

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

COMMERCE COMMITTEE HEARING

STATE CAPITOL  
RYAN OFFICE BUILDING  
ROOM 205  
HARRISBURG, PENNSYLVANIA

WEDNESDAY, JUNE 17, 2009  
8:30 A.M.

PRESENTATION ON  
LOCAL DEVELOPMENT DISTRICTS,  
INDUSTRIAL RESOURCE CENTERS, AND  
SMALL BUSINESS DEVELOPMENT CENTERS

BEFORE:

HONORABLE PETER J. DALEY II, MAJORITY CHAIRMAN  
HONORABLE PAUL COSTA  
HONORABLE MARK LONGIETTI  
HONORABLE ROBERT MATZIE  
HONORABLE RICHARD MIRABITO  
HONORABLE STEVE SANTARSIERO  
HONORABLE JOHN SIPTROTH  
HONORABLE ROSITA YOUNGBLOOD  
HONORABLE JOHN YUDICHAK  
HONORABLE DICK HESS, MINORITY CHAIRMAN  
HONORABLE MARTIN CAUSER  
HONORABLE MIKE FLECK  
HONORABLE JIM MARSHALL  
HONORABLE CARL WALKER METZGAR  
HONORABLE MIKE REESE

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ALSO PRESENT:

DAVID CALLEN  
MAJORITY EXECUTIVE DIRECTOR  
SANDRA ALTLAND  
MAJORITY LEGISLATIVE ASSISTANT  
DESTINY ZEIDERS  
MAJORITY ANALYST  
PATRICIA A. CUSTIS  
EXECUTIVE DIRECTOR FOR  
REPRESENTATIVE THOMAS

JEAN M. DAVIS, REPORTER  
NOTARY PUBLIC

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3 CHAIRMAN DALEY: Good morning.

4 The Pennsylvania House of Representatives  
5 House Commerce Committee will now come to order.6 This morning we scheduled a public hearing  
7 here in 205, Ryan Office Building, and I would like  
8 to have the members of the committee introduce  
9 themselves, starting with Representative Yudichak.10 REPRESENTATIVE YUDICHAK: Thank you,  
11 Mr. Chairman.12 Good morning. John Yudichak, Luzerne  
13 County.14 REPRESENTATIVE CAUSER: Good morning.  
15 Marty Causer, McKean, Potter, and Cameron Counties.16 REPRESENTATIVE SANTARSIERO: Good morning.  
17 Steve Santarsiero, Bucks County.18 REPRESENTATIVE MARSHALL: Good morning.  
19 Jim Marshall from the 14th District, Beaver County.20 REPRESENTATIVE REESE: Good morning.  
21 Mike Reese, Westmoreland and Fayette Counties.22 REPRESENTATIVE MIRABITO: Good morning.  
23 Rick Mirabito, Lycoming County.24 REPRESENTATIVE LONGIETTI: Good morning.  
25 Mark Longietti from Mercer County.



1 MS. McCLOSKEY: Denise McCloskey, Executive  
2 Director of the Northwest Pennsylvania Regional  
3 Planning and Development Commission, currently  
4 Vice Chair of the Local Development Districts  
5 Association.

6 MR. BOX: Mr. Chairman, I'm Jeffrey Box, the  
7 CEO of the Northeastern Pennsylvania Alliance. I'm  
8 the Secretary-Treasurer of the Local Development  
9 Districts.

10 MR. SILVETTI: Hi. Edward Silveti,  
11 Executive Director of Southern Alleghenies Planning  
12 and Development Commission. We are based out of  
13 Altoona.

14 MR. BRIDGES: Good morning, Mr. Chairman and  
15 committee members.

16 My name is Eric Bridges. I'm the Executive  
17 Director of the North Central Pennsylvania Regional  
18 Planning Commission, located in Ridgway,  
19 Pennsylvania.

20 CHAIRMAN DALEY: And we have one more.

21 MR. ABRAMS: Two.

22 CHAIRMAN DALEY: Two more.

23 MR. ABRAMS: Two more.

24 MR. ROBINSON: Good morning. I'm  
25 Dennis Robinson. I'm Executive Director of

1 SEDA-Council of Governments, Lewisburg, Pennsylvania.

2 DR. HASSINGER: Good morning. I'm  
3 Jim Hassinger, Executive Director of the Southwestern  
4 Pennsylvania Commission in Pittsburgh and surrounding  
5 counties.

6 CHAIRMAN DALEY: Thank you.

7 The purpose of the hearing today is the  
8 Commerce Committee over the next several months will  
9 be aggressively examining economic development and  
10 how we can improve our economy in Pennsylvania and  
11 possibly get some new solutions and new ways of  
12 addressing, aggressively, ways of creating and  
13 stimulating Pennsylvania's economy.

14 Lady and gentlemen, you may begin.

15 MR. ABRAMS: Thank you, Mr. Chairman.

16 Mr. Chairman, we appear before you and the  
17 committee this morning to in essence give you an  
18 overview of what over the past several years a  
19 \$6.5 million investment by the Commonwealth has  
20 resulted in and also to share with you that if the  
21 proposed figures in Senate Bill 850 were to hold  
22 true, what those numbers would look like after that  
23 fact.

24 So with that said, I would like to give you  
25 just a brief little background of all of ourselves



1 and our association, and I will begin with just a  
2 brief history.

3 We were created by an act known as the  
4 Appalachian Regional Commission Development Act  
5 back in the mid-sixties. It was actually a  
6 President Kennedy initiative that President Johnson  
7 enacted.

8 And in that, they created seven Local  
9 Development Districts in Pennsylvania which serve  
10 Pennsylvania's Appalachian counties. Now, what I  
11 mean by that is that 52 of the 67 counties are  
12 covered by Local Development Districts.

13 Now, if I am a Representative from the  
14 southeast, from the 15 counties, I'm going to say,  
15 well, I can tune the rest of this discussion out.  
16 Please don't do that for the following reasons.

17 We, as you'll see throughout the course of  
18 this presentation, have a significant interaction  
19 with our businesses that exist in the 52 counties.

20 Those businesses have business-to-business  
21 relationships with the 15 counties in the southeast.  
22 And I know in my own situation, being from the  
23 northern tier, we have numerous companies whose  
24 corporate headquarters are located in the 15 counties  
25 of the southeast.

1           So please, as you go through this  
2 discussion, bear in mind that these numbers are going  
3 to have an indirect effect on the southeast, the  
4 15 counties that we do not directly serve.

5           As you can see, we have been in operation  
6 for about 40 years. The ARC Act was created in about  
7 the mid-sixties, and between 1965 and 1970, most of  
8 us or all of us came into existence.

9           And as you can see on the map, we are  
10 multicounty alliances, ranging from 5 to 11 counties  
11 in the number of counties that we serve.

12           We have been in the business for years of  
13 coordinating local, State, and Federal projects, and  
14 we have State- and federally-approved performance  
15 measures.

16           We are counsel to private and public sector  
17 leaders, meaning that our Board of Directors is a  
18 composition of county-elected officials and  
19 private-sector individuals.

20           We have been in the business of management  
21 and distribution of grants and loans, and we are  
22 responsible stewards of public funds.

23           Some of our core services. We have services  
24 for local government, community development, regional  
25 planning and initiatives, and business development.

1           Let us talk a little bit about the business  
2 development services that we provide to the  
3 businesses in our area.

4           We have business financing, and I would like  
5 the committee to be aware of the fact that we in no  
6 way are in competition with private financing. We  
7 are a complement to private financing.

8           In other words, if a company has a project  
9 that the private lending institution is a little bit  
10 apprehensive about financing the entire project, then  
11 we step in and pick up the balance.

12           We have an international trade and a  
13 government contracting -- I know I'm jumping out of  
14 order, but I'm doing it on purpose. We have an  
15 international trade and a government contracting  
16 division.

17           Back in the early eighties, we identified a  
18 need that some of the smaller and mid-sized companies  
19 could not afford to put people on staff, employees  
20 that could guide them through the hurdles of getting  
21 into the international market or the government  
22 contracting market. Thus, we provide staff people to  
23 assist those businesses at no charge. And we also  
24 have a retention and expansion program that is also  
25 funded by the Commonwealth.

1           I want to talk about the number of jobs that  
2 we have created, we have retained, and the private  
3 funding leveraged. And this is strictly through our  
4 business lending program, and these figures are for  
5 -- actually, they are for '07-08. Our '08-09 numbers  
6 are not calculated yet. But you can see that in the  
7 impact reports that we are passing around.

8           Now, this is the first thing I want to talk  
9 about, that if you take what the original budget had  
10 in it plus the reductions in SB 850, you will see the  
11 decline in the number of jobs at a 62-percent  
12 reduction of what would be lost to the businesses in  
13 the 52 counties that we serve. That is only the  
14 business lending that you will see the negative  
15 866 job loss, roughly 3,300 of jobs that will not be  
16 retained based on the formula that we have used, and  
17 the reduction of \$39.3 million of private funds  
18 leveraged.

19           Again, I referenced the international trade.  
20 I gave you the brief description. We will move on to  
21 the numbers.

22           I would also like to reference the fact that  
23 these numbers are the numbers that our clients report  
24 to us. These are not numbers that we make up in  
25 house. These are numbers that the clients report

1 directly to DCED, and in turn we get those numbers  
2 back. And you can see the results, again, if the  
3 proposed SB 850 were to remain on the table.

4 Retention and expansion. There are no  
5 numbers that go with this, but we do have an  
6 aggressive program that reaches out, as you can see,  
7 to businesses to keep track of their -- to track  
8 their movements, so to speak.

9 This particular line item has been proposed  
10 to be zeroed out, and as you can see, in '07-08, we  
11 conducted 3,300 interviews. And obviously with it  
12 zeroed out, there would be no business interviews  
13 conducted in the upcoming year.

14 Government contracting. Again, our current  
15 numbers, the amount generated, and the potential loss  
16 with what is being proposed.

17 Also, the \$6.5 million that the Commonwealth  
18 has allocated to us over the past several years  
19 enables us to leverage Federal funding. And  
20 specifically what I mean by that is most Federal  
21 funding programs require a non-Federal match in order  
22 to receive the funding. And we have utilized the  
23 Commonwealth's funding to leverage and secure  
24 numerous dollars in Federal programs, which I believe  
25 is the next slide.

1           Yes. That is just a tiny example of the  
2 grants we get from the Economic Development  
3 Administration that requires a 50-percent Federal  
4 match, which we used the \$6.5 million toward that  
5 70-percent match. It's a very minor example.

6           And that's the return on investment of the  
7 \$6.5 million. We generated \$297 million worth of  
8 revenue for the Commonwealth with the \$6.5 million.  
9 And we have also been able to leverage \$7 million of  
10 Federal money with the \$6.5 million, and those would  
11 be the losses that would be faced if this budget  
12 holds true.

13           We are asking you to restore our respective  
14 line item to its current 2008-2009 level, and with  
15 that restoration, we will continue to support  
16 Pennsylvania's businesses and use that to leverage  
17 Federal dollars. And it will save programs that are  
18 viable to economic development and job creation.

19           Our future plans. We have an emphasis on  
20 energy-related issues. We are in the business of  
21 helping municipalities with energy conservation  
22 practices.

23           In our community development division,  
24 particularly in my own region, and I know in other  
25 regions, we have had a huge emphasis with these

1 dollars on the development of the Marcellus Shale  
2 that we have been working with municipalities and  
3 businesses as well, and we will continue to increase  
4 our services in recovering new businesses and job  
5 creation.

6 And thank you for the opportunity to appear  
7 before the committee this morning, and we will be  
8 happy to entertain any questions that you may have.

9 CHAIRMAN DALEY: Thank you very much.

10 The Chair recognizes Representative Fleck,  
11 who has joined us, as well as Representative Metzgar.

12 Questions from members of the committee?

13 John Siptroth, he's here? I'm sorry, John,  
14 I didn't see you here. I recognize also  
15 Representative Siptroth.

16 Whose turn is it? John, do you have a  
17 question?

18 REPRESENTATIVE SIPTROTH: No, I don't,  
19 Mr. Chairman. I have a comment.

20 CHAIRMAN DALEY: Please go ahead.

21 REPRESENTATIVE SIPTROTH: I just wanted to  
22 mention all of the good things that you folks have  
23 done with the money. I think you have been very  
24 prudent in the expenditures helping local governments  
25 in those types of things. And I know we will try our

1 best to keep at least some of that funding in  
2 place.

3 MR. ABRAMS: Well, thank you. We appreciate  
4 those comments.

5 And I also wanted to preface my remarks this  
6 morning by saying that all seven of us are extremely  
7 sympathetic and understanding to the crisis that  
8 faces the Commonwealth today and that we are very in  
9 tune to the situation at hand.

10 REPRESENTATIVE SIPTROTH: Thank you.

11 CHAIRMAN DALEY: Representative Mirabito.

12 REPRESENTATIVE MIRABITO: Yeah; I just  
13 wanted to -- I know I'm a freshman, but I had an  
14 opportunity to meet with the folks from SEDA-COG for  
15 about 3 hours when I was in the district last Friday.  
16 I was also very impressed.

17 I think it's really important that all the  
18 constituents that you impact start to get into, you  
19 know, the public view and talk about how their small  
20 businesses have been helped by this, because they  
21 have to be made voices in the community that are  
22 talking about the fact that we don't want to cut off  
23 our nose to spite our face.

24 And regardless of where one stands on it,  
25 whether they are in favor of Senate Bill 850 or those



1 types of cuts, the public ought to know what he has  
2 done with the money.

3           So from my perspective, the individual  
4 companies that we talked about, that are always  
5 there, it would be important, I think, to get people  
6 to begin to stand up and say, look, this is how we  
7 are positively impacted by this.

8           MR. ABRAMS: Thank you.

9           CHAIRMAN DALEY: To the end gentleman.

10           As you know, in my previous life I worked  
11 for the Steel Valley Council of Governments as a  
12 manager of economic development in the steel valley  
13 region, from outside of Pittsburgh, Homestead and  
14 Clairton. But, I mean, I personally understand the  
15 tremendous impact that you have on a region.

16           For all intents and purposes, if Senate Bill  
17 850 becomes law, I believe that you are going to be  
18 decimated to the point where you may not be offering  
19 in the next year or two. Is that a fair assessment?

20           DR. HASSINGER: At a much reduced level is  
21 the real fair assessment.

22           CHAIRMAN DALEY: And if we do this same type  
23 of budget next year, where are you going to be?

24           DR. HASSINGER: Meaning with another 62  
25 percent reduction? Is that your question?

1           Yeah, it would be barebones at best.

2           CHAIRMAN DALEY: So fundamentally, we are  
3 saying 3 years out, you are not going to be in  
4 existence---

5           DR. HASSINGER: That could very well be.

6           CHAIRMAN DALEY: ---if we continue, if we  
7 don't want to talk a 62-percent reduction but if we  
8 continue to adopt a reduction in your type of  
9 services.

10          Representative Reese.

11          REPRESENTATIVE REESE: Well, thank you for  
12 your presentation. I appreciate it.

13          I do have a question for you. You work with  
14 a lot of small businesses, so I'm sure you have your  
15 favorite on also the economy.

16          Given the Governor's proposal yesterday of  
17 an increase in the personal income tax, in other  
18 words, a lot more small businesses pay the PIT, what  
19 effect do you think it will have on the businesses  
20 that you serve?

21          MR. SILVETTI: That is a tough question,  
22 because obviously, you know, many of the -- well,  
23 some of the members that I work with in my region,  
24 they actually, a couple of them actually have some  
25 Chapter S corporations. So they would be affected.

1           No one likes, no one likes to pay taxes. No  
2 one likes the current level of taxes. No one likes  
3 the thought of raising taxes.

4           I will say this: You know, I appreciate the  
5 comments by the members with regard to the companies  
6 that we serve and their reaction, and we are starting  
7 to get reaction from companies, they read the  
8 newspapers; they understand, you know, the state of  
9 the economy; they understand what is going on with  
10 respect to the State budget, and they are concerned,  
11 you know, because they do realize that they get many  
12 services through our organization and the other Local  
13 Development Districts.

14           You know, they recognize that small- and  
15 medium-sized businesses are the engine of the  
16 economy, and they are very concerned, you know, that  
17 if services are not available to help them, you know,  
18 it's going to be a little more difficult for them to  
19 come back and help to grow, regrow, you know, the  
20 Commonwealth's economy.

21           But with respect to the taxes, you know, no  
22 one likes the idea of taxes, but, you know, I would  
23 hope that they recognize that everybody has got to  
24 pay, you know, their fair share.

25           I'm not advocating one way or the other.

1 I'm just saying that, you know, they are concerned,  
2 as all of us are, as individual taxpayers.

3 MR. ABRAMS: The other comment I want to  
4 make in regard to that, too, is since the downturn in  
5 the economy, we don't have this documented, but just  
6 in general conversations amongst ourselves, our  
7 demand for these services has probably increased  
8 about 20 percent since the downturn of the economy.

9 Companies specifically who have not been in  
10 the arena of exporting and government contracting or  
11 trying to diversify and maintain their businesses  
12 have requested our services.

13 REPRESENTATIVE REESE: Well, let me just say  
14 I don't doubt the value of your services. As a  
15 matter of fact, I think they are probably very  
16 important.

17 I guess the question is making sure that we  
18 don't increase the burden on individuals and small  
19 businesses with higher taxes while we try and balance  
20 this budget, and I think that's the most relevant. I  
21 certainly appreciate what you offer.

22 Thank you, Mr. Chairman.

23 CHAIRMAN DALEY: Thank you, Representative  
24 Reese.

25 Representative Fleck.

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

3           I certainly would echo some of the comments.  
4 I know what Ed and his crew do up in Southern  
5 Alleghenies, and certainly I'm very appreciative of  
6 what you are doing for the rural areas and  
7 everything, and I particularly see the impact there.  
8 And I just wanted to give a shout-out for all your  
9 hard work over the years, and I really see the impact  
10 in our area.

11           Thank you.

12           MR. SILVETTI: I appreciate that comment.  
13 Thank you.

14           CHAIRMAN DALEY: Representative Mirabito.

15           REPRESENTATIVE MIRABITO: The only sort of  
16 part I wanted to add on that is I can't stress enough  
17 how important it is in every community to have more  
18 than just the voice of an elected official advocating  
19 for something.

20           It has to come from the bottom up, and  
21 people have to put it into stark terms of, okay, I  
22 may send this much more, but we are going to solve a  
23 bigger problem where we are going to create this  
24 number of jobs, and we have to begin to have people  
25 educate the community.

1           In other words, if your services is  
2   20 percent since this recession, that should be  
3   blasted all over the community. Everybody should  
4   know that while this recession is going on, you are  
5   fighting to try to keep jobs and that that fight is  
6   being done because there is assistance from the  
7   State, so that we can break through this notion that  
8   State money is always wasted, that State budgets  
9   don't do anything productive, that kind of talk radio  
10  1-second fast-food digestion of how you build an  
11  economy.

12           And we can't -- you know, those of us who  
13  support you can't do it alone. It has to be  
14  something that your members come forward with, or  
15  else, quite frankly, the other voices will drown it  
16  out. I mean, I don't know how to be more stark about  
17  it than that.

18           MR. ABRAMS: Well, I agree, and I appreciate  
19  your comment.

20           CHAIRMAN DALEY: Representative Longietti.

21           REPRESENTATIVE LONGIETTI: Thank you,  
22  Mr. Chairman.

23           Thank you for your presentation.

24           First off, I want to recognize  
25  Denise McCloskey and the Northwest Commission, which

1 is the Local Development District in my area, and  
2 what a fine job they have done from my observation  
3 for the last 2 years. I certainly appreciate them.

4 I get concerned, you know, at some point the  
5 economy starts to turn around, and economists are  
6 saying that that could be sometime in September,  
7 certainly by the end of the year hopefully, and you  
8 worry about depleting the tools in your economic  
9 development toolbox. Pennsylvania, it is important  
10 that Pennsylvania isn't at the bottom of the list of  
11 States under recovery hits.

12 I just want to get a sense from you, I hear  
13 anecdotally things like Michigan is making a very  
14 significant investment in economic development, which  
15 we are on the border of Ohio where I live.

16 Do you have a sense for what some of our  
17 surrounding States are doing in the midst of this  
18 economic downturn as far as investments in economic  
19 development of what you do?

20 Does anybody want to tackle that?

21 MR. ABRAMS: I can't really cite any, you  
22 know, specific numbers of the efforts that are going  
23 on.

24 CHAIRMAN DALEY: Is your microphone on?

25 MR. ABRAMS: Yes, it is, I think.

1           CHAIRMAN DALEY:   Okay.   Just move a little  
2 closer, please.

3           MR. BOX:   Let me add a comment.

4           I'm the Past President of the Development  
5 District Association of Appalachia.   That's the  
6 organization of 72 Local Development Districts like  
7 ours across the 13 Appalachian States.   So I know  
8 many of my colleagues in the other States very well.

9           I will tell you this, you know, that with  
10 respect to particularly the business-oriented  
11 services which we all provide here in Pennsylvania,  
12 we are the envy of the districts in many of those  
13 other States.   In fact, you know, I'm told they  
14 actually try to emulate what it is that we do.

15           You know, I think that all States have  
16 economic development programs.   Some of them are  
17 similar, some of them are different, you know.   But  
18 that said, again I would say that what it is that we  
19 do with business lending and export assistance and  
20 government contract procurement and some of the other  
21 emphases that we put on businesses, you know, it's  
22 much more intense, you know, than other States,  
23 particularly within organizations like ours.

24           REPRESENTATIVE LONGIETTI:   Thank you for the  
25 comment.



1           I know we are in a tough budget and there  
2 are going to be tough choices to be made. The ones  
3 that you really try to focus on are what you throw  
4 money into a program that produces  
5 multiple-player-type effect results, and I just worry  
6 that Pennsylvania, if we don't make a commitment, a  
7 continued commitment to economic development, that we  
8 could fall behind compared to the other States that  
9 surround us.

10           Thank you.

11           CHAIRMAN DALEY: Thank you.

12           Let me just briefly comment.

13           Pennsylvania has led the nation in creative  
14 innovative economic development tools. Since  
15 Governor Shapp did a customized economic development  
16 package for Volkswagen in western Pennsylvania back  
17 in the mid-seventies, many States followed suit in  
18 how they were going to aggressively bring industry  
19 into their State.

20           During the Thornburgh and Casey  
21 Administrations, more in the Casey Administration, we  
22 had the opportunity to do many programs that were  
23 really the tools that you are using today to attract  
24 industry and business into the State. We know that  
25 we are considered one of the Rust Belt States with a

1 zero population growth.

2 I can't see the government cutting the part  
3 of the funding that creates more business and growth  
4 and job opportunity and economic vitality. That just  
5 doesn't make good sense to me. It retards the  
6 process geometrically, not arithmetically.

7 And you know what I am talking about. If  
8 you are cut, it takes you so many years to get back  
9 to speed. If you lose a program, it takes you 5 to  
10 10 years to get back up and running. And I know all  
11 these other groups that are going to be talking today  
12 are probably going to be addressing this.

13 For the last 3 years, I have been working on  
14 trying to personally come up with a new economic  
15 development tool for Pennsylvania, utilizing somewhat  
16 like the Local Development Districts in creating  
17 local economic development districts on a different  
18 level, where you have some autonomy in terms of a  
19 certain region: Do you know what you need? That you  
20 may have taxing authority to leverage certain types  
21 of economic development tools.

22 We have talked to a gentleman named  
23 Mazziotti; you probably remember that name. And  
24 Don Mazziotti had some of the most innovative  
25 concepts in Pennsylvania economic development when he

1 was Secretary of, I guess at that time the economic  
2 development program out of the Department of  
3 Commerce.

4 So I'm looking forward to your input, as  
5 well as the other individuals who are going to be  
6 testifying today, because I believe you just can't  
7 cut off your nose to spite your face.

8 MR. ABRAMS: Mr. Chairman, in conjunction  
9 with what you just said, I wanted to mention at the  
10 onset when I had the map up that we are in the very  
11 early stages of negotiating with three entities in  
12 the southeast part of the State to make our  
13 organization statewide. That is about all I'm able  
14 to say today, because we have just begun those  
15 discussions.

16 But hopefully in the next year or two we  
17 could reappear before this committee and we would  
18 have names on those 15 counties in the southeast that  
19 would be the same service providers that we are.

20 CHAIRMAN DALEY: Well, we appreciate you  
21 testifying, and thank you very much for your  
22 candor.

23 Thank you for your participation.

24 MR. ABRAMS: Thank you for the opportunity  
25 to appear before you today.

1 PANEL II

2 CHAIRMAN DALEY: Our next group of  
3 panelists will be the Industrial Resource Centers  
4 Association.

5 The Chair recognizes the attendance of  
6 Representative Paul Costa from Allegheny County.

7 Please identify yourselves for the record  
8 and the area that you represent.

9 MR. SHILLENN: Good morning. I am  
10 Jim Shillenn with IMC, which is the Industrial  
11 Resource Center of Central Pennsylvania, the  
12 12 counties in central Pennsylvania. And also I am  
13 acting as the Treasurer of the Industrial Resource  
14 Center Network, and our offices are in Williamsport,  
15 State College, and Lewisburg.

16 MS. MITCHELL: Good morning. My name is  
17 Petra Mitchell. I'm the President and CEO of  
18 Catalyst Connection. We are the Industrial Resource  
19 Center of Southwestern Pennsylvania.

20 MR. LLOYD: Good morning, and thank you for  
21 the opportunity.

22 My name is John Lloyd. I'm President and  
23 CEO of MANTEC, which is the Industrial Resource  
24 Center for the nine counties of south-central  
25 Pennsylvania.

1 MR. ESODA: Good morning. My name is  
2 Eric Esoda. I'm the Managing Director of the  
3 Northeastern PA Industrial Resource Center, servicing  
4 11 counties in northeastern Pennsylvania, based in  
5 the Scranton/Wilkes-Barre area.

6 CHAIRMAN DALEY: Petra.

7 MS. MITCHELL: Okay. Well, good morning.

8 Thank you, Representative Daley and members  
9 of the House Commerce Committee. We are very happy  
10 and thankful to be here today for this opportunity.

11 As you can see, we are trying to load up our  
12 presentation onto the screen, but hopefully you all  
13 have copies of it. There are some extra copies on  
14 the table over there. And if it's okay, we'll just  
15 go ahead and get started until that presentation is  
16 brought up onto the screen.

17 CHAIRMAN EVANS: Is this the---

18 MS. MITCHELL: That is it, yes.

19 CHAIRMAN DALEY: It will be in your packet.

20 The Chair recognizes Representative Matzie  
21 being present.

22 MS. MITCHELL: I hope that you will see that  
23 as we go through this presentation, that the  
24 Pennsylvania Industrial Resource Centers are  
25 passionate about serving and supporting manufacturing

1 in Pennsylvania.

2 We are also proud of the work that we do as  
3 the Industrial Resource Centers. Any opportunity  
4 that we have to talk about our program and our  
5 clients is very much appreciated.

6 Before I get started, I would like to  
7 acknowledge, as we have already discussed, that this  
8 is a very difficult year for State budgeting, and all  
9 of you have a very, very difficult job ahead of you.

10 I hope and believe that a very modest State  
11 investment into the Industrial Resource Center  
12 program, however, can have long-lasting, positive  
13 economic impacts on our community.

14 Finally, the agenda that I would like to  
15 cover this morning is I would like to provide an  
16 overview of manufacturing in Pennsylvania. It is our  
17 most significant industry.

18 I would also like to provide an overview of  
19 the Industrial Resource Centers, to give you some of  
20 the details and the background of the work.

21 But I would like to spend the majority of my  
22 time answering the question of what are manufacturers  
23 doing today to survive the tough economic times, and  
24 what do we need to do to support manufacturing in the  
25 future to take advantage of an emerging new economy?

1           And I hope that I can demonstrate how the  
2 Industrial Resource Centers, along with our partners  
3 and State agencies, can play a huge role in assisting  
4 manufacturers in our developing statewide economy.

5           And I apologize for our technical  
6 difficulties here, so I will move on to slide 2,  
7 which is the slide that discusses the state of  
8 manufacturing.

9           And as I mentioned, it is noted as being our  
10 State's most significant industry, and I would like  
11 to refer you to the 2008 State of the Industry  
12 Report, which is available on the Department of  
13 Community and Economic Development's Website. I have  
14 several copies of it and so forth.

15           In that report, there are a number of  
16 metrics that define "manufacturing." And again, like  
17 I said, it is noted as our State's most significant  
18 industry.

19           Also, I would like to point out that in the  
20 report, the average wages for employees of  
21 manufacturing are over \$50,000, which is more than  
22 the median household income in Pennsylvania.

23           Also, most of these jobs include  
24 family-oriented benefits like health care and  
25 retirement plans and so forth.

1           In addition, Pennsylvania has approximately  
2 16,000 manufacturers, and the majority of those are  
3 very small. Approximately 60 percent have less than  
4 20 employees.

5           The majority of them are family-owned or  
6 privately-held businesses, and many of them have an  
7 aging population of CEOs as well as workers. And I  
8 think this will present a huge challenge for us as a  
9 community as new leaders, a new generation of owners,  
10 managers, and workers enter the manufacturing sector,  
11 and some of them may not be prepared for the  
12 challenges that lay ahead.

13           I will move on to slide 3. Who are the  
14 beneficiaries of the Pennsylvania Industrial Resource  
15 Centers? Or to provide an overview -- I'm sorry; I  
16 apologize. I will provide an overview of the  
17 Industrial Resource Centers.

18           CHAIRMAN DALEY: Petra, what is the caption  
19 of that -- we are up and running.

20           MS. MITCHELL: We are up and running. Good.

21           CHAIRMAN DALEY: What is the caption of that  
22 slide?

23           MS. MITCHELL: Which slide are you on?

24           CHAIRMAN DALEY: It says "The PA Industrial  
25 Resource Centers."



1 MS. MITCHELL: Slide 3?

2 CHAIRMAN DALEY: Okay.

3 MS. MITCHELL: Yes. I'm on slide 3, yes.

4 Okay. On slide 3, this provides an overview  
5 or some background information on the Industrial  
6 Resource Centers.

7 And as it is mentioned there, we have that  
8 we were established in 1988 with legislation under  
9 Governor Casey's Administration.

10 Two independent studies have confirmed that  
11 for every dollar invested into the Industrial  
12 Resource Center program, it returns a dollar 24 in  
13 State tax revenues.

14 Now, how does that happen? The Industrial  
15 Resource Centers provide consulting and training  
16 services to manufacturers. So as these companies  
17 grow, they add employees and they improve  
18 profitability, they pay more taxes.

19 We employ approximately 160 people. And I  
20 would also like to mention that we utilize many, many  
21 third-party or independent consultants throughout  
22 Pennsylvania to augment our capacity and our  
23 capability.

24 So in addition to the positive economic  
25 impacts we have with businesses, we also have

1 positive economic impacts with providers in our  
2 community.

3           We receive funding from the State through  
4 the Department of Community and Economic Development,  
5 but we also receive funding from the Federal  
6 Government through a program called Manufacturing  
7 Extension. That is a national program. There are  
8 centers like ours throughout the country serving  
9 manufacturing.

10           I would like to go to the next slide,  
11 slide 4.

12           This lists who some of the beneficiaries  
13 are. Obviously small manufacturers are those  
14 beneficiaries. But, you know, just to point out that  
15 we have many rural communities in Pennsylvania. Many  
16 of those communities have a manufacturing company as  
17 the core foundation for that community. There are  
18 also many suppliers in some of those small  
19 communities. And often they have very little  
20 resources available to them to help them grow and  
21 improve their businesses.

22           Some of the larger firms in Pennsylvania  
23 rely on a local supplier network, and as resources  
24 are tightened in those larger companies, they really  
25 do not have anyone to help them with supplier

1 development. That's the role that the Industrial  
2 Resource Centers play.

3 Employees participate in various training  
4 programs and so forth. They build their skills.  
5 They improve their earning potential and their career  
6 potential.

7 We have already talked about Pennsylvania  
8 and our communities that benefit from greater taxes.

9 And also, the Pennsylvania Industrial  
10 Resource Centers are an outreach arm and a conduit  
11 for many other State and Federal agencies that need  
12 to reach out to manufacturers. We strive to bring  
13 whatever resources and programs are available to  
14 those manufacturers.

15 On slide 5, it's just a map of our centers,  
16 and you can see four of our centers are represented  
17 here today -- Catalyst Connection, the IMC, MANTEC,  
18 and NEPIRC.

19 Just moving on to slide 6, because this is  
20 one of the most important slides that I would like  
21 to talk about today, and that's the results of our  
22 work.

23 You can see there that in any given year, we  
24 meet with approximately 4,000 companies. What that  
25 means is we are reaching out to those companies. We

1 are assessing their needs. We are looking at their  
2 business conditions and their business situation and  
3 determining what is the best approach for that  
4 business to take moving forward to be successful.

5 Approximately 25 percent of those businesses  
6 that we meet with engage with us on an implementation  
7 project, and when they do, they actually -- they pay  
8 for those services. So those services are not free  
9 to them. We use the State and Federal funding to do  
10 the outreach, and then the companies pay for the  
11 direct delivery of services.

12 We feel this is very important, because it  
13 determines and demonstrates that there is value in  
14 what we have to offer and also so that the company is  
15 encouraged to demand and expect a return on their  
16 investment.

17 Also, any company that works with us on a  
18 specific implementation engagement is asked to  
19 participate in an annual survey that is administered  
20 by our Federal partners, the MEP.

21 This survey asks them to quantify the return  
22 on their investment in whatever project. And you can  
23 see the results there just from one fiscal year,  
24 significant results in terms of jobs created or  
25 retained, additional sales, cost savings, and so

1     forth.

2             All of those metrics lead to additional  
3     State tax revenue. These employees pay personal  
4     income tax, businesses pay taxes, and so forth.

5             Lastly, our clients reported that as a  
6     result of our services, they invested an additional  
7     \$192 million back into their businesses. That,  
8     again, is more investment into the community and  
9     additional activity that is going on.

10            Just real quickly on slide 7. Just some of  
11     the services that we do provide. Again, these are  
12     consulting and training services that we deliver with  
13     our own staff of technical experts as well as the  
14     using of third-party consultants throughout our  
15     communities.

16            The primary or our core offerings are around  
17     operational excellence, sometimes referred to as  
18     "productivity improvement." The foundation of this  
19     work is in what is called lean manufacturing.

20            Some of you may be familiar with the  
21     principles of Demming in the Toyota production  
22     system. These are tools and techniques and methods  
23     to drive costs and time out of your business and  
24     getting to market faster, cheaper, reducing your lead  
25     times, and improving your on-time delivery.

1           And finally, these services are about making  
2 things the same way every time, with minimal  
3 variation.

4           In 2004, we received some additional  
5 funding, and I will show you that model, that  
6 history, in a moment. But with that funding, we  
7 launched business growth services. These services  
8 are focused on growing sales from new customers, new  
9 markets, and new products.

10           Using those additional funds, we were able  
11 to add some very, very talented people to our staff,  
12 and I think I will be able to demonstrate in a short  
13 while that they have been very successful in working  
14 with the businesses on business growth-related  
15 issues.

16           I would like to show you our staff of  
17 industry professionals. There is a picture there on  
18 slide 8. We had a biannual conference in Erie, and  
19 we were able to take this group picture.

20           These are the people that are out there  
21 every day, even right now as we speak, meeting with  
22 companies, gaining their trust, assessing their  
23 needs, and providing the resources that are needed to  
24 grow and improve their businesses. I don't think you  
25 will find a more dedicated team of professionals out

1 there in our communities.

2 The next page is our leadership team, and  
3 again, I'm sure you know that the strength of any  
4 organization is really dependent or is often only as  
5 good as its leaders. We have a very dedicated team  
6 of professionals. All of us have significant  
7 experience with the Industrial Resource Center  
8 program as well as experience in the manufacturing  
9 sector.

10 Personally, I have been with the program for  
11 over 15 years, and my colleagues here have been with  
12 the program for a very long time as well.

13 And finally, our funding history. We are  
14 currently, you know, noted as a \$15.2 million  
15 program. The Governor's budget had proposed a  
16 24-percent cut to our program, and Senate Bill 850  
17 proposed a 62-percent cut to our program.

18 We were asked to address the impacts of  
19 those cuts, and what I would like to do is talk about  
20 that relative to what do manufacturers need to be  
21 doing? What are they doing right now? What are some  
22 of the things that we are doing to help them survive  
23 very tough times? And how can we help to prepare  
24 them for growth?

25 So that is really what slide 12 is all

1 about. This is a list from the U.S. Small Business  
2 Administration that provides some tips as to what  
3 manufacturers should be doing to survive these tough  
4 economic times.

5 This list is not dissimilar from other lists  
6 that have been published, but the bottom line is that  
7 this is not the time to do nothing. That is truly a  
8 recipe for failure. This is the time for  
9 manufacturers to be aggressively seeking new  
10 customers and new markets. And at the same time,  
11 they should be relentlessly taking costs out of their  
12 business.

13 And finally, the best way to have a  
14 successful business in the future is to have a pool  
15 of highly skilled workers today. I think we are  
16 finding that many of our manufacturers really are  
17 subscribing to these tips as the demand for our  
18 services, particularly in our lean manufacturing  
19 training programs, is very high right now.

20 On slide 13 I have some specific examples of  
21 what the Industrial Resource Centers are doing to  
22 help manufacturers survive these tough times.

23 Some of these are new actually, as a result  
24 of what we are seeing in the economy and new programs  
25 that we have implemented, and some of these things



1 are really just expanding and growing capabilities  
2 that we already have.

3           So just to give you a few examples, our  
4 tactical marketing and search engine optimization  
5 programs are all about finding new customers and new  
6 markets.

7           We are helping our manufacturers prequalify  
8 and market to prospects, and we are helping to make  
9 them findable on the Web in a global economy.

10           We have already talked about lean  
11 manufacturing, and many of us have expanded our  
12 capacity in lean manufacturing, because again, the  
13 demand has really increased for those services.

14           I would like to address the utility-cost  
15 issue and what we are calling electric power  
16 procurement or energy aggregation services.

17           Those of you in western Pennsylvania know  
18 that we have two utilities where the rate caps have  
19 already been eliminated. That is Duquesne Light and  
20 Penn Power. Companies in those regions have already  
21 experienced very, very high utility rates. And as  
22 the caps are eliminated across Pennsylvania, many of  
23 our manufacturers are going to see significant  
24 increases in costs in their utilities.

25           One way to address that is to buy your

1 electricity on the open market. We have been able to  
2 launch a program where we are actually doing that  
3 with a group of manufacturers where together they  
4 look like one big large user.

5 We have seen, you know, examples of 17- to  
6 20-percent reductions in energy costs as a result of  
7 these pooling programs.

8 Also, we are helping manufacturers with  
9 energy assessments and to access some of the new  
10 programs available to them through the Alternative  
11 Energy Act of 2008.

12 Many of our manufacturers don't realize that  
13 they are eligible for R and D tax credits, and we are  
14 helping them with that.

15 Also, as you know, gaining access to credit  
16 and working capital and so forth can be a challenge.  
17 We have put some new programs in there.

18 And finally, for those manufacturers that  
19 provide machining, welding, and fabrication services,  
20 we have a program with the U.S. Army that I would  
21 like to specifically address, because we are bringing  
22 work back to Pennsylvania from the U.S. Army.

23 That is noted here on slide 14. This is a  
24 program that is funded by the Department of Defense,  
25 so we are not using State funding to implement this

1 program. However, it does rely on the strength of  
2 our network and the relationships that we have with  
3 manufacturers.

4 The U.S. Army out of Picatinny, New Jersey,  
5 just over in our neighboring State there, had a need  
6 to procure manufacturing services -- machining,  
7 welding, and fabricating -- and they work and are  
8 continuing to work through the Industrial Resource  
9 Center Network to provide a single point of contact  
10 to them for these services.

11 And you will see there that they have placed  
12 over \$800,000 worth of work in Pennsylvania. The  
13 important thing to note is they have never met with  
14 or talked to any of these companies. They are  
15 strictly relying on the Industrial Resource Centers  
16 to prequalify and bring them the types of companies  
17 that can do the work.

18 We also have a proposal to expand this  
19 program. We think that will get funded through the  
20 Department of Defense. And our vision is to bring an  
21 additional \$5 to \$10 million worth of work to  
22 Pennsylvania manufacturers.

23 Finally, I would like to say that this is a  
24 model that is looking to be replicated. We feel that  
25 we can help build supply chains in alternative

1 energy.

2 We have a very, very small pilot program  
3 with Gamesa right now, and we are in discussions with  
4 some folks from Marcellus Shale to help them build a  
5 viable supplier base in Pennsylvania to support their  
6 efforts.

7 So moving on, what do we need to do to help  
8 manufacturers? What can the government do to help  
9 manufacturers moving forward?

10 Just coincidentally, we just completed a  
11 study of Pennsylvania manufacturers. Approximately  
12 360 manufacturers responded to a study. It was done  
13 more or less, as I said, independently of this  
14 hearing, but since we had the information, we thought  
15 this would be a good time to talk about what we  
16 learned in this study.

17 And the question that we asked is, how  
18 important are each of six critical strategies? How  
19 important are these to your future, and how well are  
20 you doing relative to these strategies? And these  
21 are six business strategies that we have already  
22 talked about.

23 The first is process improvement or  
24 productivity, workforce, supply chain, innovation,  
25 global engagement, and sustainability.

1           We were pleased to see that almost all of  
2 the respondents thought that productivity and  
3 workforce were critical to their future.

4           Also, in the area of customer innovation,  
5 which is our business growth services, we were  
6 pleased to see how many respondents say that they  
7 were doing pretty well in achieving their strategy of  
8 customer innovation.

9           Since that is an area that we have been  
10 focused on since 2004, it appears as though we have  
11 had some very positive impacts on those manufacturers  
12 that desire to grow through innovation.

13           Also on the next slide we show, we asked the  
14 question, how helpful are State resources in helping  
15 you on each of these six strategies? And you can see  
16 that the highest response there was on productivity  
17 or process improvement.

18           Now, the response still is not where we  
19 would like it to be, but at least we feel that we  
20 have made good progress, since, you know, we have  
21 been working with manufacturers on process  
22 improvements, also on customer innovation.

23           Just to address some of the specific  
24 initiatives, some of the specific needs that  
25 manufacturers have, I would like to touch quickly on

1 each of these six strategies, and then we will wrap  
2 up.

3           So the first one is around productivity  
4 improvements. This, again, has to do with the  
5 concepts of lean manufacturing and relentlessly  
6 driving costs and time out of their businesses.

7           Again, we are pleased to see how many  
8 respondents thought this was a critical strategy to  
9 their success. I would say that this is probably the  
10 most widely accepted business strategy in the world,  
11 and our manufacturers recognize that.

12           We are hopeful that we will have the  
13 resources necessary to continue and grow these  
14 capabilities to work with Pennsylvania manufacturers.

15           The next business strategy, the next most  
16 important, is talent acquisition, development, and  
17 retention. This, again, is our workforce development  
18 strategy.

19           Pennsylvania manufacturers, as I stated  
20 earlier, have an aging population of workers. These  
21 will need to be replaced eventually by highly skilled  
22 technology workers.

23           And our future is going to be dependent on  
24 our ability to improve both the quantity of potential  
25 workers. We are going to have to do a lot more

1 career awareness, career exploration types of  
2 initiatives. We are also going to have to improve  
3 the quality of those workers, and one way to do that  
4 is to involve our business leaders in developing  
5 educational programs in the educational system to  
6 make sure that the gap between what they need and  
7 what our system is producing, we need to close that  
8 gap.

9 I think the Industrial Resource Centers have  
10 already demonstrated that we can play a role there,  
11 and I think, you know, that is an area that we would  
12 like to focus on moving forward.

13 The next strategy is about supply chain, and  
14 again, this has to do with managing your suppliers  
15 and partners.

16 Larger companies have been doing this for  
17 many, many years. Supplier development has been, you  
18 know, one of the key business strategies for larger  
19 companies like Harley-Davidson, BAE Systems, and so  
20 forth.

21 What we are seeing now is that whole  
22 industries are looking at and are concerned about  
23 supplier development. You know, how are we going to  
24 support the alternative energy and wind energy  
25 industry in Pennsylvania? How are we going to

1 support Marcellus Shale and so forth?

2           Again, we feel that IRCs have gained some  
3 good ground here with our work with the U.S. Army and  
4 that we can continue that good work and start to  
5 develop supply chains in some of these other  
6 industries.

7           Customer-focused innovation is our fourth  
8 strategy in terms of importance to success. We are  
9 pleased to see how many of the respondents that felt  
10 it was critical also felt that they were making very  
11 good or world-class progress. The gap here was the  
12 closest.

13           One of the things that we are looking at for  
14 the future and where we think, you know, we can play  
15 a role and the State can play a role is really  
16 helping manufacturers with advanced technology.

17           We have world-class universities in  
18 Pennsylvania. We have world-class technology. But  
19 how can we close that gap and make that technology  
20 accessible and available to some of the smaller  
21 firms? I think that is a tremendous opportunity for  
22 growth.

23           Global engagement is on the next slide.  
24 This has to do with exporting and, in some cases,  
25 outsourcing.



1           We saw earlier that manufacturing represents  
2 almost all of the outsourcing or exporting that  
3 occurs in Pennsylvania. The Industrial Resource  
4 Centers have been supporting various regional export  
5 networks throughout Pennsylvania, and we think this  
6 is an important strategy moving forward.

7           And then lastly is sustainability on  
8 slide 22. This is the strategy that was rated as  
9 being least important, because I think many  
10 manufacturers just don't realize the importance of  
11 this strategy moving forward.

12           And again, "sustainability" is defined as  
13 having a minimal impact on the environment in the  
14 future, you know, in terms of waste, energy streams,  
15 and so forth.

16           I think in a few years if we were to repeat  
17 this survey, this might be a strategy that shows up  
18 as being the most important to our manufacturers, and  
19 particularly over the next 3 to 7 years which  
20 coincides with our current Administration.

21           There are a number of new initiatives being  
22 proposed, a number both on the regulation side with  
23 cap and trade and all those kinds of things as well  
24 as opportunities for growth. And I think we really  
25 need to be in a position to help our manufacturers

1 address these very, very important issues moving  
2 forward.

3           So I would like to wrap up in terms of what  
4 are the needs of manufacturers moving forward, and  
5 how can our government, State Government, through  
6 programs like the Industrial Resource Center, how can  
7 we help manufacturers be successful in an emerging  
8 economy?

9           The key things that I address is to expand  
10 lean manufacturing in all areas of business; look at  
11 availability for additional training and access to  
12 highly skilled workers; we need to provide  
13 opportunities to participate in supply chains, such  
14 as alternative energy and defense -- we already  
15 talked about that; loans, grants, and other financial  
16 resources to support the soft costs associated with  
17 new product development.

18           Many of you, I'm sure you realize that to  
19 start up or to develop a new product requires some  
20 significant upfront investment, and right now with  
21 access to credit being what it is and so forth, that  
22 is very difficult for many of our manufacturers.

23           We need to continue to support exporting  
24 strategies; and finally, green product opportunities  
25 and regulations. That is an area that I think we

1 really need to be prepared to help our manufacturers.

2           And finally, the bottom line there is the  
3 access to the expertise. As a small manufacturer,  
4 remember earlier in the presentation I mentioned that  
5 the majority of our manufacturers have less than  
6 20 employees. They don't have the resources, they  
7 don't have the staff to be investigating and knowing  
8 what is out there, what are all the things that they  
9 have to be worried about, that they have to be  
10 thinking about to grow their business and to be  
11 successful. I think they need resources like what we  
12 can provide to them just to even know what is out  
13 there and what they don't know.

14           So, you know, to wrap up, some of the key  
15 points we would like to make.

16           Manufacturing is our most significant  
17 industry. Our State of Manufacturing Report tells us  
18 this. It is true on a number of different metrics.

19           The Industrial Resource Centers are a proven  
20 program. We are the only program dedicated to  
21 serving the manufacturing sector, and we have been  
22 doing it for 20 years.

23           Our work creates jobs and grows businesses.  
24 As these companies grow, add employees, retain  
25 employees, they are paying more taxes, and that is

1 how we have been able to demonstrate a return on  
2 State investment.

3 I hope I have demonstrated that surviving  
4 and thriving in a global economy is going to require  
5 new strategies, additional knowledge, resources, and  
6 then execution in order for our manufacturers to be  
7 successful.

8 And finally I would like to state that the  
9 continuation of a modest State investment is  
10 necessary to maintain and grow this industry and our  
11 economy.

12 CHAIRMAN DALEY: Thank you very much.

13 Before I ask you any questions, or any of  
14 the committee members, I would like to acknowledge  
15 the presence of Chairman Hess, as well as Patricia  
16 Custis from Chairman Thomas's office.

17 Questions by the members?

18 Well, I guess I will get it started then.

19 You had indicated that the Senate version of  
20 the budget has impacted you about 62 percent, and  
21 where does that put you in the scheme of things for  
22 this year if that goes into effect?

23 MS. MITCHELL: Do you want to address that?

24 MR. SHILLENN: Yes, I will take a shot at  
25 that one.

1           We are a very rural Industrial Resource  
2 Center, the smallest in terms of, I guess, the  
3 staffing, but a very large region that we need to  
4 cover.

5           CHAIRMAN DALEY: Your region is central  
6 Pennsylvania you said?

7           MR. SHILLENN: Correct; right.

8           CHAIRMAN DALEY: So you support State  
9 College?

10          MR. SHILLENN: Right, and we go down into  
11 the Altoona-Bedford area, down that 220 corridor  
12 there. So it's a very rural area.

13          The Senate proposal would result in a  
14 significant reduction in our staff, more than half of  
15 our staff. What you need to realize is that we  
16 aren't a grant program. We have technical experts.

17          Manufacturing is a very technical game, and  
18 many small manufacturers don't have that expertise.  
19 We provide them with that expertise and the  
20 discipline that they need to grow to improve their  
21 processes as well as reduce their costs.

22          So the result would be the loss of many of  
23 those technical engineers and specialists where the  
24 manufacturers would no longer have someone, a person,  
25 who could help them do the projects.

1           We also provide them with a lot of coaching  
2 and mentoring, a lot of contact with them, to help  
3 them understand and focus on what is most important.

4           So that would be the big impact, is the  
5 reduction of that really force of technical people  
6 who are really providing those manufacturers with the  
7 information they need to reduce their costs to  
8 improve their profits.

9           CHAIRMAN DALEY: We have heard in  
10 Representative Longietti's district -- he had a  
11 hearing approximately a month ago -- that some banks  
12 now are tightening up the screws so much to small  
13 businesses and manufacturers.

14           Have you experienced that throughout your  
15 dealings throughout the Commonwealth of Pennsylvania?

16           MR. LLOYD: Yes, Mr. Chairman. We have  
17 certainly seen it in south-central Pennsylvania.

18           Many of the large corporations have extended  
19 their payment terms to their suppliers. And as Petra  
20 noted, we are working primarily with small- and  
21 medium-sized manufacturers who are part of the supply  
22 chain, the Harley-Davidsons and BAEs and very large  
23 corporations.

24           When they extend their payment terms, it  
25 creates a real credit crunch for these companies to

1 meet their payrolls and buy the materials they need  
2 to support the demand of their customers. So that  
3 has been an issue for many of our manufacturers.

4 CHAIRMAN DALEY: Eric, speak on the  
5 northeast section of our fine Commonwealth.

6 MR. ESODA: Sure. With respect to credit?

7 CHAIRMAN DALEY: Yes.

8 MR. ESODA: Well, we had our board meeting  
9 yesterday, as a matter of fact, and I can give a  
10 little bit of an update since our last meeting as to  
11 what we are going to do to alleviate some of the  
12 credit problems that our clients are having, and it's  
13 a difficult balance.

14 We talked with our board about the fact that  
15 you have to be a good steward of any public and  
16 private investments that are poignant to our  
17 organization but at the same time help companies that  
18 are experiencing a credit problem.

19 What we have decided to do is we have always  
20 had a very traditional machinery and equipment loan  
21 program. That has been very good.

22 We open that up to working capital in  
23 certain instances. More particularly, a company,  
24 which oftentimes is the case, has an order in hand  
25 but not the wherewithal to actually afford sometimes

1 the raw materials that go into that.

2 As long as they are able to avail us through  
3 the raw material, kind of what package, if you will,  
4 of what needs to go into that product and we can  
5 verify that there is a profit margin, we can  
6 certainly support them for those raw materials, allow  
7 them to build the product that they need to get out  
8 the door, and then actually hold on to that loan  
9 until such time as they are paid by their customer.

10 Now, whether we do that through a lockbox or  
11 we just trust them and sign a promissory note between  
12 us and the customer, our customer, has yet to be  
13 decided. But that is one of the things we are doing  
14 to help the credit problem.

15 Oftentimes it's very simple, that we just  
16 can't afford the raw materials that we need to build  
17 what we can sell, and we are trying to help out with  
18 that.

19 Does that answer your question?

20 CHAIRMAN DALEY: Pretty much.

21 I wanted to go back to Jim and Petra  
22 concerning the Marcellus Shale.

23 MR. SHILLENN: Yes.

24 CHAIRMAN DALEY: And it probably affects  
25 your regions more than it does your regions.



1           With the collapse of the gas prices, the  
2 natural gas prices, things are pretty much on hold.  
3 Would you say that's a fair assessment of the  
4 drilling operations in both of your regions?

5           MR. SHILLENN: Yes. I would say that they  
6 have slowed down considerably, although I believe in  
7 the northern tier, north of Williamsport, they are  
8 still being pretty aggressive at putting in some  
9 wells.

10           But I think that if you are looking at the  
11 energy prices even as of yesterday, oil prices have  
12 now -- basically the cost of oil has doubled since  
13 the early, since the March lows.

14           And I think as the world economy picks up, I  
15 think what you are going to see is that that will  
16 push the price of natural gas up, which is, you know,  
17 all these energy prices typically are driven by the  
18 price of oil, and I think what you are going to see  
19 is that interest in the Marcellus Shale will increase  
20 significantly.

21           Plus, as we have noted, we see there is  
22 opportunities for the manufacturers in central  
23 Pennsylvania, southwestern, and in fact all over the  
24 State to be suppliers as that industry grows with the  
25 foreseeable increases in natural gas.

1           CHAIRMAN DALEY: Let me add this caveat.

2           We have been told that this is going to be  
3 the new "black gold," so to speak, of Pennsylvania.  
4 You know, we have oil, we have coal with the  
5 anthracite and bituminous, and now we have this  
6 natural gas abundance.

7           Your projections. What do you project in  
8 terms of employment and impacts on the economy in  
9 central and western Pennsylvania with the advent of  
10 the Marcellus Shale, bearing in mind its size is so  
11 large compared to anything else in the country.

12           I guess the largest shale formation right  
13 now, gas formation, would be in Texas, and I know  
14 that there is one in western Pennsylvania and Ohio  
15 and West Virginia that just dwarfs that  
16 tremendously.

17           What do you project in terms of jobs or the  
18 economic growth for the western side and central  
19 parts of the State?

20           MS. MITCHELL: I can say, Representative, I  
21 don't have that information here with me. However, I  
22 do know that the Allegheny Conference in Pittsburgh  
23 or in southwestern Pennsylvania has produced that  
24 report, and I could probably, you know, I could find  
25 that for you and pass that on to you.

1 I don't know if you have anything.

2 MR. SHILLENN: Yeah; we certainly, folks  
3 down in manufacturing, we haven't done any studies  
4 ourselves. But, you know, certainly I read the  
5 Sun-Gazette newspaper, and certainly the projections  
6 are in the thousands of jobs that would be created as  
7 a result of the Marcellus Shale.

8 And I know that Penn College in Williamsport  
9 has set up actually a center in order to respond to  
10 the workforce needs that may be necessary to train  
11 people in the many jobs that are needed to support  
12 that industry as it grows.

13 CHAIRMAN DALEY: Let me direct my attention  
14 to the northeast again.

15 I used to chair the Coal Caucus for several  
16 years here in the House of Representatives, and  
17 anthracite coal, under the present stimulus package  
18 there has been talk of developing some clean-coal  
19 technology utilizing the anthracite regions.

20 Have you seen any interest developing in  
21 your area regarding the clean-coal technology,  
22 utilizing anthracite as part of that process?

23 MR. ESODA: I don't have the information on  
24 that. We have not seen an immediate demand.

25 It sometimes appears that we are so enthused

1 right now with the alternative energies available  
2 through working with committees, so that we do have a  
3 rather large wind turbine manufacturer in our area,  
4 so we are diverting a lot of resources towards  
5 helping them with their supply chain.

6 I haven't seen the "coal pot," so to speak.  
7 The northern tier, as you well know, is still  
8 recovering from the excitement it had over finding  
9 oil deposits there as well. And we see a lot of  
10 small companies converting over to us being able to  
11 either participate in those businesses that were  
12 expected to come to do the extraction work up in the  
13 northern tier.

14 So I don't have that information. I will  
15 gladly get that to all the committee members very  
16 soon.

17 CHAIRMAN DALEY: You know, we have heard,  
18 and I'm sure you are aware -- and maybe you can't  
19 answer this question -- the project that was going to  
20 be a billion-dollar investment to develop the  
21 clean-coal technology utilizing the anthracite coal.

22 Do you know where that is at, or do you have  
23 any involvement with any of that? Are you familiar  
24 with it?

25 MR. ESODA: I cannot say my organization has

1 any direct involvement in that. I apologize.

2 CHAIRMAN DALEY: Thank you for your answer.

3 MR. LLOYD: May I just add to that?

4 Our focus as Industrial Resource Centers is  
5 to support these industries -- Marcellus Shale is a  
6 great example -- where, as it moves into  
7 Pennsylvania, infrastructure in terms of parts are  
8 going to be needed. Those are parts that are within  
9 the capability and capacity of our manufacturers here  
10 in Pennsylvania.

11 We would like that work to be done here.  
12 And we have learned from the experience of the wind  
13 energy that we have large wind turbine companies in  
14 Pennsylvania, but they haven't yet fully utilized the  
15 capabilities of our companies that are right here.

16 Well, if we can get them to buy their parts  
17 here, that is going to create jobs here. It is going  
18 to create an addition to the tax base. And we have  
19 demonstrated that through our Department of Defense  
20 and Homeland Security initiative. We can do the same  
21 thing in alternative energy with Marcellus Shale,  
22 with anthracite initiatives.

23 So we are very much looking forward to that,  
24 and that is where our focus has been as Industrial  
25 Resource Centers.

1           MR. SHILLENN: Yes, Mr. Chairman, if I could  
2 build on that, that energy really is an opportunity  
3 for our manufacturers, too, if Pennsylvania builds  
4 our energy capacity, whether it's wind turbines,  
5 whether it's coal.

6           As you well know, it has been many, many  
7 years since the last major coal-fired power plant has  
8 been built. It has been many years since the last  
9 nuclear power plant was built. But when those plants  
10 were under construction, manufacturers in  
11 Pennsylvania really benefitted from them.

12           For example, Williamsport, if you remember,  
13 you know, Darling/Anchor Valve was a major supplier  
14 of high-pressure steam valves to the nuclear coal  
15 industry. So manufacturers would benefit with any of  
16 those technologies moving forward.

17           CHAIRMAN DALEY: Well, I think Pennsylvania  
18 is in a tremendous position with the wind. We have  
19 in the whole Appalachian region, which we stand  
20 between the Rocky Mountains and the East Coast, I  
21 think we have the highest velocity of winds other  
22 than maybe parts of Tennessee.

23           Also with the co-gen facilities that we  
24 have, especially in the northeast with the coal and  
25 down in the southwest with gob piles and what you

1 call boney power or bonny power in the northeast, I  
2 think you really stand a tremendous opportunity here  
3 with the Marcellus Shale and now with this oil  
4 discovery in the northeast.

5           So I'm looking forward to that, as well as,  
6 because I sit on the Pennsylvania Energy Development  
7 Authority, that that will be funded through these  
8 projects, including solar power in western  
9 Pennsylvania, which is almost going to be the largest  
10 power solar panel developer in the United States. We  
11 believe soon we can acquire part of the Sony plant.

12           So I applaud you with what you are doing  
13 with energy as well as accommodating some of the  
14 other manufacturing concerns in Pennsylvania.

15           Representative Mirabito.

16           REPRESENTATIVE MIRABITO: I thought you  
17 raised a really good point about how we compare to  
18 other States and how -- if you acknowledge it; I  
19 talked to Jim about this -- how other States are  
20 dealing with this crisis vis-a-vis eradicating the  
21 programs that help small manufacturers. Can you give  
22 us some insight into what other States are doing?

23           Because it is going to be critical when the  
24 economy recovers, as Representative Longietti said,  
25 which is going to happen overnight. All of a sudden

1 one day we are going to wake up and there is going to  
2 be demand again for products and so forth.

3 Can you tell us what is happening?

4 MS. MITCHELL: Yes, I could address it in  
5 that.

6 I mentioned that we are part of the national  
7 program called Manufacturing Extension, so there are  
8 centers like ours in every State of the country.  
9 They are primarily funded through Federal funding and  
10 then, you know, whatever State resources they can  
11 find.

12 Many States have, unfortunately, cut their  
13 support of these kinds of programs -- California, for  
14 example; you know, Texas is another example.

15 Other States: Michigan is making quite a  
16 bit of investment into their Manufacturing Extension  
17 because of the issues with automotive. Ohio is  
18 making some significant investments.

19 So I think it really depends right now on  
20 individual States budgets and also, you know, their  
21 manufacturing sectors.

22 I think from what I am personally hearing,  
23 Pennsylvania manufacturing is doing much, much better  
24 actually than some of these other States. And of  
25 course the automotive, the States serving the



1 automotive industry are really, really struggling.

2 So, you know, it's really all over the map,  
3 to be honest with you. But we do have an  
4 opportunity, I think, for the future to really get  
5 out in front of this issue.

6 MR. LLOYD: May I add, Representative  
7 Mirabito, that through our Federal sponsorship and  
8 through the Department of Commerce, we are monitored  
9 and benchmarked against other centers throughout the  
10 country, and Pennsylvania centers typically rank at  
11 or at the very top of centers across the country.

12 Largely that is because of the support that  
13 we have received from the State, and I just wanted to  
14 reinforce that it's critical that our State support  
15 be maintained. We can't put this program on hiatus  
16 for a year and then come back. We have got talented  
17 people that are out working with manufacturing  
18 companies every day, and we need that work to  
19 continue to continue to make manufacturing prosper in  
20 Pennsylvania.

21 It is our key industry, and we need to  
22 recognize that and help make it grow.

23 CHAIRMAN DALEY: Are there any other  
24 questions from any of the members?

25 Any questions, Mr. Chairman?

1           Lady and gentlemen, thank you very much for  
2 your participation and thank you for your  
3 information.

4                           PANEL III

5           CHAIRMAN DALEY: Our next group that will be  
6 testifying will be the Small Business Development  
7 Centers of Pennsylvania.

8           I would like to have for everyone to  
9 identify themselves, the organization they represent,  
10 and I want you all to know that you are being  
11 broadcast live on PCN as we sit here.

12           Please.

13           MR. CONROY: Good morning. I am Christian  
14 Conroy. I'm the State Director for the Pennsylvania  
15 Small Business Development Centers Network.

16           MR. VARGO: Good morning, Mr. Chairman and  
17 committee members. Ray Vargo, the University of  
18 Pittsburgh Small Business Development Center.

19           MR. HUTTENHOWER: Good morning, Chairman and  
20 members.

21           My name is Ed Huttenhower, and I'm  
22 Director of the Saint Francis University Small  
23 Business Development Center.

24           MS. TWEEDY: Good morning. My name is  
25 Elaine Tweedy, and I'm the Director of the University

1 of Scranton Small Business Development Center.

2 MR. KANGAJU: Good morning. My name is  
3 Eustace Kangaju, and I'm the Director of the  
4 Temple University Small Business Development Center.

5 CHAIRMAN DALEY: Welcome, everyone, and a  
6 special shout-out to the University of Pittsburgh. I  
7 am an alumnus of the University of Pittsburgh.

8 I wish I was an alumnus of the University of  
9 Scranton. I don't think they want me to get another  
10 degree.

11 Please go ahead and begin.

12 MR. CONROY: Sure. Great.

13 Well, thank you, Chairman and committee, for  
14 inviting us to participate in this forum today.

15 We are excited to be here, and we are  
16 looking forward to discussing opportunities for  
17 improving our Commonwealth's economy.

18 You know, we think that the G-20 economic  
19 summit coming to Pittsburgh this fall is a strong  
20 validation of the Pennsylvania SBDC's strategy for  
21 the past 20 years, which has been to leverage the  
22 resources of some of the best universities in the  
23 world here in Pennsylvania to spur innovation and  
24 economic growth, to stimulating new company  
25 formation, and bringing new technologies to market.

1           We have long recognized that all businesses,  
2 including small ones, are players in our  
3 interconnected global economy, and as such, we have  
4 been preparing them to prosper through selling abroad  
5 and through sourcing supplies from around the world  
6 to improve their competitiveness.

7           And beginning about 15 years ago, we also  
8 realized that energy costs had become an increasing  
9 burden on small firms and developed award-winning  
10 services to help companies reduce their energy costs,  
11 which adds directly to their bottom line  
12 profitability.

13           And it's critical to remember that  
14 profitability is key, because if a business isn't  
15 profitable, it's not going to be able to continue.

16           And business failure is costly in many ways  
17 -- I mean, lost jobs, wealth, tax base, community  
18 resources. And as I'm sure you have seen in your  
19 districts, there have been too many business failures  
20 in the past several months as the recession has  
21 dragged on.

22           But fortunately, help is available. Thanks  
23 to the financial support of the Commonwealth, it can  
24 be found at no fee at one of the 18 Small Business  
25 Development Centers across the State.

1           The Small Business Development Centers  
2 Network is the largest provider of business  
3 assistance services in the State. Each year, we help  
4 over 30,000 Pennsylvanians acquire the skills and  
5 knowledge they need to start and grow successful  
6 businesses.

7           And as you will hear in a moment, this is  
8 happening right now. Even in a recession, we are  
9 helping dislocated workers go from being employees to  
10 becoming new employers. We are helping companies  
11 identify new markets to increase their sales. And  
12 all of this leads to new jobs and what I think you  
13 and many of your colleagues here in the General  
14 Assembly are most concerned about right now -- new  
15 tax revenue.

16           There are a couple of features about the  
17 SBDC program that make it different from other  
18 economic development programs.

19           Our integrated network serves all  
20 67 counties of the State. We work with entrepreneurs  
21 in all stages of development, from startup through  
22 growth to reinvention. And we help businesses in all  
23 industry sectors, including manufacturing and  
24 technology.

25           In fact, we work with over 1,500

1 manufacturing firms a year, and many of these are new  
2 and startup manufacturing companies.

3 But I think what I hope you will agree is  
4 the most important feature of the SBDC program is the  
5 impact that we have.

6 Companies that avail themselves of SBDC  
7 assistance survive and grow at rates far greater than  
8 the average firm, and that is because what we do is  
9 different.

10 We focus on the long term, helping  
11 businesses to think strategically. Our impact comes  
12 from educating business owners, to build their skills  
13 and capacity so that they are prepared to address the  
14 myriad of issues that are going to arise as they  
15 continue to grow their company.

16 So we are proud and excited that the world  
17 will be coming to Pennsylvania in September to learn  
18 firsthand how innovative economic development  
19 strategies and programs such as the SBDC can be used  
20 as models for other countries' economic development.

21 After learning more about the Small Business  
22 Development Centers program today, we hope that you  
23 will concur that this is a truly unique Pennsylvania  
24 asset and will work to be sure that the Commonwealth  
25 continues to provide the modest investment that is

1 required to sustain it so we can showcase our  
2 contributions to the world in September.

3           You know, perhaps when President Obama and  
4 other world leaders are in Pittsburgh this fall, they  
5 will have time to visit with one of the region's  
6 dynamic entrepreneurs, such as Walter Keller of  
7 Nokomis Technologies in Charleroi, Pennsylvania.

8           Ray, do you want to tell us a little bit  
9 about that company?

10           MR. VARGO: Yes.

11           As mentioned, I am from the University of  
12 Pittsburgh, and many people do know we are the city  
13 of champions, not only in sports but also in  
14 business. Right in Washington County, Charleroi,  
15 Pennsylvania, has experienced---

16           CHAIRMAN DALEY: I know the area well.

17           MR. VARGO: Yes. Very true; yes.

18           As you well know, Mr. Chairman, Charleroi  
19 has experienced significant job loss because of major  
20 manufacturing throughout the years.

21           But one of the resources that is going to  
22 help to address your question when you started this  
23 morning's meeting -- how can economic development  
24 programs help businesses survive but then thrive in  
25 the economy? -- what we do at the Small Business

1 Development Centers Network is not only help  
2 businesses start, but grow and prosper.

3 And when we look at that, Small Business  
4 Development Centers are business consultants. They  
5 also are educators, teaching business owners how to  
6 utilize strategies to make their business better, but  
7 also information resource providers and facilitators.

8 This morning we discussed access to capital.  
9 Access to capital -- a critical issue. What the  
10 Small Business Development Centers do is they help  
11 the business owner identify all of the different  
12 local programs available and be the matchmaker and  
13 help minimize the time the business owner needs to  
14 address and talk to all these economic development  
15 agencies by, again, facilitating that and bring the  
16 meetings together.

17 Nokomis is a great example of helping  
18 businesses start, prosper, and grow. When we look at  
19 Nokomis, it has been a client of ours at the Small  
20 Business Development Center since 2005. It started;  
21 it came out of research and development.

22 Walter Keller, an expert in electromagnetic  
23 technologies identified new products and innovations  
24 regarding the Defense Department as well as Homeland  
25 Security. This company is making our country safer



1 and looking at opportunities not only here in the  
2 United States but abroad, protecting all of our  
3 soldiers.

4           What have we done for them? The Small  
5 Business Development Center, because we are connected  
6 with universities, has access to researchers,  
7 validation of technologies. When someone needs some  
8 additional assistance, we can tap into the resources  
9 the universities provide.

10           Looking at it from a standpoint of strategic  
11 planning. I'm sure some of the members have  
12 experienced some researchers are scientists, not  
13 business owners. We have to educate them to become  
14 business owners and help them understand that.

15           But also access to capital, finding the  
16 resources. Nokomis has been very successful in  
17 receiving small business innovation research grants,  
18 and what that is is providing capital for additional  
19 research to take their products and services to  
20 market.

21           We were very proud of Nokomis just last  
22 year, and I believe you were participating in a press  
23 conference in their grand opening that they had where  
24 they received an \$11 million contract from the Navy  
25 in order to advance their technology, creating

1 30 jobs in Charleroi, Pennsylvania -- good-paying  
2 jobs.

3           And if we look at how is the economy going  
4 to grow, it's through small business owners. It's  
5 through the resources that small business owners  
6 need. And I think Nokomis -- and Representative  
7 Mirabito, you mentioned in one of the other  
8 questions, we need our clients to be advocates for  
9 our services.

10           If I can, I will just read a quote from  
11 Mr. Keller in a press release we just did. It goes  
12 to the following:

13           "Nokomis has found the [Small Business  
14 Development Center] to be a significant regional  
15 asset, said Keller. The University of Pittsburgh  
16 SBDC was instrumental in providing assistance related  
17 to our Small Business Innovative Research..., " was  
18 instrumental also in "transition efforts" once  
19 receiving the contracts "and general business  
20 planning throughout this period."

21           So again, having our clients be advocates  
22 and recognizing the strong, positive impact that we  
23 make to western Pennsylvania here at the University  
24 of Pittsburgh and my colleagues throughout the  
25 Commonwealth of Pennsylvania.

1           So Nokomis is a champion. And again, small  
2 business is where we are going to go. That is where  
3 job growth is going to happen.

4           So next I would like to introduce Elaine  
5 Tweedy.

6           MR. CONROY: Technology firms aren't the  
7 only ones that are adding jobs across the State. I  
8 think that Sarno & Son in Representative Wansacz's  
9 district is a good example of a company that has  
10 achieved significant growth and created a number of  
11 new jobs thanks to utilizing a variety of different  
12 SBDC resources.

13           Elaine.

14           MS. TWEEDY: Yeah; I can't think of a person  
15 that Sarno & Son has not touched in terms of tuxedo  
16 rental, because with all the weddings and all of the  
17 proms and all the activities that happen in our  
18 community, it is interesting to note that they came  
19 to us when they were a company of only 50 employees.

20           The founder retired, whoever really retires,  
21 but he retired from the business, and his son and  
22 daughter took the business over -- Nancy Sarno and  
23 Mark Sarno.

24           Nancy came to us because she wanted to think  
25 strategically. They were already in four States with

1 their services. They have retail and wholesale and  
2 they wanted to expand, but we wanted to make sure  
3 that they thought through this process.

4           So we helped them with a strategic plan for  
5 the expansion process. We also helped them  
6 strengthen their management by doing supervisory  
7 training for their managers, and they have grown  
8 steadily.

9           They now have 125 employees in Scranton,  
10 Pennsylvania. Their warehouse is 46,000 square feet.  
11 They moved from a 12,000-square-foot warehouse in  
12 Dunmore. I believe that you do have a copy of a  
13 success story around Sarno & Son.

14           In their growth process, they have a  
15 dry cleaning industry, which is a part of what they  
16 did, obviously dry cleaning the tuxedo rentals when  
17 they come back. And they looked to our emergency  
18 management assistance program to take a look at that  
19 dry cleaning portion of their establishment.

20           At the State level, our folks came in and  
21 analyzed their utility bills. They did an onsite  
22 review. It was about 12 hours that they spent in  
23 total with the company, and they came back with  
24 recommendations which did save them about \$783 a year  
25 in their utility costs.

1           They also assisted them in making sure that  
2 their dry cleaning recordkeeping, environmentally,  
3 was in place correctly. And Sarno & Son has  
4 absolutely taken all the recommendations to heart  
5 from the EMAP program, and they have even done the  
6 PennSERVE safety registrations for their fire  
7 extinguishers. So, you know, it's that little  
8 nitty-gritty detail in a company that has grown over  
9 the years.

10           Nancy Sarno comes to us regularly for  
11 assistance, and we helped her put together her first  
12 Policy and Procedures Manual for the company. And  
13 whenever she needs to make a policy change, she calls  
14 up and we talk through it.

15           Over the 15 to 20 years that we have been  
16 doing things together, she and I sat down the other  
17 day and she said, I really don't know how I would  
18 have done it without your help over the years.

19           I'm not sure who is next.

20           MR. CONROY: I will take that.

21           A lot of companies are able to survive this  
22 difficult recession that we are in right now by  
23 expanding into new markets, and that is one of the  
24 key features and things that we focus on.

25           And overseas markets represent a real

1 opportunity for a lot of small companies throughout  
2 Pennsylvania, and helping companies move into those  
3 overseas markets is one of the strengths of our  
4 program.

5           We have seven centers that specialize in  
6 assisting companies with international trade,  
7 including the center that we have at Saint Francis  
8 University. And J&J Truck Bodies from Representative  
9 Metzgar's district offers a good example of how a  
10 company is growing through overseas sales.

11           Ed.

12           MR. HUTTENHOWER: Thank you, Christian.

13           Good morning, and thank you for the  
14 opportunity to spend a few minutes talking to you  
15 about an area that has proven successful for many  
16 small businesses across the State and is a promising  
17 look for many more. That is the area of  
18 international trade.

19           As has already been pointed out this  
20 morning, the success of many Pennsylvania small  
21 businesses hinges on their ability to compete  
22 successfully in today's rapidly evolving global  
23 economy.

24           For those of you who are not familiar with  
25 our territory, the Saint Francis Small Business

1 Development Center covers the predominantly rural  
2 counties of Bedford, Blair, Cambria, Fulton,  
3 Huntingdon, and Somerset Counties.

4 And since 1993, our SBDC, in conjunction  
5 with the Saint Vincent College SBDC, has provided  
6 international trade services through our Center for  
7 Global Competitiveness.

8 As I mentioned, "competitiveness" is the key  
9 word. If we are able to work with small businesses  
10 for them to be more competitive, both domestically  
11 and internationally, then they stand a much greater  
12 chance to be successful and to grow.

13 All of the SBDCs that provide international  
14 trade assistance can point to many successes, but I  
15 would like to highlight J&J Truck Bodies of Somerset.

16 J&J has been manufacturing truck bodies for  
17 more than 50 years and has developed a reputation for  
18 high-quality products.

19 Many of you have seen their truck bodies on  
20 PENNDOT vehicles and other trucks around the State.  
21 The company provides employment for over 250 people  
22 at their location just north of Somerset.

23 The company has worked with our center since  
24 1999, and it has taken advantage of a variety of our  
25 services. It is a part of a group of mining-related

1 companies that the center works with to explore new  
2 market opportunities internationally.

3 The company has attained market research  
4 from our center on countries it has considered  
5 entering. This has included Chile, Peru,  
6 South Africa, Australia, Ukraine, among others.

7 As a result of this research, the company  
8 has generated ongoing sales in South Africa, Vietnam,  
9 Russia, and Chile.

10 Over the years, the center has worked with  
11 these mining-related companies to assist them with  
12 trade shows in various parts of the world that  
13 provide new markets for them.

14 As part of this group, J&J has attended  
15 shows in South Africa, Peru, and Chile and  
16 participated in catalog shows in Canada, Australia,  
17 and Ukraine.

18 They will be returning to Peru with us in  
19 September as part of the Extemin Mining Show, which  
20 is the largest mining show in South America.

21 It's important to note that this work is not  
22 done in a vacuum. In all of these instances, work is  
23 done in conjunction with other service providers to  
24 maximize the assistance given to companies like  
25 J&J.



1           Work is done with the Regional Export  
2 Network in Southern Alleghenies Planning and  
3 Development Commission to make sure that the OIBD and  
4 the Pennsylvania overseas trade reps are involved  
5 whenever a mission is put together.

6           In fact, Richard Zerba in South Africa and  
7 Angela Foley in Australia were valuable resources and  
8 partners in the show we attended in those countries.

9           The center also partners with the U.S.  
10 Department of Commerce's International Trade  
11 Administration to provide assistance and leads at the  
12 various shows.

13           Without these partnerships, our  
14 effectiveness in our international trade efforts  
15 would not be nearly as great.

16           J&J Truck Bodies is not alone with their  
17 success in international markets. I can cite  
18 examples from all of our counties where international  
19 trade efforts are helping companies from rural  
20 Pennsylvania succeed in the global economy.

21           Here are but a couple of examples:

22           Last week, the Saint Francis SBDC presented  
23 its annual small business awards. Our export winner  
24 was Tom Mereen, President of Bedford Forest Products  
25 in Representative Hess's district.

1           The company is thriving in what are  
2 difficult times domestically for many lumber  
3 companies because of their lumber sales around the  
4 world.

5           New Pig Corporation in northern Blair  
6 County, either just in or just on the edge of  
7 Representative Fleck's district, will be  
8 participating with us in the Peru show. And  
9 ironically, just over 20 years ago, they were one of  
10 our Small Business of the Year winners. Meetings are  
11 being arranged with New Pig, for them in Peru,  
12 because of existing contacts we have in-country.

13           These are but several examples of the work  
14 being done not only at the Saint Francis Center but  
15 at all the SBDCs that have international trade  
16 programs. Exporting is a viable alternative during  
17 these difficult economic times.

18           The centers are able to assess a company's  
19 export readiness and work with all the various  
20 partners to help assure a company's success should  
21 exporting make sense.

22           As with all of the SBDC assistance that is  
23 provided, we work to build successful companies that  
24 will contribute positively to Pennsylvania's  
25 economy.

1           Thank you for the opportunity to present  
2 this information.

3           MR. CONROY: Thank you, Ed.

4           I think unique features about the SBDC  
5 program is that we, since we have 18 centers, we  
6 charge them with adapting their programs locally and  
7 to be responsive to local needs.

8           And I think that the Temple SBDC's efforts  
9 to help Stephan Reeves in terms of building Montage  
10 Diversity in Philadelphia is a good example of that.

11          Eustace.

12          MR. KANGAJU: Thank you, Christian, for that  
13 introduction.

14          The Temple SBDC covers Philadelphia County,  
15 parts of southeastern Montgomery County, and central  
16 and northern Bucks County.

17          You know, just like the other centers, we  
18 provide business management, consulting, additional  
19 programs, and specialized services.

20          We serve a very diverse population in the  
21 Philadelphia area, with minorities accounting for  
22 about 51 percent of our client base.

23          One example of a minority client that we  
24 have assisted over the years is Stephan Reeves, who  
25 is the owner of Montage Diversity consulting group,

1 and you have a copy of a success story in your  
2 package over there.

3 Montage Diversity Consultants provides  
4 diversity consultant training and technology services  
5 to education and corporate clients nationwide.

6 Stephan started the business in 2001,  
7 working out of his own office. And he had a business  
8 idea that he basically brought to fruition, and he  
9 worked very hard to grow the business steadily. But  
10 it got to a point where he realized that he needed  
11 help to manage the growth of his company, and so he  
12 came to the SBDC at Temple to seek assistance with  
13 growing the company strategically and to be able to  
14 map a control plan for his company.

15 Stephan also needed office space because his  
16 operations were getting larger and he was growing so  
17 quickly. His own office could no longer support the  
18 type of activity that his business generated.

19 So given the fact that his company had so  
20 much potential and met the criteria for incubation,  
21 he was referred to the business incubator at the  
22 Temple University SBDC, which is one of the programs  
23 that the SBDC provides.

24 Stephan was accepted into the program, and  
25 he was able to utilize the office space to support

1 his operations.

2           The SBDC provided a consultant who worked  
3 with the client to develop a strategic plan for his  
4 company. In addition, we also assisted Stephan to  
5 figure out what types of resources he would need to  
6 finance the projected growth of the company.

7           Through the banking relationship that we  
8 have developed in the Philadelphia area with  
9 financial institutions, we were able to secure lines  
10 of credit for Stephan, one with United Bank and  
11 another with Citizens Bank in the Philadelphia area.

12           As part of the incubation program at Temple  
13 University, one of the things we do is we encourage  
14 our clients to set goals and show that they are  
15 making progress towards those goals.

16           We work with the consultants and an  
17 incubator manager to basically work with the clients,  
18 providing technical assistance and management advice  
19 to ensure that the client is making progress towards  
20 their goal.

21           Stephan developed very realistic revenue  
22 goals that he was able to achieve. The company was  
23 able to obtain a \$400,000 contract with a company in  
24 Chicago. And he also received additional contracts  
25 with the School District of Philadelphia and other

1 organizations in the Philadelphia area.

2 As a result, the company was able to create  
3 three new jobs, full-time jobs that are working out  
4 of the East Philadelphia office.

5 In addition, Montage has benefited from a  
6 myriad of other services that the Temple SBDC  
7 provides, such as legal services which we provide as  
8 a no-fee to our clients. It is basically staffed by  
9 law students and supervised by an attorney, and  
10 basically what we do is we help our clients figure  
11 out what type of business structure is critical for  
12 them to set up. We also help them develop contracts  
13 and partnership agreements and trademark and  
14 copyright issues.

15 Furthermore, the client also receives  
16 assistance in order to do business with Federal,  
17 State, and local agencies through our government  
18 procurement services. In the process at Montage, we  
19 were able to assist Stephan to become a certified  
20 minority business enterprise in the Philadelphia  
21 area.

22 Despite the economic situation that we are  
23 in, the company is doing quite well, and we are  
24 working with him to come up with very creative  
25 marketing structures that he has been able to

1 implement in order to generate additional revenue so  
2 he could stay afloat.

3 In addition to Stephan and other companies,  
4 we also provide a lot of other services to minority  
5 clients in the Philadelphia area: for example, our  
6 government marketing services, where we assist  
7 clients to do business with Federal and State  
8 Government agencies.

9 In 2008, just to give you an example, we  
10 were able to get about \$27 million in contracts for  
11 our clients, and these are contracts that range  
12 anywhere from about \$5,000 to about \$300,000. And  
13 about 82 percent of those contracts that we got,  
14 over \$27 million went to minority clients.

15 So these are just some of the examples of  
16 some of the work that we do in the Philadelphia area  
17 and how we assist small businesses to develop and  
18 grow.

19 Thank you very much.

20 CHAIRMAN DALEY: Thank you, Eustace.

21 MR. CONROY: As you know, agribusiness is  
22 one of the largest sectors in the State's economy and  
23 is an area that can be very challenging for a lot of  
24 businesses to succeed in.

25 But fortunately, again, this is another area

1 where the SBDCs can provide some assistance. And one  
2 of the businesses that we wanted to highlight that we  
3 worked with in this area is SpringHouse from  
4 Washington, Pennsylvania.

5 MR. VARGO: Again, one of the major features  
6 is we are in the community and we have outreach  
7 offices, not only at the universities where we are  
8 located but throughout the coverage area that we do  
9 have.

10 And we had an opportunity at the University  
11 of Pittsburgh to work with the SpringHouse, which is  
12 a family farm, has a farm market, has an active dairy  
13 production, but also has tourism related to bringing  
14 classes for educational programs to individuals. My  
15 sons just went to a field trip to the SpringHouse,  
16 learning a little bit about farming.

17 The SpringHouse is a family business. They  
18 started in the seventies. They needed assistance in  
19 strategic planning, and one of the things that we  
20 hear, no matter what sector -- technology, retail,  
21 manufacturing -- cash flow is the lifeblood of all  
22 businesses.

23 And what are the areas of cash flow? Access  
24 to capital is one. But the things that we go into in  
25 a Small Business Development Center is help



1 businesses do a financial analysis: look at their  
2 cost structure, evaluate what are the areas that are  
3 essential, discretionary, going through.

4 But also, I have been with the Small  
5 Business Development Centers Network for 15 years.  
6 Small business owners never can really give you a  
7 great answer to how do they develop their pricing  
8 model? They normally just give you a factor of two  
9 or multiplying it. But what we do is go through and  
10 evaluate the pricing structure.

11 And how do you do that? Well, one thing  
12 that we did with the SpringHouse is we conducted an  
13 indepth customer survey to see what price sensitivity  
14 they had on local products, helping them understand  
15 that maybe their customers are committed to buying  
16 local, buying fresh, the quality, and again, using  
17 that as a marketing message.

18 And so throughout the engagement we helped  
19 develop a business plan where they were able to  
20 access additional capital for growth to buy new  
21 equipment, better energy-efficient equipment.

22 And so what we do is work with all sectors  
23 of business -- technology, manufacturing, service  
24 based, retail based. But also, we can't forget the  
25 agricultural and the rural areas of Pennsylvania and

1 provide the resources, the business consulting, to  
2 all businesses.

3           So again, that is another success story --  
4 helping develop pricing structures, business  
5 planning, market planning, and strategic growth  
6 analysis. So the SpringHouse is an example.

7           Elaine Tweedy at the University of Scranton  
8 also has a specialized program in agribusiness and  
9 agricultural services, and I think Elaine wants to  
10 highlight some of the successes they have  
11 throughout.

12           MS. TWEEDY: We service eight counties in  
13 the northeastern Pennsylvania region, and we are also  
14 in the northern tier -- Tioga and Bradford Counties,  
15 Wayne and Wyoming Counties, Pike, Susquehanna,  
16 Lackawanna. Of those eight counties, seven are  
17 designated rural counties.

18           As a part of our regularly scheduled  
19 programming for the SBDCs, over the course of the  
20 last 3 years, we noticed that we were meeting with  
21 approximately 85 to 125 farmers a year who were  
22 looking to develop specialty products from their  
23 farms or were having problems. And that is not so  
24 far fetched. As you know, the state of the economy  
25 in farming has been a problem for a long time.

1 I am an advocate for farmers, and I feel  
2 very strongly about their ability to remain  
3 profitable. These are multigenerational farms that  
4 we are talking about in northeastern Pennsylvania.

5 And I know that people tend to think of our  
6 farming industry as being central Pennsylvania based,  
7 but there are a lot of farms in northeastern  
8 Pennsylvania that need a lot of assistance.

9 So with that in mind, we set out to develop  
10 a program to help farmers wade through the myriad of  
11 agencies that are out there in terms of developing  
12 this specialty product.

13 We established an agribusiness and food  
14 specialty center with a grant that, by the way,  
15 Kevin Abrams who sat in front of you before in LDD,  
16 his staff helped us tremendously to obtain that grant  
17 through the Appalachian Regional Commission. It is a  
18 pilot program that we started in Pennsylvania on  
19 October 1 of 2007.

20 We established two centers -- one in  
21 Lackawanna County and one at the Pennsylvania College  
22 of Technology branch campus in Wellsboro, and that is  
23 staffed full time by one of our staff members.

24 Since October 1 of 2007, we have met with  
25 112 farming clients based on this program effort, and

1 we helped them through a six-phase process,  
2 especially private development. Twenty-two products  
3 have gone to market from farms. Nonfarm income is  
4 essential to some farmers to stay afloat, and this  
5 has helped them tremendously.

6 We have a solidified relationship with PASA,  
7 the Pennsylvania Association of Sustainable  
8 Agriculture. It is 2,500 members strong in farming  
9 in Pennsylvania.

10 We have developed a farming profitability  
11 program, a training program, and over the course of  
12 the last 2 months, we trained 90 farmers in farming  
13 profitability.

14 We see a lot of issues with farmers. They  
15 are not managing their farms for profit. They are  
16 not pricing correctly. Often they are underpricing.

17 We have helped CSAs. We have supported  
18 agricultural farms who obtained memberships for what  
19 they distributed on a regular basis. We have helped  
20 them to start up in our counties.

21 We have helped organic certification farms  
22 start up in our counties. Pennsylvania is rapidly  
23 rising in the numbers of certified organic farms  
24 in Pennsylvania, and we are trying to help that  
25 process.

1           PASA has asked us to do a preconference  
2 track for them in the 2010 conference that they put  
3 up, which attracts the 2,500 farmers in farming  
4 profitability because it has been so successful.

5           We are the hub of the "Buy Fresh Buy Local"  
6 northeast chapter that is at our office. We service  
7 seven counties, three of which span the Wilkes  
8 University SBDC. Carbon and Schuylkill are two of  
9 those counties, but we also cover other counties.

10           And I don't know how many of you buy locally  
11 at your farmers markets and from farmers that have a  
12 face, and you can go to their farms and pick up your  
13 product, but that is what we are advocating. We are  
14 trying to link those farmers with restaurants and  
15 grocery stores so that their products are featured in  
16 Pennsylvania.

17           You don't have to go far to find good food.  
18 It's here in Pennsylvania.

19           And we spent a lot of time in the  
20 agricultural business development process, and we  
21 hope to continue.

22           MR. CONROY: Well, thank you, Elaine.

23           I hope that gives the committee a small  
24 sense of some of the types of activities and services  
25 that the SBDCs are engaged in on a daily basis all

1 across the State.

2 And I trust that by whatever measure that  
3 you use to evaluate different programs, that you will  
4 agree that investing in this program is one that  
5 makes sense.

6 And it is also one that happens to make  
7 money for the Commonwealth. This is a  
8 revenue-positive program, and I brought a  
9 down payment for you here today. You get \$7 back for  
10 every dollar that you put into the program.

11 And with that, we hope that we can continue  
12 to count upon your support for the program, and we  
13 are happy to have a discussion about any other issues  
14 or opportunities that you think we might be able to  
15 engage in.

16 CHAIRMAN DALEY: Yeah; I don't want to sound  
17 like I'm preaching to the choir, and you are also  
18 preaching to some in the choir here, what is your  
19 total budget line item you received from the  
20 Commonwealth, and how does Senate Bill 850 impact on  
21 you?

22 MR. CONROY: Well, in the current fiscal  
23 year, the Legislature appropriated \$7.3 million for  
24 the SBDC program. The Governor's proposal takes that  
25 down to \$5 1/2 million, and then the Senate Bill cuts

1 that again in half.

2 At that level of support, the program would  
3 not be able to exist, and the reason for that --  
4 well, I mean, wouldn't be able to exist in its  
5 current form.

6 And the reason for that is that the State  
7 dollars are the linchpin for this program, because we  
8 have a requirement that every State dollar is  
9 leveraged one for one. And so what they are used for  
10 is a match for us to be able to obtain other funds,  
11 other Federal funds through the U.S. Small Business  
12 Administration, through the USDA. It has enabled  
13 Elaine to do the kind of work that she is doing in  
14 agribusiness, to staff outreach offices like we have  
15 in Washington County, things like that.

16 So, you know, even if there is a small  
17 reduction that appears nominally in terms of State  
18 support for this, what happens is it has a negative  
19 cascading impact on our ability to be able to bring  
20 the other resources that are required to sustain the  
21 whole program.

22 CHAIRMAN DALEY: So you are saying it's  
23 approximately what, \$2 1/2 million?

24 MR. CONROY: The Senate Bill I think was  
25 \$2.7.

1           CHAIRMAN DALEY:   Okay.   \$2.7 from 7-point---

2           MR. CONROY:    3.

3           CHAIRMAN DALEY:   3.

4           I'm extremely frustrated by the fact that my  
5 whole take here for 27 years in the Legislature was  
6 to try to grow the Pennsylvania economy, create  
7 programs that stimulate growth.

8           I have taken credit for creating what is  
9 known as the Governor's Action Team several years  
10 ago. I created the concept through a special  
11 committee we had in the Legislature, from the Milk  
12 Program, the First Industries Program that we have  
13 worked on.

14           And it seems to me -- well, what I don't  
15 understand about this picture is, why do we cut  
16 Local Development Districts, local Industrial  
17 Resource Centers, Small Business Development Centers,  
18 that all grow Pennsylvania's economy for the sake of  
19 cutting the budget? It doesn't make good sense to  
20 me.

21           And I know, again, I am preaching to the  
22 choir here. You don't cut the things that help you  
23 to grow. If you do, you are not going to grow. And  
24 then you are going to have the same problem over the  
25 next several years when you don't generate more taxes



1 and revenues. It just is very counterproductive, to  
2 say the least.

3 Does anyone have a question for Christian or  
4 any member of the Small Business Development Centers?

5 Representative Mirabito.

6 REPRESENTATIVE MIRABITO: Do you get much  
7 support from the local Chambers of Commerce in terms  
8 of keeping the funding? Have you reached out to them  
9 to ask them to contact your State Senators?

10 MR. CONROY: Yes. I think one of the real  
11 strengths of the SBDC program that I alluded to when  
12 I introduced Eustace is that, you know, we are very  
13 much locally focused, and all 18 of the centers have  
14 very strong relationships with all of the other types  
15 of business organizations and service providers in  
16 their areas, and clearly the Chambers of Commerce are  
17 a critical component of that.

18 And I think as we have seen all across the  
19 State, many of them have reached out to members of  
20 the General Assembly to, you know, let them know  
21 about what a valuable resource the SBDC is in terms  
22 of promoting and contributing to economic development  
23 in that region.

24 And we have done a variety of different  
25 types of programs, like, for instance, they are

1 frequently cosponsors that we work with in terms of  
2 doing a lot of the educational programs that we have  
3 for businesses.

4 MS. TWEEDY: Also, a lot of our outreach  
5 centers are located at Chamber of Commerce facilities  
6 in the outlying counties that we are in.

7 MR. CONROY: That is true.

8 CHAIRMAN DALEY: You need to do a better  
9 job; they need to get the word out much more  
10 intensely, because I know that as Chairman of the  
11 committee, we have not heard from one Chamber of  
12 Commerce. Maybe they know that I'm sort of on the  
13 team, but nevertheless, they need to get the word  
14 out. And the next 3 weeks is very critical---

15 MR. CONROY: Sure.

16 CHAIRMAN DALEY: ---in terms of what we do.

17 And that goes for all of our organizations.  
18 If you truly really want to be on the deal -- our  
19 Appropriations Chairman said this was going to be a  
20 deal on the floor of the House yesterday concerning  
21 our budget and how it impacts directly on what you do  
22 and your livelihood and all those industries and  
23 businesses that you work with and are responsible to.

24 If you don't get the word out in the next  
25 3 weeks of your interest, believe me, you will be

1 passed along by the train. It's very crucial that  
2 you do that.

3 Representative Mirabito.

4 REPRESENTATIVE MIRABITO: Yeah; what I was  
5 going to suggest is that I think that everybody that  
6 is in this room should be having press conferences,  
7 because this represents a statewide ability to  
8 communicate with voters and taxpayers, and have press  
9 conferences in your communities creatively. Stand in  
10 front of the place where you created or retained  
11 50 jobs and let the newspaper know, you know what?  
12 These 50 jobs are here today because of the work we  
13 have done for the last 3 years.

14 We can't turn the clock back. And in each  
15 of your communities, find creative ways, whether it's  
16 with the food, local farmers; increasing the ability  
17 to market Pennsylvania food; exporting. I mean, what  
18 a great story to tell how we are putting  
19 Pennsylvanians in conferences in Chile, in Russia, to  
20 get into the global marketplace.

21 But I think you guys have to jump-start  
22 yourselves and your constituents in the next 3 weeks  
23 and just crank up with every newspaper across the  
24 State. You have the capacity to reach all across the  
25 State. That is what is so exciting about you being

1 here today.

2           And you clearly have the enthusiasm and the  
3 knowledge. You know, so much of this is education.  
4 The voters don't know about what you do. They don't  
5 know that the IRC is paid for by small employers,  
6 that it is not a corporate welfare program or a  
7 business welfare program, that it's paid for and that  
8 because it's paid for, there is accountability on the  
9 other end to make the program work, because the  
10 employers do it.

11           So I'm excited; I think you have the  
12 capacity to turn things around.

13           CHAIRMAN DALEY: I want to thank this panel  
14 and all the panels that participated today. We are  
15 running a little bit ahead of schedule, which is a  
16 good thing.

17           We all know what we need to do in the next  
18 several weeks. It's so imperative that we do it.  
19 And I'm going to be articulating your concerns on the  
20 floor of the House and throughout this process in the  
21 next several weeks.

22           Thank you for your participation and the  
23 information that you provided across the Commonwealth  
24 this morning to all the viewers and listeners of this  
25 program.

1           Ladies and gentlemen, this meeting will now  
2 be adjourned. The next Commerce Committee meeting  
3 will be next Tuesday.

4           Thank you very much.

5

6           (The hearing concluded at 11:20 a.m.)

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

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\_\_\_\_\_  
Jean M. Davis, Reporter  
Notary Public

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