
8 can, before I get into the presentation to the
9 committee, give you some contents throughout our
10 presentation, give you some ideas on how we are
11 planning on moving forward here.

12 The first thing I want to share with you, as you
13 probably know, and we are very grateful, the General
14 Assembly has seen to provide us the necessary
15 resources we need to carry out our mission in fiscal
16 year '07-'08. The Department of Community and
17 Economic Development, we manage a budget that is \$634
18 million, and we have a complement of about 320 people
19 in administering our services to the Commonwealth. We
20 rely heavily, as you would imagine, on a network of
21 very robust and capable leadership in the local
22 government community as well as in the economic
23 development community throughout the State.

24 Our intentions here, again, I want to give
25 you from my part of this presentation kinds of the how

1 and the why of what we do, the strategic elements that
2 drive the decisions of the department in how we
3 allocate our resources to meet our mission and improve
4 the quality of life and ensure sustainable economic
5 growth for the Commonwealth. Then I am going to turn
6 it over to two of my very capable professionals here
7 to talk about business assistance. Scott Dunkelberger
8 will cover that. And Jackie Parker, who heads up or
9 Community Action Team, will talk about the community
10 development and the core community revitalization
11 efforts that are ongoing throughout the State.

12 So with that I am going to turn to, again, a large
13 picture view, first of all, and I will be glad to
14 accept any questions from the committee as we move
15 through this.

16 The first thing is a very basic profile for
17 the Commonwealth of Pennsylvania. We have a \$510
18 billion gross State product. Of course, as many of
19 you know, we cover a State of 12 million people. Our
20 current employment is approaching 6 million, and we
21 have an unemployment rate of 4.3 percent, which is a
22 little over the national average and great news for
23 us. That gross State product has rose substantially,
24 because we are the 17th largest economy in the world.
25 At \$510 billion, it is actually larger than the gross

1 products of these countries, and in fact, as you can
2 imagine, the power of our workforce is previously
3 extraordinary along with our staying power for the
4 Commonwealth, and that just demonstrates our
5 comparison of the gross State product to other
6 economies of the world.

7 This is the good news for the Commonwealth
8 over the past couple of years, again, as the result of
9 the Governor's leadership and the leadership in the
10 General Assembly. Giving us the tools that we need
11 and taking advantage of our competitive advantages, we
12 have been able to grow. Our jobs throughout the past
13 several years, in 2003 in particular when our
14 unemployment rate was 5.7 percent, it is now, of
15 course, 4.3 percent, and we have had new jobs since
16 January of '03 of about 170,000. No small feat in an
17 economy and a macro economy that has seen some very
18 challenging issues associated with manufacturing and
19 outsourcing. This is a great story for Pennsylvania,
20 and again, it is really because of the leadership of
21 the Governor and the leadership in the General
22 Assembly that DCED has been able to produce these
23 kinds of results.

24 This is a very important slide, and I want to
25 stick with it a little while. The Commonwealth has

1 been trying to position itself competitively to
2 attract business investment from the outside, and it
3 has been a challenge, because back in 2002 or 2003, we
4 really did not have very much cross-border investment.
5 We were not getting our fair share, if you will, of
6 the capital flow in terms of attracting investment
7 into the Commonwealth. As a result of the economic
8 stimulus program and as a result of some competitive
9 positioning issues that I am going to talk about in a
10 little while, in 2004, we were number one in the
11 country in cross-border investments. Our increase in
12 cross-border investment went from about \$6.6 million
13 in 2002 to over a billion dollars last year. The
14 point I am trying to make here is that we have been
15 more effective at getting our products, our product
16 offering, our assets, sold to the world in a manner
17 that attracts investment into the Commonwealth, but
18 this also includes cross-State/national investment,
19 which means, you know, companies coming to
20 Pennsylvania can say no, it is a better environment
21 within which to operate and that they can make money
22 here, and we have been very successful in the
23 cross-border investment. This particular, the source
24 of this is the IBM Global Investment Locations
25 Database. It is a reliable worldwide assessment that

1 IBM does, and we believe that at this point that in
2 addition to being number one in 2004 -- I am sorry,
3 2005 -- they are actually going to come out with their
4 2006 figures within the next couple of weeks, and we
5 are told, at least informally, that we are still in
6 the top one or two in the issue of cross-border
7 investment, a very important thing.

8 This is what I want to focus on a little bit
9 today. It is basically the strategy elements of the
10 Commonwealth's business. These are, they look like
11 broad generalizations, but I will drive down into the
12 detail on it shortly. But these are the elements that
13 essentially infect all of our deputates, all of our
14 offices, all of our programs. Everything that we do
15 are driven by certain strategy elements.

16 Focus is up first, and I want to talk a
17 little bit about this. I mentioned IBM. We are
18 trying very hard to be in a competitive position to
19 attract businesses in the Commonwealth of
20 Pennsylvania, and with the help of the Team
21 Pennsylvania Foundation, we engaged IBM to do an
22 analysis. Now, the first thing that they did, they
23 said, well, listen, you know, we understand your
24 advantages, we understand the assets that the
25 Commonwealth offers, we understand the institutions,

1 but we want to take a look at trends and capital
2 flows. A considerable amount of capital is flowing to
3 the area around the Pacific, and of course the United
4 States is still attracting significant investment
5 because we have the greatest economy and the strongest
6 economy in the world. But Pennsylvania was not
7 capturing its fair share of those global investments,
8 so IBM looked at capital flows. And then we drove
9 down a little deeper to see where we had major
10 advantages in major cluster areas, and these are
11 actually distributed evenly around the State. There
12 is an awful lot of competitive advantage in several of
13 these high-cluster areas, life sciences being one,
14 high technology being another. There are two more
15 that are not covered. But driving down below those
16 major clusters or individual sectors within those
17 clusters is where we have competitive advantage, and
18 they are listed here: integrated bio-pharma
19 manufacturing; bio-tech research; medical equipment;
20 integrated medical diagnostic equipment. In high
21 technology: next generation electronics; wind energy;
22 of course the energy issues that are coming up and are
23 in your discourse now. Our ability on the energy is
24 not only an issue of competitive competition from cost
25 but it is the issue of advanced manufacturing being

1 able to produce the equipment and the machinery that
2 support the growth in alternative energy. That is
3 really where the economic opportunity is in
4 Pennsylvania, in addition to showing that the growth
5 in the alternative energy is going to keep us
6 competitive in terms of facility components. But
7 these are two of the major things that IBM looked at
8 to try to understand our cost qualities and
9 competitive advantage.

10 There are two more, advanced manufacturing
11 and business services. Our Commonwealth is easily
12 identifiable in terms of its regional compositions and
13 the regional identification, if you will, branding, if
14 you will. Within those individual regions are
15 specific advantages of these clusters, and we expect
16 to use this more coast to coast to the deployment of
17 our resources in a manner that is going to guarantee
18 that we have a better competitive advantage in
19 competing in this global competitive economy right now
20 to capture business in Pennsylvania.

21 One of the things I would share with you, and
22 you might recognize some of these large clusters in
23 terms of life sciences, advanced manufacturing, and
24 business services, they look a lot like the clusters
25 that our Department of Labor and Industry looks at in

1 terms of what they refer to as high-priority
2 occupations. So there are some synergies at the
3 highest levels of the economic development apparatus
4 in the Commonwealth between DCED and of course DL&I
5 that involve common efforts in terms of the global
6 resources. We are trying to essentially compete for
7 the business and in some cases incent investment where
8 that business can occur. We also have a great
9 workforce development initiative in DL&I that is
10 supporting the labor and the sustainability of skilled
11 labor in those individual clusters throughout the
12 Commonwealth.

13 Research is the next big generator. It is
14 obviously the largest job generator in this State. We
15 have 260 colleges and universities. We rank fourth in
16 academic research and development, and we have
17 world-class academic institutions which are garnering
18 a pretty fair share of the National Institutes of
19 Health funding -- \$1.4 billion in Federal funding from
20 the NIH in 2004. More than 22,000 students receive
21 degrees in the engineering and science fields annually
22 in Pennsylvania, and we provide over \$130 million to
23 academic research projects each year, a very
24 significant element of the economy.

25 Commercialization is next up in terms of our

1 focus. I want to mention what the chairman said
2 earlier about the small business that grew into a \$22
3 million operation. This is a little bit about what is
4 going on here in terms of commercialization. In the
5 meantime, those small businesses will be the job
6 creators and the job sustainers of the future. But in
7 the commercialization focus, our strategy is an issue
8 of trying to drive money, trying to work with our
9 institutions of higher education, trying to
10 commercialize products in a manner that will create a
11 commercial advantage, to boost those products, and to
12 make sure that we have the opportunity to grow
13 business and sustain our economic growth going
14 forward.

15 The Keystone Innovation Zones, which is a new
16 initiative of the administration, was funded under
17 this particular strategy outlook. KIZs, there are
18 several of them, 26 around the State, and as you can
19 see on this slide, we provide operational funding for
20 public/private partnerships. We provide funding for
21 university technology transfer and key faculty hires;
22 tax credits for start-ups; capital for growth, of
23 course; and the Small Business Innovative Research
24 Support Program, again, focused on that research, that
25 product, and the opportunity to create jobs going

1 forward in the growth of those small businesses.

2 These are the KIZ locations throughout the
3 State. Again, there are 26 of them, and thanks again
4 to the General Assembly. Mr. Chairman, you have
5 supported, the General Assembly has supported the KIZ
6 program and funded it in a manner that we will grow
7 this throughout the Commonwealth, and you will see our
8 KIZs that are connected to our academic institutions
9 throughout the State.

10 Of course, capital is next. This is one of
11 the most important things, because it is basically the
12 funding that we provide in terms of grants, loans, as
13 well as private financing and our tax credits. This
14 looks like a rather large list, but the fact of the
15 matter is that these are programs that, the red ones
16 that you see on this slide here are from the economic
17 stimulus program. This is really the capital that we
18 provide that drives not only through our business
19 growth the incentive programs that we provide, this is
20 the capital that Scott will talk about at great
21 length. It drives the small business growth, Small
22 Business First, some of the great programs that cover
23 all, what I would call all, along with continuums in
24 small business to maturity in the large businesses of
25 the Commonwealth. Scott Dunkelberger will go through

1 this in greater detail later in this session.

2 I mentioned earlier the connection between
3 economic development and workforce. Job Ready
4 Pennsylvania would give an additional \$101 million
5 dollars in targeted training and education programs,
6 again, a lot of coordination between our economic
7 development activities and our ability to take job
8 training and educational programs to ensure a skilled
9 workforce. The most important thing I would want to
10 say about this strategy element to the department is
11 that if anybody is looking at conducting business in
12 Pennsylvania, if any of our existing businesses in
13 Pennsylvania are concerned about their future, it
14 always revolves around labor. It always resolves
15 around a skilled workforce, an available workforce,
16 the ability to get through that workforce, the ability
17 to sustain. We have the best workforce in the country
18 and maybe in the world. Our work ethic is
19 unparalleled, but it is always a continuous
20 improvement process. We are pulling resources to make
21 sure we can sustain our competitive position as it
22 relates to labor and the decisions that our
23 businessmen have to make and we will have to make.

24 This is the next big one. It has to do with
25 infrastructure. Of course, the Commonwealth was in a

1 disadvantage because we did not have all the sites
2 that we needed to respond to the business
3 opportunities or the business expansion opportunities
4 that we faced, and all things being equal, the site
5 over here is ready to go and the site over here is
6 just about ready to go, but its got to have a water
7 line in 60 days. The company is going to choose the
8 site over here. It is the risk-averse nature of
9 business decisionmaking. We have come a long way in
10 terms of our commitment to infrastructure and making
11 sure that we have sites available for businesses that
12 are looking at expanding in Pennsylvania or businesses
13 that are looking at coming into Pennsylvania.

14 And we have one more, more than \$1 billion in
15 infrastructure improvement funding that has been
16 deployed as a result of the economic stimulus program.
17 Thirty-two companies have already committed to
18 locating at sites under them in the Business in Our
19 Sites Program. Over 107 projects have been approved
20 under that same program. This is an important asset
21 for the department to support, because we need to be
22 agile and have those sites ready for the business
23 decisions that are being made. Scott will talk to you
24 a bit more about that as well a little bit later.

25 Next up is our Community Action Team, and I

1 will not spend a lot of time here because Jackie is
2 going to go into this at great length. But the
3 Community Action Teams, many of you on the committee
4 may be familiar with the Governor's Action Team, which
5 Scott will talk about a little bit, but that is
6 essentially the economic development go-to people who
7 help you get the deals, package the deals, put
8 together those incentive packages. That is on the
9 economic development and job-growth side, but it is
10 Jackie's work on a daily basis. It is community
11 revitalization, our commitment to core communities,
12 our commitment to corral the resources, not only
13 within the department but across all of our
14 departments, to make sure that we can have good
15 communities and a good quality of life that are
16 already essential for effective economic development.
17 I will let Jackie cover this at length later, but you
18 will see the distribution of CAT projects. There are
19 77 of them now. The committee might be familiar with
20 some of these activities, but this is an important, an
21 important evolution of our community development
22 strategy, because it is not only DCED; it is across
23 the departmental and Commonwealth funding.

24 Business climate is the next strategy
25 element. We basically try very hard to make sure we

1 retain our competitive position by continuing a
2 tax-friendly environment for business, and we continue
3 the reductions of the capital stock and franchise tax.
4 The tax rate for the year 2007 will be 3.89 mills.
5 The tax is on schedule to be phased out in 2011. We
6 have also had a \$16 million increase in the
7 educational improvement tax credit. Many of the
8 committee members might be familiar with this. It is
9 an important opportunity for private investment to
10 meet the needs in our communities, and it has been a
11 very successful program.

12 We have also increased in the last budget
13 year tax credits for film and television production in
14 Pennsylvania to no more than \$75 million annually.
15 There has also been an improvement in our tax
16 environment for banks involved in mergers, and the
17 last bullet here indicates what we tried to do over
18 the past 4-plus years to reduce business taxes in the
19 Rendell administration to nearly \$2.3 billion total in
20 tax reductions.

21 Business retention is every bit as important
22 as business attraction, and I want to spend a little
23 bit of time on this slide, because it evidences to
24 some extent what we do in terms of knocking on the
25 doors of our existing businesses and understanding

1 what they are doing and what their needs are. There
2 are people right now who work with our local economic
3 development partners to do business retention and
4 expansion programs, and I want to tell the chairman
5 about this one, because this appropriation from the
6 State is only about \$250,000 a year. It involves
7 almost 9,000 visits to Pennsylvania businesses, and as
8 you can see from this slide, those visits which
9 evidence some needs on the part of certain companies
10 led to referrals through the Governor's Action Team,
11 and those referrals led to GAT projects that involved
12 upwards of \$235 million worth of new investment in the
13 Commonwealth, and you can see here the job growth that
14 is associated with it.

15 Most of the Commonwealth is covered by
16 economic development providers at the regional level
17 who engage people who conduct these visits. It is
18 driven in great measure on the appropriation, and
19 there have been a number of visits that they can do,
20 but what I am trying to evidence for you here is that
21 the small line item in the DCED budget has major
22 returns for us in terms of job retention and some
23 investment for job growth.

24 I am going to spend most of the time
25 remaining for me on this slide, and I want to talk

1 about, one of the things that the chairman mentioned
2 and one of the things that the committee seems most
3 interested in is the institutional structure of
4 economic development and how we deploy our resources,
5 and this may just look like an organizational chart,
6 and in fact it is, but what I need to do for the
7 committee and certainly for everyone here is give you
8 a little idea on how the department is structured in
9 terms of our delivery of community and economic
10 development, and I want to focus our attention, if we
11 can, on the bottom of this slider. There are six
12 boxes on the bottom. These represent the individual
13 offices of the department, and I want to talk about
14 these at some length.

15 The first one, of course, is our Deputy
16 Secretary for Administration and our Office of
17 Administration. That is the machine of the
18 department, if you will, its IT, its budget, its HR.
19 It is basically the daily operating obligations and
20 the burdens of daily administration and management of
21 the department, not dissimilar to most State agencies.

22 The other five are the channels within which
23 we move our money, and I want to talk about these at
24 some length.

25 Our Deputy Secretary for Community Affairs

1 and Development. This particular division of the
2 department handles the HOME Program, the CDBG Program,
3 the Neighborhood Assistance Tax Credit Program, the
4 Elm Street Program, the Main Street Program, CAT falls
5 under this program. It is a very robust part of it.
6 It is really the community development division of the
7 department, and many of the Federal pass-through
8 dollars that go to technology challenges throughout
9 the Commonwealth, many of the dollars to fix up homes
10 that are occupied, owned and unoccupied by a person
11 with disabilities, many of the dollars that move to
12 provide special-needs housing, many of the dollars
13 that provide the community revitalization of Main
14 Street and Elm Street Programs that, again, we have as
15 a result of great leadership in the General Assembly,
16 these are the dollars that move through this
17 particular division of the department, and it is a
18 very important division, as they all are.

19 The next one over is our Office of
20 International Business Development. We have one of
21 the most robust international presences of any State
22 in the nation. We actually have 30 trade for
23 investment representatives that are distributed around
24 the world who are under contract with the department.
25 Its primary responsibility is two things. They are

1 responsible for finding investment opportunity and
2 providing that investment back to Pennsylvania, and
3 they have an obligation to find trade opportunity for
4 Pennsylvania businesses to grow their share of trade
5 in foreign markets. I mentioned a little bit about
6 this earlier, but this is a relatively small business
7 unit. It is only about 30 people in the department.
8 But this is a critically important aspect of our
9 business that allows us to compete in the global
10 economy, and we have had extraordinary success with
11 respect to the Governor's World Trade PA initiative
12 that is administered under this important division of
13 the department.

14 World Trade Pennsylvania, which was funded
15 initially 2 years ago at \$15 million, and again,
16 thanks to the members of this committee, for \$12
17 million this year, allows us to fund grants that
18 enable our businesses to get access to global markets.
19 We actually provide those grants. The demand for
20 those grants has doubled in the past year.
21 Pennsylvania business is starting to look wider at
22 their opportunities, and the business community and
23 the global economy are taking advantage of the grants
24 that we are providing in order to cinch a deal with a
25 new country and sell their wares, and those are some

1 of the things that we are doing with this.

2 Our reps on the other end of the spectrum
3 here are trade investment reps around the world. They
4 essentially make sure that Pennsylvania business that
5 is going into Brazil does not get sent out. They are
6 on the other end. They are getting the prospects.
7 They are making sure that the agenda is good. They
8 are making sure that there is credibility and
9 accountability in terms of those visits, and when our
10 Pennsylvania businesses go there, all they have to do
11 is sell, and that is the thing that our investment
12 reps and our trade reps are doing -- very effective.
13 We have increased our investment in the State, as I
14 said earlier, significantly as a direct result of the
15 work that is being done in this business unit.

16 The next one over is Technology Investment,
17 and that is a division of the department. This one
18 talks a little bit to what I said earlier about KIZs,
19 Ben Franklin Technology Partnership Network, Ben
20 Franklin Technology Development Authority, the venture
21 capital investment that was part of the economic
22 stimulus. That is administered under our Technology
23 Investment Office, and I have to share with the
24 committee, venture capital is a big thing for us, and
25 our climate for venture capital has drastically

1 improved over the past 4 years. We were really middle
2 of the pack or maybe lower end of the pack in terms of
3 venture capital. As a result of what has gone on in
4 the past 4 years, we are now in the top three every
5 year in venture capital investment, behind only
6 California and Massachusetts. We are really doing an
7 extraordinary job in venture capital right now, and
8 that is an important thing in terms of driving private
9 capital into small businesses, as I said earlier, that
10 are going to be the job creators of the future, and
11 that is Technology Investment.

12 The next one over Scott knows very well.
13 This would be the Deputy Secretary for Business
14 Assistance. Our Business Assistance Office is
15 basically the back office operation for the State
16 financing programs. They underwrite the loans that
17 are provided, policy of products that involve very,
18 very heavy due diligence to guarantee, you know, that
19 we have financial feasibility and financial strength
20 in the deals that we are supporting with our money.
21 All of that work is done in our Office of Business
22 Assistance, and the people in this office are second
23 to none. They do an extraordinary job of managing the
24 resources that we provide through business assistance.

25 Also in that particular division of the

1 department is the private financing, PIDA, PEDFA, the
2 Minority Business Development Authority, some of the
3 other authorities that administer specialized programs
4 and that result in statute, and that is handled
5 through our Business Assistance Office. Also, the
6 Small Business Development Centers are located within
7 this particular business office.

8 The last one over is Tourism, Film and
9 Marketing and economic development marketing. This
10 division of the department, again, is a small one, but
11 our tourism is, of course as you know, one of our
12 biggest economic drivers, and what we do in our
13 tourism shop is drive money through the local tourist
14 promotion agencies. It also handles the Film Tax
15 Credit Program that has been well regarded as a result
16 of the last budget, and it handles all the marketing
17 and things that we do, the product development that we
18 do in order to produce the materials that we need to
19 market Pennsylvania's advantages.

20 This, I hope, gives the committee some
21 context of the department's operations and gives you a
22 sense, but the most important thing I need to tell you
23 is that all of these divisions meet every week. It is
24 all integrated. We do not have a situation where we
25 are not understanding what each other is doing. We

1 are not operating in silence inside the department.
2 There is an extraordinary amount of sharing, that is
3 Secretary is very diligent and very forceful on this
4 point. He wants to make sure that we meet and that we
5 use our resources in a manner that have the most
6 effective impact for the Commonwealth in terms of the
7 improvement in quality of life and sustaining the kind
8 of growth that we have been able to enjoy in the past
9 couple of years.

10 The other important thing I need to share
11 with you is that, as I said earlier, we are a State of
12 about 12 million people. We have 67 counties. We are
13 very broad and diverse in our economic make up
14 throughout the State -- our urban centers, our
15 suburban areas, our rural areas. We depend in great
16 measure to carry out our mission on our local regional
17 network delivery systems. Each of these divisions of
18 the department rely heavily on local loan
19 organizations, local tourism promotion agencies, local
20 community development offices, local industrial
21 development authorities, all of these regional
22 entities who are essentially the originators of the
23 projects that we respond and that we got moving your
24 money, and that robust network is the best going, in
25 my estimation, in the nation. It is the best way to

1 guarantee that we are efficient. It is the best way
2 to rely upon the expertise and that is closer to the
3 individual needs of our regions, and we rely heavily
4 on this extraordinary number of great economic
5 development community leadership at the local level.

6 There are some additional issues that are in
7 the handouts that I provided to you that involve
8 performance measures that we employ every year. I am
9 not going to go into them here in the interests of
10 time, as well to allow the rest of my staff here to
11 present, but I hope that gave you some idea of our
12 department's operations and the manner in which we
13 conduct ourselves for the institutional framework for
14 community and economic development.

15 Thank you, Mr. Chairman.

16 REPRESENTATIVE LONGIETTI: Thank you.

17 And before we get to questions from the
18 committee, we have been joined by Representative
19 Gibbons, if you would introduce yourself, please.

20 REPRESENTATIVE GIBBONS: Thank you, Mark. I
21 am Representative Jaret Gibbons. I am from the
22 Lawrence County area.

23 REPRESENTATIVE LONGIETTI: Questions from the
24 committee members.

25 (Whereupon, an interrogation by the Committee

1 members proceeded.)

2 MR. BLAKE: The short answer to that question
3 is yes. The issue of data cash and data collection
4 and what seems to be conflicting information. I think
5 the best response I can give you is that there is a
6 challenge, there is a challenge for us in bridging, I
7 think, the job creation aspects of it and the skill
8 building and work training and those issues that
9 essentially, and those touch DPW clientele, if you
10 will, that bridging is wrong. I am going to agree
11 with you on that point. The thing is, we need a
12 better understanding of how we can connect those
13 people in need of jobs with those people who are
14 providing and where we are investing individuals in
15 those jobs.

16 I know that communication is very routine and
17 robust in the House. I am absolutely astounded at the
18 high level of communication on that team, between
19 Cabinet Secretaries who try very hard to help each
20 other build our mission and to improve the quality of
21 life in Pennsylvania. So I know that is happening,
22 but on this specific point as it relates to overseeing
23 job creation, job growth, and the demand for labor, in
24 particular industries, and the other circumstance
25 where there might be an assessment data on the part of

1 DPW that shows that those people are not getting jobs,
2 it is a skill mismatch, it is an education mismatch,
3 and it is one that we have to do a better job on.

4 MR. REED: Just a quick followup then.

5 Where are the folks coming from that are
6 taking 168,000 jobs? Are those folks from out of
7 State? It would appear that we are not transitioning
8 folks off of welfare rolls into those jobs, so where
9 are those folks coming from? Has the department, do
10 you have any numbers out of where those folks are
11 coming from? What segment of the population are we
12 targeting?

13 MR. BLAKE: I think we can clarify this in
14 detail. The best thing I can share with you is that
15 when a business decision is made, particularly when it
16 is a cost forward investment and a new business
17 start-up comes in, they look at that labor market and
18 they have a reasonable understanding of what it is
19 that drives their labor problems. It is generally
20 that assessment that drives the decision for them to
21 locate in that particular area, because there is a
22 certain assurance that the skilled labor is available
23 or it can be recruited and they can fill the positions
24 that they have. So my intuitive answer to that
25 question is that the labor that is driving into these

1 new businesses is being drawn from the labor market
2 within which they are operating. It might involve
3 some transition of outside, but I do not think very
4 much, and I think that the challenge for us is to
5 drive deeper into the data to see if I can get you a
6 better answer to that question, Representative.

7 REPRESENTATIVE REED: Because I guess from
8 your answer it would appear, because those folks are
9 probably already operating within the labor force,
10 because they are not coming out with DPW rolls in
11 general in transitioning into those 168,000 jobs when
12 in fact they are probably already employed in
13 Pennsylvania and, you know, moving perhaps to a better
14 job.

15 MR. BLAKE: That is correct.

16 REPRESENTATIVE REED: Moving up the ladder
17 than creating openings lower down the spectrum. So,
18 yeah, any information you can provide would be very
19 helpful, and again, thank you for your presentation.
20 I found it very informative.

21 MR. BLAKE: Thank you, Representative.

22 REPRESENTATIVE LONGIETTI: Any other
23 questions from the committee? Mr. Callen.

24 MR. CALLEN: Thank you, Mr. Secretary.

25 What is it in terms of all the programs, with

1 all those programs that are really quite useful that
2 businesses want to connect to, what is it that we are
3 doing to let the business community at large know that
4 those programs exist? For instance, how would
5 somebody with a small business and share in that make
6 something close?

7 MR. BLAKE: No, but there is a world trade
8 representative who can help move that into a market in
9 eastern Europe.

10 MR. CALLEN: How do you find that out?

11 MR. BLAKE: It is really upon two different
12 things. It is a function of the network that I
13 mentioned earlier in terms of our local and regional
14 partners of how to regionalize as it relates to trade,
15 for instance. We have local districts and other area
16 loan organizations and other local nonprofit economic
17 development providers within these regions. We are
18 generally the first point of contact on how to get
19 access to our programs. We do, of course, have that
20 technology and our Web colonized information and all
21 the information on our programs is available on our
22 Web site. I would also suggest that there are
23 usually, you know, opportunities that are driven by a
24 visit of our trade reps that come in. But I will be
25 honest with you, most people come to know our programs

1 with the local contacts with whom we work and the
2 local regional economic development partners and local
3 government partners with which we work and carry out
4 our mission. And as an example, for small business,
5 our SBDCs, our Small Business Development Centers, we
6 provide an extraordinary line of resources for them.
7 The Federal government through the department, I think
8 it is Treasury, also provides additional dollars, the
9 Small Business Administration provides dollars. They
10 are essentially a great source of information for any
11 small business in Pennsylvania to understand that menu
12 of programs that the department offers to small
13 business, and I think Scott will probably speak to
14 that at greater length as well.

15 MR. CALLEN: But I think, I do not want to
16 belabor this point, but I think that a small business
17 would not even necessarily know to ask a question. Is
18 there somebody in State government who can help them
19 make an overseas connection, and whether--- I mean,
20 what I am looking at is, do you actually assess what
21 those local partners are doing to reach out?

22 MR. BLAKE: Yes.

23 MR. CALLEN: Other than, you know, have a
24 brochure in your office?

25 MR. BLAKE: There are a couple of things.

1 The first thing I would share with you is that in
2 addition to the local intermediaries, like the LEDs,
3 they consistently convene training and education
4 workshops that invite the business community, the
5 small business community in, in order to learn what
6 the opportunity is. That is ongoing. Our SBDCs do
7 similar types of outreach and training to the small
8 business community where they operate. There is a new
9 tool we just created. It allows any small business
10 person with any even rudimentary knowledge in business
11 and computer to assess their opportunity. They can
12 literally go on in a matter of 15 or 20 minutes on our
13 Web site and assess, what products are they producing;
14 you know, what opportunity is there around the globe
15 with that particular product; who is their
16 competition. That is part of our reliance upon
17 technology.

18 I want to reiterate, there is an
19 extraordinary amount of proactive and I would call an
20 aggressive move by our local partners to engage the
21 small business community to try to get them to come in
22 to sessions that allow them to learn about our menu.
23 That is ongoing. It is what we also rely on on the
24 technology of our Web and on the Virtual Trade
25 Advisor, which leads to that more complicated issue

1 of, how do I get access to the department's resources?
2 How do I look beyond my local market in selling and
3 inviting a global demand for what I produce?

4 There are two different things in the small
5 business community, whether it is a small business
6 community that is interested in spending power right
7 at your doorstep, and there is the small business
8 community that is interested in spending power halfway
9 around the world. We are trying to accommodate both
10 of those in our conduct with business development
11 partners, and I think we are doing a pretty good job.

12 MR. CALLEN: In terms of, switching to
13 another interest, the IBM studies. I may be
14 misperceiving them, but they seem to be like pretty
15 heavily focused on high technology and very little
16 focus on natural resource opportunities and very
17 little focus on the mine technology.

18 MR. BLAKE: Well, there are a couple of
19 things I would share with you. Agro-food processing
20 is one of the sectors, which is an important thing.

21 MR. CALLEN. Yeah; I did know that.

22 MR. BLAKE: It is not all-encompassing in
23 terms of every opportunity that we have. The IBM
24 study is, I would call an augmentation of our existing
25 menu on our existing tool site, if you will. It is

1 another arrow in the quiver of trying to be more
2 focused on where our best competitive advantages are.
3 What we have done with the IBM study, I think it might
4 look at sectors or clusters that I think we have the
5 most competitive advantage, but because it does not
6 include everything that is going on, it might be
7 perceived as, well, we have missed something or maybe
8 we will learn something. The reality of it is, it is
9 just an augmentation. We work very closely with the
10 Department of Agriculture representatives. In fact,
11 our trade representatives work very closely with the
12 agricultural community in terms of the production of
13 agricultural products and markets for those. So I do
14 not think that we have essentially done that study in
15 a manner to block anything out. I think what we have
16 done with that study is try to augment our competitive
17 position.

18 What we do with the IBM study is try to drive
19 and moving around the State to reveal the findings.
20 The last findings came in March of this year, so I am
21 kind of moving around the State to do a presentation
22 on the IBM final. This is the final outlay of the
23 findings of the IBM study. What the IBM study did was
24 try to provide what we refer to at as a statewide
25 commitment to global competitiveness. What I mean by

1 that is that people who are looking at Pennsylvania,
2 business decisionmakers that are looking at
3 Pennsylvania, there is so much clutter for information
4 and competition for these few deals that get a
5 decision every year. We are trying to get our
6 Commonwealth to take a look at where those competitive
7 advantages are, to know their asset base, to know what
8 where their cost quality advantages are so that they
9 can focus their resources and their marketing message
10 in a manner that they have the best chance to cash on
11 that business, and that is the reason it is focused.
12 A little bit of it is narrow perhaps to some extent,
13 but it also focuses on how we as an entire State can
14 compete in the global economy and how individual
15 forces of the State, which we each have, by the way,
16 we have a competitive advantage. That is the one
17 thing that the IBM study did tell us. It told us that
18 each individual region of the State has a competitive
19 advantage. More so, it also revealed where the
20 competitive challenges are. That is every bit as
21 important. And it is one thing to know what your
22 assets are. It is one thing to know what your assets
23 are and be able to market those assets. Another thing
24 to know is what your competitive position is and how
25 your cost quality offering is and benchmark it against

1 a foreign alternative. And that is really what the
2 IBM study did, was show us our competitive position in
3 relation to foreign competition or other markets where
4 business can build. So I would say about the IBM
5 study, it is not an invitation; it is not
6 all-encompassing.

7 MR. CALLEN: If I may, Mr. Chairman, one more
8 question, and this may be softball, but it is not
9 meant to be. How are we doing in China in terms of
10 penetrating that market?

11 MR. BLAKE: We are doing very well. They are
12 a large trading partner. There are significant, you
13 know, one of the interesting things, we are trying to
14 track investment back, which is more difficult, but
15 clearly I can give you an anecdote, if I could.
16 Obviously in southeast Pennsylvania, speaking with the
17 director down there, and I cannot quote his name, but
18 he was telling me about the manufacturing environment
19 in southeastern Pennsylvania, and the number of firms
20 is not much dissimilar from what it was maybe 15 or 20
21 years ago, the number of manufacturing concerns there.
22 But there lay force is significantly smaller because
23 it depends on technology and what have you, but the
24 robust nature of their business is driven by the
25 buying of foreign markets, and our specialization, our

1 innovation, is what is really giving us the edge in
2 China, because they can do mass production but they do
3 not have the technical innovation that we do, and as a
4 result, the specialized products that we can produce
5 really are in great demand, and those specialized
6 products can move to China for assembly and what have
7 you. But we are doing very well as a result of that
8 trading relationship, and our numbers on trade are
9 better than expected.

10 MR. CALLEN: Thank you, Mr. Chairman.

11 REPRESENTATIVE LONGIETTI: Representative
12 Wansacz.

13 REPRESENTATIVE WANSACZ: Thank you, Mr.
14 Chairman, and thank you, Mr. Blake, for taking that
15 long trip up here. I know it is a long, long way; in
16 fact, I experience the same travel issue. I am 4
17 miles away from the border. But I can tell you, DCED
18 is doing a great job. My experience in working with
19 the local people has been really fantastic. I think
20 when it comes to small business, small business owners
21 have to come in and they to be aggressive. They have
22 to go out there and they have to reach out and try to
23 make contact. I have people coming to see me, as I
24 sure a lot of my colleagues; people will send them
25 basically to Ben Franklin, to their local development

1 districts. So you try to get these people to go in.
2 Now, we can tell them to go through with it; we can
3 give them the contact information. If these people do
4 not follow up or do not want to follow up, a lot of
5 times they do not find this information. So it really
6 depends on the aggressive small business person to go
7 out and get this information. But the resources are
8 there once they go out and do that, because I have
9 seen citizens that flocked to my door, and they go
10 through the contacts of reaching out, you know, and I
11 am amazed by how the global economy is like just--- I
12 was talking to one of my friends yesterday. He is
13 employed as a controller to a big global company here,
14 and he was telling me about their business over in
15 China and just how different it is here, but how
16 everything depends on the trade and things to make
17 this business work. So it is exciting.

18 My question for you is, is there anything
19 that we can do, is there anything that maybe we need
20 to do in the General Assembly, like give you more
21 tools to move ahead, to address and to get more people
22 in Pennsylvania, give more businesses an opportunity?
23 I am wondering, you know, looking at it as, you know,
24 we deal with so many issues, but whether or not, you
25 deal with this every day, we need to know, if you guys

1 did this for us, we could be even better.

2 MR. BLAKE: You know, I had to think it
3 through. The reality of it is that it has been
4 extraordinary over the past couple of years. You come
5 in and this administration and the General Assembly in
6 economic development generally has given us an
7 extraordinary venue in terms of resources, perhaps the
8 best that we have ever been able to offer our business
9 community and our local governments in Pennsylvania.
10 So the first answer to your question is, the first
11 answer is, we are doing pretty good. This is a
12 two-way communication, because we learn from you what
13 is going on in your districts and we try to
14 essentially tailor and respond to that need as best as
15 we can. So my quick answer to that question is let us
16 make sure we continue to stay in touch with one
17 another to get those opportunities and challenges as
18 they come up. But the reality of it is that, you
19 know, we feel pretty strongly that we map the menu of
20 programs that serve as the command. If you need
21 adjustment in terms of resources and carrying the
22 resources where it gives them strength, we would want
23 to come back, I know the Secretary would want to come
24 back to the General Assembly and the Governor's Office
25 would want to come back and ask for some

1 consideration. But right now I am feeling pretty good
2 about the way we are operating and the resources that
3 you have empowered us to carry on our mission.

4 REPRESENTATIVE WANSACZ: One more important
5 followup question on the Keystone Innovation Zones. I
6 remember when we passed that and we traveled around
7 the State, pretty much trying to sell it, to talk
8 about how we can keep our best and brightest here and
9 college students and was there a way for us to do
10 that. How is that program coming along now? I know
11 that you just said there were 32---

12 MR. BLAKE: I believe there are 26 KIZs.

13 REPRESENTATIVE WANSACZ. 26.

14 MR. BLAKE: They are actually doing very
15 well, and the KIZs have been great. My experience
16 thus far is that some of them are demonstrating some
17 great model opportunities and some great opportunities
18 for business, for small business start-up. Again, I
19 mentioned earlier it is in our Technology Investment
20 Office, that what some of the KIZs are doing and some
21 of the collaborations that they are establishing
22 between, for instance, in the northeast, there is a
23 KIZ that has lost several academic institutions, and
24 they actually have competed for some innovation
25 grants, which are now project driven, project focused.

1 They are not just planning or assessing their
2 analysis; they are actually project driven.

3 The connection to the academic institutions,
4 using the KIZs, is that critical mass skill is right
5 there at their doorstep at the same time we are
6 providing those resources for the businesses that are
7 linked, and that is an easy transition for that skill
8 set, because it is the same audience with which we are
9 working. So they have been doing great. We expect to
10 continue it, and we will look, of course, in the
11 budget year to have additional help with the programs
12 that lead to projects.

13 REPRESENTATIVE WANSACZ: Thank you.

14 REPRESENTATIVE LONGIETTI: Other questions
15 from the committee?

16 Just two brief comments. One is personal.
17 Thank you for being here. Thank you for the good work
18 the DCED is doing. I know all the folks at this table
19 are not strangers at all to Mercer County. We have
20 taken advantage of many of those programs, and I
21 certainly am a strong believer in the Governor's
22 economic stimulus package and proud of the difference.
23 This is the kind of stress which Representative
24 Siptroth pointed out. In so many cases when I travel
25 through the Shenango Valley and Mercer County, I hear

1 from existing business owners, you know, what is
2 available to us from the State to help grow our
3 business? And so I believe personally that the
4 business retention and expansion program which you are
5 operating is a valuable program and one that perhaps
6 we need to put more resources in. Too often business
7 owners see how much money that we are pouring out or
8 incentives that we are giving to attract business, and
9 certainly that is important when you look at the
10 statistics. Most of our jobs are coming from existing
11 homegrown businesses.

12 The other comment and kind of to touch on
13 what Representative Wansacz pointed out, our small
14 communities. We have lost our most valuable resource
15 every year; it is our young people coming out of our
16 colleges and higher education. Quite honestly, I am
17 somewhat of a rarity. I had the good fortune by the
18 grace of God to obtain an advanced degree and come
19 back to my home, and not too many folks or classmates
20 of mine, friends of mine, had that opportunity. These
21 programs are extremely valuable. Too oftentimes
22 perhaps we feel in the smaller communities that there
23 is not enough focus or direction on towns like Sharon
24 and Churchill and Hermitage, Farrell and Wheaton in
25 the Shenango Valley, and towns like that all across

1 the State that are third-class cities and boroughs.

2 I just challenge the department to, and I
3 know that we have taken advantage of many programs and
4 I certainly appreciate that, but I just challenge the
5 department to give stronger consideration to some of
6 our smaller communities that are trying to reinvent
7 themselves and stop the leaving of young people from
8 missed opportunities.

9 MR. BLAKE: Noted, Mr. Chairman. I would
10 want to conclude my remarks by saying that I come from
11 a town in Pennsylvania of about 4,000 people, so I
12 know it well and I am committed to continuing that.
13 Thank you.

14 I will turn it over to Scott Dunkelberger.

15 MR. DUNKELBERGER: Good morning.

16 I would like to touch on three things in my
17 comments. One, I want to give you a flavor for the
18 resources that we have at DCED to help businesses, to
19 help communities grow through economic development.
20 Secondly, I am going to talk about just briefly some
21 of the results that we have gotten from our Governor's
22 Action Team, who packages a lot of these tools. They
23 are not just businesses that we are trying to attract;
24 they are businesses that are here in Pennsylvania that
25 we want to keep in Pennsylvania and help expand here.

1 And thirdly, I want to touch on what the department is
2 doing to make sure that the taxpayers are getting a
3 return on their investment, for these investments in
4 dollars that we are making and we expect jobs in
5 return. So I will bring you up to date on that.

6 I categorize the programs by grants, loans,
7 loan guarantees, tax credits, bonds, and some site
8 development tools that we have. What I am going to do
9 is just very briefly go through each one of these so
10 that you have a flavor for the breadth of all of these
11 resources, how they are packaged and how businesses
12 can access them or communities can access them, in
13 some cases.

14 The Opportunity Grant Program is the primary
15 tool of the Governor's Action Team, because when it
16 was created back in 1996, it was created to be the
17 most flexible tool that we had in our toolkit to
18 attract businesses and help businesses that are
19 already here. I am very pleased to tell you that
20 because of that flexibility, because of how you have
21 applied those resources to businesses, I think it has
22 probably been the most successful program that we have
23 in the department on the economic development side.
24 For instance, you will see some of the programs that
25 we have, there is a requirement that companies create

1 or retain 25, 1 job for every 25,000 in assistance, in
2 some cases every 35,000 in assistance. Over the life
3 of this program, the cost per job is \$846, and that is
4 just a tremendous return. Overall -- and these are
5 not projected jobs; these are actually companies that
6 have been monitored -- over 103,000 jobs have been
7 created by companies that receive assistance through
8 this program. There is a 4-to-1 match for this
9 program; that is, 4 private dollars to every State
10 dollar. The actual, the actual investment of leverage
11 is 49 to 1 in this program, so it is a flexible tool
12 and just one that we think has been very successful.

13 Job training, as John mentioned, is very
14 important to businesses. The Customized Job Training
15 Program is a longstanding appropriation that we work
16 through with local education agencies to help
17 businesses. Businesses can come directly to us for
18 this program. We also work through an organization
19 that is called the Rednet Partners, and these are
20 State-owned or State-run universities and community
21 colleges that run a very flexible guaranteed free
22 training program that has been extremely popular with
23 businesses to do basic skills training with businesses
24 and also do information technology training with
25 businesses.

1 First Industries is a program that is one of
2 the stimulus programs that was created specifically to
3 help our two largest industries, and that is
4 agriculture and tourism. Through the stimulus
5 package, \$150 million was made available to help ag
6 and tourism-related businesses, but that was a hole
7 that we had in our toolkit. We were not adequately
8 able to assist those types of businesses; now we are.
9 It has been wildly popular, especially on the
10 agriculture side. We are more than halfway through
11 the loan side of this; over \$70 million in loans have
12 been approved to date. There is also a grant
13 component of this that provides planning grants for ag
14 and tourism projects, a benefit that really focused on
15 opportunities that we saw, and we are right now
16 monitoring all of those planning grant projects to see
17 which ones have moved forward to reality, which ones
18 are still in the planning stage.

19 And then the final component of it is the
20 Loan Guarantee Program. So the loans sort of can help
21 the mid-sized projects; the loan guarantees are for
22 larger projects. We can do guarantees up to \$2 1/2
23 million with 50 percent of the principal. Again, all
24 for ag and tourism-related projects.

25 On the ag side, most of what we are helping

1 is family farms, and one of the reports that we are
2 going to be coming out with through the Commonwealth
3 Financing Authority who administers this program is
4 exacting that the number of acres that have been kept
5 in farming as a result of this and other indicators
6 that show that we are helping family farms grow here.
7 A lot of what we are seeing on family farms is they
8 are diversifying, where they may have just been a
9 dairy farm or growing crops; now they are adding
10 poultry operations because of minimal time and a good
11 return on investment and are really maximizing the use
12 of their assets, which is in, for the most case, the
13 land that they have.

14 The loan side of it, these are loans up to \$5
15 million for equipment, up to \$200,000 for land and
16 building projects. These loans work through a network
17 of varied loan organizations, which I will talk a
18 little bit more about.

19 Now, the Small Business First Program is
20 really our workhorse program. It has been around for
21 a long time. It was previously known as the
22 Pennsylvania Capital Loan Fund. It is for businesses
23 that are 100 employees or less. The types of
24 businesses range from manufacturing and industrial to
25 hospitality businesses, the recycling businesses, the

1 construction companies that do primarily new
2 construction work, nonprofit and for-profit day-care
3 centers. So it is really wide open, we think, for
4 small businesses, with good terms, interest rates of 5
5 percent for 15 years on land and building projects.

6 This program works through a network of
7 varied loan organizations. There are 23 of them
8 around the State. In the Appalachian part of this
9 State, there are multi-county local development
10 districts. In the south-central and southeast part of
11 the State, these are county industrial development
12 corporations who are sort of a gateway to the
13 businesses, and these folks actually do the
14 underwriting for these loans and send them to
15 Harrisburg then for final approval and funding on the
16 projects.

17 The Pennsylvania Minority Business
18 Development Authority, another longstanding authority
19 that was created specifically to help socially and
20 economically disadvantaged businesses in Pennsylvania,
21 we can provide loans up to \$350,000 for land and
22 buildings, machinery and equipment, working capital
23 projects. The authority has had some ups and downs
24 from a cash-flow standpoint. We think we got it on
25 firm ground now. We have been doing some very solid

1 programs. The loan portfolio is growing, and it is
2 one that we look to continue to grow in the future.

3 The Export Finance Program is part of the
4 World Trade Initiative. This program, and this is
5 before that, part of the World Trade Initiative is
6 folks from our trade office have been beating the
7 doors down, letting people know about the availability
8 of these funds, and what they are is they are working
9 capital lines of credit. This is really the only
10 line-of-credit program that we have to do working
11 capital for companies that are exporting, and also we
12 do accounts receivable funding. You know, one of the
13 prohibitive factors of doing exporting is it takes a
14 while to get paid sometimes, so we provide those
15 working capital loans to businesses, especially small
16 businesses that are not able to withstand not being
17 able to dictate for several months. You know, the
18 portfolio has just grown tremendously because of the
19 added marketing efforts that we have made.

20 The Pennsylvania Industrial Development
21 Authority is probably the oldest economic development
22 program maybe in the country. We just celebrated our
23 50th anniversary last year. It is a longstanding land
24 and building program. It makes loans up to \$2 1/4
25 million for constructing industrial parks and do

1 multi-tenant buildings and also for single-tenant
2 manufacturing and industrial R&D type of companies.

3 I would like to say under the PIDA, I mean,
4 that is one of the programs that we have been able to
5 really take care of every business that comes our way.
6 Some of it is as long as it is eligible to receive the
7 funds. Some of these programs that I am talking about
8 are already competitive in that we are not able to
9 help every business. PIDA is one that has always been
10 there for businesses and continues to be a very
11 popular program. It is administered through county
12 industrial development corporations around the State,
13 and that relationship has worked very well with us.
14 They do a great job of underwriting the loans, working
15 with the businesses to get the collateral that we
16 need, and then these loans are approved at board
17 meetings once a month.

18 The Machinery and Equipment Loan Fund is a
19 program that really is our workhorse for machinery and
20 equipment. We made some changes to this as part of
21 the economic stimulus, where we now do loans up to \$5
22 million. Before it was \$500,000. Again, they are
23 low-interest loans. We can help manufacturing,
24 industrial, food processors. Biotech and information
25 technology companies are also eligible to receive

1 equipment loans under this program. And it is a
2 revolving loan fund. It has not received
3 appropriations from the State for a very long time.
4 However, it did receive an infusion of moneys through
5 the economic stimulus transfer from the Commonwealth
6 Financing Authority.

7 The Pollution Prevention Assistance Program
8 is one of these programs that has a niche for small
9 businesses, and this is for businesses that, even the
10 ones who implement pollution prevention devices in
11 what they do or energy efficiency. In some cases, it
12 is as simple as, hey, I have got a 20-year-old piece
13 of equipment that is an energy hog; you know, we want
14 to buy something new that is going to reduce our
15 energy costs. We are also getting into things like
16 geothermal, HVAC systems, to help businesses be more
17 competitive. It is a low-interest-loan program with a
18 25 percent match required by the businesses. Again,
19 we are seeing a lot of demand in this program. The
20 Department of Environmental Protection does a lot of
21 marketing of that program as well. They are our
22 partners.

23 The Community Economic Development Loan
24 Program is one of the programs that we have. It is
25 just strictly for nonmanufacturing and industrial.

1 This is the program that is for retail, for
2 service-related businesses. It is targeted by statute
3 to projects that are in economically distressed areas
4 of the State. We are looking for projects that are
5 going to provide a service that a community may not
6 already have. It is a program that is very
7 competitive. We are not able to fund everything that
8 comes our way because of the lack of resources, but it
9 is obviously a very good deal at 2-percent interest.

10 We have a Loan Guarantee Program. This is a
11 brand-new program, part of the economic stimulus. The
12 idea on this is, as companies start to grow, they are
13 not start-ups but they passed that second year so we
14 think they are going to make it, but what is
15 inhibiting them from growing is the lack of working
16 capital. This program provides guarantees for
17 companies that are between 2 and 7 years old to get
18 working capital loans from businesses. And it is a
19 declining guarantee. As a company gets in, the
20 guarantee is good for 7 years and it declines over the
21 life, and it is a program that also is administered by
22 the Commonwealth Financing Authority.

23 Job Creation Tax Credits. This is real
24 simple: It is a thousand dollars for every job that a
25 company creates. They come to us and say, okay, here

1 is how we develop or deploy innovative technology in
2 our field and we intend to create three jobs the next
3 year, we have five now, and so they get approved for
4 tax credits. So as they create the jobs, they get a
5 tax certificate, send it to Revenue, and get a credit.
6 So it is, you know, a very popular program, very
7 simple.

8 Keystone Opportunity Zones. We are about to
9 come out with our second 4-year report on this
10 program, and I am pleased to tell you that it has been
11 a very successful program. You are probably all aware
12 of it. There were over 46,000 acres of KOZs, KOEZs,
13 KOIZs, strategic development areas in the State.
14 Those would have been different generations. It is
15 State and local taxes that actually were given for a
16 period of time for businesses that located in those
17 zones. The idea is to try to get businesses to locate
18 in the areas where we need businesses to locate,
19 whether it be blighted property or economically
20 distressed areas. It has been just a wildly
21 successful marketing tool, as you might imagine, and
22 companies come to us, especially from out of State.
23 They don't say, show us your sites; they say, show us
24 your K and Zs -- that powerful of a tool.

25 Pennsylvania Economic Development Financing

1 Authority is our private financing arm. They do a
2 pool of bond financing, taxable and tax-exempt
3 financing, generally the taxable financing, which is
4 very broad. They can do refinancing. It is one of
5 the few programs we have that can do that. Land and
6 buildings, issuing equipment -- a number of things
7 that they can do. Generally they can save about a
8 point off of just a normal private bank loan, and it
9 is one where our board meets once a month to approve
10 these loans.

11 We will talk a little bit now about just the
12 site development programs. We are getting to the end
13 of this; the test will follow.

14 The Industrial Sites Reuse Program. This is
15 one that has created an Act 2, 3, and 4. Our land
16 recycling program was created. It provides grants and
17 loans to do environmental assessments and
18 environmental remediation. Part of the State has
19 taken advantage of it. All of the areas where there
20 have been steel mill sites, former manufacturing sites
21 being redeveloped, this is the first tool that we had.
22 Until this work happens, nothing happens, especially
23 if we want to try to get the private sector involved
24 with this. And again, it has been very popular. It
25 is a program that we had received funding through

1 HASCA in the initial years of it, and as you know,
2 that funding has had its issues, and so now we are
3 living with some Growing Greener problems in the small
4 corporations that receive every year. But we had
5 great success in doing small environmental assessments
6 that lead to great things. Once the private sector
7 realizes what is not at the site, then things happen.

8 The Infrastructure Development Program is an
9 interesting program that was created in 1996,
10 combining four existing programs to do infrastructure
11 development into one. The things that we can do with
12 IDP, companies that we want to locate at this site but
13 we need water and sewer. A private developer says, we
14 want to develop this site; we need money to demo this
15 site. All of these things we can do under the
16 Infrastructure Development Program, and in some areas
17 of the State where they have no formal industrial
18 site, we can help them develop new industrial parks on
19 greenfield sites where that is necessary.

20 Business in Our Sites is probably the most
21 exciting program I have ever had the privilege to work
22 with in that we have done some very community-changing
23 things with Business in Our Sites. It is a \$300
24 million program to develop sites so that when
25 companies come calling, you can say, yes, right here

1 is a site; you can start building tomorrow. All the
2 funds had been committed. It is a program that is
3 administered through the Commonwealth Financing
4 Authority. We are in a period right now where we do
5 not have any Business in Our Sites available. There
6 is still a huge demand out there from parts of the
7 State that say, you know, we really need to develop
8 sites so we can get ready, and this is money, grants
9 and loans, to develop sites on a spec basis, and the
10 private banking community is not lining up to do that,
11 just because they are riskier loans. These are very
12 patient loans. Again, we are coming out with the
13 report by the end of the year where the Commonwealth
14 Financing Authority is going to highlight some of the
15 great successes that this program has had.

16 The infrastructure and Facilities Improvement
17 Program is an interesting State tax-like program. The
18 big selling point is that it is a revenue-neutral
19 program. These are grants, State grants, multi-year
20 grants, that go to pay debt service for infrastructure
21 improvements. However, the size of those grants is
22 expressly tied to the amount of State tax increment
23 generated by the project, so they do not get more
24 grants than taxes that they generate. We are able to
25 do things like convention centers. We are also able

1 to do manufacturing, hospitals. There is a broad
2 array of projects, even large retail projects under
3 this.

4 PennWorks, yet another stimulus program, was
5 \$200 million to do water and sewer projects that were
6 tied to economic development. Again, administered by
7 the Commonwealth Financing Authority, the funds have
8 all been committed to projects; just a wildly popular
9 program. It was a mix of grants and loans that the
10 authority said, we will give you in grants what you
11 need and we will loan you the rest, and so they very
12 judiciously handed this money out, and again, we are
13 already seeing some great results.

14 Tax Increment Financing Guarantee. TIF is a
15 very powerful tool and one that is underutilized in
16 this State. This is a tool that is designed to try to
17 make it easier for local governments to do tax
18 increment financing. The idea there is, again, sort
19 of like the last program, the IFIP program I talked
20 about, TIF is the local taxes, local property taxes
21 that are committed in the future to pay off
22 improvements that happen now. So, I mean, it is just
23 that increment. So taxing bodies do not have to give
24 up the taxes they are already getting; it is only the
25 new taxes that are created for a period of time. One

1 of the things that was prohibitive was that someone
2 had to guarantee the debt to build the project now,
3 even though this TIF stream was going to come in, and
4 that was a daunting task for our local governments.
5 This program takes that away by doing up to \$5 million
6 guarantees on TIF deals. And again, we have had some
7 success. We have approved four projects for \$20
8 million so far. We would certainly like to see more
9 of them come in.

10 Turn a little bit to talk about what we are
11 doing to ensure that the taxpayers are getting a
12 return on their investment, and we talked about a lot
13 of programs and a lot of money. At DCED we have a
14 group called the Performance Monitoring Division.
15 These folks do nothing but monitor the investments
16 that we have already made in companies and
17 communities. They designed a very detailed database
18 that tells us when it is time to monitor each of these
19 projects. So we are able to do it with a small staff
20 of three people. We are able to monitor hundreds of
21 projects a year, and it is something that we are very
22 serious about. We talked about things like
23 opportunity grants where we are making grants directly
24 to business. Well, guess what? The taxpayers expect
25 jobs to be created for giving businesses grants and so

1 do we, and it is with mixed feelings that I tell you
2 that when we have called back over \$15 million from
3 businesses just since 2003 that were not able to
4 create, I say it with mixed feelings. Yes, it is our
5 responsibility to get it back, and we wish that every
6 company would create every job that they commit to
7 when they receive assistance, but the reality of it
8 is, they do not. Just to let you know, we are serious
9 about making sure that the taxpayers are getting that
10 return on their investment.

11 Just briefly on the Governor's Action Team.
12 I think you probably all heard of these folks. This
13 is an office that reports directly to the Governor,
14 but they are housed in our department. They package
15 the tools that I just mentioned. I think their
16 perception is they mostly work on recruiting companies
17 to the State. The reality is, they do a lot more work
18 with companies located in State that we want to keep
19 here, that we are in danger of losing, or they want to
20 expand here and we want to help them do that. They
21 work across department lines with PENNDOT, with DEP on
22 permitting issues. They got a great relationship with
23 each of those agencies. And things that have happened
24 in GAT: successfully closing over 150 deals a year,
25 and these have resulted in commitments to create over

1 92,000 jobs. This is just in the last, since 2003.
2 And there are others, more than \$1.6 billion, these
3 deals. So they have been getting the results. They
4 work as relationship managers with these companies.
5 They work very closely with our office and package the
6 deals.

7 And that is it. I would be happy to take any
8 questions.

9 REPRESENTATIVE LONGIETTI: Questions from the
10 committee?

11 Representative Reed.

12 REPRESENTATIVE REED: Thank you very much,
13 Mr. Dunkelberger. You actually did a pretty good job
14 of going through those programs relatively quickly. I
15 kind of know a little bit about them. In college I
16 interned with the DCED under Secretary McCullough, and
17 then I had spent some time in our local Chamber of
18 Commerce in Indiana County working for a couple years,
19 so I am somewhat familiar with the programs, and you
20 went through them and really did do them justice, so I
21 appreciate that.

22 My question is, most of the programs that the
23 DCED operates or has authority over are what I would
24 refer to as business-based programs. They are
25 targeted at providing incentives or mechanisms for

1 businesses to be successful, you know, one on one
2 within the Commonwealth, and maybe, you know, in
3 ratios, you know, 10 at a time when you are talking
4 about a KOZ or something in that type of perspective,
5 and from a math pro perspective, and this is a
6 question for all three of you, what input does the
7 DCED have under this administration, when you are
8 looking at the other issues that affect community and
9 economic development in the Commonwealth of
10 Pennsylvania, when you look at, specifically, you look
11 at tax policy, tort reform, unemployment comp,
12 workers' comp, regulatory reform. You know, those
13 policies have, at least from my perception, been
14 driven through the Governor's Policy Office as opposed
15 to the DCED. Or when you are looking at
16 transportation that has been driven by PENNDOT, water
17 and sewage and permitting that has been driven by the
18 DEP, is the DCED brought into that loop, because
19 obviously all of those things really, I believe, come
20 under the umbrella of community and economic
21 development, because it is much more, if you are going
22 to create a prosperous State for all businesses, you
23 have got to do more than that just one-on-one
24 interaction, you have got to look at the macro climate
25 as well. Where does the DCED fit into that portion of

1 the equation?

2 MR. BLAKE: First of all, you are right. It
3 is integrated and interconnected, and the DCED
4 coordinate. My initial reaction, and I am sure my
5 colleagues here from the department will agree, there
6 is consistent communication from a policy perspective.
7 Much of what grows the economic stimulus is
8 recognition. I mean, much of what draws, for
9 instance, the energy initiative is recognition that
10 when we build our competitive position, if we were not
11 dealing, getting out ahead of the issues associated
12 with the cost of energy. So we are consistently
13 engaged, and I can share with you that the Secretary
14 is consistently engaged not only with the Governor's
15 Policy Office but with other members of the Cabinet on
16 the policy decisions that impact our competitive
17 position and our ability to demonstrate a common
18 problem. So it is not just an output issue. It is
19 not just an output issue about money, moving to the
20 need in underwriting and understanding fiscal
21 feasibility and moving money out. There are
22 absolutely consistent considerations on business tax
23 climates, as I mentioned earlier, on workers' comp
24 issues, on insurance issues, on education issues, on
25 labor and job training issues. I guess the best way I

1 can express to you, the Cabinet has a consistent
2 routine that they do to deal with these issues. This
3 comes from dialogue with good policy directors within
4 each of the departments and high-level communication.
5 They continue to push that policy down where we can,
6 where it does not require a statute, for instance,
7 into the machine of our bureaucracies to make sure
8 that our programs are responsive from our policy
9 findings. But there is constant dialogue on this, and
10 understand where, for instance, the issue is unrelated
11 to an appropriation, unrelated to a given program,
12 unrelated to a given project, some businesses climate
13 issue is going to erode the power of our ability to
14 compete or our ability to sustain economic growth.

15 So those policy considerations are
16 professional within the department and they are
17 professional across departments, and that
18 communication is pretty robust and pretty routine. We
19 do not operate in a vacuum. The department is always
20 called to the table in that discussion. But the
21 reality of it is that most of what the administration
22 has done has been very thoughtful and attentive to
23 findings, trends, understandings of where we might see
24 vulnerability.

25 REPRESENTATIVE REED: In rural communities in

1 particular, I found, and Indiana County is a pretty
2 rural community, that infrastructure is one of the
3 primary concerns -- highways, bridges, water and
4 sewage in particular. You know, a lot of counties,
5 they take it for granted everybody has access to
6 public water and public sewage, but that is just not
7 the case in a lot of rural communities, and again, I
8 think that is pretty prevalent when you talk about
9 community and economic development. Are there areas
10 like that that perhaps are currently existing under
11 different Cabinet agencies that perhaps the
12 legislature should consider transitioning over to
13 DCED, that it might be a better fit when you are
14 looking at putting together, you know, the macro plan
15 for the entire State, but perhaps some of those things
16 make more sense within the DCED.

17 MR. DUNKELBERGER: Let me address that, and
18 here is how I will answer that: The Governor's Office
19 several years ago convened sort of an ad hoc group --
20 Paul Marchetti from PennVEST, myself, Deputy Secretary
21 Myers from DEP -- and we meet on a monthly basis with
22 the Governor's Office just to go over water and sewer
23 issues. We say, we have these projects; we have these
24 issues; how can we help these people do that? Where
25 do we go from here for infrastructure financing is one

1 of the things that we are talking about right now, and
2 there is a huge, still a huge demand out there, and
3 lot in rural Pennsylvania for water and sewer. We
4 have got aging systems; we have got a demand for new
5 extensions on systems, where things are going. So
6 there is a lot of coordination that is going on right
7 now. I am sure the public does not see it except for
8 folks that get a call from me that say, hey, I was
9 talking with the folks from PennVEST; it is my
10 understanding that you need help with this and
11 vice-versa. So that is what we have done in the
12 administration to sort of go at that in an informal
13 way.

14 MR. BLAKE: There are resources that, as
15 Scott mentioned, there are certain things, an aging
16 infrastructure in one area of the State, another is
17 there is no infrastructure to deal with, it is very
18 uneven, but we believe in our many programs and our
19 ability. And in fact in PENNVEST, as Scott mentioned
20 an example, there is legislative representation there;
21 there is multiple agency representation there. So
22 sometimes it is driven by individual projects or
23 initiatives that are responding to things locally, but
24 we can do a pretty good menu of programs to meet with
25 that. But the other important thing, consideration,

1 is the pass-through Federal money, particularly to
2 small communities, the CDBG funds. Most of those
3 dollars are spent on Main Street where they can afford
4 them and helping subsidize people to tie into those
5 systems. Those dollars are administered through the
6 department. And, you know, as Scott mentioned, that
7 is already cross-agency communication. It is driven
8 in great measure around some programs, around some
9 constructs such as PennVEST. The reality of it is
10 that there have been previous programs and previous
11 coordination and design, particularly between DEP and
12 PENNDOT and the DCED, because those are the three big
13 ones, and Education I guess I would add, those three
14 big ones. I would say on infrastructure, PENNDOT,
15 DEP, and DCED. Our workforce on education is
16 Education and Labor. But those three big ones on
17 infrastructure has very good close coordination.

18 REPRESENTATIVE REED: Do you believe that the
19 cooperation does exist today? You do not need to
20 transition those programs under your umbrella, that
21 you are getting the resources you need from your
22 agencies for the Secretary to be successful in putting
23 together that?

24 MR. BLAKE: I think I am feeling pretty
25 strongly about the ones in communication and pretty

1 strongly about the coordination of those resources.
2 It is always worthy of additional review and
3 consideration so we can improve upon it.

4 REPRESENTATIVE REED: Thank you, Mr.
5 Chairman.

6 REPRESENTATIVE LONGIETTI: Representative
7 Marshall.

8 REPRESENTATIVE MARSHALL: Thank you, Mr.
9 Chairman, and thanks to the DCED for such qualified
10 staff and great information.

11 I have a municipality in my district that has
12 an interchange development area that for over 15 years
13 sat undeveloped until we were able to bring water and
14 sewer by PennVEST loans, Federal, State, and local
15 grants. So now that we have that, we have been able
16 to get a large customer that brought in jobs and tax
17 income. Now we have a situation where the customer
18 cannot afford to bring natural gas to that site. Can
19 a municipality bring natural gas to that site by using
20 IDP or some other DCED function to enhance the area?

21 MR. DUNKELBERGER: Yes, that is an eligible
22 use of IDP funds. It would typically be a loan,
23 because it is going to be privately owned. I do not
24 know that there are publicly-owned gas lines.
25 Typically it is the utility itself that owns that. So

1 we are prepared to offer low-interest loans to do
2 that. Under IDP, our Business in Our Sites Program
3 also has funds, when we have funds, that can do things
4 like that.

5 REPRESENTATIVE MARSHALL: So the private
6 business then could go to you for this loan
7 application?

8 MR. DUNKELBERGER: Correct.

9 REPRESENTATIVE MARSHALL: Thank you very
10 much.

11 Thank you, Mr. Chairman.

12 REPRESENTATIVE LONGIETTI: Any other
13 questions from the committee? If not--- Oh, I am
14 sorry. Never cut off the Executive Director of the
15 committee.

16 MR. CALLEN: Scott, the Chairman has been
17 approached recently by the banking industry about the
18 possibility of looking at creating a micro-loan
19 program, and I am wondering if you guys had any
20 experience with that or if it was part of the agenda
21 that would be able to work with Small Business First.

22 MR. DUNKELBERGER: There is a niche for
23 micro-loan programs, but it has got to be in the
24 context of larger revolving loan funds because the
25 micro-loan programs themselves are losers financially.

1 They will not sustain themselves. The people that
2 have been able to operate successful micro-loan
3 programs are so because they can subsidize it with
4 their larger revolving loan funds. So yes, there is a
5 niche for it, you know, the \$10 or \$20 or \$30,000
6 loans to start a business. That is sort of the
7 reality.

8 MR. BLAKE: If I can respond to that. We the
9 department often, as I mentioned earlier, rely upon
10 local intermediaries. Many of those intermediaries
11 are relenders, and as a case in point, our dollars
12 will flow through the local organizations, a few local
13 community development financing institutions which are
14 designated as such by the U.S. Department of Treasury,
15 and they manage, as Scott mentioned, a large
16 portfolio. And they mesh very well, by the way, the
17 large portfolio loans, and are very close to the
18 lenders, and we sometimes augment with our State
19 dollars that we potentially put in their back door so
20 that they can deal with the origination.

21 MR. CALLEN: We will talk with you further
22 about developing that.

23 The additional thing, Mr. Secretary, in terms
24 of an issue that Scott had raised about performance
25 monitoring, is that there is a bill in committee right

1 now to require more of a formal kind of reporting
2 mechanism to the committee.

3 MR. BLAKE: I was not aware, but I will share
4 with you, as Scott mentioned, and I could not emphasis
5 this any more than he has, we take it very seriously
6 the accountability trail associated with the movement
7 of taxpayer money. The Secretary is adamant about
8 this. On a daily basis it is our commitment to making
9 sure that, and we have an extremely effective means by
10 which by which the data capture for performance
11 measures, I mentioned all the offices, they have an
12 obligation to capture data to guarantee performance.
13 And this is impacts. We are not looking at just how
14 many dollars you put out or how many people you assist
15 or how many projects that you do; it is a matter of
16 impact. But the reality of it is, we take the
17 performance measures, the accountability very, very
18 serious, and we are constantly imposing performance
19 measures.

20 MR. CALLEN: Well, maybe we can take a look
21 at how we can address that informally.

22 Thank you, Mr. Chairman.

23 REPRESENTATIVE LONGIETTI: Any other
24 questions?

25 We will move next to Jackie Parker, Director

1 of the Community Action Team, and at the conclusion of
2 her testimony and questions, we will take about a
3 10-minute break.

4 MS. PARKER: Thank you, Mr. Chairman and
5 members of the committee.

6 As you heard today from Scott on how we
7 address the business needs for the Commonwealth, I
8 would like to present to you how we address community
9 needs through a new initiative called the Community
10 Action Team. This is a new approach. It is a
11 philosophy of engagement. We look at communities, and
12 also it has become a development tool, a one-stop shop
13 development tool for our communities. And I think
14 this committee will find it very interesting,
15 particularly Representative Reed who asked
16 periodically about how we are dealing with other
17 agencies, for our community needs the Community Action
18 Team brought in an agency structure. All the agencies
19 in our partnership, we have been able to package
20 assistance for these communities, not only from the
21 programs at DCED but across interagency lines. So
22 those have now become permeable for our communities'
23 reinvestment, and I am very happy to say it has been a
24 very, very productive and I think efficient delivery
25 system for our host communities.

1 The evolution of the Community Action Team
2 came to Governor Rendell. When he developed his plan
3 for Pennsylvania, he had two changes in mind as he
4 addressed revitalization of our core communities, and
5 one was that we could no longer do business in the
6 Commonwealth as we had in the past, and only funding
7 stand-alone projects, scattering our resources, and
8 then to change the way we do business with the many
9 communities so that, I am not sure many of you have
10 experienced this, that you go to different agencies,
11 you knock on the door, you have your hat in hand and
12 you ask for money. This way, through the Community
13 Action Team, you have one source, you have one
14 contact, very similar to the Governor's Action Team
15 dealing with businesses, but you have one strategic
16 investment officer, one point of contact, that would
17 help package all that assistance.

18 The funding here for the program, the
19 Pennsylvania Community Action Team did win the Harvard
20 award from the Ash Institute for Democratic
21 Governance, and it was named as one of the top 50
22 programs in the 2006 Innovations in American
23 Government Award competition. So you can see that the
24 Community Action Team has really taken flight and, as
25 you see, got some national attention.

1 So the Community Action Team was created to
2 identify impact projects, which we will talk about a
3 little bit later, to coordinate the funding within
4 DCED and across agency and department lines and to
5 become a general partner with local government
6 developers to ensure project implementation. So we
7 have become a partner with the community, with
8 legislators, local legislators, with the other service
9 providers in the community to really help identify
10 priorities, projects, and then assistance.

11 As I mentioned, the strategic investment
12 officer is part of the new Community Action Team
13 philosophy so that the Commonwealth offers a single
14 point of contact to help the community identify local
15 development priorities and generate impact projects,
16 to develop a package of Commonwealth assistance for a
17 project, to trouble-shoot grant and contracting
18 problems, permitting, other issues that might crop up
19 that, again, might come from another agency outside
20 DCED. But the DCED strategic investment officers can
21 address that problem, again, with a lot of cooperation
22 from our partnering agencies, and we stay involved
23 through the project. We do not leave a project; we do
24 not leave the community once the project has received
25 some financing. We stick with it, because as we all

1 know, revitalization of these core communities is
2 probably going to take some time. So we are in it for
3 the long haul.

4 The SIO responsibilities are, of course, to
5 know the specific budgets of all the individual
6 project components. We prioritize the projects with
7 the community. We coordinate the multiple sources of
8 funding and promote a program called "fungibility" so
9 we can move the finances back and forth, and really
10 our job is to "Get To Yes."

11 So what is an impact project? And we had
12 some long discussions internally about what is an
13 impact, and everybody I know probably has a different
14 definition of "impact," and for different communities
15 it will mean different things. Lancaster has a
16 different idea of an impact project as opposed to
17 Monongehela. But we have identified it as a
18 community-changing revitalization project which
19 includes different uses and is supported by multiple
20 Federal, State, local, and private investment sources,
21 and we identify them through an assessment process.

22 Speaking about the interagency collaboration,
23 at the State level we do meet on a monthly or
24 quarterly basis with all the agencies around the table
25 -- that would be DEP, DCNR, PHFA. Housing is so

1 important to these communities. PENNDOT is at the
2 table, DGS is at the table, and as John had mentioned,
3 very good cooperation where we discuss these projects
4 and we bring them all to the table and we say, no,
5 this is the priority, and we are going to target and
6 focus our energy in that. We are going to target and
7 focus our assistance. We are going to help cut
8 through the red tape. And we also have done some
9 overlaying of the other departments, so that if DCNR
10 says, we will concentrate on river towns; how can
11 PENNDOT help and DCED help with those river towns that
12 we are so interested in? We have also been overlaying
13 with PennVEST. When they are doing some water and
14 sewer infrastructure, they need to come to us and say,
15 you know, what are your taxed communities? Where are
16 you targeting and focusing? And then they give those
17 applications a higher priority. The same with PHFA.
18 We work with them, and when they have their
19 application process for housing, DCED is there with
20 them, going to the sites and saying, you know, these
21 are some distressed areas where we are already
22 concentrating, where DCNR is concentrating funds,
23 where PENNDOT is concentrating funds, so that that
24 project gets a priority from the agency as well.
25 Process points. We have community contact

1 and outreach. Our regional offices around the State,
2 our regional directors are usually the first point of
3 contact where a community will come to the regional
4 director and ask, you know, for some assistance. They
5 can stop at any time; we will be there to help and
6 identify what their needs are. Again, with our
7 interagency team established, we go in at a regional
8 level with the regional staff members from the other
9 agencies, and of course then SIO project managers stay
10 on top of these things.

11 So the overall result is that we have 77
12 communities which have been designated as CAT projects
13 with SIOs that have been assigned. Our total project
14 investment to date has been over \$903 million. This
15 is just phenomenal. The public investment by the
16 Commonwealth has been \$364 million, and the leveraged
17 private investment has been over \$539 million.

18 I am going to give you some examples so you
19 can see some before and after and how we are working
20 with our sister agencies to get these projects done.
21 We will start with the city of Lebanon. What we did
22 was a needs assessment, and as you can see, they had
23 some issues. They wanted to, of course, bring back
24 their downtown, as many of our core communities have a
25 need to do. Special emphasis on their central

1 business district, that we had some architecture there
2 that they wanted to preserve, particularly the
3 farmers' market. They wanted to develop another
4 county farmers' market. There were some architectural
5 pieces that we wanted to save, and to of course
6 encourage residential living in the downtown, which we
7 are finding many of our communities would like to do,
8 which is so important for revitalizing the downtown,
9 and we want to get that retail and restaurant
10 opportunity. So we created some parking and
11 transportation improvements. There is some job
12 creation, of course with the retails, with the
13 restaurants that are now down there, some new services
14 that are located downtown because we revitalized some
15 of the buildings. We revitalized some of the older
16 buildings that we wanted to rent; new lighting and
17 streetscape improvements. So the project total
18 investment to date totals more than \$9 million with
19 more than \$6 million in private investment.

20 And here is the package. There you can kind
21 of see how our partners participated. The
22 Revitalization Capital Assistance Program, the RCAP,
23 which many of you are familiar with, is so important
24 to jump-start these projects. So in this case, there
25 was \$1.7 million given to the Market House; Main

1 Street money there, \$60,000 for facade restoration;
2 HRA, housing and development assistance money for
3 removal of some blighted buildings; Growing Greener
4 II, again for the Market House; PENNDOT was very
5 helpful in their Home Town Streets money, and so we
6 were able to leverage \$6 million.

7 Here are some pictures so you can see the
8 before and after; it kind of tells it all. This is an
9 abandoned building, actually. It had one part of it
10 that was still being used by a textile manufacturer.

11 So this is the market. There are 30 vendors
12 that located down in the bottom part of it. It has
13 become a destination for Lebanon. People gather there
14 on Thursdays, Fridays, and Saturdays that never would
15 have come to downtown, so it really was a phenomenal
16 improvement for the downtown.

17 Some of the lessons that we have learned
18 through this new initiative is that SIOs, of course,
19 must have the needed skills and be provided intensive
20 training so that they can assist the community.
21 Communities must prioritize their projects, and again,
22 that is a big issue. Some of our smaller communities
23 do not often have the capacity to do a comprehensive
24 plan, to do a visioning process, to take a look at
25 their needs. You know, they know they have an asset.

1 They know they might have realty; they might have an
2 old building. They might have something that they
3 really want to key in on; they do not know how to get
4 it started, so we help with that, too. But we go by
5 the communities' priorities. You know, we do not come
6 in and tell them what they need to do; they tell us.
7 And then local development, as I said, capacity and
8 project management is critical in the long run. So we
9 are linking community planning with the services.

10 Again, we are doing community assessment,
11 needs assessment. We do that through our central
12 local government services. There are funds available
13 through the program, and again, we are coordinating
14 that through the Community Action Team of providing
15 some planning dollars for them.

16 New Castle, which is really a poster child
17 for Community Action, because it not only includes a
18 lot of community development dollars but programs as
19 well for business development. The Governor's Action
20 Team also plays a big role here, too. So again, we
21 did a needs assessment for New Castle. They wanted to
22 ensure the viability of the downtown, redevelop the
23 downtown: supporting and expanding the entertainment
24 heritage project, maintain the existing older housing
25 stock to stabilize the neighborhoods, new residential

1 construction and infill residential land use to
2 reclaim their neighborhoods, and the preservation of
3 the old Warner Theater that is located in that
4 downtown.

5 So here are some of the moneys that have come
6 to downtown New Castle. So there are Main Street
7 dollars, PENNDOT dollars, DCNR dollars, plus DCED
8 dollars. The HOME dollars are actually a Federal
9 program which we combined to help with a facade
10 restoration in the neighborhoods that were adjoining
11 the downtown. It is really a great partnership,
12 because the county actually came forward and said that
13 they were willing to give money, and that is what we
14 like to see, that partnership between the county, the
15 city, and the State.

16 On the next page, again there is PIDA for
17 Vortex, which is located in Riverview Commerce Park;
18 an enterprise dome; an award for EZ Huston, which is
19 located in downtown, for their business expansion; and
20 then Record Fusion, which is a new company that
21 located in the old Day's Inn building, of all things.
22 So here is an old Day's Inn building located in the
23 downtown, and you know what it looks like; it is a
24 typical Day's Inn building, and Record Fusion came
25 down and brought in probably 60 new jobs, totally

1 redid the inside of the building, and wired it for
2 data collection. So now we got 60 new jobs in the
3 downtown. It is, once again, a very great project.

4 I am just going to quickly go through that; I
5 do not know how many of you are familiar with New
6 Castle, but you should get down to the Cascade
7 Riverplex. It is awesome. They have a great
8 restaurant in there.

9 So this is the old former Warner Brothers
10 Theater, and I believe it was the oldest silent movie
11 theater in the nation. And it was vacant for about 20
12 years, and a developer came forward and combined not
13 only that building but the two buildings alongside of
14 it into a retail complex, a retail entertainment
15 complex. So there is a restaurant, retail shops,
16 theater located in downtown.

17 This is the back part of it again. It was
18 kind of decrepit and scary, and we put some money in
19 with DCNR and you see what it looks like now. That is
20 in the wintertime; it is very lovely now.

21 Okay; the city of Warren. Impact Warren has
22 been a remarkable project, a lot of change going on in
23 Warren. And once again, the city of Warren wanted to
24 take advantage of their river, the expansion
25 supporting Northwest Savings, which is headquartered

1 there in Warren, and they wanted to expand so they
2 moved also an entire block of blight and expanded
3 their headquarters. So, of course, that was the
4 stimulus for that revitalization. They wanted to
5 encourage some tourism through a revitalized
6 riverfront with conferences and entertainment. They
7 wanted to provide new construction and infill
8 residential use for the downtown, and they wanted to
9 make that riverfront a destination point to live,
10 work, and play. And here you can begin to see the
11 packaging that we did for the city of Warren.
12 Revitalization Capital Assistance Program, once again,
13 is a great component to the expense of this project.
14 They provided a parking garage not only for Northwest
15 Savings but, again, for multiple use. Housing
16 Redevelopment Assistance, which is through DCED, the
17 Main Street dollars, PENNDOT, Home Town Streets, DCNR,
18 and PHFA. You can see the pictures. This is a
19 mixed-use building, senior housing and retail, which
20 is located right on the main street. If you lived in
21 that senior housing, that would be your view, and so I
22 want to live there. So this is the parking garage
23 that is located adjacent to that that provides the
24 parking throughout the downtown.
25 Our conclusion is that CAT has evolved into a

1 development-oriented unit, which has engaged, I think,
2 very productively with communities. The demand is so
3 great out there for these kinds of services, but
4 mostly what we have seen is it has provided them some
5 comfort levels so that they do not have to worry. We
6 have gone away from just applications. We are now
7 doing outreach. We are now doing proactive
8 cooperative plans with communities so that they can
9 say, well, now we will have somebody to help us, to
10 guide us through this great State system of ours, and
11 to help us identify what our needs are, to help
12 provide a long-term plan, to help us do phasing, and
13 then to help identify where we come up with these
14 resources. They do not always come from the State;
15 they can be local, they can be Federal dollars, they
16 can be private dollars, and that is what we all try to
17 put together in the big picture. Every city is
18 different. The struggle of putting these all together
19 is a little bit different, but we have been able to
20 provide that assistance to these communities so they
21 can have these kinds of projects and choose to
22 revitalize these downtowns.

23 Thank you. I will take any questions.

24 (Whereupon, an interrogation by the Committee
25 members proceeded.)

1 REPRESENTATIVE LONGIETTI: Other questions
2 from the committee? Representative Gibbons.

3 REPRESENTATIVE GIBBONS: The CAT projects are
4 definitely very nice to see in New Castle. I do not
5 represent the city, but however, I am from Ellwood
6 City in Lawrence County, and I was out there when they
7 opened a lot of those projects. The Governor came in
8 last year and did that, and it is fantastic. As the
9 lady said, it is very good. They actually did open a
10 new Irish pub down there next to the theater as well,
11 so. And the area is really starting to grow and I
12 think that is fantastic. One thing I noticed that the
13 three of you pointed out, you said you have 77
14 projects. Are these all prone in larger cities? I
15 mean, are they varying in size?

16 MS. PARKER: They definitely vary in size,
17 and the whole idea of CAT was to address the core
18 communities of our small cities, as I was saying about
19 Representative Wansacz up there from Ford City into
20 Manley, that is very small, very small communities
21 that actually came together to do one project, and
22 that is what we like to see, that regional approach.
23 At least three counties came together and the
24 communities said, you know, we need to improve that
25 gateway, and I do not know how many people are in

1 those areas, but they are very small.

2 REPRESENTATIVE WANSACZ: Not much.

3 MS. PARKER: So we are looking at definitely
4 smaller communities as well.

5 REPRESENTATIVE GIBBONS: Okay, and then I
6 think that is good as well, because myself, I do not
7 represent any larger communities. I think my largest
8 community is Ellwood City, which maybe has 8,000 or so
9 people in it. I know we are currently working on it.
10 We have a redevelopment agency, you know, a
11 corporation that just started forming and then working
12 with DCED. I do not know what group with DCED, but I
13 know they are working. And I know Slippery Rock
14 recently did some development up there through Main
15 Streets and Home Town Streets.

16 I just noticed that the three you pointed out
17 were larger cities, and so that was kind of my
18 concern, was just making sure that this, you know,
19 runs out to the smaller communities.

20 MS. PARKER: And I would encourage in your
21 situation that if there are communities that are
22 adjoining each other and really want to do a regional
23 project, we really encourage that, because, you know,
24 to leverage those dollars for some sort of a larger
25 project, it would take a regional approach, and that

1 is really what we are trying to do, to do more
2 efficient planning and to really benefit, you know,
3 everybody. So I would recommend that. If you see
4 that there are some communities that would like to
5 work together, let me know.

6 REPRESENTATIVE MARSHALL: All right. I
7 appreciate that. Thank you.

8 REPRESENTATIVE LONGIETTI: Other questions?
9 Mr. Callen.

10 MR. CALLEN: Jackie, I can assure you that
11 you will be getting at least six more phone calls, and
12 I am sure you will get two from the Chairman's office,
13 so. What I wanted to ask you is, is there kind of a
14 saturation bubble to the program in terms of capacity?
15 I mean, are you at capacity now, or---

16 MS. PARKER: We engage with anybody who, you
17 know, makes a phone call.

18 MR. CALLEN: Yeah.

19 MS. PARKER: I am on the road all the time
20 and my SIOs are on the road, so, you, know, that is
21 not an issue.

22 MR. CALLEN: Okay.

23 MR. BLAKE: It is important to keep in mind
24 that these projects are sometimes difficult on the
25 horizon of planning, the assessment planning that

1 deals with the structuring, and Jackie's labor is
2 trying to pull all the resources to get a deal done.
3 The reason I bring this up is because as a result of
4 some of those challenges in planning, we invest in a
5 situation where we can meet those projects that are
6 mature enough to happen, and once they feel they are
7 ready to go, we feel pretty confident that we have
8 enough resources at our disposal to make it happen.
9 But we continue that engagement process, continue that
10 communication process to carry people forward. As
11 Jackie said, we are there for the whole project.

12 MS. PARKER: Right. And in some cases, like
13 I said, if we just engage and we begin just a planning
14 process, or maybe for one community it is just a
15 single act for an abandoned building that needs to be
16 rehabilitated and it is only one application as
17 opposed to one huge project that you have to do in
18 phases, but that is kind of our job, is to take a look
19 and assess and say, you know, this is it; this is the
20 small piece that provides that impact for your
21 community, or it is going to be multiple components
22 that is going to take years. I think our role at the
23 beginning is just giving you that assessment.

24 MR. CALLEN: I noticed in your material,
25 those are very interesting projects. I think they are

1 very worthwhile projects. But again, all of them, I
2 think, it looked like RCAP moneys were pretty central
3 to making things happen, and as you know, we are
4 having a debate about that now. So I wondered if you
5 could talk a little more about how that figures in to
6 what the department does.

7 MS. PARKER: I think that when Governor
8 Rendell first came in, what we did was we did the 53
9 third-class-city tours, and maybe some of you remember
10 that, and then also some county meetings where the
11 Governor was identifying needs and he talked to the 53
12 third-class-city officials, stakeholders, and that is
13 where that original, so you can see some of the
14 original impact of RCAP to kick-start, to get these
15 projects going. But that money was identified way
16 back when the Governor first came on as, these are the
17 projects that these communities had set; these are
18 very important to us. So some of these, you can see
19 the historical background of RCAP. But again, some of
20 the larger nuts that we have to crack are, you know,
21 RCAP.

22 MR. BLAKE: The Redevelopment Assistance
23 Program? For all intents and purposes, it makes
24 possible the various projects, and it is a very, very
25 big catalyst. The other thing that is important to

1 remember about redevelopment assistance is that for
2 every dollar in State taxpayer money that moves,
3 there's a dollar match requirement. And so just on
4 that basis alone it is almost a betting process
5 associated with what projects can actually meet that
6 kind of leverage requirement, and that is why those
7 dollars tend to be attached to very successful
8 projects, quite simply because they require that
9 non-State match and requires that major buy-in between
10 Federal or private participation to make those
11 projects work.

12 MR. CALLEN: And just to clarify for the
13 folks in the audience, RCAP is the Redevelopment
14 Capital Assistance Program, and it is funded by issues
15 that the legislature authorizes.

16 MR. BLAKE: That is correct.

17 REPRESENTATIVE LONGIETTI: Representative
18 Siptroth.

19 REPRESENTATIVE SIPTROTH: Thank you, Mr.
20 Chairman. Not really any question, just a point, a
21 resource point, that I would like to bring up. I
22 think it is extremely important that the record show
23 that timing is of the essence, and I envision if an
24 organization or a municipality sees the need, it is
25 extremely important in order to get things started

1 that they contact the department. I thank the
2 department for everything they have done in my
3 district. They have been very successful up there,
4 working with the department. I think that, again,
5 timing is really important so that if folks have a
6 project, get it on the table early before you lose the
7 opportunity.

8 REPRESENTATIVE LONGIETTI: Just one comment.

9 We sit here in the city of Sharon, and first
10 of all, I want to express my gratitude to the
11 Governor. I think he has had a heart for third-class
12 cities and smaller areas, and the Action Team has been
13 helpful to the city of Sharon. And Mayor Lucas, he
14 has laid out a vision for the city, and we are
15 receiving some assistance to realize that vision.
16 Part of that vision is the Columbia Theater and the
17 hall of fame museum and foundation, similar to, I
18 guess, the Warner Theater in New Castle. We feel that
19 that is a way to revitalize this community, to bring
20 in tourism, and I just want to stress, and I realize
21 the RCAP money has not been replenished, it is
22 something that we are talking about, but I just want
23 to stress the work that has been done, the vision that
24 has been laid out, and what that vision consists of.

25 MS. PARKER: Through Mayor Lucas, we have

1 been concentrating on a plan for the projects located
2 there. And I know that Columbia Theater, I think
3 actually the new foot bridge is going to be proposed
4 across it.

5 REPRESENTATIVE LONGIETTI: I appreciate your
6 involvement.

7 MS. PARKER: We will speak with you.

8 REPRESENTATIVE LONGIETTI: Thank you, Jackie.

9 Any other questions?

10 Why don't we take a 10-minute break, and I am
11 going to try to hold us to that, a chance to use the
12 restroom, stretch the legs.

13 (A 10-minute break was taken.)

14 REPRESENTATIVE LONGIETTI: Larry Reichard,
15 who is the Executive Director of Penn Northwest
16 Development, the economic development agency in Mercer
17 County, will begin, and I appreciate all the work that
18 you do and your testimony here today.

19 MR. REICHARD: Thank you very much, sir. We
20 appreciate the opportunity to be here today, and we
21 certainly want to thank the Commerce Committee for
22 holding this hearing here in Sharon and the Mercer
23 County area, and hopefully the input that you receive
24 today will be a benefit to you as you do your work in
25 Harrisburg.

1 Let me try and give you, I guess, a little
2 bit of background about who we are, what we do, maybe
3 how we do things, talk a little bit about the programs
4 and how we work with those and the function of some of
5 those things, and along the way maybe offer some
6 suggestions and recommendations that, you know, maybe
7 can help in the process here of dealing with the
8 economic development programs in the Commonwealth.

9 As Mark indicated, my name is Larry Reichard.
10 I am the Executive Director of Penn Northwest
11 Development Corporation. We are a 501(c)(3), private
12 nonprofit economic development agency serving the
13 needs here in Mercer County, predominantly
14 private-sector driven.

15 By way of background, our operations include
16 and we manage the Pennsylvania Business Retention
17 Expansion Program, which we will talk about in a
18 little bit more detail here later. We do business
19 attraction and marketing efforts to bring new
20 development into the community. We facilitate
21 infrastructure development and are in the process
22 right now of leading our own industrial park
23 developments here, actually in the city of Hermitage.
24 And along with that, we provide administrative
25 services to the Mercer County Industrial Development

1 Authority and our sister agency, the Shenango Valley
2 Industrial Development Corporation. So we are
3 covering a lot of bases here with the efforts in
4 Northwest.

5 The focus of what we do, and this might be
6 old school in some respects, is industrial
7 manufacturing and value added type activities, and
8 that has been the philosophy of Penn Northwest for
9 nearly 20 years, with the goal of creating new value
10 added quality jobs for the area along with some new
11 investments for the community.

12 In terms of additional background, I just
13 want to share some brief demographics with you, and I
14 will give you the setting that we work with here.
15 Population in Mercer County is, in round numbers,
16 about 120,000. They have a nonfarm workforce of
17 48,800. We have a goods producing, value added sector
18 that totals 10,500, or roughly 21 percent of the
19 nonfarm workforce. The industrial, manufacturing, and
20 value added companies in the county total 256, with
21 173 of those counties or 68 percent having less than
22 50 employees, and I think this underscores what
23 Representative Longietti had expressed earlier in the
24 morning. It underscores the importance, the critical
25 importance, of the small business industry to our

1 economy, not only here but throughout the
2 Commonwealth. Principal economic centers in the
3 county include the Shenango Valley regional area,
4 Greenville and Grove City, Mercer and Sandy
5 Lake/Stoneboro, northeastern portions of the county.

6 In terms of programs, and as we know, there
7 are a myriad of those that exist in the Commonwealth,
8 we take a little different approach here in terms of
9 the functional service delivery, opening this past
10 spring what we have called the Penn Northwest
11 Professional Center, which essentially is a
12 co-location of agencies and organizations coming
13 together under one roof to deliver the economic
14 development services here in the county. Those
15 agencies include the Mercer County Industrial
16 Development Authority, which is primarily a financing
17 entity; the Shenango Valley Industrial Development
18 Corporation, which is an industrial development
19 organization; the Gannon Small Business Development
20 Center; the Northwest Industrial Resource Center; and
21 recently, the Northwest Commission has established
22 field offices, the Northwest Commission being our
23 local development district in the county to implement
24 international trade development activities and has
25 since become a gateway to the rest of their services

1 here at the local level. Also in proximity to the
2 center is the Mercer County Conservation District.

3 So with that, with those entities, we really
4 have seven agencies right now that have come together
5 under one roof, sharing facilities, sharing a
6 conference room, sharing copiers and equipment, to
7 deliver this service, and what we have found here
8 through this experience is that the service activity
9 really dramatically increases in that kind of
10 environment, and a good example of that would be the
11 Gannon Small Business Development Center. Last year
12 it did 136 cases, had 136 claims in the county, and I
13 think it is safe in saying that that is probably
14 double if not triple what they did prior to
15 co-location and coming together, you know, in that
16 type of a working environment. So that is something
17 that, you know, we think pretty important in terms of
18 service delivery and in the day-to-day integration of
19 resources into the process.

20 In the future what we are looking at, and
21 hopefully this one-stop idea can grow, and we
22 certainly would love to have our regional planning
23 commission involved in that, our planning use
24 regulatory standpoint, and possibly a satellite of our
25 CareerLink system to better serve the eastern areas of

1 Mercer County, and Angie is smiling as I say that.

2 One thing I want to emphasis here, we are not
3 talking about consolidation, and consolidation
4 sometimes becomes a real dirty word in the
5 bureaucracy. We are talking about the physical
6 co-location of functions and the integration of
7 resources, agencies to agencies working together to
8 deliver and coordinate services to the business
9 community. And again, based on our experience, this
10 is something that is working really quite well.

11 In terms of programs and the process, I guess
12 three things that I would want to touch on in that
13 regard. First and kind of as a general statement, one
14 of the most important programs that we see here being
15 offered and conducted by the Commonwealth is the
16 Business Retention Expansion Program. In some
17 respects, we were a pioneer in this type of
18 initiative. We started a local program in 1988, and
19 over, you know, the period of years here we have seen
20 the benefits both in terms of new jobs and new
21 investment that are derived from that type of
22 initiative. And I think quite honestly if you look at
23 the national figure, it is somewhere in the range of
24 75 percent of the new jobs and new investment that
25 comes from jobs created by existing business and

1 industry. So when you are looking at an expenditure
2 of, you know, significant public dollars, you know, I
3 am sure you are also looking at the return on the
4 investment side of this, so taking care of our
5 existing companies makes a lot of sense in that
6 process.

7 Second, and, you know, certainly over the
8 years we have received significant benefit here from
9 the State programs. Some of the ones that come to
10 mind, very quickly, include Ben Franklin, Business in
11 Our Sites -- in fact, one of the first, if not the
12 first, through the Business in Our Sites process --
13 the Infrastructure Development Program; and a recent
14 project that is underway right now here in the city of
15 Sharon is the Steward Avenue roadway reconstruction
16 project. And I have to compliment the department on
17 this one, because literally they were able to move
18 this thing through the process in a couple of weeks
19 once we had everything put together with a targeted
20 goal of still meeting the construction time on here in
21 this fall season. It is not a small project, around
22 three-quarters of a million dollars of critically
23 needed roadway improvements, so that is certainly a
24 plus here for the community. Job training programs,
25 that goes without saying; Industrial Sites Reuse

1 programs. All of these have contributed substantially
2 to the development, redevelopment of those sites and
3 facilities here in the community.

4 Third, and in view of the, you know,
5 significant program assistance of the Commonwealth,
6 Penn Northwest has long been a proponent of
7 streamlining economic development programs. Years
8 back we were a strong advocate for the establishment
9 of the single application, which was, you know, put
10 into place under the Ridge administration, and
11 basically was trying to streamline as much as we can
12 in the service delivery process in the interests of
13 that end user, you know, for small business and
14 industry in the area.

15 If I can step back for a moment. If you look
16 at the process, you basically have four or five people
17 in economic development. Companies that call us are
18 looking for, you know, four or five different things.
19 They are expanding or building; they are expanding
20 their operations. They may need machinery and
21 equipment or upgrading the machinery and equipment
22 they have in their current facilities. Infrastructure
23 and sites development, absolutely essential if you are
24 going to be able to develop industrial manufacturing,
25 or for that matter, your commercial retail sectors

1 across the board. And put technology into this these
2 days, simply due to the importance of that in terms of
3 the easements that come into industry and the
4 technical assistance that is required in
5 communications to implement the new technology side of
6 the business.

7 In light of that, and if you take a visit to
8 "newPA.com," which is the DCED site, and basically go
9 to the program finder, dot.com's 51 different
10 programs, keep in mind that we are still kind of
11 dealing with four or five basic items. The 51 program
12 offerings, you know, among those are 9 infrastructure
13 programs, 5 or 6 workforce training programs, business
14 financing programs, and finally, half a dozen or so
15 technology assistance programs and tax incentive
16 programs. And I think what we all need to be ever
17 mindful here of is as we are dealing with these
18 programs where they may be overlap or duplication, I
19 think we need to be vigilant about looking at those
20 situations, and in the interests of business and
21 industry, particularly that end customer, trying to
22 streamline any duplication that may exist out there
23 and make it more of a user-friendly, simple process
24 for business and industry to deal with.

25 A couple of examples on that which kind of

1 raise a question. Of course, the Governor is
2 implementing the energy program, which we think is
3 certainly very positive here, but we now find that we
4 have the Northwest Industrial Resource Center
5 implementing an energy efficiency program. We now
6 have the Small Business Development Center
7 implementing an energy efficiency program. And at the
8 same time, a recent announcement here through the LEDs
9 indicate that the LEDs now will be implementing an
10 energy efficiency program. And though there may be
11 some differences here, they are still energy
12 efficiency programs, and it begs the question as to
13 why you have three different agencies and
14 organizations involved. There is also some overlap in
15 terms of the import/export functions in the, even some
16 of the areas of international trade, with different
17 agencies performing what would appear to be serving
18 the same functions.

19 Streamlining the services. We think it is
20 just as important as it relates to small business and
21 industry, and in Mercer County we have 68 percent with
22 less than 50 employees, and I say that essentially
23 because local industries, all business and industry
24 particularly, simply do not have the administrative
25 resources to begin to deal with the myriad of public

1 programs, and as a result, in many cases, companies
2 simply do not get involved in the process due to the
3 complexity or lack of program understanding. This is
4 where the local economic development practitioners,
5 you know, become even more important. There is going
6 to be more outside assistance provided to these
7 smaller companies if they are to avail themselves of
8 the opportunities and assistance that is there with
9 the same programs.

10 So admittedly now, some of these changes are
11 not easy to bring about and we certainly recognize
12 that. In terms of, you know, the Web site, one of the
13 suggestions, I guess, that we will make is that maybe
14 the Web site be looked at more from the functional
15 standpoint rather than the program standpoint, and I
16 say that simply because companies that we are dealing
17 with care less where the dollars come from. They do
18 not really care whether it is a PIDA program or the
19 First Industries or the Machinery and Equipment Loan
20 Fund. They are calling and asking about the real
21 estate financing and workforce development, and then
22 we begin to look at this more from a user perspective
23 and industry perspective. If I want real estate
24 financing, I go in there and click on that and go down
25 the list here, and here is the office.

1 Some of the challenges for the new business
2 start-ups, and I spent some time yesterday with our
3 small business development analysts, basically it is
4 capital formation; management experience; financial
5 knowledge, and in some cases just a lack of
6 understanding of the financial statements; Federal and
7 State filing requirements, some of the registrations;
8 as well as the labor laws, including workers'
9 compensation. Now, having said that, there are
10 programs that the small business development centers
11 are implementing that I think will go a long way
12 towards addressing those issues, but nevertheless
13 those continue to be some of the things that new
14 business start-ups struggle with.

15 Also in discussing and talking with our
16 business analysts, kind of the sense there was that
17 the programs, as I mentioned before, they tend to be a
18 little confusing and not easily understood by the
19 start-up market. I don't know how that can be
20 adjusted exactly to make that better, but, you know,
21 certainly if there is some streamlining that can be
22 undertaken in that process, it would be a plus for,
23 you know, the users of the programs.

24 I could probably go on here, but basically in
25 summary, you know, in terms of functional delivery of

1 services, we encourage the co-location of agencies and
2 organizations, policies and maybe some incentives in
3 some cases, to help foster that kind of a one-stop
4 environment. Certainly evaluate the programs,
5 particularly programs that are coming on line, rather
6 than create a new program, to go back through and
7 evaluate existing programs that are there, I think
8 with something that is a little bit better. I mean,
9 there is always that opportunity as well. The Web
10 site touched on that. And certainly in the interests
11 of the end users in the process, consolidation is in
12 order.

13 And if we have the time, certainly I wanted
14 to share with you something. This is a piece that was
15 funded in part by the Department of Community and
16 Economic Development, so if we can share this with you
17 and give you a little idea of how the developers are
18 working and what we are doing here locally to promote
19 business and industry.

20 REPRESENTATIVE LONGIETTI: We'll call on the
21 technology experts. We have Gary Gulla and Jeremy
22 Coxe from the city of Hermitage here.

23 MR. REICHARD: I thank John and his quick
24 team here for putting this DVD together. I thank
25 everybody for traveling out here, not only the

1 opportunity of physically being out here but a number
2 of you have made comments about how far out west we
3 are.

4 It is a challenge for us here, and I would
5 like to take this opportunity to encourage you to
6 support legislation that endorses the resources at the
7 regional level. I am sure if you asked people in the
8 northern tier or the southeast, people down in Greene
9 County, how important the regional offices are, I
10 mean, John's team has been very responsive. The
11 Shenango Valley Enterprise Zone needed a
12 redesignation; Jackie was quick to come out here and
13 embrace the project and put her arms around it and get
14 us the redesignation. When the project, the IDP
15 project, when Sharon and the city of Hermitage were in
16 need of infrastructure dollars, Scott was quick to
17 come out here and put his hands around it and get
18 these projects approved. But, you know, they are
19 restricted in Harrisburg. When you guys leave here to
20 go back to the State Capitol, you can get to Columbus
21 quicker than you can to Harrisburg, so it is very
22 important to us that you took the time to come out
23 here.

24 This DVD that they are getting started, it is
25 a partnership with community and economic developments

1 and the city of Hermitage, and it has the Hermitage
2 name on it, but it is not parochial; it is promoting
3 all the benefits that we have here in western
4 Pennsylvania, the resources that we have. I think we
5 have done a good job here of collectively, the
6 community, of accessing the programs that Community
7 and Economic Development has, that DCNR has. They
8 have made sites available. We have recreational
9 resources that are available. But sometimes those are
10 like our best-kept secrets, and we don't have the
11 local marketing programs to promote this beyond our
12 borders.

13 So this is in the county; you will see some
14 of the business testimonies in here. This might break
15 the monotony a little bit. We appreciate your time.
16 Thank you.

17 (A DVD was played.)

18 MR. REICHARD: Thank you for letting us share
19 that with you this morning.

20 REPRESENTATIVE LONGIETTI: Thank you.

21 MR. REICHARD: And if have any questions, I
22 would be happy to try and answer those.

23 REPRESENTATIVE LONGIETTI: Representative
24 Siptroth.

25 REPRESENTATIVE SIPTROTH: Thank you, Mr.

1 Chairman.

2 Mr. Reichard, thank you for joining us also.

3 I enjoyed your testimony very much.

4 To the folks of Hermitage, that is a great
5 DVD; there is no question about it. I only want to
6 caution you, I come from a very fast-growing district.
7 We have become a bedroom community to New York and New
8 Jersey, so just watch what you wish for.

9 And I want to compliment you folks on your
10 one-stop shop. I think that is a terrific, not that
11 it is innovative but it is a terrific idea; there is
12 no question about it. You folks can come in, and I
13 wish that we had the opportunity in our county to do
14 that but we just don't have the space, unless we put
15 it so far out of our way it is not convenient for
16 those folks.

17 And just to defend the department a little
18 bit, we in the legislature provided funds for specific
19 programs by line item, and so there really is not an
20 opportunity necessarily for the distribution of funds
21 or the inquiry and the acquisition of those funds
22 unless you go to specific programs. So that is
23 something that maybe we can work on a little bit.

24 There was the mention of possibly providing a
25 funding mechanism to the regions, and again I have to

1 caution you, I know that I have what might be
2 considered a white elephant, not in as much as the
3 facility itself but the location that was chosen, and
4 during the Auditor General's audit of that facility it
5 was criticized that DCED did not have enough oversight
6 while that project was being built, and it is going to
7 take major infrastructure improvements and highway
8 construction improvements to really make that a viable
9 facility. So sometimes by distributing the funds to
10 the regions, which they may be a little more
11 convenient to accommodate the needs of specific
12 counties, they lose the oversight and, you know, it is
13 you scratch my back, I'll scratch yours, and I think
14 that a lot of that oversight needs to remain in
15 Harrisburg, no question about that. So I just wanted
16 to mention that.

17 And the Web site with the technology, the
18 investments that we are doing in Harrisburg with all
19 of the departments, I think their Web site will become
20 even more user-friendly, and maybe, you know, some
21 input from you folks out here in the field to the
22 department would certainly be welcome.

23 MR. REICHARD: We would be happy to follow up
24 with, certainly with the committee or partner with
25 some of those suggestions.

1 REPRESENTATIVE SIPTROTH: Thank you, Mr.
2 Chairman.

3 REPRESENTATIVE LONGIETTI: Mr. Callen.

4 MR. CALLEN: Thank you, Mr. Chairman.

5 Mr. Reichard, that was a very, very good
6 presentation. I really enjoyed it. I wanted to ask
7 you to maybe walk through a little more about how the
8 one-stop shop came about. Was it the commissioners?
9 Was it--- Who took the lead on that, and the part of
10 that I am especially interested in is one of the
11 things that is true of all the SBDCs, that they all
12 cater to universities, and moving that away from the
13 university to a one-stop shop is sort of, in a way I
14 can see that as being interpreted as a problem for the
15 university giving that up. Did you encounter that
16 with Gannon?

17 MR. REICHARD: Well, Gannon really has not
18 given it up. The primary offices for the SBDC remain
19 at Gannon University.

20 MR. CALLEN: Okay.

21 MR. REICHARD: And this simply is a field
22 office that was established a while back here, really
23 to better serve the local communities. What we
24 experienced, and, you know, this goes back a number of
25 years, initially Gannon was functioning and providing

1 service to Mercer County out of the Erie office. The
2 volume of activity was minimal. People simply were
3 not traveling to Erie, you know, to access the
4 service, and in some respects getting the field people
5 from Gannon down to Mercer County was a bit difficult.
6 And then this does go back a number of years here.
7 You know, we talked with Gannon and basically said,
8 look, if you are willing to give this a try, put a
9 field office here, we are willing to bet that your
10 activity levels are going to increase. They did that.
11 Initially they established the office part time, which
12 had some impact. You know, the real impacts came
13 through when they established the full-time offices.
14 They were really the first into those so-called
15 one-stops, and that grew then to include the IRC, a
16 similar situation prior to services for a county out
17 of Erie, using Gannon as an example, the SBDC as an
18 example. The IRC followed suit. The MCIDA has been
19 with us for quite some time here. In fact, your
20 question in terms of who initiated? It was a
21 combination of efforts on the part of different
22 agencies and organizations in the county, you know, as
23 much as the business community to provide the service
24 here and make sure that we were getting service simply
25 by walking down the hall versus sending somebody

1 across town to, you know, access the program. I hope
2 that answered your question.

3 MR. CALLEN: And you also suggested that we
4 would find a way to encourage or create incentives for
5 that kind of thing. What do you have in mind?

6 MR. REICHARD: Well, certainly the
7 encouragement is the easy part.

8 MR. CALLEN: Yeah; talk is cheap.

9 MR. REICHARD: From the practical standpoint,
10 with the resources literally down the hall, one from
11 the other, when one agency may be addressing a
12 company's need, you may find that there's a need for
13 financing, there may be a need for infrastructure,
14 there may be a need for something else, and in that
15 first visit usually you can then begin to integrate
16 all those resources into a package or a project, if
17 you will, to better address the needs. Basically you
18 are kind of running a business with all these
19 different departments floating around, bringing those
20 departments together.

21 MR. CALLEN: Again, thank you very much.
22 Thank you, Mr. Chairman.

23 MR. REICHARD: You are welcome.

24 MR. SIPTROTH: I apologize, for the second
25 time.

1 I do want to ask, how many various or
2 different chambers do you use? How many different
3 chambers of commerce?

4 MR. REICHARD: Four chambers of commerce.
5 And again, in terms of the implementation of the
6 Business Retention Program, we partner directly with
7 our chambers of commerce in the program and of course
8 getting projects identified.

9 MR. SIPTROTH: Thank you very much. Thank
10 you, Mr. Chairman.

11 REPRESENTATIVE LONGIETTI: If there are no
12 other questions, the next presenter is Angela Palumbo,
13 sitting very patiently.

14 MS. PALUMBO: Thank you so much.

15 Well, first of all, I want to thank the
16 committee for inviting me. Thank you to the chair for
17 inviting me, because he knows how passionate I am
18 about CareerLink, and any chance I have to talk about
19 it is a good day for me.

20 But my name is Angela Palumbo. I am the
21 CareerLink Administrator here in Mercer County, and we
22 are located actually here in downtown Sharon. We will
23 be celebrating our seventh year of existence -- it is
24 hard to believe -- as a CareerLink, and I have
25 probably been with the State almost 27 years.

1 The Pennsylvania CareerLink in Mercer County
2 is the one-stop. We are the original one-stop, I
3 guess, if you want to call it that, through the
4 efforts of Federal legislation to create one-stops to
5 partner within the community with various agencies
6 having to deal with employment and training, bringing
7 them altogether under one roof, providing resources
8 for both our job seekers, who are our customers, and
9 our employers, who are our customers, and again, 7
10 years ago we succeeded in doing this. We have worked
11 very, very closely with our community, all of the
12 communities throughout Mercer County, to become known
13 as the hub of workforce development activities for our
14 county.

15 We have shared a partnership with various
16 actions that have co-located their employment and
17 training staff within the CareerLink comprehensive
18 site, and some of those agencies are, of course, the
19 Bureau of Workforce Development Partnership, which I
20 am also a manager of State employment staff, and the
21 West Central Job Partnership, who is our job-training
22 entity. Our WIA dollars come through them, and they
23 are also our fiscal entity. Community Action
24 Partnership of Mercer County; Office of Vocational
25 Rehabilitation, which are the folks that help those

1 with disabilities get back into the workforce; the
2 Mercer County Career Center, which is our vo-tech. We
3 have partnered with them, providing adult basic ed in
4 our co-located area, and the Intermediate Unit IV,
5 which does the same thing through programs through the
6 Department of Public Assistance. Public Assistance is
7 a partner with us, although they are no longer
8 co-located in our facility due to funding cuts but
9 still belong to us as part of the CareerLink as a
10 whole.

11 All of the literacy entities in Mercer County
12 do something in our building, not duplicative but
13 rather they look at the various things that we have
14 going on in there and provide whatever resource is
15 needed, and we are proud of that.

16 We have succeeded in reaching out to various
17 other partners throughout Mercer County, which include
18 the Shenango Valley Urban League, the United Way,
19 Community Counseling, all of the chambers of commerce,
20 and all of the economic development and educational
21 entities that exist here in Mercer County, because we
22 are open to anyone.

23 The Pennsylvania CareerLink Mercer County is
24 in the West Central Workforce Investment area. We
25 share this title with Lawrence County, so we are a

1 two-county workforce investment area. I serve on the
2 West Central Workforce Investment Board as the labor
3 and industry representative, and I have also worked
4 closely with our customers, again being the job
5 seekers and our employers, in integrating services and
6 creating a single workforce system that best fits
7 their needs. Our employers know that if they make one
8 phone call to our office, we will take care of their
9 needs.

10 What are those needs? I mean, we help to
11 recruit the people that they are looking for when they
12 have job openings. We also help to bring dollars back
13 to the area. And I am going to skip around; I am not
14 going to stick to this script, if you do not mind,
15 because once I get started--- Nope; it doubled me
16 back a little bit here. But nonetheless, we do an
17 awful lot because of the fact that we are under one
18 roof and we are integrated with the economic
19 development folks and our educational folks. And we
20 created, when we first opened up about 6 years ago,
21 the training consortium, which brought together all of
22 these different training providers throughout the
23 area, and again, we went outside the county. We did
24 not care where they came from as long as they met the
25 employer's needs. We realize that employers need

1 training; they need training. Apprenticeship programs
2 are no longer in existence like they were years and
3 years ago, most especially in the manufacturing field.
4 So what we have done through the help of the Governor
5 with Job Ready Pennsylvania, we as a workforce
6 investment board have created industry partnerships,
7 relying on data that we worked with Penn State to put
8 together to find out what our high-demand cluster
9 occupations were, and those fields are varied. There
10 is health care, of course; that is everywhere. But
11 health care and the life sciences are a high-demand
12 priority; building and construction is another one;
13 business services and financial services;
14 transportation, including logistics; and also
15 information and communications services; lumber, wood,
16 and paper; plastics; electronics; metals; food
17 processing; and here we go now with a new one, and I
18 cannot even tell you what this one stands for, but it
19 does have something to do with what the folks were
20 talking about earlier with the energy and petroleum
21 and oil and gas kinds of crises that are going on and
22 trying to help our employers with regard to that. So
23 that is a brand-new one. I am not real familiar with
24 what is going to happen with that one, but we are
25 moving along.

1 We have brought back hundreds of thousands of
2 dollars, as you can see in this spread sheet, to help
3 train or retrain or upgrade the skills, if you will,
4 of incumbent workers, which has been a wonderful
5 partnership. Those employers that utilize CareerLink
6 services have benefited by us bringing back or
7 creating these industry partnerships and having their
8 current workers' skills upgraded.

9 We realize that education is a continuous
10 improvement. No matter where you are and what you are
11 doing, it is always going to be there. We have to
12 continually remain competitive, and so with that we
13 have addressed these needs by creating these industry
14 partnerships, and we are doing more.

15 Our West Central Job Partnership has hired a
16 workforce development manager, because at the very
17 beginning of all this, I was doing that all and I just
18 cannot. So we have this workforce development manager
19 that works very closely with me. We do the prep
20 calls, which is the Business Retention Expansion
21 Program through Penn Northwest and through DCED, and
22 we try to meet whatever those needs are for the
23 employer. If they need testing, assessment testing,
24 those kinds of things, if they want to take advantage
25 of programs that are there, because we work so closely

1 with public assistance, we have tax credit programs,
2 we have on-the-job training programs for dislocated
3 workers, and we have a subsidized program for those
4 that are a certain income criteria that they can meet.
5 And so we have these incentives for employers to take
6 advantage of if they use the services of the
7 CareerLink, and many are, and that is the most proud
8 thing I can say to you, is that we have increased, we
9 have gone beyond goals that were set for us with
10 regard to increasing our employer base and our job
11 orders that we work with all the time.

12 Now, we just recently, I am not sure if you
13 are familiar with this, but the CareerLink system,
14 which was formally the CareerLink system, is now CWDS,
15 the Comprehensive Workforce Development System. This
16 just happened on September 4, and we are still going
17 over some bumps in the road. But what has happened
18 here is that it is a whole new system for both our
19 employers and our job seekers. Again, not without
20 bumps in the road, but we are dealing with it, and it
21 is getting better every single day. But what this is
22 going to do is tie in those departments, if you will,
23 integrate those departments that have always been some
24 sort of a mandated partner under the Workforce
25 Investment Act with the CareerLink, with the one-stop.

1 So those include, of course, the Bureau of Workforce
2 Development Partnership, and we handle all labor
3 exchange services; the Department of Public
4 Assistance. They are going to have this training very
5 soon, and their update will be coming up soon as well,
6 so they will be included in this. The Bureau of
7 Employment and Training out of Harrisburg, the job
8 training folks, and any of the programs that go to
9 public assistance where they are contracted to do
10 job-readiness skills and those kinds of things; and
11 the Office of Vocational Rehabilitation.

12 Well, what does all this mean? It means we
13 will be in one comprehensive system. Everybody will
14 have the ability for me to see, this customer and this
15 customer that I have worked with already, and then
16 public assistance will see, okay, they have worked
17 with them and they can put their notes in there, and
18 it is a wonderful way to communicate, because right
19 now, even though we do have this one-stop, not
20 everybody is under that one roof. The ones that are
21 there, we have a great communication, but the others
22 that do not participate in CareerLink activities,
23 there is a disjoin. So we may be working with the
24 same customers and not realizing it, or they may be
25 taking advantage of services through job training of

1 some sort, through vocational rehabilitation; we do
2 not know that. So it is going to help with
3 communications. I think it is going to make us a
4 stronger overall State with workforce development
5 efforts, most undoubtedly, because we are the first
6 State to do something like this. So I will not go any
7 further of the CWDS system, because again, it is a
8 work in progress. But all of those entities by
9 December will be in this same system with us.

10 We have a Business Services Team, and the
11 Business Services Team is connected once again with
12 economic development, and we try to address whatever
13 those needs are. If Larry Reichard or any other
14 economic development entity needs our assistance when
15 a potential business is coming to the area, I am at
16 the table with them, talking to them about workforce
17 development, talking about recruitment efforts, what
18 we can do to help them. So you cannot do this
19 separately. You have to be joined together, and I can
20 tell you that -- you said I was going to say this, and
21 I am -- we are joined at the hip. We are absolutely
22 joined at the hip. We have been for a very long time,
23 and I share the pride of being a CareerLink
24 Administrator in this western region, and I can tell
25 you that across the State, those kinds of things just

1 do not exist. They are working toward that. They are
2 working toward the communication between economic
3 development and CareerLinks and the one-stops, but it
4 is just not there everywhere. So I can tell you very
5 proudly that we have had this kind of a relationship
6 for a very long time, even before we were a
7 CareerLink. So it just kind of blended into this
8 perfect situation where we do everything we can to
9 address the needs of our communities, and that goes
10 with our new businesses that we are trying to attract
11 as well.

12 But the Business Services Team, they are
13 committed to making sure that our employers know what
14 services are available, what advantages they have by
15 using CareerLink. I have listed many of those things,
16 such as customized quality services to meet their
17 needs; provide linkages to alternative resources and
18 other appropriate agencies. Employers, as Larry
19 mentioned earlier, businesses just, they do not care
20 where it came from, they just need it. They need it
21 and they need it yesterday, and the same goes with our
22 employers. When they need someone, they need it
23 immediately. And they want qualified workers, and
24 yes, we have a wonderful workforce here, but we have
25 been for a long time trying to improve what we have,

1 improve the education. We have wonderful education
2 entities, but we have no skilled training. We have
3 our vo-tech, and they do a wonderful job. Adult
4 education for dislocated workers is not happening here
5 in Mercer County, so you have to leave the county to
6 go someplace to get that training. So one of our
7 partners in regard to this is Precision Manufacturing
8 Institute. If you are not familiar with them, they
9 are in Crawford County. They have brought back with
10 the help of their training efforts, they have
11 resurrected, if you will, the tool and die industry,
12 helping their employers up there. They have probably
13 a 95 percent placement rate. When the people go into
14 the training, they got a job before they are finished.
15 So we have recognized the fact that we need
16 machinists; we need CNC operators; we need the
17 skilled, trained people. We always have those kinds
18 of job orders. If you are already one of those
19 people, you are working, but who is training the next
20 wave of people that need to be there? And so for 4
21 years I tried very hard, we all did, tried very hard
22 to bring PMI here and they are finally here. The
23 building is being built. I think as we talk here now
24 the building is being built, actually. It was a
25 community effort to make it happen, and hopefully by

1 January of 2008, they are going to be conducting
2 classes, and what an incentive for any business to
3 want to come to the area when we can prove that we
4 have even more training available, skilled training
5 for a potential employer coming into the area by
6 having this type of an education facility amongst our
7 others. So we are very, very excited about that.

8 I have been equally involved with the
9 LindenPointe technical part. I sit on the Hermitage
10 Economic Development Committee. I am very proud to
11 say that we have identified, the Workforce Investment
12 Board identified electronics as an emerging
13 occupation. We have two semi-conductor establishments
14 that could have been anywhere else in the United
15 States, but they chose to come here to Hermitage,
16 Pennsylvania. And the tech center makes a whole lot
17 of sense, and we brought Deputy Secretary Sandi Vito
18 to our facility here in Sharon along with economic
19 development folks from Penn Northwest, also the city
20 of Hermitage, our Workforce Investment Board members.
21 We met with her. We told her what our interest was in
22 developing a tech center where we can do cutting edge
23 things, things that are not happening here, what we do
24 for the region as a whole up and down this whole
25 western part of Pennsylvania, and before she even hit

1 the streets to go back, we had a \$98,000 grant from
2 Labor and Industry to move forward with this project.
3 And the design of that facility, which we saw in the
4 CD or the DVD that we just showed, is going to happen,
5 and we have that right now, the city of Hermitage
6 folks have that as a high priority in the RCAP grants,
7 and we are just hoping that that comes through,
8 because what that will do for us, it is just going to
9 be cutting edge, to have an R&D center. These folks
10 from the semi-conductors send their information, send
11 their technology away from us to parts of Ohio, to
12 other States, when we can be doing the testing here
13 and training our young people to get into these kinds
14 of fields. So this is the exciting stuff that I am
15 very proud to say I am a part of, and I just hope it
16 happens and I know it will.

17 One other thing that I wanted to talk about,
18 and that is the latest thing that we have been working
19 on through the efforts of our executive director of
20 our workforce area. Sam has been a visionary for us,
21 and he knows the Workforce Investment Act better than
22 anybody else, and he has realized for some time now,
23 we have talked about this, but with everything else we
24 were trying to implement, it just was put on the back
25 burner, but now we are at the stage where we have been

1 conducting talks about creating an interstate region
2 under the Workforce Investment Act with our friends
3 over in Ohio. What great sense this makes. Now, do
4 not be afraid of the fact that we are not leaving
5 Pennsylvania, nobody is, but it just makes sense, the
6 north is in the north, the south is in the south, and
7 we are right here in the middle, Lawrence and Mercer
8 Counties. And to go west with an area that is similar
9 to ours in the manufacturing, and now that Mercer
10 County is part of their metropolitan statistical area
11 that we have become -- we did not have a say-so; they
12 just put us there -- but nonetheless, now if we can
13 create a partnership, and we are, with the folks over
14 there with workforce development, it would be
15 something even bigger than we even imagined. Now, the
16 State Workforce Investment Board has endorsed this.
17 Our Governors are well aware of it. They think this
18 is a wonderful thing to keep moving forward, and we
19 are. We are currently applying -- oh, I think it is
20 past noon, it went in today at noon -- for a regional
21 innovation grant so that we can plan rapid response,
22 coordinated integrated efforts. We have many people
23 that work over the line in Ohio, we have many people
24 come over here and work in Pennsylvania, and if these
25 people are dislocated workers and they have to be in

1 Pennsylvania but worked in Ohio, then sometimes we
2 cannot pay for their training, or sometimes it is vice
3 versa. So if we can bring dollars to the area to help
4 partner with our Ohio friends, what can this do for
5 even economic development is just, you know, beyond
6 our reach right now. But it is exciting, and we are
7 working forward to that.

8 We are looking to, we have the one-stops from
9 Columbia and Mahoney, a troubled county, and then, of
10 course, the Lawrence/Mercer County here in
11 Pennsylvania. And again, nobody is going to lose any
12 jobs; we are just going to try and integrate, just
13 like we have with the one-stop, and the CareerLink is
14 the brand name here in Pennsylvania. So we are very
15 much looking forward to doing that kind of thing.

16 I could go on and on, but I am going to stop
17 now. I am going to say that if folks want to be
18 involved, they can be, and we are. I just feel very
19 strongly that if it were not for economic development,
20 you know, there would be no CareerLink, because that
21 is how we get to our employers. That is how we work
22 together to make things happen for our employers and
23 for even the small businesses. And I am also very
24 involved with the revitalization of downtown Sharon,
25 so it just never ends. And I will stop now. If you

1 have any questions of me, please feel free.

2 REPRESENTATIVE LONGIETTI: Thank you very
3 much.

4 Representative Siptroth.

5 REPRESENTATIVE SIPTROTH: Thank you,
6 Representative Longietti.

7 I understand that there is a possibility of a
8 gaming facility coming into Lawrence County.

9 MS. PALUMBO: Yes.

10 REPRESENTATIVE SIPTROTH: And are you folks
11 gearing up with CareerLink to train and provide---

12 MS. PALUMBO: Absolutely; absolutely. In
13 fact, I was just telling Representative Longietti that
14 we had received an e-mail, a poster from the State
15 regarding the high-demand occupation that is emerging,
16 not only in electronics but now hospitality, so that
17 affects us absolutely with regard to what is going to
18 happen in Lawrence County. And actually 3 years ago I
19 spoke to those folks and committed CareerLink both in
20 Lawrence and Mercer County to, if it happens, we are
21 there for you, and I know that we will be there in
22 both counties making things happen for them. And so
23 we want to address the training needs for something
24 like this, and we will talk to our training providers
25 and put a package together and get it going.

1 Absolutely.

2 REPRESENTATIVE SIPTROTH: Thank you.

3 Thank you, Mr. Chairman.

4 MS. PALUMBO: You are very welcome.

5 REPRESENTATIVE LONGIETTI: Thank you very
6 much.

7 MS. PALUMBO: Thank you very much.

8 REPRESENTATIVE LONGIETTI: Our last presenter
9 is Kevin Shivers.

10 MR. SHIVERS: Thank you, Representative, and
11 before I begin, I do want to thank you for the
12 invitation. In the 6 years that I have been State
13 Director for the NFIB, this is my first invitation to
14 testify before the committee. So I very much
15 appreciate your willingness to hear out, you know, the
16 concerns and needs and interests of small employers in
17 Pennsylvania.

18 On behalf of our chapter, I want to thank you
19 for inviting me to talk about economic programs and
20 policies. As I begin, I would like to tell you I am
21 going to try to be brief, no matter how long it takes
22 me.

23 But NFIB is a melting pot of commercial
24 enterprises, manufacturers, family farms, neighborhood
25 retailers, and service companies throughout

1 Pennsylvania. NFIB members typically employ five
2 workers, and we report gross sales of around \$400,000
3 per year. In the aggregate, these small businesses
4 are a potent economic force. They employ over 210,000
5 and generate about \$19 billion gross annually.

6 Almost half of our members make their living
7 in the retail and service sectors. Thirty percent of
8 our members are in construction, manufacturing, and
9 mining. Sixteen percent of our members are in
10 wholesale trade, agriculture, forestry, and fishing
11 industries. About 8 percent of our members work in
12 the financial services, transportation, and utilities
13 industries.

14 In Pennsylvania, as in the nation as a whole,
15 small firms lead the way in employment and job
16 creation. Nearly 98 percent of all businesses in
17 Pennsylvania employ fewer than 100 workers, and small
18 businesses create almost 80 percent of the new jobs,
19 new net jobs in the Commonwealth. In addition to
20 providing a livelihood for their own families,
21 Pennsylvania's small business owners provide almost
22 half of all wage-and-salary jobs in the State's
23 private sector.

24 Very few NFIB members report that they have
25 taken advantage of economic development programs

1 offered by the Commonwealth. The reality is that most
2 of these programs are not designed to meet the needs
3 of the small business. The advocacy office of the
4 U.S. Small Business Administration reported last
5 February that the most important thing that State
6 governments can do to influence economic growth is to
7 increase the number of small business establishments.
8 The report's authors concluded the most fruitful
9 policy option for States seeking economic growth is to
10 establish and maintain a fertile environment for new
11 business formation.

12 In its annual report, the advocacy office
13 documented a phenomenon it termed "economic
14 gardening." The report suggested States should focus
15 on grooming new and existing entrepreneurs instead of
16 chasing larger companies, a practice known as
17 "economic hunting." The SBA reported that luring
18 existing large businesses into your town can be
19 expensive and unrealistic. Instead, economic
20 resources are better spent on existing and nascent
21 businesses located in one's own community.

22 Pennsylvania's existing economic development
23 strategy runs counter to these policies, but
24 Pennsylvania is not alone. State governments across
25 the nation offer myriad inducements to large

1 corporations, including tax abatement, land
2 acquisition, construction subsidies, training
3 subsidies, and outright cash grants. Nationally,
4 relocation incentives total about \$50 billion a year.

5 When the Korean car maker Kia decided to
6 build a \$1.2 billion plant in West Point, Georgia, the
7 State offered a \$420 million incentive package that
8 included free land, that I recall was billed and paid
9 for at twice the market value, tax-funded employee
10 training, a new \$30 million interstate interchange.
11 Altogether the subsidies amounted to roughly \$168,000
12 for each of the 2,500 jobs at the plant.

13 While Georgia's Governor, Sonny Perdue, a
14 Republican, believed the incentives were the reason
15 Kia located to the State, local economists said the
16 reason Kia picked the State was obvious. Neighboring
17 Alabama had a trained workforce of auto workers, so
18 Kia located on the Georgia-Alabama border. In other
19 words, Georgia taxpayers are paying Kia hundreds of
20 millions of dollars to hire Alabama workers.

21 More often than not, these subsidies and
22 programs give the appearance of creating jobs. At the
23 very least, that gives us a wonderful opportunity to
24 present a really big check. But there is little
25 evidence to suggest the connection between subsidies

1 and job creation.

2 The Mackinac Center study in Michigan studied
3 several Michigan State economic development projects
4 between 1998 and 2002. Seven companies received a
5 total of \$120 million in grants from the Michigan
6 Economic Development Commission on the promise to
7 create 775 jobs, a goal that later was reduced to 458.
8 When the job creation project was complete, the
9 companies claimed they exceeded that revised goal by
10 177 jobs, but when the Michigan Auditor General's
11 Office examined the company's actual reports, it
12 turned out the enterprises had actually lost 222 jobs.

13 Advocates for government subsidies do not
14 just point to jobs the businesses they entice will
15 have to create. They argue there is an economic
16 multiplier effect by which spending at a factory or
17 entertainment venue indirectly generates spending on
18 other goods and services. Many economists say that
19 does not happen.

20 Here in Pennsylvania, the administration
21 touts almost \$4 billion in borrowing to entice large
22 corporations to come to Pennsylvania. These funds
23 have been used for loans and guarantees to venture
24 capital partnerships. Another economic development
25 tool used by State governments is to attract large

1 companies through tax-free zones. Unfortunately,
2 these policies and programs force the State to pick
3 economic winners and losers. The venture programs,
4 for example, take hard-earned tax dollars from tried
5 and true existing Pennsylvania small companies and use
6 them to finance projects and take on risks the private
7 sector is not willing to assume on its own.

8 Furthermore, the tax-free zones benefit
9 mostly larger firms at the expense of smaller firms
10 that have existed in those local communities for
11 years. These programs essentially penalize successful
12 businesses by virtue of the side of the street that
13 they are located on and the number of years that they
14 have done business at the same location.

15 Another point are these Main Street
16 beautification efforts. I mean, they certainly make
17 our downtowns look wonderful, and they also raise the
18 rents in the downtown. The problem is for the small
19 business, they cannot afford to pay the rent, so they
20 leave. Now, it makes sense. I mean, the big-bucks
21 stores certainly can move in -- CVS, Starbucks, I
22 mean, most of these big chains that come into those
23 places. But yet remember, those companies that we are
24 talking about, 5 and 10 workers, you know, the
25 lifeblood of Pennsylvania's economy, they are being

1 forced out to the strip mall.

2 The most recent example of this type of
3 economic handicapping can be found in the Governor's
4 proposed energy independence strategy. Under the
5 plan, the administration seeks to borrow nearly a
6 billion dollars primarily to help large multinational
7 corporations pay for their research and development.
8 Supporters of these tax-and-spending energy mandates
9 tout them as positive for Pennsylvania's economy.
10 Unfortunately, the jobs attracted to the Commonwealth
11 could come at the expense of thousands of existing
12 small business jobs in Pennsylvania.

13 Energy is a major cost in a substantial share
14 of small businesses. One in ten small business owners
15 report that energy is either their single greatest
16 cost, greater than wages and salaries, materials and
17 supplies, et cetera. Another 25 percent claim energy
18 is one of the two or three largest business costs they
19 have. And there is little doubt that over time,
20 energy costs are going to rise. However, what sets
21 Pennsylvania apart is that these policy changes,
22 taxing Pennsylvania businesses to pay for big business
23 research and development, will make it harder for
24 these Pennsylvania firms to compete with businesses
25 located in other States and countries.

1 We have one manufacturer, as an example,
2 whose largest competitor is a business that is located
3 in Washington State. They pay next to nothing for
4 their energy in Washington State because their energy
5 is generated from hydroelectric power. Well, if you
6 impose this type of electricity tax or other types of
7 mandates, you are raising the cost of their
8 production, so it is going to make it virtually
9 impossible to compete with a competitor who is on the
10 other side of the country who is paying next to
11 nothing for their energy costs, and for big
12 manufacturers or manufacturers, that is a huge, that
13 is a huge impact.

14 Increasing taxes on Pennsylvania-based
15 companies will make it harder for small in-State
16 companies, especially small manufacturers, to be
17 competitive in the global marketplace and attract
18 revenues from out of State. This means less, not
19 more, total tax revenues that are being generated.

20 The proposed energy tax also will be assessed
21 without regard to a company's profitability, and for
22 some manufacturers, these new taxes could actually
23 accelerate or lead to the demise of the company
24 because they are trying to rebound from an already
25 difficult financial situation.

1 Small businesses would much rather use the
2 funds to invest in energy efficient equipment to help
3 them lower their energy bills rather than funding
4 multinational corporations. Much of the debate we
5 heard this spring focused on ways that we can, you
6 know, fund research and development projects to find
7 alternative energy sources, but we did nothing in that
8 debate to focus on those companies who have heavy
9 equipment or other types of machinery that are paying
10 large amounts for their energy use. We are doing
11 nothing to really help them buy equipment that is more
12 energy efficient so we can lower the costs of, you
13 know, their electricity overall. That is something
14 that, if we are talking about economic development,
15 those are the kinds of things that could be very
16 helpful for a small manufacturer in particular.

17 In closing, I think it is important to point
18 out that history has demonstrated that governments
19 have not been particularly successful in making
20 capital allocation decisions. If the political
21 command economy really worked, the Soviet Union would
22 have won the Cold War. Subsidies of capital costs
23 cannot compensate for the Commonwealth's hostile tax
24 environment.

25 The inability of State government to foster

1 an environment that encourages entrepreneurs to create
2 jobs in Pennsylvania has produced an exodus of the
3 best and brightest people to States with far more
4 favorable climates for small business.

5 NFIB members believe a more effective
6 economic development strategy would be to put it into
7 taxpayer-funded zones and other subsidy programs that
8 support a select few businesses, again picking winners
9 and losers. Instead, reduce Pennsylvania's tax burden
10 on job creators across the board and allow the
11 entrepreneurs to make their own capital allocation
12 decisions.

13 With that, I want to thank you for the
14 opportunity to appear today, and I will be happy to
15 answer any questions.

16 REPRESENTATIVE LONGIETTI: Representative
17 Siptroth pointed out to me that it took the House
18 Democrats coming into power after 12 years to invite
19 you to this committee.

20 MR. SHIVERS: That is exactly the point I was
21 making.

22 REPRESENTATIVE SIPTROTH: Thanks, Kevin, for
23 your testimony, as always.

24 One thing I just wanted to bring to light,
25 talking about energy, there is no question that I

1 agree with you as far as operating incentives to
2 businesses, small and large, to reduce energy costs.
3 I think that is definitely a mandate that we have to
4 undertake here in the State, especially with the
5 onslaught of deregulation a few years back and now the
6 generation caps coming off in 2010 and '11. One of my
7 municipalities in my district experienced a 73-percent
8 increase in residential costs and a 103 or 110 percent
9 increase in commercial costs. So I think we have to
10 be extremely prudent in trying to accommodate those
11 businesses and residential customers alike.

12 Fortunately, I have a manufacturer, an
13 entrepreneur, as you call them, and he has developed a
14 process that will help reduce energy costs. I am very
15 much looking forward in helping him in his endeavors
16 to bring this to light.

17 MR. SHIVERS: You know, it is fascinating,
18 Representative, just up the road here we heard earlier
19 this week that a scientist with Penn State quite by
20 accident discovered a way to create energy from salt
21 water, and you think about how dynamic, how exciting
22 that kind of discovery is. They are saying it is the
23 first of its kind in a hundred years in terms of water
24 and energy, and when you think about that, that was
25 done without an energy independence strategy.

1 But the point is, you know, there are
2 certainly entrepreneurs that are going to be willing
3 to invest in that type of technology, et cetera. I do
4 want to give credit to the Democratic Caucus, because
5 I know earlier in the spring it was the administration
6 really pushing hard on that systems benefit charge or
7 that electricity tax, and many of your members in your
8 caucus came to me and said, look, Kevin, we have small
9 manufacturers that we know that are going to be maxed
10 out and have to pay the \$10,000 in costs, and we just
11 do not think it is fair. So we do appreciate your
12 willingness to stick up and say no to those kinds of
13 taxes and recognize that it was a job killer, and we
14 are going to be there to stand with you in the fall as
15 the debate moves forward.

16 REPRESENTATIVE SIPTROTH: And I think that
17 maybe, you know, maybe the entire program can't be
18 implemented, but I think there are steps that can be
19 taken.

20 MR. SHIVERS: Absolutely; absolutely.

21 REPRESENTATIVE SIPTROTH: I look forward to
22 that. Thank you.

23 REPRESENTATIVE LONGIETTI: Further questions?

24 MR. MARSHALL: Kevin, I would be reasonably
25 sure that that scientist from Penn State was funded

1 with Growing Greener.

2 But that having been said, however, the thing
3 that I am most intrigued by is your allusion to the
4 ideas of economic gardening and entrepreneurial
5 spirit, entrepreneurial climate. I imagine, I hope
6 that you mean there is something more that you can do
7 than simply change the tax structure.

8 Mr. SHIVERS: Oh, absolutely. I didn't
9 hear---

10 MR. MARSHALL: Can you elaborate on that a
11 little bit?

12 Mr. SHIVERS: Absolutely, and you know, it
13 starts, I mean, in our classrooms. You know, if you
14 look at how many kids in our school settings want to
15 be entrepreneurs, it is like 90 percent. If you ask
16 them, how do you go about starting a business, they
17 have absolutely no clue. One of the things that NFIB
18 has put together is an entrepreneurship curriculum.
19 It was approved by the NEA, and we are reaching out to
20 Pennsylvania schools as we speak and we are working on
21 ways to getting entrepreneurs into the classroom, to
22 talk about entrepreneurship with our young people, to
23 get them excited about it. You know, obviously there
24 needs to be a commitment, you know, with our education
25 system, you know, funding in community colleges and,

1 you know, looking at vocational-technical training as
2 a way of increasing those opportunities. You know,
3 reducing taxes obviously is a key factor.

4 But there are other things we can take a look
5 at as well. You know, we heard from one of the
6 panelists talking about micro-loans and how there is a
7 problem or they are risky. Well, absolutely they are.
8 I mean, starting a small business is risky. What I
9 think we ought to recommend is let us take a look at
10 all of those programs and let us see, you know, who
11 are the dollars really going to and how are they
12 meeting their needs?

13 NFIB did a piece, I think it is about 5 years
14 old now, that I would be more than happy to get to the
15 committee. It is called "Small Business Starts and
16 Stops," and they interviewed companies that started
17 businesses and companies that left business in a
18 particular year, and just to kind of get an idea, what
19 were your reasons for going into business? Why did
20 you get out? And one of the things we found is that
21 the average business starts with a median amount of
22 \$18,000. Now, you know, it is virtually impossible to
23 get a loan to start a business for \$18,000, so more
24 often than not they have to borrow that money from
25 family and friends or they, you know, basically max

1 out their credit card and operate off of their credit
2 card for a couple of months or even a year, depending.
3 So, you know, there are a lot of factors that go into
4 that.

5 We have to take a look at mandates on
6 businesses. I mean, the Governor is proposing a, you
7 know, this Cover All Pennsylvanians health-care
8 mandate. Well, if you are just starting out, you
9 know, you have all the overhead costs of buying
10 equipment, of paying the registration fees to start
11 your business, actually hiring people. You have not
12 even, you just turned the lights on, you have not even
13 made the profit yet, and already now, you know, the
14 government is saying, we want you to provide health
15 care as a benefit. And as I am sure all of you have
16 heard over the last many months and years that you
17 have been in office, small employers want to provide
18 health care as a benefit, as long as they can afford
19 it, and to simply impose a mandate on businesses right
20 up front, it is going to make it that much more
21 difficult to do that.

22 But yes, the Small Business Administration,
23 you know, offers a whole series of ideas as far as
24 things that we can do regulatorily, you know, things
25 that we can do administratively to help improve that

1 climate. We would encourage, you know, let us take a
2 look at the programs that are there and let us see how
3 we can use them. In many instances, what we are being
4 told is that the administrative overhead is just too
5 much, you know, for a small company with 5 or 10
6 workers, because they do not have a legal office; they
7 do not have a compliance division; they do not have an
8 HR person. Chances are the small business owner is
9 the HR person, the legal person, the compliance
10 person, the person that takes the trash out. They do
11 not have time to keep up with all the compliance
12 programs and all of the paperwork that follows the
13 dollars. Maybe if there is a way for us to, you know,
14 provide those dollars more directly or let the
15 businesses be able to design the training programs
16 they need for themselves and then get those moneys
17 back as a credit on their taxes as opposed to filling
18 out all the paperwork ahead of time and then getting
19 the money and, you know, trying it that way, those
20 might be opportunities as well.

21 MR. MARSHALL: Okay. I just cannot resist
22 this one. With regard to the economic education
23 programs for K through 12 that you say might be
24 developed, would NFIB be interested in financial
25 assistance to help that program go forward?

1 MR. SHIVERS: Boy, that is a good question.
2 I mean, I think the short answer on that one is going
3 to be no. But I mean, there are ways that the State
4 can make those, you know, programs more effective. I
5 mean, we have talked about reaching out to PSEA and
6 trying to partner with the teachers to get into the
7 classrooms and to utilize those programs. You know,
8 especially when the administration, there is now a
9 requirement that one of, I guess the curriculums that
10 are taught, one of the optional curriculums in the
11 classrooms that students need for graduation, is an
12 entrepreneurial curriculum. So certainly, you know,
13 those kinds of programs can be very helpful.

14 MR. MARSHALL: I mean, I really do not
15 disagree with you. We educate lots of kids to be
16 employees and to be workers, but we are not educating
17 them to be entrepreneurs.

18 MR. SHIVERS: Yeah.

19 REPRESENTATIVE LONGIETTI: Any other
20 questions?

21 I am going to close the hearing kind of the
22 way I started it, which is a lot of the comments that
23 you stated about small business I heard a couple of
24 days ago when I toured Dalko Resources in Sharpsville,
25 and Len Grandy is in the back of the room. As I

1 stated, he started that business in his basement. Now
2 it is a \$22 million business, and he did it largely,
3 actually exclusively, without any help from the State.
4 But those are the kinds of businesses that are the
5 backbone of our communities that we need to encourage
6 and help. I just wanted to point that out.

7 Thank you for your testimony, and thank you.

8 If there is nothing further, we will conclude
9 the hearing. Thank you.

10

11 (The hearing concluded at 1:55 p.m.)

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the
3 notes taken by me on the within proceedings and that
4 this is a correct transcript of the same.

5

6

7

8

Jean M. Davis, Reporter
Notary Public

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25