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Committee on Commerce
Public Hearing on
Committee Roundtable:
Economic Development in a Recession

Butler Community College
LindenPointe
3182 Innovation Way
Hermitage, PA 16148-3690

Date: Friday, April 3, 2009

Reporter: Donna M. McMullen, RMR

1 Committee Members:

2

3 Representative Peter J. Daley, Chairperson
4 Majority Chairperson in House
5 Subcommittee on Commerce
6 49th Legislative District, Democrat
7 Fayette County (part)
8 Washington County (part)

6

7 Dave Callen
8 Majority Executive Director
9 Commerce Committee
10 To Representative Peter J. Daley

8

9

10 Representative Mark Longietti
11 Subcommittee Chairperson
12 7th Legislative District, Democrat
13 Mercer County (part)

11

12 Representative Rick Mirabito
13 83th Legislative District, Democrat
14 Lycoming County (part)

12

13

14 Representative Donna Oberlander
15 63rd Legislative District, Republican
16 Clarion County
17 Armstrong County (part)

14

15

16

17 Representative Jim Marshall
18 14th Legislative District, Republican
19 Beaver County (part)

17

18

19 Representative Robert F. Matzie
20 16th Legislative District
21 Allegheny County (part)
22 (Beaver County (part)

20

21

22 Representative Michele Brooks
23 17th Legislative District, Republican
24 Mercer County (part)
25 Lawrence County, (part)
26 Crawford County, (part)

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ALSO PRESENT:

Senator Robert D. Robbins
50th Legislative District, Republican
Butler County (part)
Crawford County
Lawrence County (part)
Mercer County

Destiny Zeiders
Media Specialist
to Representative Peter J. Daley

Lori Bertolasio, Legislative Aide
Brenda Tomko, Legislative Aide
to Representative Mark Longietti

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P R O C E E D I N G S

(10:02 a.m.)

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3 REPRESENTATIVE DALEY: I'm going to call this
4 Commerce Committee Hearing to order. My name is
5 Pete Daley. I'm the Majority Chairman of the House
6 Commerce Committee. I represent Washington and
7 Fayette Counties. I'm out of the 49th Legislative
8 District. I've been in legislature, this is my
9 fourteenth term.

10 And at the request of Representative
11 Longietti we want to -- Senator, how are you? --
12 come out, and as part of the charge of the
13 Commerce Committee is not only to deal with
14 banking issues, which last session we did, on
15 mortgage foreclosure. We are this session dealing
16 with economic development, which is kind of timely
17 regarding the economy and not only the banking
18 issues, but the economy.

19 And this is the first of a series of
20 meetings in which we're going to go around the
21 state to solicit information regarding the
22 economy, specifically as it is in this region and
23 throughout other regions in Pennsylvania.

24 Being from southwestern Pennsylvania, I
25 have some familiarity to the economic dilemmas

1 that we're facing here, not specifically like you
2 do or Representative Longietti does, but I
3 represent the Mon Valley. You've heard of the Mon
4 Valley region where we have Wheeling-Pittsburgh
5 Steel that just lost a plant of 250 people a
6 couple of months ago. And my area had a lot of
7 coal mines that have shut down and some that are
8 still open.

9 So being in southwestern Pennsylvania and
10 at least western Pennsylvania we also are in the
11 same boat to some degree because our background
12 and our heritage are really quite similar, even
13 though we may be separated by 60 or 70 or
14 80 miles.

15 The mini theme today here is can we do
16 economic development in a recession. And no one
17 wants to say the R word but, of course, if it
18 walks like a duck and quacks like a duck, it
19 probably pretty much is a recession. And that's
20 the title today.

21 I'm going to turn over the meeting to
22 Representative Longietti, who is going to chair
23 the meeting, but we're going to start with Destiny
24 Zeiders who on my staff who is going to introduce
25 herself, and we're going to go introduce the head

1 table, and we're going to introduce the presenters
2 and then we're going to go around the room and
3 introduce, if you please could, introduce
4 yourselves.

5 We have a sign-in sheet that's coming
6 around. Please sign in. If there's not room on
7 the front, sign the back.

8 DESTINY ZEIDERS: Destiny Zeiders, Analyst
9 for the House Commerce Committee.

10 REPRESENTATIVE MIRABITO: I'm representative
11 Rick Mirabito from the 83rd District, which is
12 Williamsport, in Lycoming County.

13 REPRESENTATIVE OBERLANDER: Donna Oberlander,
14 Representative for Clarion and Armstrong County.

15 REPRESENTATIVE MARSHALL: Jim Marshall,
16 Representative from the 14th District, Beaver
17 County.

18 REPRESENTATIVE LONGIETTI: Mark Longietti,
19 Representative from the 7th District, about half of
20 Mercer County.

21 MR. CALLEN: I'm Dave Callen. I'm the
22 Majority Executive Director of the Committee.

23 REPRESENTATIVE MATZIE: Rob Matzie, 16th
24 District, representing Allegheny and Beaver.

25 REPRESENTATIVE BROOKS: Michele Brooks,

1 Representative for the 17th District, portions of
2 Mercer, Lawrence, and Crawford Counties.

3 MS. TOMKO: Brenda Tomko, legislative aide to
4 Representative Longietti.

5 MS. BERTOLASIO: Lori Bertolasio, legislative
6 aide to Representative Mark Longietti.

7 MR. RAU: Phillip Rau, reporter from the
8 Record Argus.

9 SENATOR ROBBINS: Bob Robbins, State Senator,
10 Crawford, Mercer, Lawrence, and Butler Counties.

11 MR. PERRY: Dale Perry, God's Green Earth.
12 I'm not a presenter.

13 MS. MARGARET HORNE: Maggie Horne, Small
14 Business Development Center.

15 MR. REICHARD: Larry Reichard, Executive
16 Director, Penn-Northwest Development Corporation.

17 MR. GULLA: Gary Gulla with the City of
18 Hermitage.

19 MR. HOLLIDAY: John Holliday, Director of
20 Precision Manufacturing Institute, Shenango Valley.

21 MR. ASIMAKOPOULOS: Pete Asimakopoulos, First
22 National Bank, Executive Vice President, Small
23 Business Banking.

24 MR. AMUNDSEN: Tom Amundsen, Mercy County
25 Controller.

1 MR. COXE: Jeremy Coxe with the City of
2 Hermitage.

3 MR. HINKSON: Gary Hinkson with the City of
4 Hermitage.

5 MS. YASNOWSKY: Mary Yasnowsky, public.

6 MR. YASNOWSKY: Phil Yasnowsky, public.

7 MR. ROCKNICK: Mike Rocknick, Sharon Herald.

8 MS. STEWART-SAVACH: Linda Savack, Winner
9 Global.

10 MR. DiFEO: Ron DiFeo, general public.

11 MR. GOSSER: Brad Gosser with
12 Greenville-Reynolds Development Corp.

13 MR. MICHAEL RISTVEY: Michael Ristvey, Lewis
14 & Ristvey, Attorneys.

15 MS. FAIR: I'm Liz Fair, Prothonotary, here
16 at Mercer County.

17 MR. FAIR: John Fair, commercial real estate
18 with ERA Johnson.

19 MR. ZUCCO: Tony Zucco with Penn Power.

20 MR. GERHART: George Gerhart, Executive
21 Director of the Shenango Valley Chamber of Commerce.

22 MR. DiFEO: Carl DiFeo, concerned citizen,
23 public.

24 MS. McALLISTER: Gwen McAllister with the
25 Greenville Area Economic Development Corporation.

1 REPRESENTATIVE DALEY: Okay, thank you.
2 Counsel, I'm glad your sitting next to the
3 Prothonotary. As a practicing lawyer, I'd probably
4 sit there myself. So Senator, as Dave asked, you're
5 welcome to sit up at the table here.

6 SENATOR ROBBINS: You look crowded as it is.

7 REPRESENTATIVE DALEY: The Senator and I were
8 elected together back in 1982 into the House, and,
9 of course, he's moved to bigger and better things,
10 but we welcome you to be at the meeting.

11 SENATOR ROBBINS: Thank you.

12 REPRESENTATIVE DALEY: And at this time I'd
13 like to turn the meeting over to Representative
14 Longietti.

15 REPRESENTATIVE LONGIETTI: Thank you. I want
16 to thank the Chairman, first of all, for holding the
17 first of a series of hearings that will be held
18 across the state right here in the Shenango Valley.
19 And we're very pleased with the number of members
20 that are present. I want to thank each one of them
21 for coming out to our hearing this morning.

22 And I want to particularly thank those of
23 our local delegation: Representative Brooks and
24 Senator Robbins. We try to work together as a
25 team to advance economic development here in

1 Mercer County, and I think we have worked
2 effectively, and we certainly appreciate the long
3 tenure of Senator Robbins who has been our leader.

4 I also just want to observe before we get
5 to our presenters that we often ask the question,
6 does Harrisburg listen to us here in Mercer
7 County? And today certainly is a day where
8 Harrisburg has come to Mercer County to hear what
9 is happening in the world of economic development,
10 what are some of our success stories, and what are
11 some of our challenges, and perhaps some ways that
12 government can assist us. So it's very gratifying
13 to have that opportunity today.

14 Also to make an observation that we have
15 had challenging times here in Mercer County and
16 the Shenango Valley over the years. We went
17 through a lot of dislocation, as the Chairman's
18 district did, also back in the early 1980's when
19 we saw our manufacturing base decline, and we lost
20 tens of thousands of jobs in this community.

21 And we learned some lessons from that. We
22 learned that we need a more diverse economy that
23 not only includes our manufacturing base, but
24 other types of industries, and even high-tech
25 industries. And in our smaller local,

1 locally-based businesses tend to be our base and
2 what we can count on.

3 And so we've become a more diverse economy.
4 We've become smaller businesses, and I think
5 that's been helpful to us. Now, certainly we face
6 challenging economic times again, and even those
7 businesses are challenged. But we have some folks
8 that have led us that we're going to hear from to
9 help those businesses stay here in Mercer County,
10 expand when there's opportunities to expand, as
11 well as look to those opportunities where we can
12 draw new businesses in or assist people that have
13 innovative ideas in starting businesses.

14 My final observation is -- and I think you
15 may well agree -- that workforce development is
16 economic development. Our most precious resource
17 is our human capital, and as we invest in that --
18 and we will hear from PMI very shortly -- as we
19 invest in our human capital we grow the
20 possibilities of expanding our economy and our
21 base here in Mercer County.

22 And so I'm certainly a big proponent.
23 We've heard, even with our industrial businesses
24 that they're looking for, in many cases, until
25 this economic downturn, they've had job

1 opportunities, but they need qualified people to
2 fill those opportunities. And so part of our
3 challenge is to develop that skilled workforce
4 that we need to supply those jobs.

5 So enough of me talking. We're really here
6 to listen. And why don't we start with Maggie
7 Horne. She is the Director of the local office of
8 the Gannon Small Business Development Center,
9 which is co-located with Penn-Northwest in Mercer.

10 MS. MARGARET HORNE: Thank you. I do want to
11 thank you for this opportunity to give you an idea
12 of what's happening in our small business community
13 here in Mercer County.

14 I am the business consultant for this
15 county, which means that I am the first person
16 that people will turn to if they are looking to
17 start a business or existing businesses who have
18 some form of need.

19 We do work in all four counties, so I also
20 have support from our Erie office, which is very
21 beneficial for the companies here because we can
22 provide a wide range of services.

23 For over a decade we've been with
24 Penn-Northwest Development Corporation, and that
25 is to share the resources and to be able to

1 provide the services that the companies in this
2 area need, and it's worked very well.

3 Some of the consulting services that we
4 provide and clients have taken advantage of are
5 things like business management, financial
6 management, environmental, which is certainly key
7 right now with energy efficiency, things of that
8 nature. And we work with business planning,
9 international, et cetera. The focus of our
10 program is to assist clients with those needs.

11 To give you an idea of our impact, this
12 last fiscal year we had 119 clients that we
13 serviced. We provided 1,216 hours of business
14 consulting hours, and we assisted clients in
15 obtaining over \$1.1 million in financing to either
16 start or expand their business operations.

17 At this time, of course, small businesses
18 everywhere, including Mercer County, are having a
19 very hard time. They are facing a lot of
20 challenges. Not only are they facing small
21 decrease in sales, but also access to capital in
22 order to be able to continue to operate through
23 this recession.

24 On a daily basis I am in communication, one
25 form or another, with a small business looking for

1 financial assistance, and we do provide those
2 services, which I'll talk about in just a few
3 minutes.

4 Some businesses are mature, well-positioned
5 businesses, and they're facing, for the first
6 time, credit restrictions on what they've been
7 able to obtain before. There's been some
8 restrictions, and they've had to face this
9 obstacle.

10 Other businesses are small businesses.
11 They're using credit cards with high interest
12 rates. It's just compounding problems. In order
13 to just to meet payroll, just to pay the bills,
14 just to do the day-to-day business, keeping the
15 lights on.

16 So even though revenue is decreasing, the
17 expenses are not. They are having difficulty even
18 being approved for loans because of the lower
19 sales and the condition they are in. And in
20 addition to that, it's making it more difficult to
21 even meet their payments, all compounding the
22 problem back to the recession.

23 Small businesses need this credit in order
24 to meet payroll, their inventory demands; and, as
25 I said, just to pay the bills at this time.

1 But they do have fewer funding options than
2 the larger corporations. Few, if any, of the
3 state programs provide working capital, which is
4 truly the meat of our small businesses. And few
5 of the companies qualify for those programs in
6 that sector. The application and approval process
7 can take up to six months, and the need for the
8 funding is immediate.

9 In addition to the reduced credit
10 availability, the risk return for those types of
11 programs are already in place. It's making it
12 more difficult for them to obtain the credit to
13 continue with daily operations, and this is even
14 with the Small Business Administration New
15 Incentives. This new program of providing those
16 incentives. It is still difficult for our small
17 businesses to obtain the credit needed.

18 Our center works with both start-up and
19 existing companies, and it has come to our
20 attention recently one of the lending institutions
21 in our area will no longer be providing assistance
22 for start-ups, true start-ups. So now they're
23 going to have even less resources in order to be
24 able to obtain the financing for their ventures.

25 REPRESENTATIVE DALEY: Who's that? What

1 lending institution?

2 MS. MARGARET HORNE: PNC. There are less
3 resources for our companies to go to in this time of
4 need.

5 At the same time that our businesses are
6 experiencing the financial crisis, funding for the
7 programs such as the SBDC are in question. At
8 this time it is critical that we continue to be
9 able to operate and provide the services because
10 of the conditions and the needs of our businesses
11 in the area.

12 So if the funding is reduced, it's going to
13 make the resources even less available at the time
14 when they need it the most. Although there are
15 federally funded programs for working capital,
16 there's not a lot of money there for them.

17 Now, I'll give you an example. Our
18 regional Micro Loan Program had 12 applicants, and
19 they only had \$25,000 of funds to be able to
20 distribute. Again, underfunding. There's not an
21 ability to get that credit.

22 Companies of all sizes and in all
23 industries are affected by the recession. Our
24 larger companies in the areas, as Larry Reichard
25 will be discussing, have been hit very hard by the

1 recession. As these closings and layoffs occur,
2 it is certainly affecting the small businesses
3 because they rely on these workers and the
4 businesses for their continued existence as well.

5 I've had also a number of calls from those
6 that have been laid off who are interested in
7 looking to potentially start their own business,
8 but there are restrictions through the
9 unemployment laws that cause them to potentially
10 lose benefits by even looking at the potential of
11 starting their own business.

12 To nurture the business environment, we
13 also need the infrastructure in place. We need
14 the utilities, the communications. We need all of
15 this infrastructure in order to really allow the
16 growth start-up and the continued success of the
17 businesses in the area.

18 So I'd like to give you an idea of what
19 we're doing here at the SBDC as we assist these
20 clients through this difficult time.

21 One of the ways we're assisting them is
22 we're performing financial analysis for companies.

23 This is helping them to identify the areas and
24 expenses that they can potentially look at and
25 continue to function. This analysis also helps

1 them to put together budgets to continue to move
2 forward and look forward to when they begin
3 getting more sales when this little recession is
4 over with.

5 We also work with the banks for those
6 individuals that are looking to approach the bank
7 for lending. We assist them in developing the
8 business plan, the projections, and giving them
9 the opportunity to approach the lending
10 institutions to determine the ability to get the
11 financing they need.

12 We have also just recently provided a
13 series of marketing seminars focused on low-cost
14 or no-cost ways of networking, marketing, and
15 getting their business, continue to operate, and
16 attracting customers with the less, the lower
17 budget they have available for these kinds of
18 activities. We will be doing the same seminar
19 that was very well-received again in May,
20 continuing to try to help our companies.

21 I am an accredited evaluation analyst, that
22 is something I bring to the table as a specialist.
23 I do work with all four counties that way.

24 Keep in mind, we do not do evaluation
25 reports and things like the public sector does. I

1 did do that -- I'm sorry, in the private sector.
2 I did do that in the private sector. Now what I
3 do is I'm able to provide and identify the factors
4 for the businesses to understand what builds value
5 in their business. What should they be
6 concentrating on to understand how to build value
7 in their business to help prepare for financing,
8 et cetera.

9 People are looking for new markets because
10 their markets just aren't there, so we also
11 provide research. A company could identify a
12 target market, a certain industry that is their
13 key target customers and an area that they would
14 like to be infiltrating. We can then provide,
15 through our assistance with our research at the
16 University of Pennsylvania, we can provide them a
17 list of those companies to help them with their
18 marketing efforts.

19 International is another way people are
20 looking to potentially expand their market area,
21 and we do have an international consultant that
22 will help them explore the possibility of opening
23 those markets to them.

24 We also have a referral service. People,
25 you know, we aren't accountants, we aren't

1 attorneys. We have companies that need those
2 resources, and they do come to us, and we provide
3 them those referrals so they can get the
4 assistance they need in the private sector.

5 Strategic planning has certainly come to
6 the table at this point. Some that have never
7 even considered doing that are starting to place
8 importance on having strategies in place to
9 continue to grow and nurture their businesses, and
10 we can assist them. And I've done several
11 projects of that kind here in Mercer County.

12 Our start-ups, we assist them to understand
13 the process and work through all of those steps
14 that are necessary to successfully start their
15 business.

16 And, lastly, I talk about clients. I also
17 want you to understand I get a number of phone
18 calls from people that never become clients. We
19 work with a number of people that are just calling
20 and talking to me for half an hour, 45 minutes.
21 They just need some direction. They just need to
22 know what's happening. I get questions about, you
23 know, we hear about the stimulus money. We hear
24 about this and that, you know, what's happening
25 there.

1 So even though we can state that we work
2 with 119 clients, keep in mind those people with
3 several hundred, outside of that, just on
4 providing information to them.

5 So ways that potentially the state can help
6 us to continue to provide these services or to
7 help the companies in the area looking at
8 potentially some guarantee programs like the SBA
9 has to move forward with some lending that the
10 companies truly need.

11 Funding, the program's in place at the
12 appropriate levels, so that those services can
13 continue to be available to the companies,
14 especially at this time. Tax is always an issue
15 with our clients. Maybe looking at flexibility
16 with the tax requirements, longer time periods of
17 time to pay them and maybe some flexibility with
18 some fees or even penalties giving some deferment
19 or something along that line. Working capital
20 programs are key if you could consider something
21 like that.

22 Decentralizing the lending process,
23 providing the fundings to the local area so that
24 the decisions can be made more locally, more
25 efficiently, and get that money to individuals and

1 companies at the time they need it.

2 And lastly maybe loosening the
3 restrictions. This is something, as I had stated,
4 the restrictions on unemployment for those
5 entrepreneurs that may want to start pursuing.
6 Allow them to pursue the possibility without the
7 penalty or the concern that they may lose the
8 benefits that are paying their bills at this
9 point.

10 So I thank you for this opportunity.

11 REPRESENTATIVE LONGIETTI: We had some folks
12 join us just a few minutes ago. First of all,
13 Representative Dick Stevenson. I want to thank him
14 for his efforts and for coming out this morning, as
15 well as two of our County Commissioners, County
16 Commissioner Ken Ammann and County Commissioner
17 Brian Beader. So we certainly appreciate them
18 joining us.

19 Mr. Chairman, before we go to questions, do
20 we want to continue on with our presentations.

21 REPRESENTATIVE DALEY: I know I have a couple
22 of questions. I don't know what the feeling of the
23 committee or the members are, but I would like to
24 ask you a couple of questions, and maybe we could
25 just maybe move and then continue because you've

1 raised some issues.

2 You said lowering -- easing up on the
3 restrictions on unemployment compensation. What
4 do you mean by that?

5 MS. MARGARET HORNE: I'll give you an
6 example.

7 The state director was at our facility the
8 other day, and he brought to attention there's a
9 program called the SEA Program, which is a
10 state-funded program in certain areas of the state
11 that provides training for individuals on
12 unemployment seeking to start their own business.

13 It was brought to their attention that just
14 pursuing this could potentially limit their
15 benefits or bring into question their actual
16 ability to continue to get the benefits. The next
17 class, no one showed up. Everyone dropped out
18 because they were concerned that even pursuing the
19 possibility of opening a business could jeopardize
20 their ability to get benefits.

21 REPRESENTATIVE DALEY: SEA Program.

22 MS. MARGARET HORNE: Yes. Self-Employment
23 Assistance Program.

24 MR. CALLEN: And who is the director, Maggie?

25 MS. MARGARET HORNE: I'm sorry, I can't

1 answer that. Oh, my director?

2 MR. CALLEN: No, no. Who was the guy -- you
3 mean your state director?

4 MS. MARGARET HORNE: Correct, Christian
5 Conroy. He brought that to our attention. We had a
6 meeting with him in Erie on Tuesday, and it was
7 about a lot of things we're talking about today.
8 And that was a big concern across the state for all
9 the SBDCs. There are 18 across the state. We are
10 one of 18.

11 And that's what we're here to do is to try
12 to nurture that entrepreneurship. And the
13 individuals, now, that have an opportunity to
14 maybe do that are concerned, if they don't get a
15 paycheck, that unemployment check, they can't pay
16 their bills.

17 REPRESENTATIVE DALEY: You said PNC is
18 cutting lending to start-up business.

19 MS. MARGARET HORNE: True start-ups.

20 REPRESENTATIVE DALEY: True start-ups?

21 MS. MARGARET HORNE: Yes.

22 REPRESENTATIVE DALEY: Is this a policy they
23 adopted or is this something that's a local policy?
24 I mean, usually PNC's pretty much generally through
25 PNC. We'll do some investigation. We oversee

1 banking, so we'll find out what they're doing on
2 that and why that decision was made. I think that's
3 pretty important.

4 MS. MARGARET HORNE: Uh-huh. I know it's
5 regional because the Erie office was also informed
6 of that, so it is in our region. We've been
7 informed of that. They will consider financing for
8 purchasing of an existing business, but a true
9 start-up.

10 REPRESENTATIVE DALEY: Even if it's
11 capitalized in the proper way. It doesn't matter?

12 MS. MARGARET HORNE: They're discouraging
13 true start-ups.

14 REPRESENTATIVE DALEY: Yeah, I mean, this
15 seems kind of contrary to where we should be right
16 now in terms of what we need to be doing.
17 Mr. Chairman.

18 REPRESENTATIVE LONGIETTI: Questions from our
19 panel? We'll have an opportunity to ask further
20 questions as we go through, but are there any
21 questions at this point?

22 REPRESENTATIVE MATZIE: Mark.

23 REPRESENTATIVE LONGIETTI: Yes.

24 REPRESENTATIVE MATZIE: Maggie, now, you
25 mentioned strategic planning. Just a little

1 overview of what goes in to the strategic planning
2 when you talk, especially an existing business.

3 MS. MARGARET HORNE: We looked at several
4 areas and the goals for those areas. For instance,
5 organization goals, people resources, human
6 resources, finance goals. Those key areas that
7 drive and allow a company to grow and prosper.

8 And we'll identify goals that they'd like
9 to reach and assist in putting the tasks and
10 strategies in place in order to reach those goals.
11 And it's really -- they may have had some goals
12 last year, but with the recession they've had to
13 start to adjust those.

14 And there's even those that really had no
15 plan on trying to, you know, if you have a
16 decrease in sales, what do you do? So we're
17 focusing on finance, how the organization can look
18 at all of the areas of operation, where they can
19 maybe decrease costs. Maybe they can institute
20 some new practices to increase business and things
21 of that nature.

22 REPRESENTATIVE MATZIE: I would imagine if
23 it's a small mom and pop or a sole proprietor,
24 they've gone through everything and made it month to
25 month, and now they're finding that there's a little

1 decrease in bringing home the bacon, that they need
2 some assistance, and you're there ready. That's
3 good. That's nice to know that resource is
4 available. Thank you.

5 REPRESENTATIVE LONGIETTI: Any other
6 questions from our panel at this point? Yes,
7 Representative Brooks.

8 REPRESENTATIVE BROOKS: Could I ask, in the
9 budgeting process for this year, how does the state
10 budget affect your folks?

11 MS. MARGARET HORNE: Our state, the last
12 proposal, it was a 24 percent cut for the SBDCs
13 across the state.

14 REPRESENTATIVE BROOKS: And how do you feel
15 that you could make up that cut or how is it going
16 to affect your organization?

17 MS. MARGARET HORNE: We were cut once already
18 this year, which caused us to reduce our marketing
19 budget as well as travel. I'm restricted. I am not
20 permitted to travel outside of the state without
21 permission. I'm also restricted on travel even
22 locally, encouraging more people to come to us
23 because of reimbursement.

24 We also had to cut out a position, which
25 was a junior consultant up in Erie, who provided

1 some initial services to clients, inquiries and
2 things of that nature. And, unfortunately, if
3 this happens, we will need to be cutting staff at
4 the next level.

5 REPRESENTATIVE LONGIETTI: Any other
6 questions? If not we'll move on to our next
7 presenter, Larry Reichard, who is the Executive
8 Director of Penn-Northwest Development.

9 MR. REICHARD: Thank you very much.

10 First of all, we were very happy to have
11 the committee visit us a couple of years ago, and
12 I can tell you we're thrilled to have you back at
13 this point in time, particularly to address the
14 issues that we're all facing here in this
15 challenging economy.

16 In terms of my remarks, maybe three or four
17 different points that I would like to cover, and
18 in a sense kind of provide an additional backdrop
19 maybe for a discussion, question and answer
20 session that will follow here.

21 As Penn-Northwest, we are a 501 c 3 private
22 nonprofit and focus primarily on the value-added
23 manufacturing sector. We've been committed to
24 that for 20-plus years now here in the county
25 firmly believing manufacturing is not dead

1 compared to what some people indicate, and that
2 manufacturing really needs to remain as the driver
3 here in the local economy.

4 I have provided a handout. I'm not going
5 to go through those in detail, but there is a
6 community profile in that packet, and I would
7 encourage you to take a look at that as it will
8 give you a good background on Mercer County and
9 many of the amenities and resources that are
10 available here.

11 Very quickly on the demographic side of
12 things, round numbers, we're about 120,000 in
13 population. We have a workforce as of February,
14 55,200. Our value-added manufacturing sector
15 remains at about 8,800 people of that total
16 workforce, which is 16 percent of our total
17 workforce, which remains above the national and
18 state averages, and certainly remains a very
19 important component of the overall economy here in
20 the county.

21 I do want to share with you some of the
22 impacts that we are realizing here right now. And
23 just to hit some of the highlights, our
24 unemployment rate in December, the adjusted rates,
25 were 9.1 percent. January, adjusted 9.7 percent,

1 and February, the preliminaries were 9.3 percent.
2 And I'm sorry to say it's anticipated those
3 numbers will probably go higher.

4 As I mentioned, keep in mind that the
5 manufacturing value-added sector is 16 percent of
6 that total workforce.

7 Those numbers, really, if you put those in
8 context with the state and national average, the
9 state being about 7.5 percent, the national rate
10 at 8.1 percent, as you can see we're running above
11 those averages.

12 Those numbers really, though, do not
13 present the whole story. And as the agency that
14 manages the Business Retention and Expansion
15 Program here in Pennsylvania, we keep very close
16 contact with the manufacturers. Particularly
17 we've done that over the last six to eight months
18 when the economy started to turn downward. And in
19 many cases I've been talking to companies on a
20 two-to-three-week basis, where they are, what
21 their situation may be, particularly what their
22 job impact may be in terms of layoffs.

23 A sampling of 25 companies -- and this was
24 brought current here this week -- is indicating
25 out of those 25 companies that in the

1 manufacturing sector alone, that we can identify
2 at this point, the numbers of people on
3 unemployment are approaching 2200 in Mercer
4 County. That does not account for the other 220
5 or so small manufacturers that are here. If you
6 look at the aggregate numbers, I don't think it's
7 unrealistic to project that we probably are in the
8 2500 to 2600 range of unemployed in the
9 manufacturing sector here in Mercer County. And
10 that doesn't necessarily include the individuals
11 that may be on rolling layoffs. Shortened work
12 weeks are prevalent right here now. We have
13 companies that have rolled back salaries and
14 wages. So the impact really is pretty staggering
15 here in the local economic environment.

16 Translating those numbers into an unemployment
17 rate in the manufacturing sector, well above
18 25 percent.

19 So you can begin to see that translates
20 into other sectors of the economy, the buying
21 power that individuals have. And the thing that
22 we need to kind of remember here, we talk about
23 numbers a lot. These are not just numbers. These
24 are friends, they are family members, they are
25 neighbors that are feeling the pinch of this

1 challenging economy right now.

2 And in the packet there's a couple of
3 examples of some of the things that have occurred
4 here lately, and unfortunately in those numbers
5 there are closures, not just layoffs that we are
6 dealing with here.

7 I think another telling point here -- and
8 we work very closely with our Career Link. At
9 this point in time there are 10,760 persons
10 registered with the Mercer County Career Link.
11 That includes the unemployed, the underemployed
12 that are looking for opportunities here to better
13 themselves obviously in the environment that we're
14 dealing with.

15 Some of the issues and trends are pretty
16 simple in some respects. Sales are down. In many
17 cases companies simply do not have the orders.
18 The sentiment of the buying public right now is to
19 hold tight, and things are just not developing in
20 that regard.

21 As I mentioned, we've got rolling layoffs,
22 we've got reduced hours in the form of shortened
23 work weeks. We have depleted lines of credit that
24 companies are struggling with. Signature aluminum
25 was in that situation, which was in part a

1 contributor to their closing here two, three weeks
2 ago. And it's this need for working capital,
3 which we continue to hear on a recurring basis.

4 And it really is pretty simple: If you
5 have no orders, if you have no sales, if you have
6 no cash flow, yet you have fixed operating costs
7 and debt service that you have to meet, you can
8 only go on so long and manage that effectively.

9 Another situation that we've encountered
10 here -- a little bit different from some of those
11 things -- our steel industry is encountering some
12 challenges on the "Buy American" Program.

13 REPRESENTATIVE DALEY: We were just writing
14 notes on that, and we were just talking about it.

15 MR. REICHARD: And this just surfaced here in
16 the past week or so. I don't think any of us would
17 argue with the "Buy American" approach to things.
18 But our Duferco Farrell Steel Corporation is
19 actually precluded from entering into contracts.
20 The reason for that -- and it relates back to the
21 language in the "Buy American" legislation --
22 Duferco Farrell imports their slabs, ultimately
23 rolls those slabs, and produces the steel coil for a
24 variety of uses.

25 The pour and melt provision basically

1 requires that the steel originate in the United
2 States. And Duferco's position -- and hopefully
3 they can prevail on this -- that the pour and melt
4 requirements can be set aside, if you will, and
5 focus more on the manufacturing side of the
6 objectives of the "Buy American" clause.

7 I don't need to get into that necessarily
8 in detail. I have some additional information I'd
9 be happy to share maybe after the session in terms
10 of specific language that they're struggling with
11 right now.

12 REPRESENTATIVE DALEY: Representative
13 Longietti had just written that note prior to you
14 saying that, and I stated -- I mean, we have some
15 familiarity with steel industry, so possibly maybe
16 we can meet with them, Duferco, right?

17 REPRESENTATIVE LONGIETTI: Right.

18 REPRESENTATIVE DALEY: We could meet with
19 them and find out exactly what the problem is.
20 That's more of a federal legislation, isn't it?

21 MR. REICHARD: Yes. I certainly would
22 encourage that because at this point they've
23 indicated they have actually lost orders and lost
24 contracts due to the, due to this provision, some of
25 the uncertainties that go with that.

1 MR. CALLEN: Larry, I'm trying to remember --
2 and from reading the bill -- I remember the "Buy
3 American" provision. I don't remember the
4 definition being clearly like the domestic versus
5 pour and melt.

6 MR. REICHARD: I think part of the problem
7 here is --

8 MR. CALLEN: Is an interpretation.

9 MR. REICHARD: But the definition is not
10 totally clear.

11 MR. CALLEN: That's what I mean. So it's an
12 interpretation by Commerce or somebody.

13 MR. REICHARD: And the interpretation by some
14 of the -- from some of the projects that have been
15 ordering steel is that Duferco would not -- that the
16 Duferco product would not meet the "Buy American"
17 requirements.

18 MR. CALLEN: Yeah, it's not a statutory
19 definition. It's just a secretary's definition.

20 MR. REICHARD: It may be more of an
21 interpretation.

22 MR. CALLEN: Which means there's some wiggle
23 room there.

24 MR. REICHARD: In fact, Duferco was down
25 visiting with the steel caucus earlier this week or

1 the end of last week making this appeal for some
2 determination as to the language in that "Buy
3 American" legislation.

4 So I certainly would encourage contact with
5 Duferco, and we'd be happy to work with you,
6 Representative, to coordinate that.

7 I guess the last point, and hopefully I
8 won't necessarily be redundant with some of the
9 things that Maggie has said here, but I think we
10 have to look at state funding programs, generally
11 right now, particularly business financing
12 programs, and they are not equipped to deal with a
13 recessionary economy, if I can use that word,
14 Mr. Chairman.

15 REPRESENTATIVE DALEY: You can.

16 MR. REICHARD: We're just not equipped to do
17 that. The programs are premised upon new
18 investments and job creation to be -- to really be
19 eligible for traditional things like Pennsylvania
20 Industrial Development Authority, Machine Equipment
21 Loan Fund, and others.

22 So kind of keeping that in mind, I guess
23 some of the suggestions that we would make here
24 generally across the board would be to encourage
25 expanded, you know, in the past SBA has used

1 Contract Lending Programs. If you take a company
2 that basically has exhausted their working
3 capital, maybe struggling to come up with the
4 resources, to meet orders that may come in, look
5 at that as a potential opportunity to generate the
6 capital, do it on a contract basis, and try to
7 focus on that opportunity a bit more.

8 This might be getting out on the edge a
9 little bit in lieu of the state putting direct
10 dollars into support of working capital, which is
11 really at the top of the list right now, maybe the
12 Commonwealth could begin to look at providing some
13 loan guarantees.

14 If, for example, the client goes to the
15 banks, the client needs half a million in working
16 capital, maybe look at some creative way of
17 helping support that financing short of making
18 direct investments.

19 Refinancing: Companies that have
20 Commonwealth financing programs right now,
21 particularly those that may have PIDA, MELF, and
22 other combinations of financial assistance, look
23 at a refinancing situation. Again, that's
24 something that's not commonly done with the
25 programs, and maybe in some cases consolidation.

1 If it would make sense for a company to
2 consolidate a PIDA, a MELF or others, with the
3 intent of obviously lowering their monthly
4 payments.

5 Coupled with the state programs are the job
6 creation requirements particularly where you've
7 got a growth economy. I would say or suggest that
8 as a minimum right now that a moratorium be
9 established to relax those standards and those
10 requirements, particularly the monitoring side.

11 Companies that have entered into the public
12 financing in the last two or three years
13 particularly likely are not meeting their
14 projections, through no fault of their own. And a
15 moratorium of sorts can be at least, in our
16 opinion, in order in that respect.

17 Streamlining the economic programs: The
18 last time you were here we talked about that at
19 some length. We've talked about that at some
20 length for years now and still would very much
21 like to see some of that occur, so there's not a
22 duplication between the programs. Maybe even a
23 Commonwealth jobs bank, if you will. Single
24 source of funding out of which then you can then
25 draw machinery equipment, land and building,

1 financing, those types of things.

2 Last, but not least, Maggie touched on
3 this: The budget, at least as proposed at this
4 point, a copy of which is in your packet as well.
5 I'm not going to belabor this, but obviously if
6 you look down through here you see 100 percent
7 cuts on numerous line items. And I'm not
8 suggesting that cuts in some cases might not be
9 appropriate, but I think at a minimum here, taking
10 a look at these on a line by line, particularly as
11 these dollars relate to this economic environment
12 that we deal with here.

13 Things like the SBDC, it's not a good time
14 to be cutting those dollars.

15 REPRESENTATIVE DALEY: I don't think
16 everybody has a packet. Let us get the packets
17 around here. I apologize.

18 MR. REICHARD: But the budget is the last
19 page. And, again, the only thing I would suggest
20 there is these items be evaluated very carefully in
21 this difficult economic time. It's not the time to
22 be cutting dramatically your economic development
23 programs.

24 And with that I'll conclude and certainly
25 be happy to answer any questions.

1 REPRESENTATIVE LONGIETTI: Does the panel
2 have any questions at this point?

3 REPRESENTATIVE DALEY: I'm interested in the
4 concept of jobs bank. What do you want to do, put
5 everything under one umbrella? How do you want to
6 do that?

7 MR. REICHARD: In a sense, yes. I mean,
8 right now you go -- and much of this is legislation.
9 You have separate Pennsylvania Industrial
10 Development Authority Programs, Separate Machine
11 Equipment Loan Programs, although there's been some
12 discussion of pulling those together.

13 Separate programs for small business first,
14 which includes a tourism component, agriculture,
15 and some of those things. Basically begin to look
16 at those, and it would require legislative
17 changes.

18 But in lieu of having to go to different
19 departments and different staff review situations,
20 basically consolidate those programs into a larger
21 loan pool. And in the end hopefully be able to
22 streamline the process for a client coming into
23 the process. Truly they're going to one place
24 with a single application to address their funding
25 needs.

1 And those are only two or three programs.
2 There are others if you look across the myriad of
3 programs that the state has right now. Part of
4 the objective here will be to eliminate a lot of
5 the duplication that exists in some of these as
6 well.

7 REPRESENTATIVE DALEY: Several years ago I
8 created this idea of the Governor's Action Team when
9 I was first elected and helped to develop the
10 original idea of the melt program. My whole concept
11 of economic development is it has to be vertical.
12 And the problem that we have in Pennsylvania, too
13 much horizontal economic development. You have too
14 many agencies everywhere that do duplicate things.
15 And that's one of my concerns. And I am concerned
16 about how we deliver the programs in Pennsylvania.

17 And I hear from a lot of economic
18 development experts that they're saying, like
19 you're saying, that we have too many doors to go
20 into for too many different programs.

21 This idea probably does need to be looked
22 at by the committee and the Governor on ways of
23 really making Pennsylvania more competitive.

24 You spend too much time trying to do many
25 offices to try to get the same result. I think

1 that's a really important thing.

2 MR. REICHARD: Over the years we've learned
3 probably some hard lessons. The more programs that
4 are introduced into a project the more complicated
5 the whole process becomes.

6 Years back we had a major retention project
7 where we ended up with seven or eight different
8 components: State, local, the whole combination
9 of things. At that point in time in effect you
10 had seven or eight different applications, you had
11 seven or eight different loan reviews, you had
12 seven different legal reviews. You had more
13 attorneys involved in the process than probably
14 what was practically needed at that point. And it
15 was very expensive and very time-consuming.

16 And taking those programs, many of which
17 were funding on the same components of the
18 project, if you could consolidate those down to
19 one ideally or a couple, it streamlines the whole
20 system and is more user friendly for the developer
21 company to do it.

22 REPRESENTATIVE DALEY: Does the Action Team
23 do that for you?

24 MR. REICHARD: The Action Team worked very
25 closely with us. In fact, we've had excellent

1 relationships with the Governor's Action Team.
2 Very, very supportive of all the projects here in
3 Mercer County. And that case might have been a
4 little unusual. It's not unusual to have three or
5 four, which from our prospective was probably three
6 or four too many.

7 REPRESENTATIVE DALEY: I appreciate that. My
8 background -- as a matter of fact, my Executive
9 Director's background is Economic Development prior
10 to coming into the legislature. Steel Valley
11 Council Governments, Mid Mon Valley Council
12 Governments. I was on Southwest Regional,
13 Pennsylvania Southwest Regional Commission. And I
14 mean I understand where you're coming from. The
15 problem is sort of changing the way we do business
16 in Pennsylvania, and it's taking a long time to do
17 it.

18 MR. REICHARD: It does require a lot of
19 changes because many of these are legislatively
20 established here. We've had a lot of companies
21 that, frankly, when you sit down and you lay out the
22 menu of financing opportunities simply take a look
23 at that and they back away from the table.

24 We're not going to get involved in that
25 complex situation, and it's very discouraging when

1 you lay out these opportunities, and despite the
2 fact you're offering to coordinate and manage and
3 help them get through the process that they're
4 saying, well, let's go to the bank.

5 Pete would like that, but the combination
6 of the financing is important in getting through
7 the process quickly is extremely important. Time
8 is money. That's that old adage.

9 REPRESENTATIVE DALEY: Thank you.

10 REPRESENTATIVE LONGIETTI: Other questions
11 from our panel? Yes, Representative Brooks.

12 REPRESENTATIVE BROOKS: With the suggestion
13 of restructuring the conditions and requirements for
14 job creation, what benchmarks do you suggest to put
15 in place or to replace those job creation goals?

16 MR. REICHARD: Well, I guess -- yeah, good
17 question.

18 In terms of where we are right now, if we
19 were in a growth economy, having in place the
20 objectives and new jobs, new investment, clearly
21 that makes sense. Today we're in basically a
22 survival mode in a good many cases, and retention
23 is absolutely the most critical thing that we're
24 looking at.

25 And that's, I guess, in terms of suggesting

1 maybe some refinancing and restructuring, helping
2 companies get through those kind of things,
3 focusing more on where we are today. Really kind
4 of looking at this, going into a recessionary
5 mode, if you will, in terms of how the state would
6 deal with the programs versus the traditional
7 growth, new jobs, new investment. Does that
8 answer your question?

9 REPRESENTATIVE BROOKS: Would you then
10 perhaps replace right now the job creation portion
11 with job retention and put those benchmarks in?

12 MR. REICHARD: Yes, in many cases, yes, or at
13 least have that as a co-component in terms of how
14 the state would review an application.

15 Now, another component of that -- and if
16 I'm taking up too much time cut me off here.
17 Another component of that is lending is based on,
18 most programs, \$30,000 for each new job --

19 REPRESENTATIVE BROOKS: Right.

20 MR. REICHARD: -- that is created. And
21 something else that the programs, at least from my
22 prospective don't take into account right now, are
23 the advances in technology.

24 Companies today can have far greater
25 productivity with far fewer employees than what

1 they had 10 or 15 years ago. So there may need to
2 be some other benchmarks there to evaluate whether
3 or not the funding is made available. Jobs is on
4 everybody's mind, which is certainly important,
5 but productivity, through the technological side,
6 is also critically important.

7 REPRESENTATIVE BROOKS: Thank you.

8 REPRESENTATIVE LONGIETTI: Are you aware of
9 how long that one job to \$30,000 worth of funding
10 has been around?

11 MR. REICHARD: Probably eight or nine years.
12 That number has actually gone up at one point.

13 MR. CALLEN: It used to be 25.

14 MR. REICHARD: It used to be 25. There was a
15 point where it was one and 15,000.

16 MR. CALLEN: Well, that's before my time.

17 REPRESENTATIVE DALEY: Don't let him fool
18 you.

19 MR. REICHARD: Thank you.

20 REPRESENTATIVE DALEY: Within the last eight
21 or nine years, it went to 30 to 25.

22 REPRESENTATIVE LONGIETTI: I see we have
23 somebody in the audience, and I hesitate to open it
24 up because we need to get through our panel, but we
25 will let Mr. Ristvey -- does he have a question?

1 MR. MICHAEL RISTVEY: I apologize because I'm
2 a little unhappy. A year ago I tried to bring a
3 \$9 million economic development project in, which
4 was commercial. It would have created 200 jobs.
5 These are not 30 or 40 or \$50,000 a year jobs. It
6 would have probably been \$20,000 for a second job in
7 the family.

8 I went to Penn-Northwest, to Mr. Reichard
9 and said support me. No. He was with a woman who
10 WAS adjacent to my property. I need a zone
11 change. I didn't get any support.

12 Now, it's not an industrial job, but they
13 were jobs. We could have used them. No, we don't
14 want to support this because I'd lose my happy
15 home. I've got some neighbors who are doctors and
16 lawyers, and they don't want this project. They'd
17 like this land to be -- stay as it is. It's now
18 on a five-lane highway across the creek from
19 WalMart. It's ready to be developed, but we don't
20 develop it. We turn down 200 jobs. I think it's
21 great he comes here and says we want jobs, we want
22 jobs.

23 REPRESENTATIVE LONGIETTI: We're really not
24 ...

25 MR. MICHAEL RISTVEY: I understand that, and

1 I apologize.

2 REPRESENTATIVE LONGIETTI: Sure.

3 MR. MICHAEL RISTVEY: I do have another
4 meeting I have to go to, but I'm just saying who
5 supported me? Did any of these people come in and
6 support the project? No. They listened to the
7 neighbors and say, let's not do this. We'll leave
8 this land vacant because we like it that way.

9 REPRESENTATIVE DALEY: We understand your
10 situation. Every region in the state we've been to
11 we've had those kind of stories, but today we're
12 dealing with this story. And if you want to call me
13 and talk to our office we'd be glad to talk to you
14 about something in the future. Maybe we can do it
15 through your legislators. And I appreciate you
16 coming.

17 MR. MICHAEL RISTVEY: I apologize. I do have
18 another meeting I have to go to. And I'm just very
19 disappointed in Penn-Northwest. They come here and
20 THEY talk about this and this and this, and then
21 they won't support a project of this nature. It
22 wasn't industrial, which --

23 REPRESENTATIVE DALEY: I'm not going to let
24 you go on any further, sir. I'm sorry. Thank you
25 very much. Would you identify yourself for the

1 record, please?

2 MR. MICHAEL RISTVEY: Michael Ristvey. I
3 apologize, I've got to leave.

4 REPRESENTATIVE DALEY: Apology accepted.

5 REPRESENTATIVE LONGIETTI: Notwithstanding
6 those comments, I mean, I think those of us in the
7 room who have worked with Penn-Northwest Development
8 have the utmost respect for what you do and the hard
9 work and results that you've achieved. And I know
10 we as legislators don't satisfy everyone. We get
11 our complaints and our detractors as well, and that
12 comes with the territory, but we certainly do
13 respect the good work that you do.

14 REPRESENTATIVE DALEY: Yeah, we understand
15 that, and it's highly inappropriate for him to voice
16 that here in this forum, and I apologize for him.

17 MR. REICHARD: That's okay. I appreciate
18 your remarks, and it's not the first time we've
19 dealt with this issue.

20 REPRESENTATIVE DALEY: We understand.

21 REPRESENTATIVE LONGIETTI: I know
22 Representative Stevenson had a question or comment.

23 REPRESENTATIVE STEVENSON: Thank you,
24 Mr. Chairman, just very briefly, and I appreciate
25 the indulgence of the committee. I also would

1 quickly add my words of support for Penn-Northwest.
2 They've been an excellent leader in economic
3 development in Mercer County for years.

4 But my thought was, Larry, with regard to
5 your comments about how Pennsylvania could do
6 better. Is there a state nearby that does it
7 better that we could model some of our, as Ohio,
8 for instance, whether it be a tax policy or
9 economic development programs, a simple approach?

10 MR. REICHARD: The state of Ohio has -- and
11 I'm not exactly sure what they call it, but it's
12 more of centralized pool of loan funds that can be
13 drawn upon in a more effective, time efficient
14 manner. And that might be probably the closest one
15 that we could look at.

16 Yeah, the problem over the years, there's
17 new programs come up and new legislations created,
18 which tends to kind of decentralize things a
19 little bit as opposed to going the other way and
20 keeping central focus on the financing.

21 REPRESENTATIVE MATZIE: Mark.

22 REPRESENTATIVE LONGIETTI: Yes.

23 REPRESENTATIVE MATZIE: More a comment than a
24 question. I think that we all understand the
25 economy we're in as policymakers relative to the

1 budget deficit we're facing.

2 I think what Larry mentioned relative to
3 potentially a moratorium and/or refinancing, that
4 really isn't -- could be something that's going to
5 cost or have a cost associated with it is really
6 two issues we need to probably look at as a
7 committee to see if, in fact, that that's
8 something we could explore because, as we all
9 know, new spending is basically out of the
10 question, so.

11 REPRESENTATIVE DALEY: Yeah, I think what
12 we're going to try to do is after we try to get
13 around the state as quickly as we can, bring the
14 Secretary in, and go over all these issues, and
15 maybe this issue, maybe we could go right to him and
16 talk to him about it right now, since it may need
17 our immediate attention as a committee as opposed to
18 waiting a month and a half. So I hope that
19 suffices.

20 REPRESENTATIVE MATZIE: Absolutely.

21 MR. REICHARD: Very good. Thank you.

22 REPRESENTATIVE LONGIETTI: Yes.

23 REPRESENTATIVE OBERLANDER: Larry, how many
24 companies do you think are in the situation where
25 they are not meeting their requirements for that job

1 creation at this time?

2 MR. REICHARD: It's kind of hard to put a
3 number on it. We do know that even at the state
4 level with PIDA and MELF that there are more
5 requests for interest-only payments, requests for
6 restructuring. We're seeing that here locally both
7 through the Enterprise Zone Loan Program and
8 Penn-Northwest, which we collaborated here a couple
9 of years ago.

10 In total, we've done about 240 loans.
11 We're seeing more requests there of late with
12 those that are outstanding right now for
13 restructuring, interest-only payments. And it's
14 becoming, just in the last two or three months,
15 we're beginning to see more of a trend in that
16 area.

17 So some sort of restructuring with some
18 sort of a refinancing, you know, depending on the
19 project, may be in order, it may be of benefit to
20 the companies that are in that situation.

21 REPRESENTATIVE OBERLANDER: Thank you.

22 REPRESENTATIVE LONGIETTI: Representative
23 Mirabito.

24 REPRESENTATIVE MIRABITO: I'm just wondering,
25 as I listen to this, not to cast any aspersion on

1 the idea, I'm wondering if we're going at it -- what
2 we really need to do is get the banks and figure out
3 how we can do something to get the banks back in the
4 game on this because certainly the comment -- and
5 I'm not saying, suggesting I'm opposed to what
6 you're suggesting. It certainly needs to be looked
7 at. But ultimately, the banks have to get back into
8 the lending game, and the Commonwealth, if it is
9 underwriting or guaranteeing loans, these questions
10 of whether collateral is taken and what happens if
11 these loans aren't repaid and so forth.

12 And I'm wondering if we're not figuring out
13 a way to deal with the problem, and maybe it has
14 to be done on a micro level. The bankers are here
15 and maybe they can cast some thoughts about it
16 because, as a person who has a business, I
17 understand what you're saying. I've gone and
18 looked at programs that they are so bureaucratic
19 that I say I'm going to my bank.

20 And essentially, the bank is one-stop
21 shopping. I take it to them, I take the
22 financials to them, and they do the underwriting.
23 They send it off to five or six different people
24 in the bank. I don't have to go through those
25 doors or deal with those people.

1 But, in the recession that we're in now, I
2 think maybe if we could have a conversation, it
3 would be helpful to learn. We read in the papers
4 about the large banks not lending, but we have
5 bankers here. I'd love to hear from them in terms
6 they know these businesses.

7 That's the key thing. It's like they know
8 them. And when you deal with local banks and they
9 have a relationship and they can go down the
10 block -- in my case, they can see the real estate
11 and can see it's rented and it's generating income
12 and so forth. So I would be interested in getting
13 some input.

14 MR. HOLLIDAY: Can I make a comment, Mark, if
15 I may? I'm going to put my old hat on, which is
16 economic development, a lot like Dave and some of
17 the others who have been in economic development
18 before I became the Director of PMI.

19 But I think part of what you're saying is
20 you're probably on point with that. The banks
21 know the community, the banks know the people, the
22 banks know the borrower. In many cases that
23 borrower is also coming to the state; and, again,
24 he has too reprove himself.

25 Anybody that goes and gets a PIDA loan has

1 to know he has to deal with this gentleman, so he
2 will bridge finance him until such time as the
3 paperwork catches up from the state and they go
4 find out how many kids he has, how many cars he
5 owns, how many businesses he has and everything
6 else, so they can say, well, this guy is
7 worthwhile, and he's already lending him money, so
8 that the state can catch up. The process is
9 convoluted to the extent. Yes, the bank's already
10 underwriting a portion, then the state is again
11 reanalyzing the entire situation and not using the
12 experts.

13 Not saying that the people in the state are
14 not experts, and they are very skilled at the jobs
15 they do, and they're trained for those jobs, and
16 they're the keeper of the gate, so to speak. But
17 what it amounts to is we're recreating all that
18 work.

19 And Larry's absolutely right. The process
20 is, you come in, we can do all of this for you.
21 Well, how long will it take? Six months or nine
22 months. In this environment, they don't have that
23 amount of time.

24 They're like a person on unemployment, and
25 I'll touch on that in a minute. A person on

1 unemployment got 26 weeks of income of some kind
2 to go find a job or to change his career set. A
3 company doesn't have six months to wait to know
4 whether they're going to be financed or not or be
5 assisted to be able to expand or buy that new
6 piece of equipment or whatever goes with it.

7 So you're absolutely on point, the banks
8 already know the people. The state ought to rely
9 on those people because they're also experts in
10 the same industry, and they're protecting you as
11 well.

12 REPRESENTATIVE MIRABITO: I mean maybe a
13 thought -- and I don't know how you figure this
14 out -- but maybe what you do is you do a loan to the
15 bank that's specifically targeted to short-term
16 working capital, underwritten with a guarantee only
17 on conditions that the people have already been
18 through underwriting, that their credit is
19 top-notch, and that you folks would feel comfortable
20 lending to it, except for the fact that you can't
21 get overnight funds to actually replace money you
22 put out.

23 MR. REICHARD: And that's really the
24 suggestion when I mentioned the guarantee side of
25 things. The bank would certainly do their analysis,

1 do all their due diligence. The bank may or may not
2 be concerned with say a half million dollar working
3 capital line.

4 A little nudge from the state in the form
5 of a guarantee to support not all, but a portion
6 of that. The risk that they're taking could be
7 the difference of getting that loan in place or
8 not.

9 I mean obviously right now with the
10 environment the way it is, the risks are higher,
11 and it really doesn't matter what sector of the
12 economy we're in here at present. But that little
13 nudge to get over the top, particularly in dealing
14 with manufacturing because in the manufacturing
15 side of things we think it would be important.
16 And at the same time, expedite the process.

17 They do the due diligence, they handle all
18 the credit analysis. Obviously the state's got to
19 have faith in the bank to deliver and all that,
20 but they're sharing in the risk.

21 MR. ASIMAKOPOULOS: It may not be all banks
22 that are able to participate, depending on their
23 current situation. First National is in a position
24 today where our asset quality has remained strong.
25 We've had some issues that we addressed in Florida

1 in late 2008, but overall our credit quality has
2 been pretty consistent, and we'd be in a position
3 where it's business as usual for us. We are
4 attempting to get out dollars to the community and
5 to different businesses.

6 Unfortunately, the times that we're in
7 today, there's been so much deterioration in some
8 cases that we're unable to do some of the things
9 that we'd like to do, but having some support,
10 state support, some type of guarantee. We're an
11 SBA preferred lender, and we try to utilize that
12 as much as we possibly can. It certainly would
13 help us to move the ball down the court a little
14 bit with some of these companies.

15 MR. REICHARD: Not necessarily suggesting
16 this be a long-term ongoing practice.

17 MR. ASIMAKOPOULOS: Right.

18 MR. REICHARD: When you get into a
19 recessionary economy where things tighten up
20 tremendously, of course, what we're dealing with now
21 is a national issue that compounds the problem here.
22 If there's some way that the state could, like I
23 said, put an incentive out there on the table, maybe
24 in the form of a guarantee.

25 You're not laying out any cash because

1 everyone's well aware of the budget constraints
2 that you're working with right now. But it might
3 be the difference of doing projects and not doing
4 projects, and the difference between keeping a
5 company alive versus one slipping away.

6 REPRESENTATIVE LONGIETTI: Thank you. I
7 think we're ready to move on to our next
8 presentation. Gary Gulla, Assistant City Manager in
9 the City of Hermitage. First of all, thank you,
10 Gary, for helping us to set up this hearing today.
11 And I neglected to also thank Butler County
12 Community College for hosting us today out here at
13 LindenPoint. So, Gary.

14 MR. GULLA: You're welcome. And thank you
15 very much. First of all, good morning to everybody.
16 Secondly, for the committee's benefit, let me assure
17 you this was not the first time, nor do I expect it
18 to be the last time to be part of one of Attorney
19 Ristvey's zoning tirades. Business as usual, so.

20 MR. REICHARD: We owe you an apology.

21 REPRESENTATIVE DALEY: Been there, done that.

22 MR. GULLA: We really do appreciate you
23 coming to Mercer County for the second time and have
24 an opportunity to talk to you. I would like to talk
25 to you a little bit about some of the initiatives

1 and projects that we have going on right now, how
2 the state's been involved in a number of these
3 programs, and maybe tie that back into some of the
4 difficult decisions we know you're going to have to
5 make as part of this budget process.

6 There's a lot of programs that are being
7 threatened to be cut or reduced. I'd like to pull
8 this all together. And when I say I, I mean we.
9 I mean, this is a panel that would normally be
10 together in different forums. We work very well
11 together.

12 Mark, on your comment about bringing the
13 government out here and the distance between
14 Harrisburg and Mercer County, I'm reminded of a
15 guy I've become friends with over the last 20
16 years, Brian Johnson, who, as you know, is the
17 Deputy Director of PENNVEST. When he was a
18 project manager he drove out here for the first
19 time, got out of his car, and asked me where the
20 stagecoach and tumbleweeds were because he had
21 never been this far west before.

22 So it is a bit of a challenge, but we're
23 very fortunate here with the representation we
24 have from the Senator and the three county
25 representatives that they do everything they can

1 on a regular basis to bring Harrisburg back to
2 Mercer County.

3 I'll talk a little bit about some of the
4 regional economic development activities. And as
5 Mark said, I work for the City of Hermitage. My
6 major responsibilities there are to oversee the
7 community and Economic Development Office. But
8 I'm also on Larry's board at Penn-Northwest. I'm
9 on the Shenango Valley Enterprise Zone, and we try
10 to really focus on the regional economy.

11 And we're dealing with coming out of the
12 recession right now, but we've tried to put some
13 initiatives forward that we believe will, at the
14 end of the day, strengthen our capacity to compete
15 in a technology-driven economy and a global
16 economy.

17 And as we sit here today in Butler County's
18 building and in LindenPoint Technical Park, these
19 are a couple of examples of successes that we've
20 been able here in Mercer County to put together
21 with the assistance of the Commonwealth programs.

22 Just very quickly, where we're sitting at
23 right now was an abandoned local airport. In
24 fact, if you look out the windows, there's still
25 of evidence of a runway that existed here.

1 We were able, with the Senator's help, to
2 get into a previous ARCap legislation with a
3 private developer that came to the table with over
4 \$2 million, to put together a \$6 million Site
5 Acquisition Development Project. It was part of a
6 success that was really driven by Larry Reichard
7 and his sister agency, the Regional Planning
8 Commission, to identify and prepare 1,000 acres of
9 useable land for economic development in the
10 county.

11 We're no different than a lot of the
12 problems that you guys have seen in Beaver Valley
13 and in the Mon Valley. We're dealing with coming
14 out of a steel economy. Yeah, we had sites that
15 had environmental issues, they had infrastructure
16 issues, they had access issues. So we're trying
17 to prepare ourselves for a better inventory of
18 sites.

19 We were able then at that same point in
20 time to encourage a group of local investors to
21 build the building that we're sitting in today.
22 Basically they came to us and said if you can put
23 together the \$6 million site development project,
24 we'll come to the table with what ended up being
25 \$1.2 million to build this building.

1 So immediately we leveraged some private
2 capital. Why is that important? Well, for the
3 first time it brought a Community College to
4 Mercer County. Butler County was able to come
5 here, locate in this building, which was a spec
6 building. And, in fact, were subsidized initially
7 with funds from the Department of Community and
8 Economic Development.

9 Also, operating above us right now is
10 Novocell Semiconductor. Again, with the
11 assistance of the Department of Community and
12 Economic Development programs, with Ben Franklin
13 partnership, we were able to attract an
14 intellectual property design team to this
15 building.

16 So there's a couple of examples how we, as
17 a group, put together I think some very creative
18 partnerships in the state government, local
19 government, county government, and different
20 resources that work well for us.

21 Following that, we sort of looked at where
22 did we want to go when we grew up? What are our
23 chances for success? And a couple of partners
24 that are not at the table today that are regularly
25 with us are the Mercer County Career Link and the

1 Mercer-Lawrence Workforce Investment Board.

2 And looking into our industry cluster
3 analysis, not only in western Pennsylvania, but
4 across the border in eastern Ohio, we had some
5 pretty interesting things going on. And the
6 electronics industry had shown some pretty
7 significant growth from about 2000 to 2004, and
8 there's about a 36 percent increase. In
9 electronics, that's a pretty NAICS Code. I mean,
10 that's everything from an IP development company
11 to an electronic manufacturing assembly plant.

12 But, nonetheless, with the way the economy
13 was changing, we saw this as an opportunity, and
14 we wanted to look at it closer. Again, with the
15 assistance of the Senator, we got a \$25,000 grant
16 through DCED to do a conceptual design and
17 feasibility analysis of would a Center of
18 Excellence work here in Mercer County, and if it
19 would work, what industries should we focus on?

20 It took us about a year to complete that
21 process, but it was a good exercise for us because
22 we had a lot of key person interviews. We met
23 with Precision Manufacturing. We met with the
24 folks at Knowledge Park up in Erie. We engaged
25 the Tech Collaborative, which would have been the

1 Digital Greenhouse, just transferring the robotics
2 found into the Tech Collaborative.

3 At the end of the day what we decided is it
4 was worth the risk for us to move forward and to
5 try to put together a Center of Excellence.

6 Another partner we were able to bring to
7 the table out of that was the United States
8 Department of Commerce, and about probably
9 300 yards from where we're sitting right now
10 they're breaking ground for a Training and
11 Workforce Development Building. We were the
12 recipient of \$800,000 of funds, 600 of which came
13 from EDA, and 200,000 came from the Appalachian
14 Regional Commission. So we're able to continue to
15 build capacity and build momentum with the
16 assistance of these Commonwealth programs.

17 One of the key partners in this that
18 reaches out -- and I'm a little bit concerned
19 about from a budget standpoint, as I'm sure you
20 are -- is the technology collaborative. I mean,
21 as the lead economic development agency certainly
22 in this region when it comes to advanced
23 electronics and robotics, the line item that they
24 depend upon at DCED has been zeroed out. And they
25 also depend upon funds from the Ben Franklin

1 Partnership heavily. They have been a great
2 organization. They have been a great partner.

3 In fact, Novocell is a member of the
4 technologic collaborative, and we would hope you
5 look closely at that part of the budget when you
6 get to that point. And I understand you have
7 difficult decisions, but I think if we, coming out
8 of this recession and generations into the future
9 are going to be competitive, it is key that we
10 have a workforce that is ready and prepared to
11 compete with the local economy and the technology
12 industry.

13 We also were a recipient recently of a
14 \$1.25 million Redevelopment Systems Capital
15 Program to further enhance the technology cluster
16 and the Center of Excellence concept, and we hope
17 by the end of the year we'll be breaking ground on
18 an electronics testing center and incubator
19 building here again close to where we sit.

20 What I guess I'm trying to do here is
21 explain to you a little bit how we've had some
22 successes and how important a lot of the programs
23 are at the Commonwealth level that we've been able
24 to take advantage of, and hopefully keep that in
25 mind, again, when you're faced with some difficult

1 decisions this coming June.

2 I'd encourage you not to completely abandon
3 some of these effective programs, to try not to
4 cut into some of them too deeply, and really as
5 goal, I think all of us, we'd really want to be
6 able to better prepare our workforce.

7 Mark touched on that. We can do a lot of
8 things. We can provide financing. We can provide
9 sites. We can provide opportunity grants, but if
10 we cannot provide human capital, there is no
11 long-term success. That's pretty much my
12 comments. Thank you.

13 REPRESENTATIVE DALEY: Let me ask you a
14 question concerning human capital. We found in the
15 Mid Mon Valley a real bad problem that had not
16 existed before. Our work ethic in western
17 Pennsylvania, Shenango Valley, Mon Valley, Beaver
18 Valley is remarkable. I mean, that's the thing that
19 sold this region for 150 years. Our ancestors have
20 come in from all parts of the world, came here,
21 recruited to work. And that work ethic has
22 transcended decades.

23 But we've found that now it's hard to find
24 young people that aren't on drugs. And this
25 problem is so remarkable. They can't pass a drug

1 test. They can't pass a pee test. They can't --
2 some of them can't even pass a literacy test,
3 which is really remarkable for us.

4 Are you experiencing the same problems
5 here? I think you probably are, but...

6 MR. GULLA: Well, I mean, you could pretty
7 much replace Mon Valley with Shenango Valley and
8 find a lot of those same situations. In
9 Pennsylvania and in these valleys and out east, for
10 our history, we've made things. We take raw
11 materials, we put them through a process, and we
12 produce good products. And I think that's what we
13 need to continue to do.

14 It is a little bit of a challenge, and I
15 think it needs to go down to the elementary
16 education and the high school education. One of
17 the things that we're hearing regionally here out
18 of the colleges that are pushing the STEM
19 disciplines right now, because these kids are
20 coming out of high school and don't have some of
21 basic skills that it's going to take to do jobs of
22 the future.

23 We talked a little bit about unemployment.
24 We're resilient here, and I think we're going to
25 come back again. Over 20 years ago when I took my

1 first job in public administration, a month after
2 I took it, Mercer County was on the cover of Time
3 Magazine with 26 percent unemployment rate.

4 Twenty-six percent. And, yeah, we've had some --

5 REPRESENTATIVE DALEY: Page 2 is Fayette
6 County and Beaver County.

7 MR. GULLA: We share a lot of the common
8 problems. But the youth are always going to be our
9 future, and I think that their basic skills, their
10 math skills are going to be key; and I think we've
11 got to teach them to make good decisions in life.

12 I would agree with you and Larry, who does
13 the Business Retention Program, will probably tell
14 you that he hears that quite often from some
15 manufacturers; that drug usage and the failure of
16 a drug test is an issue that they do deal with
17 here.

18 REPRESENTATIVE DALEY: Let me just kick back
19 one thing to you. About four years ago I proposed a
20 Statewide Technical College System. My background
21 besides economic development is education. And the
22 Governor jumped on it and has developed this
23 Technical College Program. Westmoreland County
24 Community College has started it first, which is
25 down in the Mon Valley. We have a technical college

1 up and running. Erie has one that was the second
2 app. Who else?

3 MR. CALLEN: I'm not sure who the third one
4 is.

5 REPRESENTATIVE DALEY: There's a third one,
6 but representatives from Butler County Community
7 College, who I know is very active in a lot of ways,
8 because we dealt them when I was on the Ag Committee
9 on some of the stuff they do there.

10 One of the things we need to do is retrain
11 our kids here in western Pennsylvania specifically
12 to be able to do something else, or to train those
13 people that are unemployed, like you're saying how
14 high our unemployment rate is, to be able to
15 really do meaningful jobs.

16 We have a program right now, which we
17 have -- I want to say ten students in that are
18 halfway through the program, our first class.
19 When they're done they're going to be able to do
20 electronic engineering. Kind of a technical type
21 of thing, not as an engineer, but they're going to
22 have some training. They're going to start out
23 about \$35,000. They'll be able to get good jobs
24 like that.

25 I think we need to rethink the way we do

1 things in terms of education of kids in our
2 region, southwestern Pennsylvania, with the
3 technical college in this region so your children
4 can have that opportunity or those people that are
5 out of work. I mean, Wheeling-Pittsburgh Steel
6 may never come back. We lost 250 jobs. I have
7 people who are 40 and 50 years old that need
8 retrained. I'm sure you have the same problem
9 here.

10 MR. GULLA: Mr. Chairman, I think that's
11 right on point. We need to be able to get our kids
12 in a position that they can be employable when they
13 come out of high school and be in a position where
14 they can advance those degrees. I think one of the
15 big things going on right now in education is
16 articulation.

17 So whether a student wants to come out and
18 take six credits to help them run a personal
19 computer at a candy manufacturing plant or whether
20 they want to take that into an associate degree or
21 eventually into a bachelor's degree, it's very
22 important we start to stress that at the high
23 school level.

24 I'm around a lot of kids. I'm also a high
25 school wrestling coach, and parents, guidance

1 counselors, they've got to push everybody to a
2 four-year degree program, and we know what the
3 success that has been. That's a great goal, and I
4 think you should never stop getting education, but
5 it's not necessary in order to have an employable
6 situation.

7 REPRESENTATIVE DALEY: Yeah, I taught school
8 for eight years. I mean I have two masters degrees
9 and a law degree. You know what, some of the
10 smartest people I know have no degree, I mean honest
11 to goodness.

12 And kids that I've taught and I've seen,
13 they are kids that just don't want to go to
14 college. They don't want a two-year degree, they
15 don't want a four-year degree, they don't want to
16 go to college, but they need trained in skills,
17 and those are the kids that are falling through
18 the cracks. Those are the kids that we can't
19 grab. Those are kids that are leaving the area.

20 And that's why I believe technical college
21 is so crucial to fill in that missing gap because
22 those children now that don't want to go to
23 college and to become a teacher, to be whatever it
24 is, they need to be trained.

25 We're working through the Mon Valley Career

1 and Technology Center. I know that you have a
2 Career and Technology Center here, too. But it's
3 so crucial for you to look at that and spread the
4 word to your people. It's very crucial we
5 possibly do something with it.

6 Everybody doesn't want to go to Pitt or
7 Penn State. How can you afford it?

8 MR. CALLEN: I went to Iowa.

9 REPRESENTATIVE DALEY: See what I'm saying.
10 Some people should have never come back.

11 MR. GULLA: I think that's right on, and I
12 know you're going to hear a lot from John when it
13 comes to training our workforce. Again, that is
14 key. And our workforce professionals here are very
15 good, and they've taken down their silo, and they
16 certainly are very involved with the educational and
17 economic development.

18 REPRESENTATIVE DALEY: Thank you.

19 REPRESENTATIVE LONGIETTI: Representative
20 Matzie.

21 REPRESENTATIVE MATZIE: It's just a
22 resounding theme, and Representative Longietti and I
23 have attended a Majority Policy Committee Meeting at
24 the University of Pittsburgh I'd say about a month
25 and a half ago. So we met with economic and

1 development professionals from Allegheny County, the
2 City of Pittsburgh, and whatnot, and that was the
3 same thing.

4 We talked to the Allegheny Conference, who
5 has a job site link on their website. There's
6 40,000 jobs available in southwestern Pennsylvania
7 today. The workforce is not available to fill
8 those jobs.

9 And we oftentimes hear about Eds, meds, and
10 techs in the City of Pittsburgh and in that
11 region, and the unfortunate thing is we just don't
12 have the kids ready to go and take those jobs as
13 far as tech is concerned. And I think the
14 Chairman hit the nail on the head.

15 I know in my district, just adjacent to my
16 district right near Representative Marshall's
17 district, we've got the nuclear plants outside of
18 Shippingport. And right now, within the next five
19 to eight years, that generation that came in in
20 the early '70s, that started the nuke plant,
21 they're eligible for retirement.

22 Now, granted with the hit on the stock
23 market in last year, some of them may be working a
24 little longer than they want, but the workforce is
25 not in place to take those good paying jobs.

1 And I know your Commissioner's here. He
2 has labor background, and one of the things that I
3 hear talking to labor folks is the same thing that
4 the Chairman says: Finding good candidates. They
5 come, they can't pass a drug test. They're just
6 not articulate enough to even come in and learn a
7 trade.

8 And I think for too long we've had too many
9 parents and maybe counselors in the education
10 field that knock down using your hands and
11 manufacturing and the vo-techs, et cetera. I
12 think we need to re-look at that and really focus
13 our attention on getting the kids and giving them
14 that opportunity.

15 MR. GULLA: I think that same situation
16 applies. I usually don't admit to knowing the Penn
17 Power folks, but Tony Zucco's here. And the
18 situation you just presented is a challenge that
19 they have. Their linemen and a lot of their
20 technical people are now getting to retirement age,
21 and they do not have a workforce that is going to be
22 needed to replace them over the next five to ten
23 years.

24 REPRESENTATIVE LONGIETTI: Representative
25 Mirabito.

1 REPRESENTATIVE MIRABITO: One of the problems
2 we have in Lycoming County, we've had negative
3 population growth, and so we have the Pennsylvania
4 College of Technology, which is a great technical
5 college, and I'm envious of what you've been able to
6 do here with technology because I was at, last
7 night, a sort of a brain -- put together some ideas
8 about how to improve technology in our region. In
9 central Pennsylvania, we don't have a Technology
10 Council the way you have here. And we had some tech
11 folks together from Tech Futures.

12 My question to you is: Have you had
13 negative population growth like since the last --
14 in the last ten years?

15 MR. GULLA: In our workforce? Yes. I mean
16 our census population was a few hundred people
17 change I think from '90 to 2000. So it wasn't
18 dramatic, but, of course, people are living longer.
19 We have an older population in our workforce.
20 Without a doubt, negative population.

21 REPRESENTATIVE MIRABITO: Because one of the
22 things we're trying to do to increase the economic
23 activity in the county is we know that we have to
24 focus on population growth, but we obviously have to
25 have the jobs there. We're hopping with the

1 Marcellus Shale that we'll get the jobs.

2 Maybe what we can do in these rural parts
3 of Pennsylvania is try to look on more regional
4 spaces, because you may be having -- you have some
5 jobs here it sounds like. We have some kids, but
6 maybe we can work together more as opposed to
7 being so divided, especially in the rural areas.

8 I think also in terms of bringing the rural
9 areas together vis-a-vis the state, I know in our
10 area last night one of the problems we have is we
11 don't have broadband in some places, so we have
12 small entrepreneurs who have technology companies
13 that are off of the development grid where we have
14 broadband, but they can't get enough through the
15 channels where they are so we have to tackle that
16 problem. I don't know if you have the problem
17 here of broadband.

18 MR. GULLA: I don't think we have much of a
19 problem, but certainly that is a problem with our
20 economy changing the way it is. A good example of
21 that, another small company in the park here is a
22 software development company, and their client base,
23 a major client base is in the UK and Australia, and
24 they're constantly doing business the same with the
25 semi-conductor firm, they never shut down. They're

1 working around the world. And to have broadband in
2 the rural area I think is very important for
3 long-term productivity of the Commonwealth.

4 REPRESENTATIVE DALEY: Let me add something
5 real quick. Several years ago, before most of these
6 members were in the legislature, we did pass that
7 broadband legislation, and unfortunately I think we
8 were kind of sold a bill of goods. Dave and I were
9 just talking about how certain companies, not to
10 mention the media is here, has kind of really
11 cherrypicked some of the good stuff and left
12 Lycoming County and some other counties out on a
13 lurch. So, that's an issue we're going to look at.

14 REPRESENTATIVE LONGIETTI: Mr. Callen.

15 MR. CALLEN: Gary, I just wanted to, so I can
16 do a follow-up on this in the budget issue about the
17 Ben Franklin's. You said that you're getting some
18 of your working money out of that line item through,
19 but not directly from Ben Franklins, just out of
20 that whole overall line item?

21 MR. GULLA: I think where Ben Franklin has
22 been beneficial here has been for like Novocell, and
23 it's also very supportive of the technology
24 collaborative. Those comments were more directed
25 towards what they're doing because I think if they

1 have to cut back on their efforts down there at the
2 collaborative, it's is going to have an impact.

3 I think right now they have member
4 educational and private companies in 24 of the 67
5 counties, so if they start to shrink down their
6 services, it's going to have an impact on us.

7 MR. CALLEN: Okay.

8 REPRESENTATIVE LONGIETTI: Okay. Can we move
9 on then to our next presenter, John Holliday,
10 Director of Precision Manufacturing Institute,
11 Sharon.

12 MR. HOLLIDAY: I sit here and thank
13 Representative Daley for giving me the intro. It's
14 almost like being on a television show and being a
15 lead in to a conversation because --

16 REPRESENTATIVE DALEY: Isn't that what you
17 told me to do?

18 MR. HOLLIDAY: You got the notes.

19 REPRESENTATIVE DALEY: Yeah, I did.

20 MR. HOLLIDAY: But, quite honestly, a lot of
21 the things that you've said I've had the opportunity
22 to encounter. But, first of all, I've got to be
23 very thankful that you are here to listen to us and
24 listen to our community.

25 And we're also very appreciative of the

1 representation we have here because when we get
2 our state representatives, including those from
3 the southern area, as well as Senator Robbins,
4 whenever we have an issue, we have people that
5 listen, and they come and come help us.

6 Also, Gary made a comment about the fact
7 that we would all come to the table. In economic
8 development over the last 25 years, with
9 Penn-Northwest becoming a lead marketing arm, and
10 the other IDCs that were in this market, we always
11 had a team effort. We didn't have boundary lines.

12 If we got an opportunity to bring a company
13 to this community, we didn't care whether they
14 were in Sharon, Pennsylvania, whether they were
15 Hermitage, whether they were in Greenville, or
16 whether they were Grove City because we have a
17 mobile society that can get around to it, and that
18 meant a job within a community that we lived in
19 and the people could get to those jobs.

20 And when you stop and look at it, all of us
21 have the same goals. It's to keep people working
22 and be able to give them a liveable wage.

23 My opportunity to become the Director of
24 PMI was actually created without state monies.
25 The Community Foundation of the Shenango Valley

1 decided that they wanted to do something in
2 workforce development. And workforce development
3 sounds like one of those over words used, so we're
4 going to do regional development, we're going to
5 be economic development. So let's call it career
6 training or career improvement or enhancement or
7 skills development.

8 When PMI was developed 22 years ago in
9 Meadville, Pennsylvania, it was because the tool
10 and die industry was there, and people didn't know
11 how to run machines from one institution to
12 another. Somebody left a company and the machine
13 sat there because nobody ever trained somebody
14 else on it. So PMI was forged in that direction.

15 We've enjoyed unusual growth over the last
16 seven to eight years to where we're about three
17 times the size it was eight years ago. Jerry
18 Knight, who is the Executive Director, can't be
19 with us today because he's at one of the new
20 locations that PMI is developing, which is in
21 Ridgeway, Pennsylvania.

22 You say, well, why are you going two and a
23 half hours into the middle of the state? Because
24 they asked us to come there. They need workforce
25 improvement out there.

1 Why did PMI come to Shenango Valley?

2 Because the community wanted it here. They had
3 done various analysis of those type of technical
4 schools and everything else that they could bring
5 here, and PMI fit the bill after they went to
6 Meadville and saw what was up there.

7 And through the help of Senator Robbins and
8 Mark Longietti and Michele Brooks and
9 Representative Stevenson, we have been very, very
10 fortunate that these people understand what we've
11 tried to present to the community.

12 We try to train the manufacture in the
13 skill level that they want for people. How do we
14 do that? One of the things we do is we do
15 technical training in the metal skills. The
16 second is we do outreach work, which means we go
17 into the facility of the manufacturer and train
18 their people because we might not be able to get
19 them into our facility, and we can train them
20 onsite and in the workplace.

21 And we're trying to create a significant
22 number of high-paying jobs that are out there.
23 Our focus is on awareness and training, education,
24 demonstration, and recently shared use.

25 What is shared use? You may own a company

1 that somebody comes and asks you to make a part
2 for, for their industry, and you don't have
3 equipment to do that. We can develop the programs
4 on the equipment that we have, and we can let you
5 bring your person in and operate that equipment,
6 bring your material in, and you can benefit from
7 that opportunity because the shared use just
8 charges a nominal use for the equipment.

9 Because much of our equipment is brought to
10 us through state assistance, through Labor &
11 Industry funds, and much of it is provided to us
12 by manufacturers who put it on their shop floor.

13 Yeah, we're all trying to forge economic
14 development, and we are in economic distress. We
15 have to work to train those students and the
16 displaced workers.

17 The United States manufacturing industry is
18 the eighth largest world economy standing by
19 itself. It's bigger than the countries of Mexico
20 and India combined. That's our manufacturing
21 economy.

22 Twenty-five out of every hundred jobs in
23 eastern Pennsylvania -- or excuse me, western
24 Pennsylvania, eastern Ohio and also includes the
25 northwestern part, 25 out of every 100 jobs is in

1 manufacturing. And we all feel the layoffs of
2 General Motor and the loss of Signature Aluminum.

3 The fact is there is a void in the
4 availability of the trained workforce, and what it
5 amounts to, we have many related sites that are
6 going to be affected even into the future.

7 But the employers that we have surveyed --
8 and it's done by the Chamber of Commerces, and
9 they go out and do their program studies --
10 employers within our market predict a 5 to
11 65 percent growth in the next five years of
12 metal-related companies because that is the
13 manufacturing distribution that's going on. We're
14 having some hard times, but we'll turn it around,
15 and the workforce has to be trained.

16 Let's go back to the question you made
17 about students. And I have mothers and fathers
18 sit in my office and argue about letting their son
19 get a skill set in electromechanical technician,
20 industrial maintenance.

21 The mother says, I don't want him to work
22 in a dirty factory. The father says, but we want
23 him to get a skill. Factories are not all dirty.
24 So what's my response to the mother since I'm now
25 in a middle of an argument. Do you think they

1 Somebody is just going to come and ask them
2 instead of buying choir robes this year, why don't
3 you buy some more computers because you don't have
4 enough skill set being trained. They're not
5 losing money. It's just that somebody is watching
6 how they're spending it.

7 But of those 80 percent of those high
8 school students that go to college -- and we have
9 the statistics to prove it. Larry and I have
10 gotten on all the websites of Pennsylvania and all
11 the reviews -- 25 percent of those 80 percent of
12 the kids finish college.

13 So the end result, we've got 60 percent of
14 those students that went to college and come home
15 with some college, a little bit of debt, and
16 nothing to put on their resume'.

17 REPRESENTATIVE DALEY: A lot of debt.

18 MR. HOLLIDAY: So I can force that young man
19 to go to Penn State -- no disrespect to Penn State
20 fans or Pitt or Youngstown or whatever -- and he can
21 spend \$20,000 and say, my mom and dad wanted me to
22 go there, but he comes home, and now he's sitting
23 upstairs and mom says, go find a job. But by the
24 way, we also have college graduates that can't find
25 jobs because of skill set or the training that they

1 chose. So where do we go?

2 The manufacturing network in this country
3 is dealing with the most dramatic workforce crisis
4 in its history. Eighty percent of the
5 manufacturers that we studied report shortages of
6 qualified workers, and those statistics come from
7 the North American Metal Council.

8 Along with that -- I just had to remember
9 these numbers for you -- if the current trends
10 continue, the experts estimate that the U.S. will
11 face a shortage of roughly 13 million qualified
12 workers by 2020. That is as significant as a
13 plague.

14 Manufacturing's not dying in the United
15 States, but it is changing. I go back to
16 Representative Daley's comment. We're fortunate
17 to have a work ethic in western Pennsylvania
18 second to none in our country because we know what
19 it is to do a good day's job because that's the
20 way we were raised.

21 But as you go along and you talk about all
22 the things that we have talked about here, there's
23 some issues that are out there, and let's go to
24 the math and skills test.

25 At PMI every person that enters our

1 facility has to take a verbal skills test and a
2 math skills test. They have to get to a grade
3 level that we feel they can competently take that
4 educational level that we're about to give them
5 and accelerate at CNC Milling or Tooling a machine
6 technician or whatever it might be. If they can't
7 hit that level, then we have some work we have to
8 do.

9 First of all, they have to have a GED or
10 high school diploma. We're very fortunate that we
11 are able to work with Career Link and the West
12 Central Job Partnership because the people have to
13 come through Career Link if they're going to get
14 any type of funding, because don't forget, mom and
15 dad just spent \$20,000 at Penn State, and now the
16 kid's down here, and I'm saying it's going to cost
17 you \$8,000 for 15 weeks, and she's saying, well,
18 can't you fund him? I'm a nonprofit entity
19 controlled by the Pennsylvania Department of
20 Education and through the graces of the
21 representatives and other people in the community,
22 we're in operation.

23 But we have to be able to teach those
24 people. One of the demands that we have -- and
25 Senator Robbins I know has heard this before --

1 that there's nobody that we're ever going to turn
2 away from teaching, a skill to. And we have to
3 find a way to fund them. That's an issue for us.

4 The Career Links and West Central Job
5 Partnerships have programs that are developing now
6 because of the influx of money that is coming to
7 them to say let's train the workforce.

8 But what it amounts to is the fact that we
9 have to work with a greater pace. If any one of
10 you went to Career Link today and say, I was
11 displaced. I lost my job today, and I would like
12 to go to PMI, it will take you five to six weeks
13 to get funded by the time you go through the
14 paperwork.

15 My next classes start in four weeks, and if
16 they start the class, guess what? They can't get
17 funded because you can't start a class before
18 you're funding's in place.

19 We do need some understanding, and they're
20 working on that part of it today; that if a person
21 starts a class, they're going to be funded through
22 Career Link or through TAA or through TRA funds,
23 if they start before their funding's in place,
24 their funding could be stopped, and we can't
25 afford to be able to do that.

1 The nine and a half percent unemployment
2 Larry talks about, when somebody comes to my
3 office I say, yeah, there's nine and a half
4 percent unemployment, but there's 90.5 percent of
5 the people are employed. There's got to be
6 positives to everything that's a negative.

7 My friend Michael sits behind me over here,
8 and the other day I told him it's the same as
9 somebody saying they tore that building down
10 because the place went out of -- moved out of
11 town. But they also tore it down so we could
12 build a new building because that building didn't
13 fit the needs of anybody else.

14 So that we have to look at those things
15 that are out there for us. We have to survive by
16 developing skills. And one of the things that we
17 also feel is very, very important -- and we
18 testified at a recent hearing at the Midwest
19 Intermediate Four Unit -- the competency testing
20 coming out of high school is a necessity. You
21 need to know if the people are capable of
22 graduating high school.

23 Now, the educators don't necessarily like
24 it because it's another set of testing. How do we
25 do this? Are we going to really put the people

1 behind? But when you stop and look at the fact
2 that if a person wants to go to a vocational
3 school, he has to have a C-plus average. What
4 happened to all the people that weren't C-plus?

5 A lot of those people today are operating
6 your mills and factories and everything else.
7 There are people that still have abilities to
8 learn, but because they didn't get to a certain
9 level that they have to have a core competency.

10 If we really look at the budget dollars
11 that are out there, and I do believe -- and Jerry
12 would also make the same statement to you -- that
13 we get our fair share, and we get a lot of help,
14 but sometimes it's a lot of difficulty getting it
15 out of there.

16 If we didn't have the voices we have in our
17 community we wouldn't be as successful as we are.
18 But PMI, okay, as we go along and try to develop
19 is we want to be able to continue on and be able
20 to take care of everybody that walks in the door.
21 One of the things we've been asked, and we're
22 going to implement very shortly, is what we call
23 Core Sets, so that we can start a multitude of
24 people at a certain level of training. And all
25 that training takes them into any one of 18

1 different programs.

2 What's the problem in this is I don't know
3 exactly what he's going to do for six or seven
4 weeks because he might decide he wants to go into
5 industrial maintenance. He might decide he wants
6 to go into CNC Milling. He might decide he wants
7 to go into tooling or machine technician or
8 robotics.

9 So what we're working on now, through the
10 state, is to be able to say if he starts and he
11 decides he wants to go to milling, we're going to
12 need that additional funding. If he wants to go
13 to industrial maintenance, it might be a little
14 bit different. So that if he starts, he doesn't
15 necessarily know where he's going to finish, so
16 that the funding number is very flexible in that
17 part of it.

18 I think that we enjoy something that most
19 organizations don't, and that is the fact that we
20 are flexible to be able to do the needs of what
21 industry needs when it comes up to it. So in
22 working in that behalf, we're very, very happy to
23 be able to say what do you want us to do, and
24 we'll customize it for you because the customized
25 job training has become 35 percent of the business

1 close to introducing a program that will be very
2 unique to this community, and we're working in
3 concert with Clarion University and a couple other
4 organizations to introduce a Wind Energy
5 Technician Program.

6 Why? We don't have any windmills. Well,
7 we've been able to find out that the people that
8 are installing windmills that want to come to the
9 central part of Pennsylvania and put them up have
10 to bring their people from the west coast here to
11 install them and to maintain them.

12 Just like the people at Wheeling Pittsburgh
13 that might be losing their jobs or the people in
14 the nuclear power facility that might be losing
15 theirs, these take technical training. They have
16 to be able to climb 250 feet in the air, so it
17 will take all the linemen from Penn Power. And
18 they're go up there and they will operate the
19 PLC's or the computers that are up there to keep
20 that turbine going so that we can get that
21 alternative energy. That program is very, very
22 close to us being able to do that.

23 I was very fortunate the other day to have
24 a conversation again with Michael, and he asked
25 me, I hear you're thinking about expanding; and

1 yes, we are. We've only been teaching people
2 eleven months, but we've run out of room. And
3 we're looking at adding to the building for wind
4 energy and for another skill set of welding.

5 And we're also going to be meeting with the
6 Commissioner Beader and his organization about how
7 we can work with the electrical workers and being
8 able to additionally train those people in more
9 skill sets so they can be more diversified.

10 Industry training today is going on so
11 people can make their people more diversified that
12 are inside that they presently have, and they also
13 want us to develop a skill set for people coming
14 to them. And that skill set is anybody from the
15 age of 19 to 55.

16 I had a gentleman walk in my door yesterday
17 that is 54 years old and lost his job, and he
18 said, what am I going to do for the next eleven
19 years, and how fast can you train me because I
20 only have unemployment for 26 weeks? We'll find a
21 way to do that for him because he wants to work.
22 He has that work ethic, and that's what our
23 community has. I'll leave it up to questions.
24 Thank you.

25 REPRESENTATIVE LONGIETTI: Questions from our

1 panel? Representative Oberlander.

2 REPRESENTATIVE OBERLANDER: You talked about
3 the Department of Labor & Industry and the workforce
4 investment board funding, but what about those kids
5 who are coming right out of college or right out of
6 high school? Is there a tuition assistance? Are
7 they able to get student loans or PELL or PHEA?

8 MR. HOLLIDAY: It's interesting. The most
9 recent loan program would have been Sallie Mae, but
10 they have stopped funding technical programs. In
11 many cases they have to go get financed on their
12 own, or if we're able to work with Career Link or
13 West Central to where those people can qualify for
14 occupational rehabilitation or vocational training
15 or whatever, we're able to get them some assistance.

16 We've also been very fortunate, once in a
17 while we get some earmark funds, but PMI, Sharon
18 being new, we're not eligible for federal funds
19 for two years. We're only eligible for those
20 assistance funds that we can get locally.

21 And when you talk about us being able to
22 get funds, in many cases they'll ask us to get
23 matching funds, which is very, very difficult when
24 you have to go to a community of industry and say,
25 can you help me get matching funds so that I can

1 go get this money from the state so that I can get
2 this equipment? And if I'm going to the same
3 industries that are cutting workforce, eliminating
4 their labor and doing the other things, so there's
5 a lot of issues here that you can only spread the
6 dollar so many ways.

7 But the young people usually can get funded
8 in some format, because the other issue that's out
9 there -- and you opened a very good question -- is
10 if Dave over here went and got trained ten years
11 ago into a skill level of CNC machining, and he
12 lost his job, and he maybe can't find one, he'd
13 like to get another skill. You've already been
14 funded once. You can't be funded again for
15 training. About the only way he could be funded
16 is if it went under Trade Assistance Act because
17 his company moved out and totally closed up. Then
18 it would be a questionable call whether we could
19 get them.

20 A person being funded once, if he got a CDL
21 license eight years ago, may not be able to go to
22 another training school, training center.

23 REPRESENTATIVE OBERLANDER: That's pretty
24 interesting.

25 REPRESENTATIVE LONGIETTI: Other questions

1 from our panel? Senator Robbins.

2 SENATOR ROBBINS: John, could you just
3 address a little bit of the difficulties PMI had
4 with the Department of Ed. And getting the
5 certifications? And, again, I think it needs to be
6 discussed briefly because they look at skilled
7 training a little bit differently than they look
8 again at the two and four-year degrees.

9 MR. HOLLIDAY: Yeah, because we're controlled
10 by the Pennsylvania Department of Education, okay,
11 and we're new, we're only allowed to introduce so
12 many programs every three to four months based on
13 your financial wherewithal and everything else you
14 go through. When we opened in May of last year we
15 were allowed to offer three programs: Accelerated
16 milling, electromechanical technician, and office
17 fundamentals.

18 We had to wait another period of three to
19 six months to be able to go before PDE to get
20 three more programs introduced. And you get them
21 because they have syllabuses and curriculums and
22 everything else.

23 Now, once you get that done, you wait
24 another three months to do an additional program.

25 And really what we're trying to do in Shenango

1 Valley is to be able to develop curriculums that
2 are specific to our community, because we're not a
3 tool and die capital like Meadville is, we're a
4 manufacturing and steel market here.

5 So the PDE issue that he brings up is the
6 fact that you can only go so fast, and it takes
7 you up to three to four months every time the
8 board meets to review your programs to see what
9 program you can implement. Does that answer your
10 question?

11 SENATOR ROBBINS: Well, it does, and I think
12 we found out the importance of certification so that
13 the people that enter the courses, in fact, walk out
14 with something, not just a trade, the skill set, but
15 also the certifications. And PMI in Crawford County
16 couldn't transfer the certificates down here. They
17 had to reapply.

18 MR. HOLLIDAY: I think where he's going with
19 that is the fact that they had 18 programs in place,
20 and although they were in Crawford County and
21 exactly 35 miles away, we couldn't bring a program
22 down here and teach it because we were in a
23 different county, and we were a different entity.
24 So we have to get our own certifications for each
25 program so it can be a diploma program.

1 And we also have to work with our own
2 articulation agreements, and that's also what
3 we've developed with the universities and high
4 schools and colleges in the area, that if a
5 student goes to our facility for a thousand hours,
6 they possibly leave with 29 college credits if
7 they would go on to an associate's degree or
8 bachelor's degree.

9 We never want anybody to just stop with a
10 skill set. If they have an opportunity and they
11 have the wherewithal, the capability, and interest
12 to do it, we'd like them to get an associate's
13 degree or a college degree if they want to go
14 forward and be able to earn the type of money that
15 can allow them to do that.

16 But that's why we do articulation
17 agreements with the universities and career
18 centers and Butler Community College and Beaver
19 County and the others so that if they can go onto
20 get a two-year degree they've already got about 29
21 credits from us, and that's already possibly a
22 semester or two at that facility.

23 REPRESENTATIVE LONGIETTI: Mr. Callen.

24 MR. CALLEN: John, as to placement, do you
25 track placement?

1 MR. HOLLIDAY: Yes, sir. We have about
2 90 percent placement.

3 MR. CALLEN: Do you have a way of turning off
4 the spigot whenever you're turning out too many
5 whatever, industrial maintenance people?

6 MR. HOLLIDAY: I wish right now that I had
7 the opportunities for the people that we've had.
8 We've been -- PMI's enjoyed about a 90 percent
9 placement rate over the years, so nine out of ten
10 people find a job.

11 I can tell you that I have five people
12 right now that don't believe me, because they
13 graduated maybe in December in a program and, of
14 course, December 17th was when the headlines said,
15 are we in recession or a depression? And all of
16 sudden, people are cutting back in their workforce
17 and they're not hiring.

18 But we do have people out there with the
19 skill set, and we are working for them every day.
20 Part of the biggest challenge we have is keeping
21 in touch with the Human Resources people and the
22 Benefits Administrators and everybody knowing what
23 we're turning out, because we also do the soft
24 skills with them. We refine that to help them
25 with their resumes and their interviewing skills

1 and all of those things. That's also part of the
2 training that we give them.

3 So I wish I had more jobs right now because
4 that part of the circle is empty, sir. I just
5 don't have enough opportunities for them to go to
6 right now because companies have cut back, and
7 they're trying to keep their people working that
8 are there.

9 But I could tell you that I had a phone
10 call just Tuesday from a company in New Castle
11 that said we're looking for people that can read a
12 blueprint, know how to use a micrometer and know
13 math, and our people that we're going to can't
14 find anybody.

15 I said how many resumes would you like me
16 to send you of recent graduates because they take
17 48 hours of every one of those subjects at our
18 place, and I know they can read micrometers and do
19 the math and read blueprints. And I think,
20 fortunately, I'll have probably three of the five
21 hired because they could do that.

22 But here was a recruiter, a placement
23 service that in their own market wasn't familiar
24 with PMI. That's my fault. I have to do a better
25 job of getting to that recruiter. But we were

1 able to help that company.

2 So, yes, there are jobs out there. There
3 are going to be more jobs for those people than
4 are going to be for the people that don't have the
5 skills when we turn this thing around, and it will
6 turn around.

7 REPRESENTATIVE DALEY: And the problem we've
8 seen in Pennsylvania historically educationally in a
9 post-high school level is the failure to recognize
10 technical training.

11 MR. HOLLIDAY: Yes.

12 REPRESENTATIVE DALEY: We have to take it
13 seriously now. A lot of people say we shouldn't do
14 it now because of the downturn in the economy. This
15 is the time you do it. This is absolutely the time
16 you do it because now's the time to train people so
17 that we can retool up. Whatever the decision may
18 be.

19 MR. HOLLIDAY: Yeah, and we're not training
20 25 people to a class. Our average class size is six
21 to eight people so they can have machining time,
22 they can have the attention, and they can also have
23 the work experience. Our goal is to get them
24 35 percent in the classroom and 65 percent on
25 equipment before they leave, and proficient enough

1 that they can be an entry level machinist or entry
2 level maintenance people, or entry level technicians
3 so that they can add to the workforce and walk in
4 with their own toolboxes. We even give them a
5 toolbox so they can start.

6 REPRESENTATIVE DALEY: I'm very pleased that
7 you mentioned Clarion University I'm because a child
8 of the state system of higher education. I'm a
9 California graduate, and I live in California, Pa.
10 So we also believed and we fought for many years
11 that the state schools like Slippery Rock, IUP,
12 Clarion, California have always been treated sort of
13 like the freckle-faced stepchild of the state.

14 MR. HOLLIDAY: Well, we have an articulation
15 agreement with California in our program.

16 REPRESENTATIVE DALEY: Well, we appreciate
17 that, but the state schools mean something and have
18 educated a lot of kids. I had a debate on the floor
19 one time -- I'll just share this with you real
20 quickly -- being from western Pennsylvania with a
21 legislator from Philadelphia who served on the board
22 of Penn. And she said that the kids in the state
23 system fundamentally couldn't read and write.

24 And I took her to task on the floor
25 indicating that unfortunately all of us weren't

1 born with silver spoons in our mouth, like
2 unfortunately she was, and the fact we couldn't
3 all go to Penn, University of Pennsylvania, and
4 that we graduated a lot of great people from the
5 state system. And I'm glad you are working with
6 Clarion and Cal and wherever else.

7 MR. HOLLIDAY: Clarion University has wrapped
8 their arms around the Wind Energy Technician
9 Program, and we're hoping with going to PDE here
10 probably sometime during the summer or early fall
11 that we'll be able to announce that program by fall.

12 REPRESENTATIVE DALEY: That's great. Thank
13 you, Mr. Chairman.

14 REPRESENTATIVE OBERLANDER: Thank you,
15 Mr. Chairman. I'm also happy that you're working
16 with Clarion University, and I am a graduate of
17 Clarion University.

18 REPRESENTATIVE DALEY: Even they couldn't be
19 Cal in football this year.

20 REPRESENTATIVE OBERLANDER: You're not going
21 to beat anyone.

22 REPRESENTATIVE DALEY: We beat everybody.

23 MR. HOLLIDAY: Thank you very much.
24 Appreciate it.

25 REPRESENTATIVE LONGIETTI: Just another

1 comment, John. It seems like part of the problem,
2 obviously we're in the economic downturn right now,
3 but part of the problem is convincing both young
4 people and their parents that these are good careers
5 that pay well. The environment that they work in is
6 a good environment.

7 And in my mind, I don't know how much
8 schools in our area do field trips. I assume they
9 continue to do those. Your thoughts on -- I work
10 like to see local field trips. It doesn't cost a
11 lot of money for the bus or the transportation to
12 drive through the Shenango Valley where they visit
13 solar atmospheres or other places where there are
14 technical jobs.

15 It was an eye-opener for me, as a state
16 representative, we get invited to tour some of
17 those facilities, to see how different it is today
18 than it was 20 years ago. Your observations on
19 perhaps we could have some local field trips where
20 the kids see this, get excited about it, then come
21 home to mom and dad and say, I'm excited about
22 this. I am interested in it. It is different
23 than when you worked in the mill.

24 MR. HOLLIDAY: Well, you're right on target
25 with that, Mark, because in many cases career days

1 have left the high schools because that was just
2 another job for the guidance counselors to do, and
3 they're very, very busy today.

4 But we have even approached guidance
5 counselors about having regional meetings. They
6 meet every three months in Mercer County, as an
7 example, and have them go to someplace and visit
8 an industry in the morning and an industry in the
9 afternoon and do your other stuff at lunch,
10 wherever it's provided so you can actually see
11 what's out there.

12 No disrespect to them. They're teaching
13 our children and going to work every day, but in
14 many cases they go the same direction every day
15 and has not passed any facility that they say, I
16 wonder what they make in there, because their job
17 is educating from the books that they deal with.

18 So that we encourage the field trips, we
19 encourage the industry. And we have an industry
20 sector here that's now stepped out to something
21 else that was provided by West Central Job
22 Partnership, and that is the fact that we're going
23 out with a program in July that's called Industry
24 Needs You. It has its own website, and it's going
25 be available to the high school and also the

1 unskilled worker that might be in the workforce to
2 know the businesses that are out there, how they
3 go about getting trained, where they go to get
4 help, how do they get directed.

5 Funding came through West Central and also
6 funded by Penn-Northwest and also the Industrial
7 Development Corporation in Lawrence County. So,
8 again, we don't have any boundary here, folks.
9 We're all working because we're all in the same
10 world is the fact that that money will put
11 advertising, put the website in place, and then
12 people will also be able to do the ties into it.

13 So it's a major program that we're going
14 after the high school student, and we're also
15 going after the person that doesn't understand
16 what the metals manufacturing and manufacturing
17 industry is.

18 REPRESENTATIVE LONGIETTI: Mr. Gosser, sure.

19 MR. BRAD GOSSER: Thank you. I'm on the
20 Mercer County Career Board and also the Greenville
21 Area School District, and this is a hot topic
22 working with the metal group. And we think even
23 further on not only educating the students, but also
24 the parents and general public. I mean, I really
25 think it needs to be a whole community, whole state.

1 People, because of perception, parents of what John
2 spoke of, they want -- every parent wants their kid
3 to go to college. That's what we want to do.

4 But, it's a perception that I think the
5 general public that we need to educate not only
6 the counselors, the educators, and the students,
7 but the parents and the communities as a whole.
8 So it's a huge undertaking, but I think it needs
9 to be that wide range to be effective.

10 REPRESENTATIVE LONGIETTI: Thank you.

11 Representative.

12 MS. GWEN McALLISTER: What was the ages that
13 you said you accept at PMI?

14 MR. HOLLIDAY: They have to a high school
15 diploma or GED, but they have anywhere from 18 to
16 55, 60.

17 MS. GWEN McALLISTER: I was just wondering,
18 when I was in high school you took your tour down at
19 vo-tech. Why couldn't that be open to the kids to
20 come down, take the field trip, and then maybe if
21 they're interested, opening it up to them so they
22 get a feel of what it's like.

23 MR. HOLLIDAY: Well, we even develop programs
24 where we can let students come to the facility for a
25 week in the summertime at no expense to them because

1 I've got a local benefactor, and I won't tell you
2 who it is, but we allow them to come in and see if
3 they really want to get into metal skills training.
4 And we open that up to vocational schools and
5 vocational training and also high schools if anybody
6 wants to come to it.

7 So we're trying to do all these different
8 things, but you can only do it to a certain level
9 as long as you have funding. And the gentleman
10 sitting right over here at the end of this table,
11 PMI would not be where it's at today if it wasn't
12 for Senator Robbins. The shop probably should be
13 called the Robbins Manufacturing Institute rather
14 than Precision.

15 REPRESENTATIVE DALEY: I'll second that
16 motion.

17 MR. HOLLIDAY: But we're very grateful and
18 besides that the other three representatives will
19 soon have their lines on it, so it would sound like
20 a law firm pretty soon.

21 But, no, quite honestly, it's all a means
22 of funding and being able to get the people there.
23 And, again, that manufacturing's not a dirty word.

24 MS. GWEN McALLISTER: Let me ask you: What
25 is the vo-tech? Where do they get their funding?

1 MR. HOLLIDAY: Vo-techs are funded basically
2 through stipends through their school system that
3 also support vo-tech. They're already supporting
4 vo-tech, vocational training in the high school.
5 We're getting them after high school, so we don't
6 really compete with them.

7 THE COURT REPORTER: What's your name?

8 MS. GWEN McALLISTER: Gwen McAllister.

9 REPRESENTATIVE LONGIETTI: I think our County
10 Commissioner, Ken Ammann, had a comment.

11 COMMISSIONER AMMANN: Yes, I wanted to make a
12 statement. Before I was elected Commissioner I was
13 involved in a program. I was the Project Manager
14 for a program, Building Trades Industrial
15 Partnership, and it was working with young people,
16 and we started working with the guidance counselors
17 and teachers in the schools. We were in the school
18 an hour every day, but we found if we worked with
19 the parents it was really the way to go. And it was
20 a very successful program. And now I do work with
21 the metal manufacturers in trying to help their
22 cause.

23 However, the funding from the Labor &
24 Industry, Department of Labor & Industry was kind
25 of haphazard, and you were never sure of the

1 funding to be able to continue the program to run
2 it the way you needed to be able to reach the
3 students and their parents, which was very
4 important.

5 But it's a successful program, but the
6 funding is unsure every year. It needs to be
7 shored up, so that funding is constant to get to
8 those young people and their parents to be able to
9 influence the work ethic because it has dropped
10 off, and we have to get that reinstated.

11 MR. HOLLIDAY: And part of that,
12 Mr. Chairman -- and I'll close with this -- is the
13 fact that if you get funding and you've done all the
14 details you have to do, you filled out all the
15 papers, you've done all of the justifications,
16 you've got all the letters of endorsement, gosh,
17 Michele and Mark and Dick, how many more times am I
18 going to call them for a letter saying that we need
19 this? And then all of a sudden you sit and you wait
20 and you wait and you wait. And by the way, in the
21 meantime, the clock's running, people are losing
22 their jobs, people want to be trained, and we can't
23 get to the people. It needs to be disbursed as
24 rapidly as they wanted the paperwork.

25 REPRESENTATIVE LONGIETTI: Could we move to

1 our last presenter who has been very patient with
2 us?

3 MR. HOLLIDAY: Pete, you've got two minutes.

4 REPRESENTATIVE DALEY: Unfortunately, there's
5 no more time. I'm joking.

6 REPRESENTATIVE LONGIETTI: Pete Asimakopoulos
7 is Vice President of Small Business Lending with
8 First National Bank of Pennsylvania. I appreciate
9 your time.

10 MR. HOLLIDAY: I hate to interrupt you, but
11 he's changed his presentation several times.

12 REPRESENTATIVE LONGIETTI: Just trying to be
13 responsive.

14 MR. ASIMAKOPOULOS: Trying to be responsive,
15 absolutely. I'd like to thank Mark and the
16 committee for the opportunity to participate today.
17 I think most everyone is familiar with First
18 National Bank that's in the room, but if you'll
19 allow me just to give you a little bit of a backdrop
20 as far as where we've come from, our growth, our
21 objective, and how we're trying to serve the
22 communities, which we have presence in many of the
23 areas that the panel represents.

24 Founded in 1864 in Greenville,
25 Pennsylvania, we have grown through organic growth

1 and through acquisitions strategically throughout
2 Ohio and or throughout Pennsylvania and Ohio to
3 over 3.5 billion in assets in about 220 locations,
4 so we're a significant player. We're the fifth
5 largest bank holding company in the state of
6 Pennsylvania.

7 I have all the bells and whistles obviously
8 that the larger institutions do, but what we try
9 and do -- and I think we do a pretty good job of
10 is really being more community-minded, operate as
11 community banks do with a larger presence and
12 capabilities that the larger institutions do.

13 Our credit culture, as I mentioned earlier,
14 is pretty strong. Our asset quality is strong.
15 It's something that we've over the years have
16 really attempted to make sure that we're lending
17 prudent, and we're obviously a publicly traded
18 company. We operate a little bit differently. We
19 have federal examiners. The deposits that all of
20 you folks have in the institutions are the money
21 that's lent out, so we have an obligation and try
22 to be prudent in how we lend out.

23 I'm happy to say that we are doing business
24 as usual right now. When many of our competition
25 is inwardly focused, we are out there trying to

1 make a difference in the community, supporting our
2 existing customers, and looking for opportunities
3 to support prospects out there.

4 The challenge obviously has been that, as
5 Meg had mentioned earlier, there's been such a
6 decrease in profitability in customers and
7 challenges that have gone on that it has become
8 increasingly difficult for us to participate.

9 And some of the opportunities that we would
10 have jumped on a year ago, unfortunately those
11 companies have had some deterioration in either
12 net worth or profitability or at the point where
13 they're considered to be a criticized asset.

14 And that's a banking term that -- I
15 apologize, as a criticized asset it is very
16 difficult for another bank to take that
17 opportunity on. They are criticized heavily by
18 the examiners if you take a company that has not
19 performed properly or profitably from another
20 institution. So it's a double-edged sword we're
21 trying to balance.

22 We have money available to lend and are
23 certainly looking for opportunities, but we're
24 finding ourselves in more of an advisory role with
25 a lot of companies.

1 We've sat down with many of our existing
2 portfolio and others to try and coach them through
3 and help them through this difficult period giving
4 them advice on inventory levels, on cash,
5 utilizing space properly. A host of things to try
6 and get them to profitability or to make them
7 viable for bank financing.

8 What we've done is at the end of 2008 we
9 identified small business opportunities and felt
10 that not only -- it's a small group that, small
11 businesses that, say, have sales of 2 million or
12 less, maybe have a bank request of 250,000 or
13 less. They're a large part of the backbone of our
14 economy, and obviously organizations that have
15 helped build strength of the United States.

16 They really have been underserved recently
17 by banks because banks have become larger. They
18 are chasing what we call the elephants or the
19 larger opportunities to build their balance
20 sheets. We've always approached it that the core
21 businesses is the small business.

22 And to that point, what we've tried to
23 develop with First National -- and that's part of
24 the reason why I'm here. I've been with the
25 company for 24 years and had a variety of

1 different roles, but we really are trying to focus
2 on small businesses.

3 And what we've done is we've taken and
4 we've acquired through a third party vendor a web
5 application to simplify, to streamline some of the
6 small business requests. We are training all of
7 our branches to be able to handle small business
8 requests where they may not have to deal with a
9 commercial lender or a business banker, but they
10 can go right to their local branch, and their
11 request will be handled and processed that way.

12 And we've also in the process, while many
13 companies are not hiring, we're hiring business
14 development officers to actually go out there and
15 reach out to the small business community and get
16 them to understand and give us an opportunity to
17 see if we can help them out.

18 So, because of the economy, we looked at it
19 as an opportunity. We have money to lend, and
20 we're structuring ourselves a little bit
21 differently moving forward to try to reach out in
22 the communities that we serve.

23 The branches are all considered to be their
24 own franchise. They get involved with the
25 community, and they're going to have all of the

1 tools now to be able to lend to smaller businesses
2 where we might have gotten a commercial lender or
3 business banker involved at an earlier date. So
4 we are trying to adapt a little bit.

5 In the long term, I agree with the panel.
6 It's all about education. It's all about
7 regionalization. On the short term, I think we
8 need to build confidence back, and we certainly
9 would like to partner up with the different state
10 and federal programs that are out there to have
11 joint efforts in lending money out.

12 REPRESENTATIVE LONGIETTI: Questions from our
13 panel? Mr. Callen? Members?

14 REPRESENTATIVE DALEY: Pete, I want to
15 congratulate you on what your bank is doing in terms
16 of the business development. I think it's great.
17 We met your president before.

18 MR. ASIMAKOPOULOS: Sure.

19 REPRESENTATIVE DALEY: And we think you're
20 doing a great job. National City's impact on you,
21 are you going to be purchasing any of those assets
22 from PNC?

23 MR. ASIMAKOPOULOS: We are not. We were
24 asked to come to the dance. We took a look at the
25 footprint and the opportunities that existed there.

1 They had a strategy of selling it in really in two
2 groups. They weren't interested in parceling it
3 off, so we did not participate in that.

4 REPRESENTATIVE DALEY: Okay. Because you
5 were one of the banks that I know down in southwest
6 that we thought you were going to be making a
7 greater presence. I mean, you're down there now.

8 MR. ASIMAKOPOULOS: Right. The numbers
9 didn't work out for us, unfortunately, and the fact
10 that we were interested in some, but not all, and
11 the way they had it carved up unfortunately they
12 were looking for one or two players and not numerous
13 players to buy that.

14 REPRESENTATIVE LONGIETTI: Questions?

15 REPRESENTATIVE MATZIE: I think it speaks
16 volumes about your company that you've been there 24
17 years. I think oftentimes when we talk to managers,
18 VP's, what have you, with banks, they're bounced
19 around. So I think that's a credit to your company
20 and your philosophy in working with the communities
21 themselves.

22 Do you find that -- I know we heard some
23 folks talk about start-ups and especially with
24 folks who are maybe just starting a new career, at
25 no fault of their own --

1 MR. ASIMAKOPOULOS: Sure.

2 REPRESENTATIVE MATZIE: -- as a result of a
3 termination or unemployment or what have you, do you
4 find more people coming in the door?

5 MR. ASIMAKOPOULOS: There are absolutely more
6 individuals that are looking that have an idea, that
7 have a skill, and their company may be is not doing
8 well in taking that skill and going off on their
9 own.

10 So we are certainly seeing more of that.
11 We are trying to manage through that and help them
12 as a small business preferred lender status.
13 We're able to do some of the legwork and not have
14 to wait for approval through the SBA's. So those
15 start-ups are typically moved through the system
16 with SBA support because of the challenges that
17 obviously are with those. But we are seeing a lot
18 more of that and doing what we can to help promote
19 that.

20 REPRESENTATIVE MATZIE: Thank you.

21 REPRESENTATIVE LONGIETTI: Questions?

22 Mr. Callen?

23 MR. CALLEN: Pete, this is something I'd like
24 you and Maggie to respond to. The stimulus bill has
25 a fairly large SBA section in it that hasn't gotten

1 a lot of press because it's not actually a
2 government program. It's stuff that comes through
3 the two of you.

4 Two specific sections: The 90 percent
5 guarantee, that rule, and the emergency loan
6 support, have you had any experience with those
7 yet? Is it ruled out?

8 MR. ASIMAKOPOULOS: We haven't, we haven't
9 had a lot of experience unfortunately with that.
10 The 90 percent obviously, it's helpful from a bank's
11 prospective.

12 MR. CALLEN: And that's already available?

13 MR. ASIMAKOPOULOS: And that's available.

14 The emergency, I'm not familiar with it
15 yet. We are still going through that portion of
16 the package, as well as the mortgage side, the
17 residential mortgage stimulus portion. Both of
18 those are significant in nature, and we have our
19 team going through them to try to see how we can
20 better utilize them and promote them with our
21 customers.

22 MS. MARGARET HORNE: I have had people
23 calling about that, existing companies, who have an
24 SBA loan now and potentially looking at refinancing,
25 and I direct them to lending institutions to see if

1 that's -- and I do believe there's a refinancing
2 capacity. So that is helpful to those as long as
3 they still meet the credit criteria, and they have
4 been -- I think two of my clients have been
5 successful in doing that, at least being in the
6 application process to wait until they can see the
7 final approval. So it is a helpful tool for us to
8 be able to get someone in that's still capable of
9 getting the credit and try to lessen the burden by
10 refinancing several loans.

11 MR. CALLEN: Okay, thank you. Thank you,
12 Mr. Chairman.

13 REPRESENTATIVE LONGIETTI: You mentioned the
14 mortgage side or part of what the committee does --
15 and I have to thank the Chairman. When I first
16 joined the Committee, the think the first meeting we
17 had was with Pennsylvania Housing Finance Agency,
18 which is a tremendous agency at the state level.

19 Are you familiar with their plan to
20 monetize part of what they call the \$8,000 credit
21 for people that are buying new homes or existing
22 homes, that they're going to monetize I think
23 5,000 of that for an existing home and 6,000 for
24 new homes? So that money is actually brought
25 right to the closing table. I don't know if

1 you're familiar with that.

2 MR. ASIMAKOPOULOS: And that's part of what
3 we're in the process, Mark, of going through that,
4 to try and understand because we are being asked
5 obviously from the general public on how does this
6 affect me? What can I do?

7 And we've not rolled out a program that
8 would incorporate that yet, but we are planning on
9 it. We're just trying to get an understanding of
10 it at this point.

11 REPRESENTATIVE LONGIETTI: Then also in one
12 of the suggestions that was mentioned here this
13 morning was if the state could shift gears, now that
14 we are in a recession, and there are different types
15 of needs and possibly guarantee loans to small
16 businesses that need that working capital or what
17 have you. Any thoughts you want to share on that
18 concept?

19 MR. ASIMAKOPOULOS: Well, I think that would
20 certainly support the banks and the community. It's
21 spreading the risk. And as was mentioned earlier by
22 the panel, it's not money out, but it is a guarantee
23 that would help banks in getting over that issue of
24 profits being down, credit scores being impacted.
25 All the things we struggle with as an organization.

1 That would help minimize it and certainly be
2 something I would encourage everyone to look at.

3 REPRESENTATIVE LONGIETTI: Other questions?

4 REPRESENTATIVE DALEY: Representative
5 Longietti, I want to thank you for hosting us and
6 setting this meeting up here as the first of a
7 series of Economic Development Roundtables we're
8 going to have across Pennsylvania. You did a great
9 job. I want to thank you for putting together a
10 fine panel.

11 For members of the legislatures here, I
12 appreciate your coming out, those of you on the
13 committee and those of you who used to be on the
14 committee were welcome. The legislative
15 delegation, I want you to know the legislative
16 delegation you have in Mercer County is an
17 excellent legislative delegation. They've worked
18 really diligently on your behalf. I see them all
19 working.

20 I've been around. I've seen a lot of
21 legislators come and go. You have great people
22 working in Harrisburg, and they didn't pay me to
23 say that -- yet.

24 The panelists you guys are great. This is
25 a new format we decided to do, having sort of an

1 open roundtable discussion without any prepared
2 comments because we end up sitting here reading
3 where you go, and it has a tendency to not create
4 any spontaneity, and it becomes kind of
5 monotonous, so I thought that was a great thing.

6 We know in western Pennsylvania that for
7 several years, being a legislator from out here
8 and an elected official out here, for many, many
9 years that we've always been kind of considered
10 kind of on the frontier. I think one of you may
11 have alluded to that. I mean truly if it didn't
12 revolve around Philadelphia and it didn't revolve
13 around Harrisburg, quite honestly, if it didn't
14 revolve around Pittsburgh, it really wasn't a
15 concern to anybody.

16 And being part of the donut around the hole
17 of Pittsburgh, we've always been kind of
18 neglected, too, because everything stayed in the
19 city. It never came out. And now we have
20 suffered over 50 years of that impact.

21 The downturn of the economy I think has not
22 affected us as much as it has other parts of the
23 country because, guess what? Since the '70s and
24 early '80s we've been down. We haven't really
25 come back like everybody else, so it hasn't had as

1 major impact, even though it's been cataclysmic,
2 nevertheless, on us.

3 So I want you to know that we're working,
4 legislators, western Pennsylvania legislators --
5 and maybe a Lycoming County legislator -- to make
6 sure that everything's fair. And we want to make
7 sure economic development happens all over the
8 state.

9 I'm tired of being considered the frontier.
10 I'm tired of being considered that Pennsylvania
11 ends at the Allegheny Mountains and doesn't really
12 quite make it over here to us.

13 So thank you for your participation and
14 thank you for your understanding, members of the
15 public that's here, thank you for coming. Elected
16 officials, economic development specialists,
17 commissioners, Prothonotary, I might be up here,
18 you never know. The controller that's here, I
19 think that's great. Who is really running the
20 store when everybody's here? What's going on?

21 But thank you very much. And
22 Representative Longietti, thank you for your
23 staff. And especially our stenographer. She's
24 done a great job not yelling at everybody for
25 slowing down because, of course, in western

1 Pennsylvania we all talk a little faster than
2 everybody else. So thank you very much. God
3 bless you and have a safe trip home.

4 (All said thank you.)

5 (THEREUPON, proceedings concluded at 12:22
6 p.m.)

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COURT REPORTER'S CERTIFICATE

I hereby certify that I, Donna M. McMullen,
RMR, Notary Public, reported in stenotype the
record of proceedings in the above-entitled
matter, and that this copy is a full, true, and
accurate transcript of my said stenotype notes.

Donna McMullen, RMR

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