

COMMONWEALTH OF PENNSYLVANIA

HOUSE OF REPRESENTATIVES

HOUSE COMMERCE COMMITTEE

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PUBLIC HEARING IN RE: "ECONOMIC DEVELOPMENT AND JOB  
CREATION"

\* \* \* \* \*

BEFORE: PETER J. DALEY, Majority Chairman  
State Representative Rick Mirabito, Host;  
John Sider, Deputy Secretary - DCED; Michael Lombardo,  
Regional Director, Governor's Northeast Office; Jason  
Fink, Executive Vice President, Williamsport-Lycoming  
Chamber of Commerce; Jim Shillen, Executive  
Director/CEO, IMC Business Strategies and Solutions;  
Tracy Bundage, Managing Director, Workforce and  
Economic Development, Pennsylvania College of  
Technology; Barry Denk, Director - Center for Rural  
Development; Tim Keohane, Director - Small Business  
Development Center; Anna Griffith, CEO/Co-founder,  
Discovery Machine, Charles Santangelo, CFO,  
Susquehanna Health System; Frank Pellegrino, Executive  
Vice President, PRIMUS Technologies;

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Terry Bossert, Vice President of Government Affairs -  
Chief Oil and Gas; Rob Miller, Executive Director,  
House Commerce Committee State Representative Mark  
Longietti; State Representative John Siptroth, Members

HEARING: Thursday, March 11, 2010

Commencing at 10:00 a.m.

LOCATION: Lycoming College

700 College Place

Williamsport, PA 17701

WITNESSES: Jason Fink, John Sider, Michael Lombardo,  
Jim Shillenn, Tracy Brundage, Barry Denk,  
Tim Keohane, Anna Griffith, Charles  
Santangelo, Frank Pellegrino, Terry Bossert

Reporter: Rhonda K. Thorpe

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## P R O C E E D I N G S

CHAIRMAN DALEY:

1  
2 -----  
3  
4 This House Commerce Committee meeting  
5 will come to order. This is a public hearing  
6 scheduled for this date and time to have a hearing on  
7 the economic development. My name is Pete Daley. I  
8 am the Majority Chairman of the House Commerce  
9 Committee. I am from Washington and Fayette Counties.  
10 My hometown is California, Pennsylvania. I've been in  
11 the legislature for 28 years. I am the House of  
12 Representative. Prior to that I was eight years the  
13 mayor of California, Pennsylvania. We have several  
14 legislators here today. And I know that we're going  
15 to have a very good discussion on economic development  
16 for this region. We've been doing this in and around  
17 the state. We've done it in Philadelphia. We've done  
18 one out west. We've done one in the Johnstown area.  
19 And we're going to continue to move around. We're  
20 going to have one in the Mon Valley, one in  
21 Gettysburg, another one in Harrisburg and another two  
22 of them in Philadelphia. We're going to come up with  
23 a comprehensive package of what we believe was  
24 necessary in order to revitalize Pennsylvania's  
25 economy.

1           Now, my background, prior to being in the  
2 legislature, was as an economic development manager  
3 for a group called Stillwater (phonetic) Cash  
4 Developments, which is, if you know anything about  
5 western Pennsylvania, that is the heart of the  
6 Monongahela Valley, Clariton, Homestead. And I was  
7 the manager of economic development during the time in  
8 which the steel mills had started to decline. So I  
9 have the distinct understanding of economic  
10 development and its growth. We have great members of  
11 our community. And I'm going to start with  
12 Representative Siptroth to identify himself. And  
13 we'll go right down the line.

14                     REPRESENTATIVE SIPTROTH:

15           Good morning. I'm State Representative  
16 John Siptroth. I'm glad to be up here in  
17 Williamsport. I'm from Monroe and Pike Counties.  
18 From the side of the state that is very glad to see  
19 some of that snow gone. And we're able to travel  
20 around the state ---.

21                     MR. MILLER:

22           Good morning. I'm Rob Miller. I'm the  
23 Executive Director of the House Commerce Committee.  
24 And I'm from Perry County.

25                     REPRESENTATIVE MIRABITO:

1 Rick Mirabito. I'm the State  
2 Representative of the 83rd District.

3 REPRESENTATIVE LONGIETTI:

4 Hello, Mark Longietti, State  
5 Representative from Mercer County. And I want to  
6 thank the Chairman and Representative Mirabito for  
7 listing this hearing this morning. Representative  
8 Mirabito has been a strong advocate for economic  
9 development. And Mr. Chairman, here in my district we  
10 have --- you have Representative Mirabito introduce  
11 the bill on the second stage loan program to help  
12 provide capital for more businesses. And I want to  
13 thank him and thank you for that effort.

14 MS. BITER:

15 I'm Justine Biter. And I'm an analyst  
16 for Representative Daley and the House Commerce  
17 Committee. And I'm also a Lycoming College graduate.

18 CHARIMAN:

19 Let me just say that I serve on several  
20 Boards of Trustees and Counsels of Trustees around the  
21 state from Penn, California University to Widener Law  
22 School. And I have never --- I'm been to  
23 Williamsport, I'd never had the opportunity to be on  
24 campus. This is one of the most gorgeous campuses  
25 even at this part of early spring, that I've ever

1 seen. It's beautiful. Thank you for telling us about  
2 it. It's gorgeous. And I am absolutely a believer.

3           For anyone who is going to testify, I  
4 would ask you to please identify yourself. Rhonda,  
5 our stenographer, has given me absolute instructions,  
6 because if you don't she's going to electrocute you.  
7 And also please take your time. Identify who you  
8 represent and your address. And at this point it is  
9 my pleasure to turn the meeting over to Representative  
10 Mirabito.

11                           REPRESENTATIVE MIRABITO:

12           Good morning. Welcome. I want to thank  
13 all of you for coming. And I want to thank Chairman  
14 Daley for bringing the committee here for the other  
15 representatives. But especially for you. Especially  
16 for those of you who are testifying and those of you  
17 who are not testifying but care about job development  
18 and economic development in Lycoming County. You  
19 know, in December of this year we had 9.8 percent of  
20 our citizens in Lycoming County out of work. It  
21 amounts to about 6,000 people. And that was pretty  
22 much the case across Pennsylvania. The scary part,  
23 and we're going to get into some of this, as we hear  
24 from representatives is that for rural Pennsylvania,  
25 and of the 67 counties in Pennsylvania, 19 are

1 considered urban, and the rest are considered rural.  
2 For rural Pennsylvania the unemployment rate among  
3 people in the age group of 18 to 34 was 14 percent.  
4 And quite frankly, when you look at the total labor  
5 force almost 44 percent of the rural unemployed are  
6 younger adults. So this is a very important hearing.  
7 It's an important hearing for the future generation of  
8 our state. So having said that I want to just call  
9 our first panel now. What we're going to do is we  
10 have a special request by Jason Fink who has --- he's  
11 with the Chamber of Commerce and who has to go to  
12 another appointment. We're going to pull him first.  
13 And he's the Job Creation Economic Development. So  
14 Jason, we're going to accommodate you by having you  
15 come up first. And then we're going to get back to  
16 the government panel.

17 CHAIRMAN:

18 Jason, let me just remind you there's not  
19 a microphone up here for you to broadcast. So for all  
20 those testifiers today, please articulate like  
21 Representative Mirabito just did.

22 MR. FINK:

23 I have four kids. I think the panel ---.

24 REPRESENTATIVE MIRABITO:

25 Is everyone able to hear? The acoustics



1 in this room actually do not necessitate mics is what  
2 we've been told by Lycoming College. So --- okay,  
3 Jason, so we're counting on you to ---.

4 MR. FINK:

5 Throw something at the back of my head if  
6 you need to. I'll speak up. My name is Jason Fink.  
7 I'm the Executive Vice President of the Williamsport -  
8 Lycoming Chamber of Commerce. I live here in the City  
9 of Williamsport. Our offices for the Chamber are 100  
10 West Third Street, Williamsport. And I want to thank  
11 the committee here for taking the time to come to  
12 Williamsport to speak with us today. First let me let  
13 you know that we really do appreciate this opportunity  
14 to be able to have you here and to be able to talk to  
15 you about the economic climate here in our part of  
16 Pennsylvania.

17 The first thing, and probably the biggest  
18 thing that I'll be talking about is the primary  
19 economic driver and job creator during this whole  
20 economic crisis for our community has been Marcellus  
21 Shale plight. The overwhelming new business  
22 development opportunities that went into work, like in  
23 the Chamber of Commerce and the Industrial Properties  
24 Corporation, which is an entity that we also operate,  
25 are servicing primarily the emerging natural gas

1 industry here in our community. We've been seeing  
2 this interest by the oil fields services industry  
3 since mid 2008. Initial interest was cautious,  
4 understandably cautious, since there was no true  
5 understanding to exactly what was to be found when  
6 they began drilling. The depth and quality which they  
7 thought was there can only be proven through actual  
8 drilling of the wells. While we started seeing this  
9 activity here in mid 2008, it really didn't pick up  
10 until the spring of 2009. Since that time it is  
11 conservatively estimated that over 50 companies had  
12 set up their operation here in Williamsport, Lycoming  
13 County area. They range in both size and service to  
14 provide to the industry. And now that it's becoming  
15 more evident that is being viewed by the industry as a  
16 generational plight, meaning that this will be here in  
17 the region for several decades, we are starting to see  
18 greater commitments in terms of long-term leases and  
19 purchased by both land and buildings for their  
20 operations. Three examples of the types of  
21 arrangements companies are making, includes one  
22 company is leasing in the area, has signed a 15-year  
23 lease, with a five-year renewal. While another one,  
24 who is looking to purchase has signed a ten-year  
25 lease, with two five-year intervals. This particular

1 company, Sooner (phonetic) Pipe, which provides sample  
2 casing pipe used in the drilling processes, is one of  
3 our top customers of an existing Pennsylvania company,  
4 which is U.S. Steel in Pittsburgh. Sooner Pipe had  
5 wanted to purchase but was unable to find anything  
6 that they could lease. They have chosen to build on  
7 land owned by the Williamsport Regional Airport, that  
8 prior to this point was undeveloped. It had been that  
9 way for several years, but had little interest by  
10 developers prior to its interest. One of the primary  
11 reasons is because the airport authority cannot sell  
12 that property they intend to lease. Sooner will be  
13 constructing buildings, that at some point, when their  
14 lease does expire will revert back to the airport  
15 authority. Sooner has projected that when they may  
16 are up and fully operational, their facility will be  
17 employing approximately 50 people. They have stated  
18 that they intend to hire all of their employees in the  
19 Williamsport, Lycoming County area.

20 I will also share with you another  
21 company that has made a sizeable commitment to the  
22 community, which is Halliburton. Some may be aware of  
23 the fact that Halliburton has been operating in  
24 Pennsylvania for over 50 years in Homer City.  
25 Halliburton in July 2009 purchased a 24-acre rail

1 search property over the southeastern portion of  
2 Lycoming County, near Montgomery. Halliburton has  
3 stated that this will be their largest operation in  
4 the northeast. With just about every product line ---  
5 go out to the facility to serve the natural gas  
6 industry. They have projected that they will employ  
7 257 people here at this facility within a two-year  
8 period when their plant is constructed and  
9 operational. The plant is expected to be open January  
10 of 2011. And one additional point about Halliburton  
11 is that they do not intend to do anything adversely at  
12 their Homer City operations. Which means that they  
13 intend to maintain their employment levels there as  
14 well. One thing that Halliburton has also shared with  
15 us is the fact that they do expect to hire between 70  
16 to 80 percent of the people here locally. There are  
17 going to be some skill sets that are not here within  
18 the area. That they will need to bring in to help  
19 them with operations of the facility.

20                   Now, with all this, what has it meant for  
21 our local existing industry, the lodging community has  
22 seen a significant jump in their occupancy rates.  
23 Existing new hotels have all benefited from this  
24 industry. The reason for this is that currently the  
25 majority of our workforce does not possess the skills

1 associated with the natural gas industry. And until  
2 the point that we do, companies have been pressed to  
3 bring in those from out of the area to perform the  
4 work. Occupancy rates for the Williamsport market are  
5 now among the tops in Pennsylvania. Along with the  
6 hotels the hospitality industry has seen an increase  
7 in businesses at restaurants. Many of the local  
8 restaurants have shared that they have seen growth in  
9 business associated with out-of-area workers here with  
10 the start up of the natural gas industry.

11 I should point out that many of the  
12 companies are viewing this as a temporary situation in  
13 using out-of-market workers. Their desire is to hire  
14 as many qualified employees locally to fill these  
15 positions. The colleges here locally are working very  
16 hard to be able to provide training for those who want  
17 to get involved with this industry that live here.  
18 The industry itself finds it more effective for them  
19 to do this in the long run, as it benefits them in  
20 terms of stabilizing their workforce, if the employees  
21 reside here in the community.

22 Both commercial and residential realtors  
23 have been kept busy with the onset of this industry in  
24 the area as well. The available building stock openly  
25 and the rail serve property has been brisk during the

1 past eight to ten months. It is only projected to  
2 become tighter as more companies begin to focus their  
3 attentions to this plight. Housing here in our  
4 community is present and available for both renter and  
5 single family unit purchaser. Again, as more  
6 companies come here it's anticipated that the capacity  
7 of real estate will also increase.

8           We've also seen other local companies,  
9 such as machine shops and train and bridging companies  
10 benefit from the industry. Our one local bridging  
11 company early on was able to establish themselves with  
12 several oil fields service companies. From those  
13 relationships they've branched out to also run water  
14 for the drilling. This company has run an additional  
15 50 plus jobs over the past 18 months due in large part  
16 to the natural gas industry. All of them have been  
17 local hires.

18           Another company in our community is a  
19 trucking company who will be benefiting from the  
20 opening of Sooner Pipe, who I earlier referenced as  
21 coming to the property of the local airport. This  
22 trucking company is adjacent to the Sooner facility  
23 and has shown the Sooner officials that they do  
24 possess the equipment and skills set needed to  
25 transport the type of pipe Sooner will be providing

1 from their facility there.

2           The Williamsport, Lycoming County  
3 community has been proactively preparing to be in a  
4 position to work with this industry for nearly two  
5 years now. Through the partnership of the Lycoming  
6 County Commissioners and Chamber of Commerce they've  
7 identified various industry and public sets for  
8 representatives that have been meeting as a community  
9 natural gas task force. That is working to best  
10 position our area for the new industry coming to our  
11 community. Their work has not only helped our  
12 community better prepare but it has also welcomed ---  
13 been welcomed and viewed positively by the natural gas  
14 industry.

15           Our community is now still at the early  
16 stages of the Marcellus Gas plight. The potential is  
17 greater should it bear out to be what many are now  
18 predicting it will be as a generational industry. It  
19 is incumbent upon us today to continue to work with  
20 those wanting to come and invest in our communities  
21 through creating job opportunities to where others  
22 just don't exist. We must continue to partner at all  
23 levels of government and across various industry  
24 sectors to ensure that we maximize this opportunity  
25 for all that wish to benefit from its presence here in

1 our community.

2                   Now, with all this being said, about the  
3 oil field service industry, and what is going on with  
4 that particular industry, I wish I could say the same  
5 thing about the various other industry sectors here in  
6 Lycoming County. There are certain industry sectors  
7 that we have learned through business retention  
8 expansion programs, the BREP program visits that we  
9 conduct, that are working hard to maintain what they  
10 are currently. Some have shared that they would like  
11 to take on new projects, but are finding it difficult  
12 to source the necessary capital to withstand. The  
13 last state budget, understandably needed to be cut,  
14 due to the revenue shortfall that the state  
15 experienced. It appears from the proposed budget by  
16 the governor last month that revenue projections will  
17 not do much better. Unfortunately it does appear that  
18 the programs that are designed to assist businesses to  
19 access loans have been cut disproportionate to other  
20 state budget programs. It makes it difficult not only  
21 for the local economic development practitioners  
22 across the state but also those state-funded ones,  
23 such as the governor's action team officials.

24                   Our organizations found a good partner to  
25 work with here locally with our regional governor's



1 action team representative. The issue that we are  
2 finding not only through our efforts but also working  
3 with the GAP is that there is little to no funding  
4 available through various ECED programs. Access to  
5 funding for items such as machinery and equipment  
6 loans are not available at the time the companies are  
7 looking for ways to better equip their operations.  
8 Many of these investments would bring new jobs by  
9 longstanding industries here in our state. However,  
10 funding has been pulled away from the job creation  
11 sector to other areas of the budget. We would  
12 encourage the governor and legislature to look at not  
13 cutting program areas that have been historically  
14 proven to regenerate --- revenue generators. Those  
15 states that have been able to maintain their budgets  
16 are already proven to be the area where new job  
17 creation is occurring.

18           On behalf of the business community here  
19 in Williamsport and Lycoming County I do want to thank  
20 you today for taking the time to hold this hearing and  
21 for giving us the time to meet with you today. And I  
22 also want to thank you for accommodating my schedule  
23 here as it is a little tight today.

24                     REPRESENTATIVE MIRABITO:

25           Thank you. Thank you, Jason. Do any of

1 the members have questions? Representative Siptroth.

2 REPRESENTATIVE SIPTROTH:

3 Thank you. Mr. Fink, you had mentioned a  
4 little bit about the KOC at the airport itself. And  
5 certainly the transportation committee and  
6 subcommittee and committee, and the lease of the space  
7 at the airport, what precludes the sale of the  
8 property on the airport proper and what's the average  
9 lease length for the property at the airport?

10 MR. FINK:

11 This --- I'm not privy to all the details  
12 with regards to the other leases that the airport  
13 authority may have. But from my understanding working  
14 with them on this particular instance, it was shared  
15 that they are not in a position to sell that property.  
16 I believe it's because of certain lands that they are  
17 required to have for space that they must maintain.  
18 And by them owning this section they're able to lease  
19 it, it won't impact their operations for the flight  
20 services. But they cannot relinquish the control of  
21 the property.

22 REPRESENTATIVE SIPTROTH:

23 Okay. That makes sense. And I didn't  
24 know how far out exactly it was from the airport's  
25 property ---.

1                   MR. FINK:

2                   It's actually within the confines of the  
3 fenced area of the airport.

4                   REPRESENTATIVE SIPTROTH:

5                   Is the airport currently being served by  
6 commercial traffic at all?

7                   MR. FINK:

8                   Yes. We do have service through U.S.  
9 Air. We have three service flights a day.

10                  REPRESENTATIVE SIPTROTH:

11                  Thank you very much ---.

12                  REPRESENTATIVE MIRABITO:

13                  Representative Longietti.

14                  REPRESENTATIVE LONGIETTI:

15                  Thank you for your testimony, Mr. Fink.  
16 You mentioned in your testimony that your BREP visits,  
17 one of the results of that was that some of the  
18 existing businesses are having some difficulty finding  
19 capital to expand. And I'm just curious, if you could  
20 characterize those businesses. Are some of them more  
21 mature businesses that have been in the area for some  
22 time, or are they new or startups?

23                  MR. FINK:

24                  No. Actually the ones with the BREP  
25 business we tend to focus from our organization to use

1 that as a tool to reach out to those longstanding  
2 businesses in our community. We have relationships  
3 with the newer startups in other ways. And we deem  
4 that as a way to be able to work with the existing  
5 longer-standing businesses in our area. And those are  
6 the ones who have been sharing with us that they would  
7 like to do certain investments in their businesses.  
8 You know, the MALF (phonetic) program, for example, I  
9 think you are all aware of the fact that was pretty  
10 much a zero funded program? There are monies  
11 available to GAP to be able to use those, but those  
12 are difficult for us to be able to work with somebody.  
13 In which historically, we, the economic development  
14 practitioners, not only here, but across the state,  
15 were able to at least access those funds in working  
16 with businesses to get some assistance.

17 REPRESENTATIVE LONGIETTI:

18 I suspected that you were going to  
19 indicate that they are more mature businesses. And I  
20 think that is something that we saw at an earlier  
21 hearing we had in another part of the state. And  
22 Representative Mirabito had introduced legislation on  
23 the second stage one of the program which would  
24 actually provide some capital. That program, as you  
25 know, was for businesses that are younger businesses,

1 two year to seven year. In the legislation that  
2 Representative Mirabito had introduced would extend  
3 that out to more mature businesses to provide them  
4 capital and also increase the amount of those loan  
5 guarantees. And that bill has worked its way through  
6 the House and has been passed by the House. We're  
7 just waiting on the Senate to hopefully act to help  
8 provide some of the capital that you mentioned these  
9 businesses need.

10 MR. FINK:

11 And that's the type of thing that we do  
12 need to be seeing more of. I think that if that does  
13 get passed that's going to be very positive for our  
14 businesses here in the state. The fact of the matter  
15 is these businesses are not asking for grants, while  
16 they would definitely takes grants, obviously, they're  
17 not looking for grants. They understand that loans  
18 are a good option for them as well. And being able to  
19 access even the loans unfortunately are not easy  
20 today.

21 REPRESNATIVE LONGIETTI:

22 Thank you very much. Thank you, Mr.  
23 Chairman.

24 CHAIRMAN DALEY:

25 I was delighted to hear you say that

1 Marcellus Shale is going to play a role. I had not  
2 realized from all the maps that I've seen that it has  
3 extended itself up into this region. And I think  
4 that's great. Because in southwestern Pennsylvania  
5 it's sort of the whole --- it starts and goes towards  
6 the State College area. It doesn't go over here. As  
7 the father of the MALF Program also the Governor's  
8 Action Team, which ultimately becomes the Governor's  
9 Response Team, we created it years ago, I'm greatly  
10 concerned. Like you are. That we have lost sight of  
11 the things we need to drive this state out of this  
12 problem with our economy, and that is to stimulate  
13 business and to provide funding to help attract and  
14 enhance businesses. Enterprise zone, having worked  
15 here, are they beneficial, should we expand those.  
16 And specifically what kind of tools do you need to  
17 reach out and pull people in here, if it's not a MALF  
18 program, if it's not part of the other grants that we  
19 have, what do you think would be a good hook in order  
20 to bring business to this part of north central  
21 Pennsylvania.

22 MR. FINK:

23 I think what we're looking at and what  
24 we're finding is the Enterprise zones work for us,  
25 when we're able to get a particular industry that can

1 fit into the space. One of the things we are running  
2 into is with the gas industry, they are picking up the  
3 buildings. But the existing businesses and this is  
4 the primary thing, is being able to work with our  
5 existing businesses because new companies coming in,  
6 relocating to Pennsylvania, that's still not occurring  
7 in large part due to the global economy, I mean, if  
8 you look at expansions. So it's more being able to be  
9 positioned where you're working with a company who has  
10 facilities here in Pennsylvania, let's just say here  
11 in the Williamsport area, and then they may have  
12 facilities in two other locations in the United  
13 States. And they all produce the same product. And  
14 instead of just saying that you're now going to bid  
15 this out, you're now being --- going to bid for this.  
16 Being able to go and say, okay, here's the tools, we  
17 can work because it may require that they need a piece  
18 of equipment to be able to bring a product line on.  
19 Right now they can't work with the state. We can't  
20 really work with them to be able to get a MALF loan.  
21 And that's one of the frustrating things that we're  
22 running into. And what we're hearing from the state  
23 is these local plant managers who see opportunities to  
24 be able to bring --- everybody loves to be able to say  
25 we've got a brand new company to this area. And

1 that's nice. You know, that makes great press. The  
2 fact of the matter is it would be nice if the press  
3 also played up on the fact that, you know, the local  
4 facility who's been here for 40 years employing people  
5 just brought on ten new jobs, because they were able  
6 to land a product line. That's the type of thing ---  
7 those are the types of tools that we need to be able  
8 to have access to ---. I mean Pennsylvania does have  
9 in place, but it's not funded.

10 CHAIRMAN DALEY:

11 Well, and besides that, I think  
12 generationally you see a lot of these businesses are  
13 changing to the younger generation of ownership, being  
14 sons or daughters and so forth, bringing other people  
15 in. And I know there's always a new impetuous to  
16 expand, grow and attract. And I agree. I think that  
17 this is an issue that we really have to deal with in  
18 this budget. It's something that --- unfortunately as  
19 you know our budget is horrendous for the last year.  
20 This coming year is going to be bad too. But I can  
21 still believe in my heart that it's something we can't  
22 neglect. We can't make the economy grow if we do not  
23 provide those things that were placed in our part of  
24 community and development or other agencies that that  
25 can help stimulate the business. So I want to thank



1 you for your participation on that.

2 REPRESENTATIVE MIRABITO:

3 Jason, I know you have to run, I know  
4 you're coming back. But actually we are blessed today  
5 to have --- the governor has sent two people here. We  
6 invited him and he took a first rate interest in our  
7 area. And we're going to hear on the governor's  
8 behalf from Deputy Secretary of the DCED, as well as  
9 the regional director of the governor's northeast  
10 office. So we're definitely standing up and being  
11 noticed. And also, I know you will be back later, we  
12 purposely, for those in the audience, tried to put  
13 together certain industry sectors and also some folks  
14 to examine the rural problem. So thank you for your  
15 testimony and we'll see you later.

16 MR. FINK:

17 Thank you.

18 REPRESENTATIVE MIRABITO:

19 I'm going to keep moving because we have  
20 a lot. The panel we're going to have now --- and I  
21 had asked Mr. Sider and Mr. Lombardo to come forward.  
22 As I mentioned we did invite the governor. This is  
23 the governor's panel. And I'll let you gentleman  
24 introduce yourselves.

25 MR. SIDER:

1 My name is John Sider. I'm Deputy  
2 Secretary for the Technology Investment Office housed  
3 within the Pennsylvania Department of Community and  
4 Economic Development.

5 MR. LOMBARDO:

6 And I'm Michael Lombardo, I'm Director of  
7 the Governor's Northeast Office.

8 REPRESENTATIVE MIRABITO:

9 Thank you for coming. Do you want to  
10 share today?

11 MR. SIDER:

12 In the interest of time I won't read my  
13 whole summary, I'll just summarize it. And first I  
14 want to thank Chairman Daley and Representative  
15 Mirabito and members of the committee for having this  
16 hearing and inviting us to participate. I'm still  
17 kind of a pale shadow of the governor. So a lot of  
18 times I'm all you've got. But ---.

19 REPRESENTATIVE MIRABITO:

20 We'll take it.

21 MR. SIDER

22 I appreciate that. I appreciate that.  
23 Listen, there's really three things that I came here  
24 to talk about, that I think will have a positive  
25 impact on economic growth in rural communities. The

1 first is broadband deployment. And I think I have  
2 some good news and I'm sure many of you are aware of  
3 some of that. I'm going to echo the earlier speakers'  
4 support for existing small and medium-sized  
5 businesses. And I'm going to emphasize manufacturers.  
6 And the third is continued support of innovation-based  
7 entrepreneurship, which is really what I spent my time  
8 on in the debate that I run.

9           So first in regards to broadband  
10 deployment, the governor and the legislature had a lot  
11 of foresight in this area. Back in 2004 you all  
12 passed Act 183 and insisted that all communities even  
13 in the most rural areas have broadband access by 2015.  
14 Well, you taxed the DCED with trying to accelerate  
15 that as much as possible. And we've been busy doing  
16 that, particularly through the broadband outreach and  
17 aggregation fund. So far that program has provided  
18 four million dollars, almost all of it to rural  
19 communities to aggregate and market demand to the  
20 providers. Organize themselves and say here are some  
21 large institutions and residential areas that really  
22 want to make use of broadband. And we've been putting  
23 out a lot of good grants that I think are having an  
24 impact in accelerating and getting the providers to  
25 pay attention to what's new.

1           The other thing I want to note is in  
2 regards to the federal stimulus package. And I'm sure  
3 that you've all been reading the notices, but so far  
4 Pennsylvania has pulled down \$132 million for  
5 broadband deployment from ARRA. \$2.25 million to  
6 improve the mapping that the state does, where and  
7 what type of services are located. This is  
8 particularly important that we have accurate mapping  
9 data for rural areas to ensure that the gaps are  
10 filled. So we're getting the funds from the federal  
11 government for that. They also would like us to use  
12 that to help accelerate deployment. So we think we  
13 can continue to have some of that funding with our  
14 existing broadband outreach and aggregation fund. I  
15 will say that because of your foresight with Act 183,  
16 we're in a really good position to apply for this  
17 federal stimulus money. And I think that's one of the  
18 reasons we won this \$2.25 million relatively quickly.  
19 Because we actually were one of the few states that  
20 already had a map in place. And I know that that  
21 helped our aggregation.

22           Also the Executive Office of the Governor  
23 and the Office of Administration just received \$28.8  
24 million for ARRA broadband money. I'm summarizing a  
25 lot to tell you that this will help open up the state

1 hours that are in the rural mountainous northern areas  
2 of Pennsylvania to private providers so that they can  
3 provide access to the rural communities there in the  
4 hollows there that are just notoriously difficult to  
5 get fiber to. And the state has those assets and this  
6 is going to help them open that up.

7                   And then finally, this is very exciting,  
8 \$99.7 million for a coalition led by Penn State  
9 University to lay 1,700 miles of fiber to connect 60  
10 critical community anchor institutions, such as  
11 hospitals, all the Penn State campuses, other  
12 universities, in 39, mostly rural counties in central  
13 Pennsylvania, mostly south of I80. I was trying --- I  
14 was talking to my broadband person, and I thought this  
15 is fantastic for the hospitals and the universities.  
16 And it will certainly help construction and health  
17 care services there. But what does it mean to the  
18 residents. And my broadband person told me, well, you  
19 know, the providers would never have laid this cable.  
20 And what's going to happen is --- this is called the  
21 middle mile point. What's going to happen is now that  
22 that gets put in the ground the cable or last mile  
23 service in some of the rural communities is going to  
24 be so much more cost effective for residential  
25 communities in rural areas. So that's really the good

1 news to the average person on the street. So in  
2 summary we really believe that broadband is one of the  
3 foundational assets needed in today's economy. And  
4 these projects will ensure that rural Pennsylvania  
5 participates in that.

6           Secondly, very quickly, I thought the  
7 first speaker made an outstanding case for supporting  
8 the existing small and medium-sized businesses. At  
9 the 2001 recession, according to the SPA, small  
10 businesses those with under 500 employees, added  
11 44,000 jobs, while large businesses actually reduced  
12 their payroll by 108,000 jobs. And that's in  
13 Pennsylvania, those are Pennsylvania statistics. So  
14 we know that in times of recession, small businesses  
15 are what drive growth. And I really want to emphasize  
16 that I'm not going to duplicate what my good friend,  
17 Jim Shillen, is going to talk about, with the IRCs, I  
18 told him I would sort of be his John the Baptist here.  
19 But the manufacturers are absolutely critical in the  
20 rural communities. Often times they're the value at  
21 anchor of rural economies. And I call them the people  
22 who know how to make things. And once a community  
23 loses those types of people, who have the engineering  
24 knowledge, the value at knowledge, they really  
25 struggle to come back from that. So I really believe

1 that we need to do everything we can to help those  
2 small and medium-sized manufacturers in our rural  
3 communities. And so just some statistics here in  
4 Lycoming County of why they're important, 31 percent  
5 of the economic activity in Lycoming County is tied  
6 directly to its manufacturers 25 percent of the jobs.  
7 And those jobs pay one third higher than some of the  
8 other industries in Lycoming County. I'm told that  
9 this is very typical of rural communities, those ---  
10 that type of statistics. One third of the economic  
11 activity, one quarter of the jobs, directly tied to  
12 manufacturing. So what do they need. Well, they need  
13 to IRCs and they need them in a big way. One of the  
14 things that I talked about the IRCs, the industrial  
15 resource program, when I talk about them is these are  
16 the chief innovation officers of the five or six  
17 thousand manufacturers in Pennsylvania that can't  
18 afford to hire one. Okay. And the state --- we're  
19 one of the few states that really participates with  
20 the federal manufacturing extension partnership that  
21 comes in. We match it in a large way, we have  
22 historically. Of course, the current budget tries to  
23 reflect a new reality. But the IRCs, like I said,  
24 they're that new product development. The new market,  
25 the helping and the exports, working closely with the

1 regional export networks, helping manufacturers become  
2 globally competitive by bringing in ISO certifications  
3 and new manufacturing techniques. When you talk to  
4 the average manufacturer they'll say, I grew up on the  
5 shop floor, I know how to make my products, but I'm  
6 probably not as good as I should be on some of these  
7 other things. Well, the IRCs are great at it. And  
8 that's why we need one to assist those.

9           The other thing, to echo something the  
10 earlier speaker said, I've actually just concluded  
11 several meetings with the manufacturers around the  
12 state and I asked them what's on their mind these  
13 days, what are the real top concerns. First is health  
14 care costs. And I think we're probably going to hear  
15 something about that. Hopefully sooner, rather than  
16 later. Second is electricity rates. The third is  
17 access to capital. And the fourth is job training for  
18 the workers, skills development. So the first two,  
19 DCED doesn't have a lot to say about. But the last  
20 two, access to capital and job training, we have  
21 programs that are really critical for that.

22           I do want to echo the importance of  
23 Representative's Mirabito's efforts on the second  
24 stage loan guarantee program. That program is  
25 absolutely dormant. I think only maybe four or five



1 years we only put out \$2.7 million, and there was 50  
2 put aside for it. And the changes that Representative  
3 Mirabito is sponsoring is something the administration  
4 is very supportive of. And it's just one of those  
5 things we can put on the table for the banks to help  
6 incent them to participate with some of these existing  
7 businesses. So we're very supportive of the  
8 modifications on the second stage loan guarantee  
9 program.

10           And then the other thing I want to talk  
11 about is the customized job training and WEDNet  
12 program. It's not something I'm an expert in. It's  
13 under 50 secondary D Kaplan (phonetic), but I hear  
14 about it from manufacturers all the time. It's money  
15 that you can not waste because it goes right into our  
16 Pennsylvania employees and it improves their skills.  
17 And that actually stays in the community. And I do  
18 understand that the budget reflects an increase to \$11  
19 million, from \$9 million. But let's remember that's  
20 down from \$30 million a year. But I know that we're  
21 all facing a major revenue crunch.

22           And finally, the third thing that I think  
23 is really important is supporting the innovation-based  
24 entrepreneurship. And when I talk about that a lot of  
25 people incorrectly assume that all of the activity for

1 that happens in the big city. And I'm here to tell  
2 you that's absolutely not true. As a matter of fact,  
3 just this week one of our partner venture capital  
4 firms out of Philadelphia gave me their deal sheet as  
5 to what companies they're looking at, what  
6 Pennsylvania companies they're looking at. And the  
7 very first one, the one that they're going to  
8 absolutely invest in is one million dollars going into  
9 a software company, bubbling out of a rural  
10 northwestern county. I'm not allowed to say the name  
11 because it's not public yet. But it's --- when it is  
12 public you'll recognize that it is a very rural  
13 county. But innovation happens all over this state.  
14 We have great entrepreneurs everywhere. So there's  
15 one million dollars of venture capital of \$55 million  
16 that has gone into rural areas through our venture  
17 capital program.

18                   But there's two things I want to  
19 emphasize as far as programs --- having really an  
20 impact on rural areas. The first is the keystone  
21 innovation zones. This is something that the governor  
22 and the legislature put together as part of the  
23 stimulus package. It is meant to create knowledge  
24 networks around colleges and universities and  
25 institutions of higher education. As you all know,

1 this is an asset that many rural communities have, is  
2 an institution of higher education. And something  
3 that all the best practice manuals will tell you is  
4 you have to get your universities and colleges aligned  
5 in economic development and participating in economic  
6 development. And Lycoming College is one of the great  
7 partners in the Williamsport, Lycoming KIZ. To give  
8 you some statistics as to how I know this is working,  
9 in just the four years since we've ruled out the  
10 program there's been 176 interns from local colleges  
11 placed in rural Pennsylvania technology companies.  
12 And that's keeping those arraigned assets in the local  
13 communities, exciting them about the opportunities  
14 that are in their local communities.

15                   For instance, in this Williamsport,  
16 Lycoming County KIZ, in 2005 there were just three  
17 companies eligible for KIZ assistance or the kind of  
18 technology company that could get that assistance.  
19 Now there's 18. And so that is some real growth. And  
20 I really believe that because there are some assets on  
21 the table that these young technology companies can  
22 take advantage of. The Keystone Innovation's own tax  
23 credits, this is non-owed capital that goes straight  
24 into these early stage companies. Sixty-five (65)  
25 percent, 115 KIZ tax credits went to rural technology

1 companies. That's 65 percent of the total. Eighty  
2 (80) of the \$12 million went into innovative companies  
3 in rural areas.

4           And then finally, a wrap-up with the Ben  
5 Franklin technology partners, I can't say enough about  
6 how important these guys are to the rural counties.  
7 We have two that are basically their entire  
8 geographies are devoted to rural areas. And on the  
9 short if it, if an early stage technology company  
10 needs seed or venture capital this is the only place  
11 they can go. An investor, investment is strong in  
12 Pennsylvania. But it has scaled back, given the  
13 economy. As the network individuals have seen their  
14 network decrease, although that is recovering, venture  
15 capitalists have gone far upstream as far as the risk  
16 capital type that they have. So the Ben Franklin seed  
17 venture capital is absolutely critical. And just two  
18 examples of companies that I've seen in my time with  
19 the department, my five years with the department,  
20 I'll give you two examples, Salvage Direct in  
21 Titusville, this is a company that got a seed  
22 investment from the Ben Franklin central northern out  
23 of State College. That's 100 jobs in Titusville. And  
24 they are the employer of choice for young people in  
25 that community. They don't have to move away to get a

1 job in technology. They can have it right there in  
2 Titusville. And the CEO would tell you he would not  
3 be there without that seed capital. And Schoolwires  
4 in Bellefonte, another 100-job company. All of that  
5 has happened in the last few years. And again, they  
6 would tell you --- they just closed an \$8 million  
7 venture capital round in the last year. Those 100  
8 jobs would not be there without the seed capital that  
9 Ben Franklin provided.

10                   So I'll wrap that up, the Bens and the  
11 KIZs are under the Ben Franklin technologies bill,  
12 under line item. That line item has cut 60 percent in  
13 the budget last year. And I really think that's where  
14 the innovation-based entrepreneurship is going to  
15 bubble up. And I leave it there. Thanks for your  
16 time very much.

17                   REPRESENTATIVE MIRABITO:

18                   Thank you. I think we'll hear from Mr.  
19 Lombardo. I know you don't have written testimony  
20 submitted. But before we go to questions.

21                   MR. LOMBARDO:

22                   Do you want it now?

23                   REPRESENTATIVE MIRABITO:

24                   Yes.

25                   MR. LOMBARDO:

1           Okay. Great. I just want to --- before  
2 I start, just from a perspective standpoint, prior to  
3 filling this position I spent two terms as mayor of  
4 Dickson City and I also have spent three years as CFO  
5 and acting CEO of the Greater Wilkes-Barre Chamber.  
6 So I want to frame sort of my comments, in addition to  
7 the experience that I've had in this office. Let me  
8 say that prior to the last year and a half and the  
9 economic downturn, I think that the administration and  
10 the House and the Senate have done a tremendous job  
11 making economic development in the Commonwealth a  
12 priority. There were significant funds over the last  
13 couple of years that were dedicated to many of the  
14 things that our two previous speakers spoke about.  
15 And we saw great results from those. So then part of  
16 the issue is how do we get back from some of those  
17 levels of funding that we had. And how do we learn  
18 from some of the things that happened. And then how  
19 do we also take into consideration, I think where  
20 we've been as a state. And then arguably the  
21 Commonwealth historically was at the center of the  
22 economic revolution in this country. And we've been  
23 through a first phase a lot longer than some of the  
24 other states that are in the union. You know, we saw  
25 the decline in coal and we saw the decline in the

1 steel industry, which made us as a state respond and  
2 redirect funds and really look at broadly the base of  
3 our economy and not making it rely on one industry.  
4 So we've got some data to learn and tools that are out  
5 there and lessons in terms of history that are out  
6 there.

7                   What we've done I think over the years is  
8 really taken those last things in and sort of  
9 redirected funds and allowed us to grow the state in  
10 terms of our competitiveness with other states, in  
11 terms of enticing business. But when I looked at the  
12 title of the presentation today, economic development  
13 and job creation, and both speakers hit on this, I  
14 think it should be, and job retention. Because that  
15 is really a critical part of what we do. And spending  
16 time now in this position and also at the Chamber,  
17 we've got some great companies that are here and have  
18 been born in the Commonwealth. And are at that sort  
19 of level where they stood the test of time and they're  
20 looking really to maybe go to the next level and  
21 expand. Those small businesses and most businesses  
22 that are here are really the foundation of a lot of  
23 what we do. And when I'm out and about one of the  
24 things that I hear is frustration from those  
25 individuals that have those companies in terms of

1 available funds, to sustain what they had and to grow  
2 and also to respond to demands that are out there. So  
3 I think that that's something that we really consider  
4 very significantly going forward on how you address  
5 those needs from what we already have here. It's  
6 important to grow and bring new companies in. But  
7 it's also I think equally important and probably more  
8 important to sustain those companies if we had made a  
9 longstanding investment in their community then with  
10 the Commonwealth.

11           The other thing that I would say is  
12 really all of this, and I think it's been hit very  
13 clearly by both of the previous speakers, is that we  
14 need to create an environment that's conducive to  
15 business and it's conducive to attracting new business  
16 and drawing businesses that we have. So when you talk  
17 about that I think some of the other central issues  
18 are not only in terms of the new technology  
19 infrastructure but also looking at --- because we are  
20 an older state, looking at our current infrastructure  
21 and the needs that exist there in terms of water  
22 supply, in terms of sewers, in terms of roads and in  
23 terms of even the ability, as John pointed out, on  
24 gas. I mean, those are critical things that really  
25 need to figure into the equation. They make sure that



1 we spend time not only on the new technologies --- and  
2 they are equally important, but also on that old  
3 infrastructure that in some places is just really, I  
4 think in a critical mass point. We've seen, I've seen  
5 some different really significant breakdowns, not only  
6 in our road and bridge transportation system but also  
7 in terms of the water and sewer infrastructure that  
8 exists in some of these communities. So programs like  
9 these and some of the other things that have been  
10 rolled out, have been very helpful in addressing  
11 those. But I think it's something that we really need  
12 to think more about.

13           I think the other really great point that  
14 John made that I would touch on is that the  
15 Commonwealth is I think really blessed with some great  
16 institutions of higher learning, that really provide  
17 tremendous opportunities for us to respond and to  
18 redirect when we need to. And we need to consider  
19 those institutions as really valuable partners with  
20 the Commonwealth. And I think funding that has been  
21 spent on some of those institutions, although  
22 sometimes we get criticism for it, has been very  
23 important funding. If you look over the last year  
24 you'll find that most of the colleges are reporting  
25 that their enrollments have increased. Because in

1 tough economic times one of the places people go are  
2 to our colleges and our technical schools to get the  
3 training they need to respond to --- you know, a dry-  
4 up in the job market or a new job market that warrants  
5 them going on to learning new skills.

6           To that list I would also add, even at  
7 the high school level or technical schools and how we  
8 fund those and really what we look at our priorities.  
9 Because they provide some very valuable resources.  
10 And I think you'll see with Marcellus Shale you'll  
11 have some students that come out of some of the  
12 technical schools, right out of high school that have  
13 really some tremendous opportunities. So we need to  
14 keep those on the radar screen. You know, our  
15 workforce investment boards, CareerLink, those are  
16 important areas also to maintain. We need to look at  
17 funding and keep them at the levels that they were in  
18 the past.

19           The last thing I want to say is that that  
20 some of the investments that have been made --- and  
21 I'll use, cite an example, there is a business  
22 incubator technology right out of the Greater Wilkes-  
23 Barre chamber that has produced, through it's doors,  
24 two really significant companies, Epperjam (phonetic)  
25 being one, it's on the Fortune 500 list and one of the

1 fastest growing companies. It was actually sold a  
2 year ago. They stayed in the Greater Wilkes-Barre  
3 area, they came to the point where they are at around  
4 100 employees now of high-end jobs, that they actually  
5 within the last several months put on the table an  
6 offer to actually buy the innovation center which  
7 would allow the Chamber to do another project like  
8 that. Which I think is a critical reuse of some of  
9 the current existing assets that we have in various  
10 communities. Brownveels (phonetic), Braidveels  
11 (phonetic), those funds have really been important. I  
12 think some of the growth that we've seen, the chambers  
13 and their economic developers have done a tremendous  
14 job. For the past 50 years probably they've been some  
15 of the only ones that have been stepping up and doing  
16 development of last resort in some of these --- where  
17 they're created pretty viable industrial development  
18 parks. It's interesting in the northeast that we've  
19 seen now over the last two years, that business has  
20 changed dramatically and some of the chambers and the  
21 economic development and the industry --- industrial  
22 development groups are getting away from that now  
23 because the private sector has stepped up and doing  
24 it.

25                                   So we've --- I think we've done a good

1 job. And I think that we just --- I think we'll find  
2 our way through this thing. I mean, it's some  
3 tremendous opportunities with Marcellus Shale. My  
4 last comment is that I think we need to continue to  
5 look at those broad investments and diversify our  
6 economy and not really ever get back to the point  
7 where we really put all our eggs in one basket. And I  
8 think if we keep focused on that we'll move forward.  
9 I want to commend the chairman and the representatives  
10 of this panel for putting together this opportunity.  
11 I think if you hear from people in the job creation  
12 and the industrial side it's wherever you find out the  
13 information of what we need to do as government to  
14 respond. And obviously we play a critical role in  
15 where we're going to go. But thank you for your time.

16 REPRESENTATIVE MIRABITO:

17 Thank you both. You know, a part of the  
18 reason that we're holding this is to try to educate  
19 the public also about what role government can play in  
20 it. And also if you look at who's coming up on the  
21 panel we're going to have some folks from  
22 manufacturing. And we're thrilled to have them here.  
23 As well as the issue of diversification. And you  
24 mentioned we have the health care system here. First  
25 of all, are there any questions from the ---?

1                   REPRESENTATIVE SIPTROTH:

2                   I just --- some of it is a comment and  
3 some of it a question. About six weeks ago, maybe two  
4 months ago the president announced that he's going to  
5 divert monies, having set aside about \$30 billion that  
6 has been used in the commercial banking industry. And  
7 that was going to come back to the local banks. Have  
8 either one of you seen any outcome of that starting,  
9 are you getting any feedback from locally small banks  
10 if this money is, in fact, coming back to them?

11                   MR. SIDER:

12                   I have not.

13                   MR. LOMBARDO:

14                   No, I have not either.

15                   MR. SIDER:

16                   I will say that something that I am  
17 hearing, I had lunch with one of our, what I would  
18 say, a small regional bank, in the Harrisburg area, an  
19 executive there. And she was telling me that they're  
20 really enjoying this period because they're lending an  
21 awful lot. And they've seen a lot of new  
22 opportunities. Because some of the larger banks have  
23 been told by the regulators that you've got to reserve  
24 a lot more capital, so they're pulled back. And that  
25 has created a real opportunity for some of the smaller

1 banks. I think it's important not to paint all banks  
2 with the same picture that none of them are lending  
3 because I think some of our small regional banks from  
4 Pennsylvania are absolutely lending and lending  
5 strong. That's not to say we don't need the second  
6 stage loan guarantee program. I think that's  
7 important for deals that don't have a perfect  
8 underwriting criteria. This bill is a great  
9 opportunity. But I do think to some extent that the  
10 working capital crisis can be addressed at somewhat  
11 smaller regional ---.

12 MR. LOMBARDO:

13 Yes. I think that's very poignant. When  
14 the bank situation started to unfold the initial  
15 response I saw from some of the smaller banks was  
16 really frustration in that they felt like they were  
17 doing good ethical business, had good lending  
18 practices, really weren't concerned about mortgage  
19 default. If you look at communities that have those  
20 local banks, if you look at mortgage issues and some  
21 of the other issues you don't really see it. That  
22 frustration I think quickly turned to recognition of  
23 opportunity and that was a period of time that when  
24 some of the local banks now have been really  
25 aggressive and are looking at opportunities then to

1 create out of this. And we're almost going back to  
2 sort of the old school model where those businesses  
3 have relationships and people understood who they  
4 were. And that's one of things we lose with these  
5 bigger banks. And I'm not being completely critical  
6 of larger banks. But it is one of the things that you  
7 lose with a larger banks, them not really knowing the  
8 value of a company that's been in the community for 50  
9 years and what they've gone through. So we're sort of  
10 seeing a revisit of that. And I think it's a good  
11 thing.

12 CHAIRMAN:

13 You know, our committee oversees banks,  
14 besides economic development and housing and a series  
15 of expansion. As I said, we've played a lawman role  
16 over the last three years regarding banks. And if you  
17 try to ask a question up in Representative Longietti's  
18 district that the larger banks, PNC Bank, for example,  
19 wasn't lending to businesses. But we see community  
20 banks, like you're saying, actually step up in really  
21 filling that role. And we're excited about that.  
22 Most community banks, at least all the community banks  
23 in Pennsylvania have really weathered the storm very  
24 well. They were very cautious --- the local bank in  
25 being with the community. And we see that. And I

1 guess that's the same thing that's going on in this  
2 region too, is that there's a hesitance to --- it's  
3 very didactic for the big banks, they have to ---  
4 they've suffered many consequences with the economic  
5 downturn but also like I said, that the feds are  
6 requiring that the full reserves be kept on file. And  
7 the reserve, that's a concern.

8                   But let me just shift here real quick.  
9 You two are a server as a prep and parameter of  
10 economic development for the state, outside of the  
11 Senator who is sitting here talking to us. Now, in  
12 this shopping cart of economic development that was  
13 used over the last number of years, which one do you  
14 think needs the greatest attention, because of the  
15 budget and shortfalls? We need to focus this  
16 committee on trying to fund some of those programs,  
17 even though we're told we can't do that. If --- I  
18 don't want to put you on the spot, but I do want to  
19 put you on the spot. What do you think? I mean ---  
20 what's the number one program that's going to help  
21 stimulate business if ---.

22 OFF RECORD DISCUSSION

23                   MR. SIDER:

24                   I have to see the IRCs, right. Well,  
25 look, I can't put it down for one because you have to



1 have a tool kit, okay. Because there isn't a one size  
2 fit all.

3 CHARIMAN:

4 But we don't have that tool kit right  
5 now. I mean is that safe to say?

6 MR. SIDER:

7 That's right. That's right. The  
8 statement that I have provided in writing and what I  
9 mentioned today are the ones that I really think are  
10 priorities. Particularly for the types of things that  
11 this committee is interested in. But I'll just go  
12 through them again. The DFTDA through the Ben  
13 Franklins and the NITs are, I think they're incredibly  
14 important. The IRCs, I can't emphasize that enough.  
15 Because again this --- the type of technical  
16 assistance that the IRCs provide are absolutely  
17 critical to keeping those manufacturers in our rural  
18 communities. And they're the anchor. They're the  
19 anchor of those economies. I would say that --- as I  
20 mentioned, customized job training like WEDNet. It's  
21 not something that I work on but it's something that I  
22 really believe in. Because if our --- we can have  
23 lots of people looking for jobs, but there's got to be  
24 a match between the skills that the employers want  
25 with people looking for jobs. And what I do hear over

1 and over from manufacturers in particular is even when  
2 I'm hiring I have a hard time finding people that have  
3 the skills. And I really believe that every dollar we  
4 put into that program is something we're getting a  
5 really good and long term return on. I also am a  
6 believer in small business development centers. I  
7 didn't mention those. But I think that's something.  
8 I know that probably all of you in your districts send  
9 folks to those SPDCs for help on business planning and  
10 things like that. So I know I'm probably going to  
11 make somebody angry by leaving something out but those  
12 are the ones I would probably say.

13 CHAIRMAN:

14 Well, I think this region has an asset.  
15 And I know we're going to hear from them in the next  
16 group, it's the Pennsylvania College of Technology.  
17 And I propose that we're going to hear about the  
18 governor created technical college program --- when he  
19 entered this legislation and he did. He created that  
20 asset. It hasn't really grown. I think that's one  
21 thing. I'm waiting to hear from the faculty. We're  
22 excited about what they do here. You would think you  
23 need more of those all over the state. You get higher  
24 bridgemakers and those who make bridges, but there's  
25 another problem in our economy and we're finding is

1 that according to the last business scholar of  
2 Pennsylvania who's looking for individuals for 400  
3 jobs. They filled out applications, they had 2,000  
4 applicants. Almost 80 percent of the people failed  
5 the drug test. And that was a big problem. And I  
6 know that --- I don't think that that's just the  
7 problem of western Pennsylvania. We see that so many  
8 young people now aren't passing the drug tests to be  
9 able to hired. I mean, have you heard that's true as  
10 a setback?

11 MR. SIDER:

12 Yes. Unfortunately. In fact, like I  
13 said, I just concluded some meetings with several  
14 manufacturing companies and that's something that  
15 they're pretty ticked off about. And they were pretty  
16 candid with me and they said that there are times when  
17 they're so desperate that if they made perfection on  
18 passing a drug test necessary for employment they  
19 couldn't possibly get their work done. And that I  
20 think goes to the skills shortage that there is out  
21 there. And so it's something you need to address.

22 MR. LOMBARDO:

23 I would say --- and I agree with you  
24 totally. I mean, even during this tough time we  
25 continue to get phone calls from companies that are

1 frustrated that they are growing and they're trying to  
2 find people and they can't find the match for those  
3 people. So I think things like WEDNet and small  
4 business development and those educational pieces are  
5 really important in terms of one, finding who is out  
6 there, two, finding really in terms of assessment what  
7 their skill sets are and what improvements need there  
8 be. We have the technical schools and the colleges,  
9 as I said, to train them. And some of our community  
10 colleges I think you said something, John, have done a  
11 very good job doing that. So it really is that  
12 information course, and I think they do the proper  
13 marriage between who's out there and the skills. And  
14 if they don't have the skills, getting the training.  
15 So I think those are really, really important,  
16 important things that we do in terms of what we find  
17 ---.

18 REPRESENTATIVE MIRABITO:

19 Thank you. You know, the point that was  
20 made about the job retention. I think in the  
21 legislature a lot of times we think about finding the  
22 employer will come to town and bring 300 to 400 jobs.  
23 But if we look at this as finding the programs that  
24 allow 400 existing businesses to add one more person,  
25 and I think this was a lesson taught to me by Jim

1 Shillenn, at the IRC, we'd have a better chance of  
2 keeping those jobs in the long term and of growing it.  
3 And I think that's what you're saying so ---.

4 MR. LOMBARDO:

5 And just to add --- I'm sorry to  
6 interrupt --- what I would say is too that, you know,  
7 sometimes it's --- you know, we through the term  
8 around sexy in terms of community development.  
9 There's 400 jobs coming in with this big new company  
10 but really, when you look at the economy and really  
11 the lifeblood of it and the solid base of it is the  
12 small business that have eight to the employees or 20  
13 employees. And there's a lot of frustration I think  
14 out there right now with those groups who I think  
15 often feel neglected, that there's nothing out there.  
16 And they see these front page big stories of, you  
17 know, a governor or somebody cutting a ribbon and 200  
18 new jobs. And they say, well, what about us. We've  
19 been here for 50 years and they're ten of us, ten  
20 times ten, do the math. So I think we need not to  
21 lose sight of that. That's really important. And  
22 those are sustainable jobs that if you look at 20  
23 years from now there's really a lot less risk  
24 associated with them than with some of these larger I  
25 think more transient companies that look for the next

1 best deal, you know, then get a 50 percent better deal  
2 on power, and they move to Arizona. I mean, there's  
3 nothing we can do to stop that unless we're generating  
4 ---.

5 CHAIRMAN:

6 Or they move out of the country. Yes.

7 MR. LOMBARDO:

8 Or out of the country. I didn't want to  
9 open that door.

10 REPRESENTATIVE MIRABITO:

11 Thank you both. I want to keep us  
12 moving. But thank you very much. And thank the  
13 governor for sending you both. We appreciate it. The  
14 next panel up is going to be job creation and economic  
15 development. And it's James Shillen. And I  
16 understand Larry Michael who is not in to be here  
17 today. He had a death in the family. So Tracy  
18 Brundage is here. And if Jim and Tracy and Barry Denk  
19 and Tim Keohane could come forward that would be  
20 fantastic.

21 CHAIRMAN:

22 Maybe we'll start and if you could just  
23 introduce yourself. We'll start with you, Jim, and go  
24 right down. I think what we'll do is hold our  
25 questions until the end ---. If we still have time.

1                   MR. SHILLEN:

2                   Okay. Jim Shillen. I am the Second  
3 Director and CEO of IMC which is one of the industrial  
4 resource centers.

5                   MS. BRUNDAGE:

6                   My name is Tracy Brundage. I am the  
7 Managing Director of Workforce Development and  
8 Continuing Education at Pennsylvania College of  
9 Technology.

10                  MR. DENK:

11                  Good morning, everyone, I'm Barry Denk.  
12 I'm the Director for the Center for Rural  
13 Pennsylvania, which is a legislative research agency  
14 with the Pennsylvania House and Senate.

15                  MR. KEOHANE:

16                  Good morning. Tim Keohane. I'm the  
17 Director of the Small Business Development Center at  
18 Lock Haven University.

19                  CHAIRMAN:

20                  By the way, California University I think  
21 beat you in football ---.

22                  MR. KEOHANE:

23                  And we weren't the only ones.

24                  REPRESENTATIVE MIRABITO:

25                  We'll start with Mr. Shillen. Thank you.

1                   MR. SHILLEN:

2                   All right. Thank you very much. And  
3 Chairman Daley I appreciate you bringing members of  
4 the commerce committee here today. And I'll also  
5 thank the commerce committee for being here and  
6 Representative Rick Mirabito for hosting this event.  
7 I'm from IMC. And let me give you a little background  
8 on IMC for those who may not be familiar, either here  
9 with the committee, or of those who are listening here  
10 today.

11                   IMC is one of seven industrial resource  
12 centers in Pennsylvania. The industrial resource  
13 center program is a program that is focused solely on  
14 small and medium-sized manufacturers. These are seven  
15 regional centers, and by small and medium-sized  
16 manufacturers, I mean manufacturers who have 500 or  
17 fewer employees. A lot of you don't realize --- and  
18 it's been suggested by a couple of previous speakers,  
19 how many small and medium-sized manufacturers there  
20 are. But over 95 percent of the manufacturers in  
21 Pennsylvania are small and medium-sized manufacturers,  
22 most of them are family-owned businesses. So we are  
23 serving a very, very important part of the economy as  
24 John Sider had mentioned. And IMC is one of those.  
25 IMC is probably the most rural of all the IRCs. We



1 serve 12 counties here in rural central Pennsylvania.  
2 Snyder, Union, Northumberland, Montour, Lycoming,  
3 Clinton, Centre, Blair, Bedford, Juniata, and also ---  
4 there's one more, Mifflin Counties. So it gives you  
5 an idea of the real area that we serve. 1,100 small  
6 and medium-sized manufacturers in that area. Ninety-  
7 nine (99) percent of the manufactures in this area are  
8 small and medium-sized manufactures.

9           A little bit of my background, I've been  
10 with the IMC for 15 years. And I've actually been  
11 with the IRC program for over 20 years. So I have  
12 quite a bit of experience with the program. I started  
13 with the program right after it was established under  
14 Governor Casey in 1988. I think we can learn some  
15 history, as one of the previous speakers mentioned.  
16 As we are dealing with this economic crisis. This  
17 isn't the first economic crisis that has ever crossed  
18 our history. Back in 1988 when this program was  
19 established we were responding to an economic crisis  
20 that had occurred in the '80s. For some of you you  
21 remember the early '80s we had two recessions in three  
22 years. We had lost 20 to 25 percent of the  
23 manufacturing jobs in the country. The 40 top  
24 manufacturers had cut 50 percent of their employees.  
25 This is not the first time that we're facing an

1 economic crisis. But it seems like we're responding a  
2 little differently at this point in our history. Back  
3 then Governor Casey established the industrial  
4 resource center program. But interestingly in 1988 we  
5 were on the way to recovery. There was as modest  
6 recovery going on, especially when Reagan was  
7 President of the United States. Larger companies were  
8 starting to do quite well. The only problem is there  
9 was a group that wasn't doing well, small and medium-  
10 sized manufacturers. They were becoming less and less  
11 involved in the economy as globalization took over.  
12 They were facing competition now from other countries,  
13 other places around the world. They were being beat  
14 on price, they were being beat on quality, they were  
15 being beat on technology, they were being beat on  
16 innovation. So that is why the industrial resource  
17 center program was established in order to help these  
18 small and medium manufacturers become competitive and  
19 become real players in the global economy.

20                   Since the program was established the  
21 IRCs, and as those who have followed the program over  
22 the years have observed, we've been quite successful  
23 in really helping many, many small and medium-sized  
24 manufacturers grow their businesses, reduce their  
25 costs and really become competitive. Even though it

1 was founded by started by Governor Casey, it's truly  
2 been a bipartisan program. Governor Ridge was the  
3 founder who signed Act 31 in 2001, that was passed by  
4 the general assembly making the IRC program a key  
5 legislative priority as well as a state priority for  
6 this very, very important small and medium-sized  
7 manufacturers. So what have the IRCs done since that  
8 time. We have worked with 8,200 small and medium-  
9 sized manufacturers in Pennsylvania. With respect  
10 that there's roughly 15,000 small and medium-sized  
11 manufacturers in Pennsylvania we've worked with over  
12 half of them over the years. 26,000 individual  
13 projects with those companies to help them become more  
14 competitive. So we have had a very long history of  
15 success. Many companies have worked with us. And  
16 when I say projects they're not give away projects,  
17 they're not grants. Companies actually paid a good  
18 part of the cost for these projects to improve their  
19 competitiveness. So it's not a government giveaway  
20 program. It's a program that merely leverages the  
21 public assets to really allow growth and job creation  
22 in these companies.

23           If you look at the history of the IRC  
24 performance, even just last year. Let's take a look  
25 at last year. We've created 1,876 jobs. We've

1 retained 5,533 jobs. We've produced over 900 million  
2 in new or retained sales as a result of helping  
3 companies increase their sales or keep their current  
4 customers. \$149 million in cost savings. Over 232  
5 million in new investments made by the companies, new  
6 investments in things like equipment and facilities.  
7 If you take a look at just the personal income tax  
8 that we get a quick estimate of that, that was created  
9 or retained by the jobs that were created or retained,  
10 \$11 million in personal income tax that the state was  
11 able to keep or increase as a result of the jobs  
12 retained or created in manufacturing.

13           But the thing is is that the job is not  
14 done. If you were listening to a little bit of the  
15 news today is that countries like China, their  
16 economies are accelerating while ours is still kind of  
17 in the doldrums. Global competition is increasing for  
18 these small and medium-sized manufacturers. For them  
19 to continue to become globally competitive they're  
20 going to have to continue to change. They're going to  
21 have to continue to do better. They're going to have  
22 to continue to innovate. They're going to have to  
23 continue to invest in new technology. And as John  
24 Sider mentioned, where are they going to go --- to  
25 have a chief innovation officer or a central projects

1 person, which they don't have in small companies. Big  
2 companies they --- big staffs of people who are  
3 responsible, help the companies grow and change.  
4 Small companies don't have these staff. Industrial  
5 resource centers provide them with that special  
6 projects, that innovation set, that helps them  
7 understand how to manage their business rules with the  
8 many resources that are out there to improve their  
9 business, improve their profitability and to increase  
10 the jobs that they need as they grow as companies.  
11 The IRCs do that. We help them identify the  
12 resources. Whether it's a college or university like  
13 Penn College, which we work with, and we've referred  
14 many of our companies to their technical expertise.  
15 We refer them to the small business development  
16 centers with many of the training programs that they  
17 have and some of the business assistance and energy  
18 conservation programs that they are doing. So that we  
19 refer them to the many resources that are available  
20 out there that they don't really have the time to  
21 really do the research to find out who's there to help  
22 them, to support their different projects and  
23 initiatives.

24                   So why manufacturing. Well, John Sider I  
25 think has done a very good job of really identifying

1 why manufacturing is so important. Not only the  
2 number of firm, but over 16,000 manufacturing firms in  
3 Pennsylvania over half a million jobs are in  
4 manufacturing. The number of small manufacturers, as  
5 I mentioned, is 95 percent overall over from  
6 Pennsylvania. And in rural areas, it's 99 percent.  
7 Ninety-four (94) percent of Pennsylvania experts and  
8 also 43 percent of all state and local taxes come from  
9 manufacturing. I do though understand when we're  
10 talking about the difficult decisions that have to be  
11 made, and since this is about jobs and job creation,  
12 let's kind of look at the bleak side. Since December  
13 of 2007, Pennsylvania has lost over 200,000 jobs.  
14 Each week Pennsylvania pays out \$70 to \$75 million in  
15 unemployment benefits, because of these job losses.

16           The solution is not cutting job creation  
17 programs. That is not the solution. It appears that  
18 the solution is to pay people more unemployment, not  
19 to create new jobs or to retain jobs that are current.  
20 We cut the economic development job creation programs  
21 last year. I don't think it worked very well. We are  
22 still losing jobs because of that. The IRC program is  
23 just one part of a solution. And to say what happened  
24 to us last year and what is in the governor's budget  
25 this year we are now in the budget, proposed budget

1 for \$6.88 million. That's a 55 percent reduction from  
2 two years ago. But let's look at the performance of  
3 this program. Let's look at the economics of what is  
4 kind of going on here. It doesn't make any sense at  
5 all. For each million dollars invested in the IRC  
6 program, that's 500 jobs created or retained. And so  
7 each million dollars is 500 jobs created or retained.  
8 That's \$2,000 for a job created or retained. Now,  
9 compare that to the average unemployment benefits that  
10 one of those people who lost their jobs is going to  
11 get. Somewhere between, and this is, manufacturing  
12 jobs that are higher than average, they're going to  
13 get \$24,000 to \$30,000 in unemployment benefits.

14                   And like I said, here in rural  
15 Pennsylvania we may think a little bit differently,  
16 but it makes more sense to invest \$2,000 into  
17 retaining a job versus paying \$24,000 to \$30,000 in  
18 unemployment benefits. I hope that makes better sense  
19 to you to do that kind of investment. Because really  
20 the goal that we really have to embrace now is really  
21 job creation. That has to be really the message.  
22 Because this is not my original phrase but quite  
23 frankly, unemployment is not working. But I hope I've  
24 given you a little bit of an overview of the IRC  
25 program. And hopefully by just looking at some of the

1 facts and figures and understanding of the importance  
2 of manufacturing, in this program, and how it  
3 leverages many of the other programs that are out  
4 there, to support manufacturing and job development,  
5 that you will send a strong message to your leadership  
6 about the importance of these kind of programs so that  
7 they may hopefully make some better decisions this  
8 year about job creation and investing in job creation  
9 than we've seen in the last two years. Thank you.

10 REPRESENTATIVE MIRABITO:

11 Thank you. Ms. Brundage, we have Larry  
12 Michael's testimony, is there anything you wanted to  
13 --- did you want to comment or ---?

14 MS. BRUNDAGE:

15 Yes.

16 REPRESENTATIVE MIRABITO:

17 Okay. Good. Okay.

18 MS. BRUNDAGE:

19 Yes. Sure. T-R-A-C-Y. And the last  
20 name is Brundage, B-R-U-N-D-A-G-E. I'd like to thank  
21 the Chairman and the committee for the opportunity to  
22 be here today and to offer some of my comments. As  
23 you know and as Representative Mirabito just  
24 mentioned, Larry Michael, who prepared the written  
25 testimony, is unable to be here today, due to a death



1 in the family. But I am prepared to just offer a few  
2 comments on his testimony in summary.

3 CHAIRMAN:

4 First of all, the committee, we  
5 understand how tragic these things are. It interrupts  
6 our lives and schedules.

7 MS. BRUNDAGE:

8 Thank you. I will relay that. I guess I  
9 had wanted to start before I get into some of the  
10 comments on the summary, to just tell you a little bit  
11 about the Pennsylvania College of Technology.  
12 Pennsylvania College of Technology is a special  
13 admission affiliate of Penn State University that is  
14 committed to provide technology education and to  
15 provide a transfer of technology resources in many  
16 fields. Just for some examples for the committee as  
17 well as folks in the audience, heavy equipment  
18 operation, heavy equipment maintenance, diesel  
19 technology, mechanical systems, electronics, welding,  
20 automation, construction management, civil engineering  
21 and surveying. And that's not even the comprehensive  
22 list. We have several hundred different programs,  
23 both two and four-year programs, as well as a very  
24 significant offering in non-credit workforce  
25 development related programs. One of the things I

1 would like to echo to you is we've heard many of the  
2 speakers here today and to let you know that we are a  
3 strategic partner with many of the folks that have  
4 been speaking here today. And we have very close  
5 professional working relationships with many of them.  
6 We work with Jim very closely in the IMC and the IRC  
7 network. We are a strategic WEDNet partner. We work  
8 with in and around the CJP's. We also work with Jim in  
9 the SPDCs. We are involved in the KOZs, the KIZs. We  
10 work very closely with the Ben Franklin program. We  
11 work with Jason as a strategic partner with the  
12 Lycoming Chamber of Commerce. We are involved  
13 significantly with the workforce investment force, not  
14 only in the central region here but also in the  
15 northern tier and many across the state. We are not  
16 only a regional provider of technology education but  
17 we go wherever we are needed and the opportunity is  
18 there. We also are a strategic partner with the  
19 CareerLinks. And I'm going to talk at the end of my  
20 comments about a specific program that we're doing  
21 right now that I think will address some of the  
22 concerns that the Chairman had regarding some of the  
23 attrition and some of the things that we are seeing.  
24 And I'm going to make those comments specific to the  
25 natural gas.

1           We service over 6,000 students in our two  
2 and four-year programs a year at the Pennsylvania  
3 College of Technology in a number of different program  
4 areas. And we service between 5,000 and 6,000 adults,  
5 non-traditional students, a year in our workforce and  
6 non-credit programming. In the Penn State system, if  
7 you were to look at it like that, outside of  
8 University Park, we are the largest servicing entity  
9 within the Penn State system, besides University Park.  
10 And the activity is continuing, the growth is there.  
11 If you've had an opportunity to drive around our  
12 campus we have multiple expansions going on right now.  
13 We are committed to technology education. And we are  
14 committed to workforce and economic development, not  
15 only for Lycoming County but the region.

16           CHAIRMAN:

17           Tracy, let me interrupt one second.

18           MS. BRUNDAGE:

19           Absolutely.

20           CHAIRMAN:

21           And I ask Rob to talk to you after. We  
22 want to bring the committee out to the school.

23           MS. BRUNDAGE:

24           Great.

25           CHAIRMAN:

1 I want to see what you're doing, how  
2 you're doing it. You're the success story of  
3 Pennsylvania. Of all these places you are the success  
4 story. And I've heard so much about your culinary  
5 programs and the other things you guys do are  
6 remarkable. I'd like to talk to Kevin about staying  
7 after so we can bring the committee up --- is it  
8 12,000 total students you're dealing with ---?

9 MS. BRUNDAGE:

10 Well, over 6,000 in the credit side.

11 CHAIRMAN:

12 Right.

13 MS. BRUNDAGE:

14 Another 5,000 to 6,000 in the non-credit  
15 side ---.

16 CHAIRMAN:

17 And do you post it outside of this county  
18 or ---?

19 MS. BRUNDAGE:

20 Yes, we do. We're statewide. And  
21 sometimes we're even in other states and we're even  
22 global. We do a lot of our aviation type of training.  
23 It's multi-national, we go all over the world to  
24 provide that training.

25 CHAIRMAN:

1                   We need to bring the committee to ---  
2 because we want to expand. Because if Pennsylvania  
3 Technology College has the ability to do this, and we  
4 really need to do this everywhere, everywhere.

5                   MS. BRUNDAGE:

6                   Yes. Absolutely. Before I get started  
7 in terms of the economic job creation opportunities,  
8 just to kind of echo what you had just said, when we  
9 talk about what's happening in our country, we were  
10 talking about some of the ARRA funding and some of the  
11 stimulus dollars. The other area in Pennsylvania  
12 College of Technology when we look at job creation and  
13 economic development, is in regards to the  
14 weatherization area. You've heard many comments about  
15 that. We have a meter weatherization training  
16 facility. And actually up until the last year we were  
17 the only --- we were the state's designated  
18 weatherization training center. And we are really a  
19 national model. A best practice model. We've  
20 expanded. We are servicing over 1,000 students a  
21 semester in our weatherization training center. And  
22 we are being used not only within the state but with  
23 the other providers across the state that are getting  
24 started to help them with the technical assistance, to  
25 get them up and running. But we are a national model,

1 where we constantly are having other states coming to  
2 our center to look at how we're doing things, as it  
3 relates to other station training. I tell you that  
4 because that gives you an idea of what our reputation  
5 in how we look at technical education and the response  
6 and the partnerships between DCV and Labor and  
7 Industry and how inventive we are in economic  
8 development and how serious a part of our mission that  
9 is.

10                   When we talked a little bit about what  
11 I'm here today to focus on, the economic and job  
12 creation opportunities resulting from the natural gas  
13 exploration of the Marcellus Shale, I'll tell you a  
14 little bit about what's happened as a result in  
15 weatherization in some of these other areas. And I  
16 foresee the same type of opportunity there within the  
17 Marcellus Shale plight as well. We believe that the  
18 economic and workforce opportunities presented by the  
19 Marcellus Shale development have the potential to have  
20 the single largest impact of anything ever experienced  
21 in our region. The magnitude of this opportunity will  
22 not only transform this region of the state but I  
23 believe will provide the foundational resources to  
24 greatly enhance the overall economic health and job  
25 creation opportunities for the entire state. The

1 majority of the 8,000 to 12,000 full-time equivalent  
2 jobs forecasted in the next five years for the 14  
3 counties in the northern tier workforce investment  
4 area and the central workforce investment area  
5 primarily include blue collar jobs, requiring non-  
6 credit training in various levels of occupational  
7 certifications, such as welding, safety, equipment  
8 operations, measurements, electronics, just to name a  
9 few. Now, that's certainly not an exhausted list.  
10 The Pennsylvania economy league recently estimated  
11 that each direct job in the Pennsylvania oil and gas  
12 industry creates an additional 1.5 to indirect and  
13 induce jobs throughout the economy. And we've already  
14 heard many of the other members speak today about some  
15 of that impact as it relates to what's happening in  
16 the area in terms of hotels, restaurants, service  
17 companies and a variety of other indirect type of  
18 occupations.

19                   Utilizing the Pennsylvania economy with  
20 each multiplier the projected job increases by 2013  
21 for north central Pennsylvania would raise the  
22 employment total to over 20,000 full-time equivalent  
23 jobs.

24                   We began looking at this about a year and  
25 a half ago. And we published a meet assessment on the

1 Marcellus Shale because we started to see what was  
2 happening in the region and decided to take a look at  
3 the analysis of the data that we were gathering using  
4 a workforce projection model that was based on a per  
5 well and a per mile of pipelines type of projection.  
6 And that that would indicate the direct workforce  
7 impact that's needed to drill a single well in the  
8 Marcellus Shale region. And I don't know if you've  
9 heard these numbers before but to drill a single well  
10 it's comprised of over 410 individuals working within  
11 a nearly 150 different occupations. And the total  
12 hours worked by the individuals are the equivalent of  
13 11.53 full-time equivalent direct jobs over the course  
14 of a year. And if you look at what happened in  
15 January to September of 2009 in terms of the number of  
16 well permits, between the Marcellus and the non-  
17 Marcellus wells throughout the state and you take a  
18 look at those number of folks and the full-time  
19 equivalent to the number of jobs that could be a  
20 staggering number for not only this region but  
21 throughout the state.

22                   Pennsylvania College of Technology, one  
23 of the things that we tried to do to respond to what  
24 we see as a significant area of growth and opportunity  
25 we developed what's called the Marcellus Shale



1 education and training center, which is a partnership,  
2 established to provide both the regional community and  
3 the natural gas industry with a central resource for  
4 workforce development and community education needs  
5 related to Marcellus Shale gas. And this partnership,  
6 when we look at the strategic partners beyond the  
7 Pennsylvania College of Technology we also are  
8 partnering with Penn State University's cooperative  
9 extension, which is a central source for a variety of  
10 community-related topics, including the impact of  
11 natural gas in the region. So between the combined  
12 efforts of what we bring regarding the technical  
13 education and what they bring in terms of the  
14 community outreach, it's a very strong partnership, it  
15 provides a lot of opportunity. And I'll talk in a  
16 moment about some of the things that we're doing  
17 there.

18           The workforce that needs assessment is  
19 the place where we decided we needed to start, because  
20 we really needed to understand what was happening in  
21 the region and understand how to respond in a  
22 workforce development environment. So we looked at it  
23 in terms of five primary areas. We've been working  
24 very hard to create a number of non-credit courses  
25 directly related to the industry's needs. We've been

1 adding equipment specially allocated to the gas and  
2 oil technology industry. And we've been working very  
3 closely with industry to be able to establish those  
4 partnerships. We convened a statewide forum in  
5 December of education and training providers with  
6 their best practices and standardized curriculum.  
7 We're in the process of preparing an industry specific  
8 curriculum to share with the Commonwealth's career and  
9 technical education center. We're very active with  
10 grants and are looking at NSF grants and looking at  
11 two plus two and how do we go ahead and try to get  
12 some of this curriculum into the career and tech  
13 centers.

14                   And we're also aligning many of our  
15 current two to four-year degree programs, credit  
16 degree programs in the support areas of civil  
17 engineering, construction management, diesel  
18 technology, electronic power generation, heavy  
19 construction equipment, welding and fabrication to be  
20 able to meet the industries needs. So when we talk  
21 about internships and we're talking about folks that  
22 are job ready, that are coming out of our programs,  
23 that they can go to work. And if you've seen any of  
24 the press we've had a number of our graduates that  
25 have gone right into the industry and have been doing

1 amazingly well.

2           In summary, we believe that the economic  
3 and workforce opportunities here are huge. The  
4 magnitude of this opportunity will not only transform  
5 this region of the state but will provide the  
6 foundational resources to greatly enhance the overall  
7 economic health and job creation opportunities for the  
8 entire state. And what I would like to do is just  
9 take a moment just to give you a very short example of  
10 a model that we're doing now and we're partnering.  
11 It's been an opportunity to us working with the  
12 workforce investment boards and a very strong  
13 partnership with our local CareerLink offices to  
14 provide a pre-employment program for this industry for  
15 the general laborer. And it's a program entitled Fit  
16 for Natural Gas. And it's a three-week program. And  
17 it addresses the workforce work ethics that are needed  
18 by this industry. And it goes through a filtering  
19 system on the front and through strong orientations to  
20 show what the industry is. Because there really is a  
21 lack of awareness and everybody sees the high dollar  
22 paying jobs but really in many cases don't understand  
23 the nature of the work and what's required in terms of  
24 the work schedules. So we work very hard locally to  
25 listen to industries. They've helped us develop the

1 curriculum. We're in the process of going through our  
2 second class. We're doing a model of the region.  
3 We've done one in the northern tier. We're in the  
4 process of doing one now in Towanda. We're doing one  
5 in Williamsport. We're doing one in Lock Haven. And  
6 we've been asked by the state, not only to take our  
7 workforce needs assessment model from this region to a  
8 statewide prospective as well as look at how we take  
9 this program and address the needs across the state as  
10 far as the pre-employment aspect. It deals with the  
11 drug testing panels and the driver checks and it takes  
12 a look at all those things. So by the time these  
13 folks graduate from this non-credit three-week program  
14 they are ready to go into the job market.

15                   We're working with the Chamber of  
16 Commerce with job fares. And we're just doing so many  
17 interesting things. And I would really love the  
18 opportunity to bring you to our campus and to showcase  
19 some of the exciting things that I think are really in  
20 tune with what's happening locally and regionally with  
21 Pennsylvania economic development and growth. Thank  
22 you.

23                   REPRESENTATIVE MIRABITO:

24                   We're going to hold questions. We're  
25 going to go to Mr. Denk.

1                   MR. DENK:

2                   Good morning, Chairman Daley, Members of  
3 the House Commerce Committee. Thank you, and in  
4 particular, Representative Mirabito, for the  
5 invitation to be with you here today. I'm going to  
6 really summarize my comments, because you have more  
7 direct access to me than the other panelists since the  
8 agency works on their behalf. My comments are  
9 summarized from the sea level point up to 10,000 feet.  
10 And that's based on a little over 30 years, involving  
11 community economic development. I was in Johnstown,  
12 working and living there in the early '80s, during  
13 unemployment rates of 23, 24 and 25 percent. And I've  
14 been very fortunate to be in the center of rural  
15 Pennsylvania now for 18 years. And that has afforded  
16 me some opportunities at the national level with some  
17 policy issues. So that gives me more than a 10,000-  
18 foot perspective.

19                   And so with that I'd like to summarize  
20 some thoughts for your consideration as you look at  
21 economic development strategies to sustain the economy  
22 of this Commonwealth in particular. But I'll give you  
23 maybe some food for thought that's a little bit more  
24 rural specific in general. So here they go. First of  
25 all there really is no separate rural economy,

1 separate from our overall economy. It is integrated  
2 together. I think sometimes we need to understand  
3 that. That what happens in Potter County affects  
4 Philadelphia and vice versa. So there is one economy  
5 for the Commonwealth as a whole. And we need to think  
6 about that. Even our small towns and our small  
7 communities need to understand the dynamics of a  
8 global economy and the interrelation of it all. And I  
9 think sometimes that is a challenge at the local  
10 level. It's a challenge at the state level and  
11 sometimes at the federal level to really see the  
12 inter-conductivity of the economies. And that there  
13 is interplay between both.

14                   That being said, I think it's most  
15 important to understand that a one size fits all  
16 economic development strategy really may not work in  
17 Pennsylvania, given the diversity of this economy.  
18 And when I look at the diversity of the districts that  
19 you all represent, we've got southwestern  
20 Pennsylvania, and Representative Daley talked about  
21 the ongoing struggles from the decline of steel and  
22 coal. But I also look at Pike and Monroe Counties and  
23 I look at the 30 some percent population growth there  
24 since 1970, and the diversity of that area. Then you  
25 also look at the vibrancy of this community and this

1 region. We are an extremely diverse economy. And we  
2 are an extremely diverse state. And within that state  
3 we are extremely diverse in terms of our rurality.  
4 And so it is very important to understand that well-  
5 intended policies with a one-size-fits-all mindset for  
6 application will be extremely challenging sometimes in  
7 rural areas and in small communities.

8           And that's most important. And I think  
9 sometimes what fuels that is the mindset that rural  
10 equals agriculture. If you look at the federal level,  
11 I would offer that we do not have any career-  
12 integrative rural policy at the federal level at all.  
13 And when you look at the federal government, the  
14 mindset mostly, not that it's a bad mindset or  
15 intended in a wrong way, but most of the jurisdiction  
16 for rural is perceived to lie within the U.S.  
17 Department of Agriculture. But when you look at the  
18 critical progress at the federal level of government,  
19 commerce, health and human services, transportation,  
20 they all affect rural. But all too often we look at  
21 the farm bill for USDA as having jurisdiction over  
22 rural America. I

23           I was at a meeting just on Monday up in  
24 Nanticoke. And it was an effort by the federal  
25 government to get 12 agencies to work more closely

1 together as it relates to the Appalachian region. The  
2 challenge of that bill is that the only two agencies  
3 who attended the meeting from the federal government  
4 were USDA and Appalachian Regional Commission. And so  
5 to some extent we were preaching to the choir. So I  
6 think it is important at the federal level and to the  
7 degree that you could advocate there, but even at the  
8 state level, the jurisdiction of the different  
9 committees of the House and Senate as they relate to  
10 rural goes far beyond ag and rural affairs. It  
11 certainly involves commerce. It certainly involves  
12 all the other agencies of state government and the  
13 committees of state government. The more that we can  
14 get rural integrated into the mindset of policy  
15 development, I think the better this entire  
16 Commonwealth can, in fact, be.

17           Local capacity is so critical for any  
18 project to be implemented. And in Pennsylvania, I've  
19 got a map, and you saw that the depth of what we  
20 provided to. But on page 15 one of them maps, barely  
21 a dozen years from now rural Pennsylvania will be  
22 faced with the reality that we have more folks who are  
23 65 years of age and older than we do under age 20.  
24 And so that will contribute unbelievable challenges  
25 for rural Pennsylvania. Even down to the point of who



1 will be the volunteer fire person to run the company.  
2 Who will be the first responder for the EMS call? Who  
3 is going to run for borough council? Who's going to  
4 run a successful Girl Scout campaign? We really need  
5 to focus on local capacity development. Because all  
6 too often as we travel around this state we see the  
7 same people doing five and ten different jobs.  
8 Writing the United Way campaign, serving on the  
9 Chamber of Commerce Board, et cetera, et cetera. That  
10 human infrastructure needs investment in this state.

11           There is one particular program out at  
12 Penn State, their rural leadership program, with a  
13 line item of \$250,000. There are other very valuable  
14 leadership programs. But in terms of state investment  
15 and leadership development I would offer that for your  
16 consideration as to what we're doing to invest in  
17 human capital and the potential for who those leaders  
18 will be down the road. Those are some of the  
19 principles from which I throw out to you for  
20 consideration as you think about policy.

21           Now, I'll offer some policy  
22 considerations that really, I think, affect programs  
23 and policies and legislation. And one has been talked  
24 about. But I'm going to come at it from a different  
25 perspective. And that's an increased access to a

1 usage of broadband technology from an open access  
2 model. We heard from John Sider and others about the  
3 massive investment, particularly through the ARRA fund  
4 in the broadband deployment. And that is phenomenal.  
5 And when you look at the outcomes of Act 183 and  
6 what's going on there. That's a tremendous resource.  
7 But if you look a little bit further, you'll find that  
8 so much of the money is distributed in what we call a  
9 silo approach. It is for education, it is for health  
10 care. There's \$5 million that's being proposed now to  
11 be brought to rural areas for fire companies, which is  
12 fine and dandy. How do you get them interconnected  
13 and interrelated? And I think that is a challenge in  
14 how we distribute the funds.

15               That we need to look at communities as a  
16 whole. And to look at the deployment and the buildup  
17 of broadband from a consumer-based model as compared  
18 to an owner/operator based model. And this is no poor  
19 reflection on the providers at all. They're doing the  
20 best that they can because return on investment is  
21 absolutely critical to their economies. That's why  
22 they exist. They've got to ensure their return on  
23 investment. But when deployment is going out, based  
24 on that owner/operator model it removes the consumer.  
25 The more that we can aggregate at the consumer level

1 across all types of categories, be it education,  
2 health care, citizens at whole, use that as a basis.  
3 That's where you really aggregate demand and you  
4 provide return on investment.

5           And a classic example has been around for  
6 a number of years, up in Clinton County, which is one  
7 of the more rural and remote counties in this  
8 Commonwealth. Where they have a very successful Casey  
9 Net program, that's been around since the '90s. And  
10 it was built initially based on overcapacity of Lock  
11 Haven University, who extended that capacity out into  
12 the community. The further deployment of that effort  
13 really was driven by the consumers. By the community  
14 coming together as a whole and saying we know the  
15 value of broadband, we know the value of  
16 telecommunications and we want it for our small  
17 business, we want it for our leisure activities, we  
18 want it to promote tourism, we want it for education  
19 through all levels of K through 12 and beyond that.  
20 And when they aggregated that at the local level that  
21 really brought the investment and the interest from  
22 the providers and the return on investments that we  
23 provided for them.

24           So it's a different way of looking at  
25 broadband deployment and not taking what some would

1 offer as a traditional silo approach as to who gets  
2 the money and where it goes. Improving educational  
3 attainment. And that's been talked about quite a bit.  
4 And all too often I think we measure the success of  
5 high schools by the percent of students who go on to  
6 college. We all brag about that, 82 percent of our  
7 high school graduates go on to college. What about  
8 the 18 percent who don't? What about that C student,  
9 who didn't have the drive or the inspiration, where  
10 would he or she stay in their hometown? They are the  
11 leaders of tomorrow, by default or by engagement. And  
12 while it is important to promote higher education for  
13 four year degrees, when you look at the types of jobs  
14 that are being created and will be created in the  
15 future, they don't all require a four-year degree.  
16 Particularly when you look at the opportunities of  
17 Marcellus Shale.

18                   And so we need to encourage that. For  
19 about 18 percent of high school students who don't  
20 graduate, we need to raise the bar for them and raise  
21 the importance that they live in a rural community  
22 where they're staying. Because chances are as my two  
23 kids are doing it and maybe yours might be doing it,  
24 they're going on to college outside in Harrisburg and  
25 chances are they're not moving back. But for those

1 who graduate from high school or for those who drop  
2 out of high school, they're staying in our own  
3 backyards. And we need to nurture those. We provide  
4 all types of scholarships for the athletes and the  
5 academic scholars. But what are we doing to encourage  
6 that other cohort who stay here in our own backyards,  
7 to nurture them and grow their potential as best we  
8 possibly can?

9           That gets me to local reinvestment. The  
10 center released a study about a year and a half ago on  
11 what's called the transfer of wealth. This study has  
12 been done in about 18 other states. And it identifies  
13 with Pennsylvania. That over a 50-year period, from  
14 2005 to 2055, there will be a \$1.17 trillion transfer  
15 of wealth that occurs in this Commonwealth. In just  
16 the 15-year period of '05 to '15, we're halfway  
17 through it, \$193 billion will be transferred from one  
18 generation to the next. If local communities through  
19 community foundations or other means who garner some  
20 of that wealth before it goes to North Carolina or  
21 Florida, wherever their heirs are leaving, that money  
22 could be used for very credible worthwhile projects.  
23 Projects that governors might have invested in the  
24 past but in today's times just doesn't have the money  
25 to do it. Projects that are determined and bought

1 into at the local level. And so when we talk about  
2 sustainment of investment and sustainment, what better  
3 way than to get the locals to buy into that. Whether  
4 it's the restoration of the local library through a  
5 \$10,000 grant from a retired librarian with no heirs,  
6 who sees a reason to invest in that community, whether  
7 it is a scholarship for a C student to go to Penn Tech  
8 College to find some type of career opportunity that  
9 will keep them in our own backyard.

10           The transfer of wealth holds great  
11 potential. It doesn't really require legislation, but  
12 it certainly requires an initiative far beyond what  
13 the center is capable of doing. And I've been around  
14 about the state talking so far to about a dozen  
15 community foundations about this potential. And we've  
16 seen movement. I'll give you once quick example. Elk  
17 County is a community foundation. I spoke to them  
18 about a year or so ago and stirred some thoughts in  
19 their minds. They have now created within their own  
20 community foundation a program called Women Who Care.  
21 And it's just for women. And right now they have 80  
22 subscribers. Many of them no longer live in Elk  
23 County. But because of connections to Elk County, or  
24 history to Elk County they are concerned about the  
25 future of Elk County. In just six months they have

1 over \$18,000 in cash, in the bank and pledges of over  
2 \$25,000 to come in. That money is geared exclusively  
3 to work with disadvantaged women in Elk County.  
4 That's the type of seed that can be planted locally,  
5 when you have a local ownership and a local buy-in  
6 that brings about sustained change. And it didn't  
7 cost the government a dime.

8                   We need to encourage more of that.  
9 Because the wealth is here. Yes, the recession has  
10 affected us negatively in many of our bank accounts  
11 and savings accounts. But these figures were also  
12 generated prior to the wealth being created through  
13 Marcellus Shale. And when you look at the Marcellus  
14 Shale across this Commonwealth a lot of rural areas  
15 tend to benefit from that money that will be coming  
16 in.

17                   One other thing is local  
18 entrepreneurship. Seventy-seven (77) percent of all  
19 businesses that operate in rural Pennsylvania employ  
20 nine people or less. Of that percentage 52 percent  
21 employ less than five. Small business is an economic  
22 engine for Pennsylvania's rural economy. It's  
23 critical to nurture that the best way that we possibly  
24 can. We did a survey of small businesses about a year  
25 ago and found that 28 percent of small businesses were

1 home-based operations. And two-thirds of all those  
2 businesses were related to the owner's previous work  
3 or occupation. In times of recession and high  
4 unemployment, in my opinion, the opportunity is to  
5 look at those folks as what we can do to find self  
6 employment for them. Workforce development is  
7 critical and important.

8           Within that component should be the  
9 option to be self employed as compared to working for  
10 someone else. Local entrepreneurship and the creation  
11 of small jobs and businesses is very important. Of  
12 that same group of people that we surveyed the average  
13 age of a business owner was 53, yet less than 25  
14 percent of those business owners hadn't even thought  
15 about a transition plan. What are they going to do  
16 when they want to hang up shop? Are they going to  
17 transition, sell it or close it out? Again, if you  
18 look at that C student who is going to stay in that  
19 area, what are --- doing to try to carry up local  
20 young people with entrepreneurial activities? Show to  
21 them with some education and training and sweat  
22 equity, they might be able to buy into a local  
23 business. And is the financing available?

24           We do have financing out there. And I  
25 was at a workshop a couple of months ago. And the



1 comment that was made earlier about the small banks,  
2 the community banks in Pennsylvania are hanging in  
3 there and still investing. Some of the larger banks  
4 are under the scrutiny that we've heard about. But  
5 the small community-based banks, many of them serving  
6 rural communities, their method of lending has always  
7 been a little bit different. They know the customer,  
8 they have the track record. It's a little bit more of  
9 a personal relationship. So let's look at the type of  
10 financing that's out there, particularly as it relates  
11 to small businesses. Many small businesses get  
12 started because of family investment or credit cards,  
13 because they're not bankable or they don't have the  
14 collateral. What funding is out there, risky, venture  
15 capital, if you want to call it that, to spur on the  
16 endeavors. Be they manufacturing, be they retail  
17 service, what have you. I think we need to look at  
18 that.

19                   The last point I'd like to make for you  
20 all is this whole issue of quality of life matters.  
21 We are here talking about economic development and job  
22 creation. And I would offer that that doesn't occur  
23 nor is it sustained in a vacuum. That we need to be  
24 really concerned about the quality of life that a  
25 community offers. Quality of life doesn't just happen

1 because jobs are created. It's important to think  
2 about the bigger picture. And I would offer quality  
3 of life as what's really important for job creation to  
4 occur. We need to make our communities much more  
5 livable, for people who want to come here. And for  
6 the baby-boomer generation, who is, in fact, coming  
7 back to rural Pennsylvania we need to offer quality of  
8 life and that includes good health care services. It  
9 includes parks and recreation. It includes continuing  
10 education opportunities. And it certainly includes  
11 broadband deployment.

12           And I would offer to you that for us to  
13 wait until 2015 for all of this Commonwealth to be  
14 served by broadband will not be in the best interest  
15 of job creation and economic development for this  
16 Commonwealth. I was at the dentist four months ago,  
17 had x-rays taken. I went back two weeks ago, had to  
18 have another x-ray taken. In three months times he's  
19 total digital. Digital is coming. And if we wait  
20 until 2015 for broadband as we currently understand it  
21 to be deployed we will have some challenges in this  
22 Commonwealth.

23           So with that I thank you for indulging  
24 me. I've tried to bring kind of a snapshot of what  
25 we've seen and what we think could work for this

1 Commonwealth. Thank you very much.

2 REPRESENTATIVE MIRABITO:

3 Thank you very much. We appreciate it.

4 MR. KEOHANE:

5 Good morning, Mr. Chairman, members of  
6 the committee and other legislators and participants  
7 in today's hearing. I'm going to try to keep my  
8 comments brief, since you already have my written  
9 testimony. And you have an entire other panel to go  
10 yet. As I mentioned, I'm the director of the local  
11 small business development center at Lock Haven  
12 University. And it is my privilege today to speak to  
13 you on behalf of the Pennsylvania small business  
14 development centers. As some of you may already know,  
15 the Lock Haven SBDC is one of 18 small business  
16 developments centers across the state. And all of  
17 those are facilitating the entrepreneurship and small  
18 business development activities that will help insure  
19 a robust economic recovery in the Commonwealth. As  
20 has been confirmed many times over, small businesses  
21 are the creators. And the Lock Haven University SBDC  
22 is providing assistance to businesses that will create  
23 and sustain much needed jobs and generate tax revenues  
24 for the Commonwealth.

25 The Lock Haven University SBDC covers

1 both Clinton and Lycoming Counties for our network and  
2 has been part of the region since 1992. In that time  
3 the small business development center has literally  
4 assisted hundreds of business starts, helped  
5 businesses grow and prosper throughout the area. This  
6 is done in conjunction with many other partners. Both  
7 regional and economic development have worked with  
8 them. Local economic development organizations, that  
9 we've already heard from today, such as the Chamber of  
10 Commerce, the industrial revitalization center,  
11 financial institutions as well as state and federal  
12 agencies, among others.

13           Looking specifically at some of the  
14 accomplishments of our small business development  
15 center over the past ten years, we have worked with  
16 over 1,000 clients and provided them with more than  
17 31,750 hours of consulting. These clients have  
18 reported creating or retaining over 1,200 jobs. And  
19 the entrepreneurs have reported starting 198  
20 businesses during that time. Accessing \$57.5 million  
21 in financing. These numbers are very indicative of  
22 what occurs on a daily basis at all of the state's  
23 SBDCs. In 2009 the Pennsylvania SBDC clients reported  
24 saving 3,431 jobs and creating 1,561 jobs. Just fewer  
25 than 50 of those were reported just from our two

1 counties, here in Clinton and Lycoming County.

2           As you all know the past two years have  
3 presented challenges that have not been seen for many  
4 years. Sales are down, credit is tight, electricity  
5 rate caps are expiring, and global competition is  
6 intensifying. Meanwhile thousands of unemployed  
7 individuals are struggling to find work, adding to the  
8 state's unemployment compensation burden, as Jim has  
9 pointed out. This stress can be seen in the 20  
10 percent increase in companies turning to the SBDCs for  
11 help. To succeed in this emerging economic landscape  
12 companies need to be nimble; they need to think  
13 strategically, employ creativity, and create and  
14 leverage, knowledge and offer unique experiences to  
15 their customers. This is where the SBDC's assistance  
16 can be of help.

17           We've heard a lot this morning already  
18 about the impact of Marcellus Shale industry in this  
19 region. Lock Haven University SBDC has been actively  
20 organizing efforts to help small businesses capitalize  
21 on the opportunities within the Marcellus Shale gas  
22 fields. Just this past fall we were a co-host of the  
23 central Susquehanna gas and oil expo along with the  
24 independent oil and gas association, the Williamsport,  
25 Lycoming Chamber of Commerce and Penn State

1 cooperative extension. At this business to business  
2 style event it included 124 exhibitors, both natural  
3 gas companies and small businesses, as well as many  
4 others. And it drew over 1,000 people. We are also  
5 working closely with Penn State cooperative extension  
6 to provide educational opportunities via webinar  
7 series offerings aimed at helping the local businesses  
8 understand this arising business opportunities  
9 surrounding them in the developing Marcellus Shale  
10 region. Fostering the establishment of local  
11 companies to support this industry helps to assure  
12 that revenues generated by this tremendous resource  
13 will stay in Pennsylvania and then it creates jobs for  
14 Pennsylvanians.

15                   Now, allow me please to tell you about  
16 one of our clients that we've assisted over the years.  
17 This is one of our well-established clients, who is a  
18 great example of the many Pennsylvania entrepreneurs  
19 who have benefited from the SBDC services over the  
20 years. A local doctor of chiropractic, Dr. Jenifer  
21 DeWald, had approached the center back in 2001, after  
22 she had been practicing with another chiropractic  
23 office for a number of years. She was interested in  
24 starting her own practice at that time. She worked  
25 with the SBDC to create a business plan and develop a

1 loan package and to seek financial assistance to begin  
2 her operations. After successfully opening her doors  
3 Dr. DeWald remained a client of the SBDC for the next  
4 six years, utilizing a wide range of services,  
5 including assistance with human resources,  
6 computerized accounting implementation, evaluating  
7 cash flow and financial management.

8           As a result, over a five-year period Dr.  
9 DeWald had grown her practice's annual revenues by an  
10 amazing 572 percent. And in 2007 she recognized that  
11 in order to fully contribute to the health of her  
12 clientele and the community, as well as accepting  
13 patients, it would be necessary to expand her  
14 practice. She was successful in relocating to a 6,300  
15 square foot facility on Four Mile Drive in  
16 Williamsport and expansion of an additional 5,000  
17 square feet of opportunity. This local economic  
18 development investment included the purchase and  
19 renovation of the existing site for the chiropractic  
20 office, as well as the addition of a third  
21 chiropractic doctor, a full-time certified massage  
22 therapist, and one administrative staff member. Dr.  
23 DeWald continues to utilize the SBDC for assistance  
24 with periodic tax compliance issues.

25           The SBDC's approach to helping

1 entrepreneurs think long term and providing them with  
2 the research and tools they need to implement  
3 strategies has resulted in literally thousands of  
4 small companies achieving sustained success. This has  
5 meant solid employment opportunities for hundreds of  
6 thousands of Pennsylvanians and the ongoing generation  
7 of millions of dollars of sales tax revenues. The  
8 firms helped by the Pennsylvania small business  
9 development center network represent the foundation of  
10 the Commonwealth's economy.

11           Yet at the very moment when the SBDCs can  
12 have the greatest impact on businesses, families and  
13 communities, our ability to respond is constrained  
14 because of diminished resources. Since the fiscal  
15 year 2007, state funds to the SBDC have been reduced  
16 by half. With the most significant reduction coming  
17 in this current fiscal year. As a result, essential  
18 client services have been cut. Response time has  
19 increased and impact has been reduced. For instance,  
20 just at our local center alone we have had to  
21 eliminate 30 percent of our student employees, which  
22 is a great opportunity for the students at Lycoming  
23 University to gain experiences outside of the  
24 classroom. We have also had to reduce the number of  
25 educational programs that we offer. We've had to



1 eliminate online educational programs, which are very  
2 important for the rural center within the network of  
3 SBDCs. And we have also eliminated most of the travel  
4 to our client businesses.

5 I hope that you all agree that the SBDCs  
6 are an important asset to our small business community  
7 across the state. We look forward to working with you  
8 and your fellow legislators to assure that sufficient  
9 funding is in place and to provide entrepreneurs with  
10 the expertise, tools and programs to respond to these  
11 emerging trends and contribute to making the  
12 Commonwealth a 21st century global powerhouse. Again,  
13 I thank you for the opportunity to speak to you today.  
14 And I would happy to answer any of your questions.

15 REPRESENTATIVE MIRABITO:

16 Thank you very much. You know, we  
17 repeated the third --- the cuts. And I think it's  
18 important, one of the reasons that this hearing is  
19 important today is to educate the public about what  
20 happens, especially when we just have across the board  
21 cuts in state budgets. You know, we hope that we can  
22 find a way to educate people, especially some of the  
23 programs that you described that are not grants. They  
24 provide services, but businesses pay for it. Is that  
25 correct?

1                   MR. KEOHANE:

2                   That's right. Yes.

3                   REPRESENTATIVE MIRABITO:

4                   Do you have any questions?

5                   CHAIRMAN:

6                   Just real quick. Because unfortunately I  
7 have to leave. You were at the hearing with the  
8 secretary.

9                   MR. KEOHANE:

10                  Yes, I was.

11                  CHAIRMAN:

12                  And you were questioned by the secretary  
13 --- and we're to continue that. I chair the ag  
14 committee under the rural, other than the five major  
15 metroplexes of Pennsylvania. Other than State College  
16 are you --- in November, September and October, our  
17 major centers are all rural in Pennsylvania. So  
18 you're doing a great job and we're all proud of what  
19 you're doing. Lock Haven, you're doing what you're  
20 doing up there, all the time. So you're doing a great  
21 job. And I'm going to --- unfortunately I do have to  
22 leave right now. And we're going to turn the chair  
23 over to Representative Mirabito. And you can have the  
24 gavel. Thank you all for testifying. We'll let the  
25 questions flow from either ---. Thank you very much.

1                   REPRESENTATIVE MIRABITO:

2                   Representative Siptroth.

3                   REPRESENTATIVE SIPTROTH:

4                   Thank you very much. And I'm going to be  
5 very brief. I want to thank you all for testifying  
6 ---. Well done and a lot of information. And I want  
7 to thank you for the 18 percent --- I know the value  
8 of a college education, however I do also know that  
9 high school is very much needed. And this is going to  
10 lead into Tracy. When we visited the Thaddeus Stevens  
11 College, which is very similar to yours --- was this  
12 facility at one time Williamsport Technical Institute  
13 or was that ---?

14                   MS. BRUNDAGE:

15                   It was Williamsport Area Community  
16 College.

17 OFF RECORD DISCUSSION

18                   REPRESENTATIVE SIPTROTH:

19                   Okay. I was stating before I don't ---  
20 now it's part of the Penn Sate organization; is that  
21 correct?

22                   MS. BRUNDAGE:

23                   Correct.

24                   REPRESENTATIVE SIPTROTH:

25                   Do you have any tracking record on the

1 individuals who completed their studies here? As far  
2 as do they let you know from time to time as to  
3 whether they are in the community, what they're doing  
4 and their economic opportunities?

5 MS. BRUNDAGE:

6 I don't have any ---.

7 REPRESENTATIVE SIPTROTH:

8 You don't have it here?

9 MS. BRUNDAGE:

10 Yes.

11 REPRESENTATIVE SIPTROTH:

12 But I'm looking forward to visiting that  
13 school so ---.

14 MS. BRUNDAGE:

15 I can definitely make those connections  
16 for the folks on my staff so that they can provide  
17 that.

18 REPRESENTATIVE SIPTROTH:

19 Okay. And then it's a good barometer for  
20 us to look back and ---?

21 MS. BRUNDAGE:

22 Absolutely.

23 REPRESENTATIVE SIPTROTH:

24 Thank you.

25 REPRESENTATIVE MIRABITO:

1 Representative Longietti.

2 REPRESENTATIVE LONGIETTI:

3 More in a nature of a comment --- but I  
4 appreciate all of your testimony. One of the themes  
5 that I think that we heard is the importance of  
6 entrepreneurship. And I had an opportunity to visit  
7 with the director of the SBDC in my region, Deb  
8 Steiner (phonetic) for the Canonsburg Small Business  
9 Development Center, to touch on your comments as well.  
10 She pointed out that Pennsylvania, and I'm not sure  
11 how we measure, Pennsylvania is actually 40th out of  
12 50 states in entrepreneurship. So it's certainly an  
13 area that we need to work on. And you touched on some  
14 of them. Some of the things that perhaps we need to  
15 do --- any input or further discussion that you can  
16 provide to us down the road on what we can do in  
17 Pennsylvania to try to move up that ladder and  
18 encourage entrepreneurship.

19 REPRESENTATIVE MIRABITO:

20 Thank you. I'm going to move --- I know  
21 we're running behind. And I'm going to move to the  
22 next panel. Are there any other questions?

23 REPRESENTATIVE LONGIETTI:

24 No.

25 REPRESENTATIVE MIRABITO:

1 I'm going to move to the next panel. And  
2 because actually this is --- you're all important, but  
3 it's actually the folks who are on the ground creating  
4 jobs and retaining jobs. And we are very blessed to  
5 hear from them today. So if that panel would come  
6 forward. Thank you all very much. Thank you for  
7 indulging us. I know we're running late. And you're  
8 all very busy. But we appreciate it. We appreciate  
9 the time and the energy you've put into this. Thank  
10 you. I've had the pleasure of reading some of the  
11 testimony ahead of time. What's fantastic is the way  
12 it all gels together. And I think that's great for  
13 the record. If you could just start and maybe  
14 introduce yourselves and then we'll start with ---.

15 MS. GRIFFITH:

16 Anna Griffith, CEO of Discovery Machine.

17 MR. PELLEGRINO:

18 Frank G. Pellegrino, Executive Vice  
19 President of PRIMUS Technologies Corporation.

20 MR. SANTANGELO:

21 Hi. I'm Charley Santangelo, the Chief  
22 Financial Officer of Susquehanna Health.

23 MR. BOSSERT:

24 And I am Terry Bossert, the Vice  
25 President, Government Affairs for Chief Oil and Gas.

1                   REPRESENTATIVE MIRABITO:

2                   Let's start with ---.

3                   MS. GRIFFITH:

4                   Thank you for inviting --- to present to  
5 this hearing. My husband and I started Discovery  
6 Machine. And we're just your typical mom and pop  
7 company. We both grew up in Pennsylvania. I grew up  
8 in Pittsburgh and my husband grew up in Williamsport.  
9 We both went to Georgia Tech for graduate school. And  
10 that's where we met and lived for seven years. But we  
11 came here and started Discovery Machine in  
12 Williamsport because we wanted to live here. And many  
13 people have mentioned the quality of life. And that's  
14 what brought us here. We wanted to raise our family  
15 here. And we wanted to be with family. And we love  
16 what this region has to offer us in raising our kids  
17 and just having a great life.

18                   But it was not easy to come here to start  
19 the company. We both have a background in cognitive  
20 science and artificial intelligence. And it turns out  
21 there aren't a lot of jobs to get in that area in  
22 Williamsport. So my husband taught at Bucknell for a  
23 while while I wasn't working. And after we had our  
24 first child we decided to start Discovery Machine.  
25 And we got started with the federal SBIR program. And

1 lucky for us the first one we applied for we got. And  
2 that's when the company started. And we incorporated  
3 in 1999, but really got started with our SBIR funding  
4 in 2001. But in addition to getting started with the  
5 SBIR program we've had lots of people in this  
6 community help us. Congressman Carney has been a  
7 fabulous asset for us in helping us get connected in  
8 the DOD space. Because our main customer is DOD.

9           IMC has been an excellent resource in  
10 terms of mentoring, understanding how to do business  
11 in this region, providing interns, helping us to  
12 understand how to use interns. And we have had the  
13 opportunity to hire interns that IMC has funded. KIZ  
14 has funded projects that we've done with local  
15 companies, Wire Rope is one example. That was  
16 actually our first commercial project that we ever  
17 did. And it still serves --- it's in our case studies  
18 and we talk about it all the time. Ben Franklin has  
19 funded us through loans. And we actually just  
20 received the 2010 Ben Franklin product innovation  
21 award. And that funding has gotten us through being  
22 able to really develop the business aspect of our  
23 business. My husband and I are both engineers and so  
24 learning the business side of things was way tougher  
25 for us than getting our product to work. In addition



1 we had local companies be our customers. There's  
2 people in this room here, including PRIMUS, who we've  
3 worked with and that's been critical to our success.  
4 As I said our primary customer is DOD. And since ---  
5 DOD maybe is our biggest customer. And so we do have  
6 to travel quite a bit to our customers. And that  
7 infrastructure is very important to us.

8           But I'd like to talk about one of the  
9 areas of our company that I think is the most critical  
10 aspect of our success. And that's hiring talent in  
11 this area. Our company recently hired four recent  
12 grads from PA schools, Temple, Lycoming, Bloomsburg  
13 and Bucknell. Some of those, I think two of those  
14 students were interns and then we hired them directly.  
15 And I think that this is something that our community  
16 really needs to embrace and understand how to build  
17 relationships with the plethora of universities that  
18 we have here. We have also explored how do we tap  
19 into the resources of traveling spouse. How do we get  
20 people who come here to work at the hospital or with  
21 the gas and oil industry. Maybe they're bringing  
22 somebody who has experience in operations research, an  
23 instructional designer, a cognitive client. And it  
24 happens more often than you think. And those people  
25 come here. And they don't know how to tap into a

1 company like Discovery Machine. And there are a lot  
2 of companies that do innovative things like Discovery  
3 Machine that are not as public as us. We really push  
4 those press releases. But there's a lot of companies  
5 out there who do this stuff that don't --- that aren't  
6 as vocal as we are. And we also try to tap into the  
7 work pool of people who just want to move here.  
8 They've left Williamsport for college and careers,  
9 just like Todd and I did, my husband, Todd. And they  
10 want to come back here for quality of life reasons.  
11 And we have actually hired people that just moved back  
12 to Williamsport because they wanted to be here. They  
13 wanted to be here to take care of their aging parents  
14 and watch their nieces and nephews grow up. And  
15 that's a resource that we think we started to figure  
16 out how to tap into. But I think it needs to be  
17 facilitated a little bit more.

18                   And that leads me into talking about  
19 another organization that I've been working at getting  
20 off the ground, and lots of people here and at this  
21 table have participated in, the north central  
22 Pennsylvania technologies futures organization. And  
23 this we're doing in conjunction with IMC. And Jim  
24 Shillen is a great person to help push this forward.  
25 But we're also working with Ben Franklin and the

1 Chamber and some other government type organizations.  
2 And the idea is to really build relationships between  
3 schools, business and government. Highlight  
4 technology that's current in the community, get the  
5 community aware of what's going on. And figure out  
6 how we can work together to do technology economic  
7 development. We typically have a yearly conference.  
8 We have one coming up in April. April 9th I think it  
9 is. I should have brought our flyers. And we also do  
10 a math and science night, which we're actually doing  
11 tonight at Cochran Elementary School where we have  
12 businesses. And there's also going to be students  
13 from Penn College and Lycoming College coming to do  
14 groups, to present different careers paths, what  
15 companies are doing for technology. And it's a great  
16 way to get the students and the parents and the  
17 teachers understanding what's happening in the  
18 community and to get more awareness going. And it  
19 really helps the kids understand what career paths  
20 there are and that there are opportunities here.

21                   So my last point that I want to bring up  
22 is about the infrastructure. As I said, we have had  
23 local customers, but most of our customers are not  
24 local. We go to Texas or Atlanta, to Washington,  
25 D.C., are the primary locations that we go. But as

1 we're growing we're finding that we need to be able to  
2 go to more and more places where there are military  
3 bases that are installing the training simulations  
4 that we build. And actually it's pretty easy to get  
5 to those from here. It's pretty easy to drive to  
6 Baltimore and get wherever you need to go. Or take a  
7 hop to Philadelphia. Sometimes we fly out of  
8 Harrisburg. It's not so bad to take a day trip from  
9 here to Washington, D.C. We do that all the time. So  
10 being centrally located where we are has actually  
11 worked out way better for us than we anticipated it.  
12 But one thing that I will say is that without  
13 broadband I think it's really limiting our community  
14 and the way other companies, like Discovery Machine,  
15 can get started. There's lots of opportunities with  
16 cloud computing, consulting, telecommuting, marketing,  
17 different forms of selling products and services on  
18 the Internet, that people in this community just can't  
19 take advantage of, unless you live in very specific  
20 areas of this region. So like many other people here  
21 I would really encourage attention being placed on  
22 that.

23                   So in summary, I think my message to the  
24 committee is that Williamsport is a well-located town  
25 on the east coast and has really been a great place

1 for my husband and I to have our company, see it grow.  
2 There are lots of higher education institutions in  
3 this area. And I think that companies and the schools  
4 working together can really facilitate developing that  
5 talent pool and keeping those people here. And  
6 supporting innovation through small businesses are  
7 real opportunities for this region. Thank you.

8 REPRESENTATIVE MIRABITO:

9 Thank you. We'll go down to Mr.  
10 Santangelo.

11 MR. SANTANGELO:

12 Good afternoon. My name is Charles  
13 Santangelo. And I'm the Chief Financial Officer for  
14 the Susquehanna Health ---. Also with me today is  
15 Rita Spangler (phonetic) our Vice President of our  
16 facility. On behalf of our Board of Directors and our  
17 President, Stephen Johnson (phonetic) who could not be  
18 here today, I would like to express our appreciation  
19 to the committee for allowing us the opportunity to  
20 provide input regarding economic development and jobs  
21 creation from the perspective of the health care  
22 industry. What I'd like to do for you today is give  
23 you, one, a snapshot of our organization and two, the  
24 role of our local and regional economy; three, how our  
25 strategic facilities project will create jobs in the

1 community, and four, challenges we face as we move  
2 forward with the implementation of our plans.

3           First of all, I'll tell you a little bit  
4 about Susquehanna Health. Our headquarters is located  
5 in Williamsport. And the system includes there  
6 hospitals. The Williamsport Regional Medical Center  
7 is our flagship with 224 beds. It's a tertiary care  
8 institution. And it was opened in 1878, here in  
9 Williamsport. One of the oldest hospitals in the  
10 region, certainly and maybe even in the state.

11 Besides tertiary-level services it also operates a  
12 family practice residency program educating 21  
13 residents, many of whom who choose to reside in the  
14 surrounding area after they complete their residency.

15           Another hospital in our system is Divine  
16 Providence Hospital, located in Williamsport. That  
17 hospital was founded in 1951 by the Sisters of  
18 Christian Charity of Mendham, New Jersey. The  
19 services of Divine have dramatically been changed over  
20 the years. And it's a specialty hospital, which is  
21 primarily outpatient oriented, providing breast health  
22 services, pain management services, endoscopic  
23 services, a sports medicine center and a major cancer  
24 center. It also houses a 31-bed inpatient psychiatric  
25 unit as well.

1 Muncy Valley Hospital is the third  
2 hospital in our system. And it's located in the  
3 southeastern end of Lycoming County. The hospital was  
4 founded in 1937. It has through the latter half of  
5 the 20th century expanded its services to include  
6 emergency services, outpatient clinics and a 138-bed  
7 nursing unit.

8 Susquehanna Health, the system, was  
9 formed in 1994 as a joint venture of the three  
10 hospitals. The Pennsylvania Attorney General's office  
11 credited the joint venture with saving \$105 million  
12 while returning \$117 million to the community during  
13 its first five years of its existence.

14 In addition to the three hospitals in our  
15 system, Susquehanna Health partners with the Bucktail  
16 Medical Center in Renovo, in Clinton County, the  
17 Jersey Shore Hospital in Lycoming County, the Soldiers  
18 and Sailors Memorial Hospital in Wellsboro, Tioga  
19 County, to connect them with state-of-the-art shared  
20 information systems. Susquehanna Health provides  
21 opportunities for medical students from urban settings  
22 to gain hands-on experience in a rural setting.  
23 Approximately 50 students each year come for a four to  
24 six-week clerkship at Susquehanna Health. Coming from  
25 Temple, Drexel University, Penn State - Hershey and

1 the Pennsylvania College of Osteopathic Medicine.  
2 Most recently, Susquehanna Health has entered into an  
3 academic affiliation with the Commonwealth Medical  
4 College whereby Susquehanna will become the western  
5 campus for the medical school. As such, students in  
6 each year of medical school will rotate in clinical  
7 clerkships through the inpatient and outpatient  
8 services at Susquehanna Health hospitals. This newly  
9 created affiliation will help contribute to the  
10 success of the state's newest medical school.

11                   So what is our role in the local economy?  
12 When people talk about the economy, economic  
13 development and job creation, the first thing that  
14 usually comes to mind is the manufacturing sector, or  
15 the retail sector, or the commercial offices. But in  
16 today's economy, especially in rural areas, healthcare  
17 is often the foundation of the economy. With over  
18 3,000 employees Susquehanna Health is one  
19 Pennsylvania's largest nongovernmental employers  
20 located north of Interstate 80. Our economic impact  
21 exceeds over \$800 million per year, and we serve as an  
22 important economic stabilizing element, helping to  
23 offset the region's increasingly fragile manufacturing  
24 sector. As of March 1 our organization had 3,065  
25 employees on our payroll. In addition, we contract



1 with ARAMARK to provide over 353 employees, who  
2 support provides support services such as nutrition  
3 care, housekeeping, plant operations and patient  
4 transport. A full-time employee at Susquehanna Health  
5 has an average wage of \$56,534, which is 66 percent  
6 higher than the county-wide average of \$34,068. As  
7 estimated by the U.S. Census Bureau's Local Economic  
8 Dynamic. It is estimated that for every ten employees  
9 in the healthcare industry, an additional 12 ripple-  
10 effect jobs are created as a result of operational  
11 spending and household spending by employees.

12 Another observation about our impact on  
13 the local economy lies in the source of our revenues.  
14 While patients we serve may come from the local area,  
15 99 percent of the payments for our service we provide  
16 come from third-party payors through private insurance  
17 companies, Medicare, Medicaid. Payments from Medicare  
18 and Medicaid make up 40 percent of our revenues.  
19 Revenues from private sources represent recycling of  
20 local dollars. However, revenue from Medicare and  
21 Medicaid represents federal dollars that are being  
22 reintroduced into this economy.

23 Just to give you an example of \$390 of  
24 revenue in our three hospitals --- and approximately  
25 50 percent of our revenues coming from the Medicare

1 program alone. That would be almost \$150 million  
2 federal money that just comes into this local area.  
3 Our economic impact on the region goes far beyond job  
4 creation. We also give back to the community that we  
5 serve in ways that help relieve the burden of social  
6 assistance from local governments. While providing  
7 additional tax revenues, even though we're a nonprofit  
8 organization.

9           In 2008 Susquehanna Health spent more  
10 than \$43.7 million in charity care, non-reimbursed  
11 services to the community through services in lieu of  
12 taxes and subsidized care. With our background and  
13 our economic role as a backdrop, I'll spend a few  
14 minutes talking about some of the challenges the  
15 healthcare industry is facing, as illustrated by our  
16 experience. Our mission as a faith-based healthcare  
17 provider is to provide the highest quality healthcare  
18 possible to the residents of our area. One of the  
19 biggest challenges we face right now is the lack of  
20 space and outdated equipment. Even though we operate  
21 as a rural --- a regional referral center no major  
22 facility work has been completed at the Williamsport  
23 Regional Medical Center for over the past 20 years.  
24 And Susquehanna Health is now faced with the challenge  
25 of inadequate space to accommodate increased patient

1 care needs. The Emergency Department at the  
2 Williamsport Regional Medical Center is one of the 25  
3 busiest in Pennsylvania, according to the Pennsylvania  
4 Department of Health website. It is designed to serve  
5 35,000 patients per year, but is serving over 55,000  
6 patients. Our aging facilities and out-of-code  
7 components are not conducive to a quality, service-  
8 friendly environment, or for attracting top  
9 physicians, the best clinical staff or even new  
10 businesses to the area.

11           After exploring options to build a new  
12 facility on a greenfield site, in 2005, Susquehanna  
13 Health entered into an agreement with the City of  
14 Williamsport that would enable the Medical Center to  
15 remain in the city and expand its current location.  
16 The city has worked with us to rezone properties in  
17 the blocks surrounding the Williamsport Regional  
18 Medical Center. The Susquehanna Health has acquired  
19 104 properties, comprising 14.4 acres at the cost of  
20 over \$15 million within those blocks for redevelopment  
21 and expansion. The rezoning will also allow for  
22 additional commercial and institutional uses in the  
23 area surrounding the Medical Center, increasing the  
24 opportunity for more private investment. In October  
25 of 2009 we broke ground on a \$250 million expansion

1 project, a project that will be built on an existing  
2 infrastructure and steer investment back into the City  
3 of Williamsport. Over 500 temporary construction jobs  
4 will be created each year during the expansion  
5 project's construction phase through 2012. As a  
6 result of the new facilities 230 permanent new jobs  
7 with family-sustaining wages will be created, and an  
8 additional 270 ripple-effect support jobs will be  
9 created across the regional community.

10           While the groundbreaking was a critical  
11 milestone for the project, getting to that point was a  
12 significant challenge. Like many other entities, for-  
13 profit and non-for-profit alike, the recent recession  
14 has threatened our ability to move forward with the  
15 project. With the 17 percent of the cost of the  
16 project financed by the system's equity, declining  
17 investment income has threatened the availability of  
18 equity funds. The cost of financing also increased  
19 significantly. And of course, we've been faced with  
20 the challenges of accessing capital. However in the  
21 fall of 2009 we were able to move forward with a \$167  
22 million tax exempt bond issued, whose proceeds will  
23 finance a little over half the cost of the project.  
24 Many other healthcare providers across the state have  
25 not been as fortunate and have had to resort to staff

1 cuts or delays in capital projects.

2           Unlike other sectors of the economy, such  
3 as manufacturing, retail services and technology,  
4 healthcare's prices are in larger part not market  
5 driven, i.e, they are influenced by what government  
6 and third-party payors, such as Medicare, Medicaid and  
7 commercial plans, will dictate. Consequently,  
8 healthcare is constantly running on thinner operating  
9 margins, as they cannot fully recoup the actual costs  
10 of providing healthcare through reimbursements. This  
11 in turn has an impact on our capital programming.

12           I think what the committee is doing today  
13 could be one of the most important initiatives that  
14 you as legislators can do to assist healthcare  
15 providers in overcoming some of the challenges. I  
16 believe it is critical that public officials, as well  
17 as the general public, understand the true role of  
18 healthcare providers in the local economy. A role  
19 that goes beyond providing healthcare services, a role  
20 that is increasingly becoming the backbone of the  
21 economy and as in the case of Susquehanna Health, a  
22 catalyst for community revitalization. As the  
23 understanding of the industry changes, it is our hope  
24 that a state program will be expanded to not only  
25 allow the participation of healthcare providers, but

1 will be designated to target healthcare providers,  
2 ensuring strategic public investment that is directed  
3 to projects that support job growth in one of  
4 Pennsylvania's key industries, the health care  
5 industry. Thank you for your attention and the  
6 opportunity to appear before you today.

7 REPRESENTATIVE MIRABITO:

8 Thank you. And I know we do have some  
9 questions. I want to get in the testimony. And then  
10 I think we're going to get --- is that okay?

11 MR. FINK:

12 Yes, sir.

13 MR. PELLEGRINO:

14 Thank you. Good afternoon, glad to be  
15 here. Representative Mirabito, you're a great friend  
16 and ally to all of the constituents of the 83rd  
17 District. And to the other residents of this  
18 Commonwealth as well. And for our other  
19 representatives here today, thank you for your service  
20 and commitment to serve. I am Frank G. Pellegrino,  
21 Executive Vice President of PRIMUS Technologies,  
22 located here in Williamsport and also six other  
23 businesses that I own in this county. I'm a founding  
24 executive of PRIMUS Technologies. I'm extremely  
25 excited to be here and being passionate about our

1 state and the Commonwealth of Pennsylvania.

2           PRIMUS is a small business involved in  
3 manufacturing electronics and electronic subsystems  
4 for a variety of applications in the medical,  
5 telecommunications, automotive, military, aerospace  
6 and industrial controls marketplace. Our products are  
7 sold and shipped throughout the world. And we employ  
8 475 talented individuals, dedicated men and women,  
9 that live here in this town. Of which approximately  
10 68 of these individuals are degreed in engineering and  
11 engaged in specific engineering driven work and  
12 services. So again thank you for allowing me the  
13 opportunity.

14           I believe in the entrepreneur spirit and  
15 I believe that this is what leads the way in economic  
16 revitalization and in creating jobs. Small business  
17 has the energy and the spark, they are the risk  
18 takers, the dreamers, the doers, the catalysts. Seven  
19 out of every ten new jobs comes from a small  
20 entrepreneur. The three largest inhibitors to  
21 entrepreneurships are risk in willingness to engage,  
22 time and effort required, and difficulty in raising  
23 capital. Three partners are required for successful  
24 entrepreneurship. That first partnership as you heard  
25 earlier today in testimonies from good colleges and

1 universities. Their role is to get this intellectual  
2 property, this knowledge, the brains, the motivation,  
3 back into the marketplace. To be competitive. That  
4 critical thinking, application, specific skills, back  
5 into our world, back into here in the United States.

6           Two that I have experiences with here is  
7 of the colleges and universities are the EET program  
8 at Bloomsburg University. And I thank the state for  
9 developing that program, producing engineers that want  
10 to stay in rural Pennsylvania. About seven years ago  
11 this program was new, it was an infant program. And  
12 they came to the state system of higher education and  
13 asked for legislature approval. And it was granted to  
14 come out of the physics program, physics department at  
15 Bloomsburg University. That program is producing  
16 interns that we hire and at getting EET, ABET  
17 accredited engineers that want to stay in rural  
18 Pennsylvania and support our types of industries.

19           The Plastic Polymers is another one, the  
20 center at Penn College. And you've heard a lot of  
21 good about the Pennsylvania College of Technology. It  
22 supports the local industries. We hired our  
23 internships, we do co-ops. I sit on the purpose  
24 board, again with federal funds and overseeing the  
25 deployment of those federal funds. A wonderful



1 university, a wonderful college. And we're grateful  
2 for that as well. Everyone is a winner here. How we  
3 educate our children is a competitive advantage. It's  
4 a very important part, again, on being competitive in  
5 the world.

6           The second part of the partnership is you  
7 the government. And all of us, the responsibility of  
8 government. They're responsible for the push out of  
9 this money into research, into education. They're the  
10 spark of confidence for the economy and for the  
11 business. They're that partnership that makes a true  
12 entrepreneurship climate. An environment that is  
13 friendly to business, friendly to small risk takers.  
14 They encourage and share in the risk. They believe in  
15 the value of I.D. How we protect our intellectual  
16 property. And they're willing to protect it. They  
17 remove the difficulty in raising capital, encourage  
18 and motivate entrepreneurs to work even harder. And  
19 they share with that entrepreneur in the American  
20 dream.

21           The third partnership of this  
22 entrepreneur growth in our economic revitalization is  
23 the business itself and the owner of the corporation.  
24 It's an understanding. The thought of the American  
25 dream, of renewed capitalism. To believe in home

1 ownership, to believe in owning your own business.  
2 The belief as an entrepreneurs you can be successful,  
3 you can do it, you can have the opportunity to make  
4 millions and success is not impossible. Red tape is  
5 not obstructing your dream. It's a participant for  
6 the spirit that all three work together to share.  
7 Taxation incentives for startups for business growth,  
8 pail the expansions. Graduates that are supported to  
9 work in Pennsylvania. Think of those PhDs, what is it  
10 we're giving them to stay here and want to work here  
11 in Pennsylvania once they gain that PhD, that PhD,  
12 period. EITC expansion, not cuts to produce the best  
13 high school graduates possible. We talked a little  
14 bit about the earned income tax credits for our  
15 private schools. Why would we not want to give the  
16 opportunity for the best education possible. If  
17 there's 600 kids on our private school system saving  
18 more than six million annually, why wouldn't we not  
19 want to enhance the EITC opportunity to give them  
20 scholarships for that private education. Training  
21 initiatives for workers in the Marcellus Shale  
22 program. All policies from the federal government,  
23 state government, county and local government must  
24 support entrepreneurship to lead us out of this  
25 economic slump. History has proven itself time and

1 time again, small business, innovative companies will  
2 create new jobs. They will fuel our economy. But  
3 it's a partnership that requires a spirit of  
4 cooperation of all parties.

5           One of the cuts again was the Governor's  
6 School. I'll tell you we have one of the best assets  
7 at the Iacocca Institute, Lehigh University, the  
8 Governor's School for Entrepreneurship and Innovation.  
9 The Governor's School this past summer was cut. I'm  
10 well experienced with the graduates of that program  
11 and the opportunities they share over a four-week  
12 period. That's another one, how do we go ahead and we  
13 educate our people on entrepreneurship. But it's  
14 right here in our backyard and we can't lose it. I  
15 talked --- we talked a little bit about rural America  
16 and rural Pennsylvania and how we have to create  
17 programs specifically for engineers to stay in rural  
18 --- you know, want to be in rural Pennsylvania. We  
19 can go grab a Bucknell engineer, they're here with us  
20 for about a year or two years, then go back to the  
21 bigger cities where they come from. So it's very  
22 important that they understand if they're educated in  
23 rural America, they seem to want to stay, and they  
24 understand what rural America, what rural Pennsylvania  
25 is about.

1           Our airport is serviced by one commercial  
2 supplier at this point. It's a very hardship. We  
3 have customers coming in serving our business from all  
4 around the world. But the airport is not conducive to  
5 business travelers. Although it is --- as I said, it  
6 is served by U.S. Air. And it is very difficult to  
7 get in and out of Philadelphia. There was three  
8 flights a day at one point in time. We had service  
9 going both to Pittsburgh and Philadelphia. Five  
10 flights each way. So that airport is a very plus to  
11 our area. But again, what our customers are demanding  
12 is they want jet service, regional jets, 50 to 60  
13 passengers, not turbo prop service. And again, they  
14 need more frequency. So that's a very important  
15 piece.

16           As I said I'm very passionate about the  
17 Commonwealth, passionate about the county. I  
18 appreciate the opportunity to talk about  
19 entrepreneurship. And I appreciate the opportunity to  
20 be with you today. Thank you.

21                   REPRESENTATIVE MIRABITO:

22                   Thank you. Mr. Bossert.

23                   MR. BOSSERT:

24                   Thank you. As I said my name is Terry  
25 Bossert. I am the Vice President of Government

1 Affairs for the Chief Oil and Gas. Also with me today  
2 is Daria Fish, who's our Public Affairs Manager, who's  
3 headquartered right here in our Williamsport office.  
4 I realize there is a danger of being the only person  
5 standing between you and lunch so I will keep my  
6 comments brief and summarize what I have to say.

7           I think it's important to keep in mind  
8 that there's been a --- as we significantly know  
9 there's been a natural gas industry in Pennsylvania  
10 for more than 100 years now. We're approaching 150  
11 years. But the Marcellus Shale is really a game  
12 changer in terms of natural gas --- and in terms of  
13 the quantity of gas that's there and of course, the  
14 demand for gas that's evolved over the years.  
15 Including, with more focus on climate change issues,  
16 the fact that natural gas has a lot less carbon than  
17 other fossil fuels. Many people see it as the bridge  
18 fuel for the new renewable energy technology.

19           Briefly Chief is a privately-held  
20 company. And we're headquartered in Dallas, Texas.  
21 But our Appalachia headquarters, operations  
22 headquarters is in Wexford, which is outside of  
23 Pittsburgh. And that headquarters handles our  
24 Marcellus Shale operations throughout the Marcellus  
25 Shale plate, not just in Pennsylvania. We also have a

1 significant field office right here in Williamsport,  
2 more accurately Montoursville. But we call it our  
3 Williamsport office. And we're not the only company  
4 that has office and staff in this area. Enarco  
5 (phonetic) is here in Williamsport. Chesapeake is  
6 over in Towanda. So we're not just developing this  
7 resource from afar. We have about 200 people now  
8 working on the Marcellus Shale. Lycoming County and  
9 Bradford County are very important to us, a very key  
10 part of our operations. We have drilled about 50  
11 Marcellus Shale wells. And I didn't check the  
12 drilling report today so it might be 51. But 16 of  
13 those have been in Lycoming County. So that's a big  
14 percentage. And I think what's important about that  
15 group in terms of this committee is it costs \$3 to \$4  
16 million to complete one well. And much of that \$3 to  
17 \$4 million goes to local contractors and suppliers.  
18 You've heard about the pipe suppliers, earth moving  
19 contractors, measurement companies, the company, a  
20 regional company, a company in this region that makes  
21 all of our signs. We're required by DEP to have  
22 certain kinds of signs on all of our drill sites. And  
23 they're made right here. And then we transport them  
24 out to the drill sites. So there is that spin off.  
25 And I kind of want to focus on not too much what we

1 do, although I'll mention that briefly, but more on  
2 the spinoff to the existing businesses and new  
3 businesses that are being created.

4           Along that line, as you know Penn State  
5 did a study in August of 2009. And they made some  
6 projections about jobs and tax revenues that would  
7 come from the industry. They projected that in 2009  
8 there would be about 29,000 jobs created throughout  
9 the Marcellus Shale plight. And that there would be  
10 about \$400 million added to local and the state tax  
11 revenues. The industries --- now that 2009 is over,  
12 the industries looked back on that and we think those  
13 numbers were pretty much right on. The tax revenues  
14 might actually go a little bit more.

15           But what I think is important about when  
16 you look at those tax revenues is where they were  
17 paid. For example, they were paid for food and  
18 beverage, taxes on food and beverages. They were paid  
19 for hotel taxes. They were paid for liquid fuels tax.  
20 They were paid for sales tax. Again, what that means  
21 is those weren't --- those were taxes that reflect  
22 economic activity. You have to pay sales taxes when  
23 you buy something from somebody locally. That's the  
24 kind of economic engine that's being driven. And  
25 obviously as you have more employees you have more

1 people paying income taxes. It's projected that in  
2 2010 the revenues for state and local government from  
3 the Marcellus Shale industry will approach \$1 billion.  
4 That includes state and local taxes, as well as the  
5 money that the state is getting directly from its  
6 leasing of its mineral reserves.

7           I was going to mention some of the more  
8 local figures but I think you already heard those from  
9 a previous presenter regarding the Marcellus Shale  
10 education and training center. Let me just say in  
11 addition to that the educational programs that you  
12 heard about, they've also been educational programs  
13 developed in at the University of Pittsburgh in  
14 Bradford and Lackawanna College and at Keystone  
15 College, which again, were focused on training for  
16 skills necessary in the Marcellus Shale development.  
17 The industry has supported this effort by making  
18 financial contributions, by also making equipment  
19 contributions, so that people could actually train on  
20 the relevant equipment for technical training. I  
21 think when we started to develop the gas renewed  
22 generating jobs in the gas field itself we didn't  
23 quite follow through, that it would probably generate  
24 jobs in academia as well. Somebody obviously would  
25 have to train the people and create the jobs.



1                   Now, one thing I wanted to focus on is we  
2 hear a lot, well, you've created a bunch of jobs, but  
3 aren't these people just coming up here from Texas and  
4 taking jobs. And believe me if you go to a rig site  
5 and you see one Texas license plate you know you're  
6 going to get that question. There could be 20  
7 Pennsylvania license plates there, but you've got one  
8 Texas license plate. Well, I inquired into that and  
9 actually there's a very interesting answer that I got.  
10 Clearly some of the people, particularly on the highly  
11 complex new technology drilling rigs are coming from  
12 Texas, Oklahoma, the Rocky Mountain states, the other  
13 places Arkansas, other places with shale plates have  
14 been developed. We certainly want to develop that  
15 homegrown capability and I think that's happening  
16 through Penn Technology and other schools. But the  
17 other thing that we're finding is there are people,  
18 particularly both here and in our Wexford office,  
19 there are people who, yes, they came from Texas, but  
20 they didn't just come up for a week and then go back  
21 to Texas. They and their families they moved here,  
22 they bought a house, their kids are in school here,  
23 they're paying real estate taxes. They're paying  
24 income taxes. I don't want to make too much of it but  
25 in a small way it's kind of reversing the trend

1 everybody moving to the sun belt. Well, they found  
2 some reason to move back to the gas belt.

3           The other thing that I'm finding is that  
4 people who have been educated in Pennsylvania and went  
5 to the gas fields in Oklahoma and the gulf states are  
6 coming back. We have people with Penn State degrees,  
7 IUP degrees, Bloomsburg degrees and a number of people  
8 from Pennsylvania College of Technology. In fact, I  
9 was surprised to find --- although I only had to speak  
10 with them once, and when I went to Dallas and spoke to  
11 our senior vice president of geology I knew in an  
12 instant that he wasn't from Texas. And as a matter of  
13 fact he has his degree from Lehigh. So there's a lot  
14 of homegrown talent that's being reemployed in this  
15 business. Daria, who is here, is a local long-time  
16 resident of this area. Another example we hired a  
17 gentleman by the name of Rich Adams who worked for 30  
18 plus years for the Department of Environmental  
19 Protection. And after he retired we hired him as our  
20 senior environmental advisor for the company. So  
21 those are --- and I'm actually a homegrown  
22 Pennsylvanian. It's interesting to be here in  
23 Lycoming. I graduated from Susquehanna University  
24 just down the road. Many, many years before Ms. Sider  
25 was in that company. But it's interesting to be back

1 here and to see --- because we had obviously an  
2 athletic rivalry so it's back to the school.

3           To give you an idea we've hired local  
4 contractors and people employing local citizens in  
5 surveying, signage, construction, excavation work,  
6 earth moving, pipeline construction work, welders,  
7 water testing, water treatment, material suppliers,  
8 trucking, engineers, geologists, environmental  
9 consultants, and even a couple of lawyers. So we've  
10 hired people from locally in a lot of different areas.  
11 I just happened to notice as I was preparing for this,  
12 I guess it's a letter to the editor or it may be from  
13 a blog in the Sun Gazette. Where a gentleman wrote in  
14 about a friend of his who had been unemployed for a  
15 number of months and just recently got a job with a  
16 service company that's servicing the Marcellus Shale.  
17 I also saw an article the other day about a company  
18 called RigNet that was setting up headquarters here in  
19 the Williamsport area. Just to kind of take it down  
20 to the Chief level. We're one of the major employers.  
21 But we're certainly not the biggest company in the  
22 Marcellus Shale. But just on the level of Chief we  
23 used 50 --- I'm sorry, 150 Pennsylvania-based vendors.  
24 Twenty (20) of those are right here in Lycoming  
25 County. Maybe you have a list here about that. I

1 won't bore you by reading it, but there are many names  
2 that you would recognize. And we've spent over \$150  
3 million on local vendors. And those are just the jobs  
4 payments, those aren't talking about the lease and  
5 royalty payments that obviously had the buying power  
6 of the overall community.

7           So I think there's great opportunities  
8 here in the Marcellus Shale development. We want to  
9 obviously continue to grow the workforce and grow the  
10 Pennsylvania nature of the workforce, the educational  
11 initiatives that we've heard about from other  
12 speakers, we think they're vitally important. And we  
13 certainly support those. I guess in conclusion I  
14 would just say that we think that this is a unique  
15 opportunity. And maybe for another day we can talk  
16 about the specifics of this, but for us this is a  
17 unique opportunity to get more gas out of the ground  
18 with less impact on the surface of the ground than  
19 we've ever had in the history of the gas development  
20 in Pennsylvania. As well as an opportunity to grow  
21 the economy and create thousands of jobs and as one of  
22 the previous speakers talked about wealth transfer.  
23 Those wealth transfer numbers are going to change.  
24 Because the wealth is going to be brought to parts of  
25 Pennsylvania that haven't seen that kind of money

1 since maybe the lumbering days. I think it will be  
2 significant. And we look forward to working with all  
3 of you to help this industry continue to grow. Thank  
4 you.

5 REPRESENTATIVE MIRABITO:

6 Thank you very much. I really thank you  
7 all for sticking in here with us. Because I know it's  
8 exhausting. And it's hard from where you're sitting.  
9 But from where we're sitting I see a lot of common  
10 themes. And I've heard a lot of common themes.

11 Representative Siptroth, do you have a question for  
12 ---?

13 REPRESENTATIVE SIPTROTH:

14 Very quickly.

15 REPRESENTATIVE MIRABITO:

16 Yes, please.

17 REPRESENTATIVE SIPTROTH:

18 Anna, I just wanted to ask you is your  
19 company located within the hub zone, by any chance?

20 MS GRIFFITH:

21 It is not.

22 REPRESENTATIVE SIPTROTH:

23 It is not. Is there a hub zone created  
24 in the Williamsport area that you're aware of?

25 MS. GRIFFITH:

1 I believe there is.

2 MR. PELLEGRINO:

3 It is on this side of the industrial  
4 park, Fourth Street to Arch and then almost all of  
5 downtown --- but it's not ---.

6 MS. GRIFFITH:

7 Yes. We're not eligible for it. As you  
8 have to have --- a certain number of your employees  
9 have to live in the hub zone.

10 MR. PELLEGRINO:

11 Correct.

12 MS. GRIFFITH:

13 And our employees do not live in the hub  
14 zone. And it's interesting because a great percentage  
15 of our employees live within a mile of our office.  
16 But are still not within the hub zone.

17 REPRESENTATIVE SIPTROTH:

18 Okay. That's a little unfortunate  
19 because there are opportunities.

20 MS. GRIFFITH:

21 Right, right, believe me we keep looking  
22 into it, hoping. But it has not worked out for us.

23 REPRESENTATIVE SIPTROTH:

24 Frank, and again, thank you for helping  
25 me out on that one. Just two questions there. First

1 of all, with the Governor's School and Lehigh Valley,  
2 you would have thought that they would have been able  
3 to keep that program going with no question about ---  
4 or one of my main concerns, because we went through  
5 that program and she's done extremely well and gone on  
6 to college this year. Let's talk about the airport  
7 again and --- but I want to know will the airport  
8 support the smaller jets or is it just ---?

9 MR. PELLEGRINO:

10 The runway right now and again our county  
11 officials may direct me but the runway right now is at  
12 6,800 square feet --- 400 to 500 expansion. So I'm  
13 not sure of all the carriers requirements. We are not  
14 at 10,000 square feet.

15 REPRESENTATIVE SIPTROTH:

16 No, I don't think the requirements need  
17 to be at 10,000. It depends on the aircraft.

18 OFF RECORD DISCUSSION

19 REPRESENTATIVE SIPTROTH:

20 Again it's not the industry as long as  
21 the insurance carrier ---.

22 MR. PELLEGRINO:

23 Right.

24 REPRESENTATIVE SIPTROTH:

25 They're the ones who are mandating all of

1 these --- thank you very much. Charles, are you the  
2 only health system within a 25-mile radius ---?

3 MR. SANTANGELO:

4 We're the largest health system in  
5 Lycoming County. There's smaller hospitals in  
6 Lycoming County. Jersey Shore Hospital, which is  
7 located about maybe ten miles east --- west of us.  
8 That is a small critical access hospital.  
9 Independent. But as I indicated we help them out with  
10 information technology. But they're totally  
11 independent from us. The other two hospitals in the  
12 county, other than Williamsport Regional Medical  
13 Center, are Divine Providence and you go 25 miles  
14 taking you outside of the county. In Union County,  
15 you're 23 miles south of us is Evangelical Hospital,  
16 an independent hospital. Thirty-five (35) miles to  
17 the east is Geisinger Medical Center. Large trauma  
18 center operation. Then you have in Wellsboro, that is  
19 north of here about 55 miles and 60 miles.

20 REPRESENTATIVE SIPTROTH:

21 Okay. Are you the only non --- I'm  
22 assuming you're the only non-profit health care system  
23 ---?

24 MR. SANTANGELO:

25 We're the largest.



1                   REPRESENTATIVE SIPTROTH:

2                   So you're not receiving the benefit from  
3 Medicare dollars at 25 mile ---?

4                   MR. SANTANGELO:

5                   No. If you're referring to Sole  
6 Community Hospital --- no.

7                   REPRESENTATIVE SIPTROTH:

8                   Right.

9                   MR. SANTANGELO:

10                  We're actually considered an urban area  
11 under Medicare. And the Medicare --- the Medicare  
12 program pays us just at our rate.

13                  REPRESENTATIVE SIPTROTH:

14                  Right.

15                  MR. SANTANGELO:

16                  Because being that is in a rural area  
17 they have some special consideration. They're getting  
18 the Harrisburg rate, as if they were located in  
19 Harrisburg. Geisinger is a rural referral center.  
20 They have another special incentive for them. They  
21 get the Harrisburg rates. Literally we are paid six  
22 percent less than the other two. And we've been  
23 fighting that with the Medicare program for a long  
24 time. And I could expand on it for a long time if you  
25 want me to ---.

1                   REPRESENTATIVE SIPTROTH:

2                   No. I just wanted to pose that question  
3 to you. Because I think you did mention a large  
4 number of Medicare dollars. And it is certainly not  
5 --- and you mentioned Bon Secours Hospital. Thank you  
6 for that.

7                   REPRESENTATIVE MIRABITO:

8                   I know that sometimes individuals have  
9 this mindset that the merger of medical facilities is  
10 not necessarily the best thing but I think it is  
11 because I think that brings technologies and the  
12 opportunities for technologies to be exchanged within  
13 the system rather than everybody trying to go out and  
14 purchase their own. At the cost that the medical  
15 industry mandates today would just absorb everything  
16 that you folks have done in one facility. And we  
17 certainly would have that ability to service the  
18 people. Thank you for that.

19                   REPRESENTATIVE SIPTROTH:

20                   And Barry, I don't have a question to  
21 offer. I'm just pleased that we have this industry  
22 coming to Pennsylvania. I'm certain we want to make  
23 sure that it's maintained and people receive state  
24 quality of life and environment and have the industry  
25 now offer that million dollar incentive --- the fact

1 that our budget will be even worse than it is right  
2 now. So --- you recognize the importance of having  
3 the industry in the state and welcome that as well.

4 MR. BOSSERT:

5 Thank you.

6 REPRESENTATIVE SIPTROTH:

7 Thank you.

8 REPRESENTATIVE MIRABITO:

9 Thank you. Representative Longietti.

10 REPRESENTATIVE LONGIETTI:

11 I just wanted to just make a brief  
12 comment to say thank you for what you do to drive  
13 economic development in the community, to employ  
14 people, to make a better quality of life for the area.  
15 And they probably don't say that enough. And  
16 hopefully, you know, you mentioned in the three  
17 partnerships, hopefully the government is a good  
18 partner to you. We can always improve upon that.  
19 We're thankful what you do ---.

20 REPRESENTATIVE MIRABITO:

21 Frank, you mentioned red tape in your  
22 testimony with the PEETA (phonetic) Program in  
23 particular. And I think you mentioned --- did you  
24 want to elaborate on that a little because we have  
25 time ---?

1                   MR. PELLEGRINO:

2                   It comes a little from experience. But  
3 the government rules on a lot of these programs and  
4 you'll spend \$80,000 on lawyer fees to get the books  
5 ready and prepared. And you'll just submit through  
6 the application process. So there is not a very  
7 friendly --- and I sat on the mayor's council, and  
8 even trying to get local shops to acknowledge that and  
9 we've now moved that from the city's coffers over to  
10 the Chamber of Commerce. And the biggest thing in all  
11 of the gripes and in all of that was to make it as  
12 easy as possible that you can use the same documents  
13 that you use for a bank loan that you should be able  
14 to use for this. Versus, here's two sets of documents  
15 all prepared individually and all differently. And  
16 everybody needs --- well, if you go to the bank maybe  
17 you can get \$4 million and you go to the state and you  
18 want \$100,000 or \$200,000, it's a total separate book,  
19 going to totally separate regions. So somehow we have  
20 to really work with that.

21                   REPRESENTATIVE MIRABITO:

22                   That is a good point. Good enough for a  
23 \$4 million loan. You know, you also mentioned about a  
24 payroll tax holiday. What was your thought on that?

25                   MR. PELLEGRINO:

1           Yes. You know I gave a startup --- when  
2 you have incubator setters and we have to use that for  
3 this payroll tax holiday for somebody that's willing  
4 to take a chance. You know, again it's risk reduction  
5 for that entrepreneur. What is it? What can we do?  
6 Can we offer a payroll tax holiday so that this young  
7 company could use those extra dollars then to expand.  
8 Okay. Job growth is so important but the tax  
9 consequences are there. You know, to even look at,  
10 you know, the --- the startups, the IPOs are all good.  
11 And you haven't heard a whole bunch about IPOs lately.  
12 You know, are those venture capital dollars, the  
13 dollars all there. Whatever. But it's ways that  
14 we've got to get back to those IPOs. When you look at  
15 those IPOs the big guy who is so lethargic and can't  
16 move, okay, the IPO is the creator, the edit maker and  
17 then the big guy can go hop along, that's great. He's  
18 taking that technology, he's taking that spirit and  
19 incorporating it into the GEs and into the IBMs and  
20 those guys. So down here he's able to move, he's able  
21 to maneuver and go ahead and get this technology  
22 developed. It's okay, let the big guy grab, you know,  
23 as an IPO when he comes out or whatever. It's still  
24 going to help job growth and economic expansion. But  
25 this payroll tax holiday for that little guy who's

1 just struggling to make it, we give him a tax holiday  
2 and he's going to expand and create four or five new  
3 jobs. It's only going to help everybody.

4 REPRESENTATIVE SIPTROTH:

5 Could I just get into the debate?

6 REPRESENTATIVE MIRABITO:

7 Sure.

8 REPRESENTATIVE SIPTROTH:

9 That's a great idea. But where's the  
10 fairness? Where's the fairness for the big guy that  
11 would love to have a bank tax holiday as well so that  
12 he will enjoy a little higher profit margin. And  
13 again, that's my only problem with that, there's got  
14 to be some ---.

15 MR. PELLEGRINO:

16 I don't know who said it best, is that  
17 nobody ever said life was fair. And in all honesty,  
18 that is true. You know. And we have to balance.  
19 That's what we have to do. We do have to balance.  
20 And we have to understand if it's small business or  
21 the entrepreneur that's starting those job growths,  
22 okay, and we saw how many the big guys lost last year,  
23 we have to run. We have to roll those dice sometimes.

24 REPRESENTATIVE MIRABITO:

25 Charley, you mentioned in your testimony

1 about some things you need. What are the most  
2 important state programs that you think the hospital  
3 probably needs help with now?

4 MR. SANTANGELO:

5 Right at this point in time a refill, an  
6 assistance capital program. It has a great program to  
7 provide economic investment in the community. And we  
8 have two applications, two legislative approvals for  
9 broadband, one for \$20 million and one for \$10  
10 million. And even within our project that we have, we  
11 have threes and fours that are shelled out, that will  
12 not be completed. Unless we get additional funding.  
13 And I mean, it's smart to plan for the future but then  
14 again we really like to implement it. That's the  
15 reason why we're building. And so that is an  
16 excellent program that we'd like to see targeted  
17 towards healthcare. IFIP, I think, is just getting  
18 into healthcare. We were fortunate that we were one  
19 of the first ones to be awarded an IFIP grant. That  
20 is a 20-year grant. And you can get one twentieth of  
21 that every year. And that's fine. We'll continue to  
22 do that. And the formula in that is at least it's a  
23 great formula, it pays --- you have to demonstrate an  
24 increase in the state income tax towards payroll that  
25 will in essence cover the grant. So it sort of pays

1 for itself with growth. Continue to do that to focus  
2 that ---.

3 A program I'm not real familiar with is  
4 MALF, but I understand that it's limited to how it  
5 applies to the many hospitals. If we wanted to use  
6 that money.

7 REPRESENTATIVE SIPTROTH:

8 That's a loan?

9 MR. SANTANGELO:

10 Yes, that's a loan program.

11 REPRESENTATIVE SIPTROTH:

12 There's a great opportunity there for  
13 hospitals ---.

14 MR. SANTANGELO:

15 I was told it was only available for a  
16 limited use, like a pharmaceutical and IP.

17 REPRESENTATIVE SIPTROTH:

18 I thought it was more like a broader ---.

19 MR. SANTANGELO:

20 We'll look into that.

21 REPRESENTATIVE SIPTROTH:

22 Maybe we need to expand the scope. Why  
23 shouldn't you be able to --- why should you not be  
24 able to apply for up-to-date technology and those  
25 types of things, that's the purpose of it. And maybe



1 that's why that resource hasn't been tapped as much.  
2 A few years ago we took money from the MALF program  
3 and sort of restricted it and rolled that back into a  
4 regular DCED because it hadn't been tapped. Maybe  
5 that's why --- I think we maybe need to look at that.

6 REPRESENTATIVE MIRABITO:

7 Did you find much help with that or not?

8 MR. SANTANGELO:

9 I have not applied for it.

10 REPRESENTATIVE MIRABITO:

11 I'm sorry, the IFIP.

12 MR. SANTANGELO:

13 The IFIP?

14 REPRESENTATIVE MIRABITO:

15 The IFIP.

16 MR. SANTANGELO:

17 Well, we had forecasted our financial's  
18 course for the next ten years and had it certified. I  
19 mean, think with that kind of commitment from the  
20 state you have to put the proper details --- we were  
21 very fortunate because we had a major project that we  
22 had done all the work. It was just sort of recasting  
23 work and presented it. So I think IFIP is very  
24 successful in the retail sector and other areas. It's  
25 just possibly just learning about it. And I think

1 that that's a good program. And we need to continue  
2 to come up with --- one other comment I'd like to make  
3 is that there is a lot of stimulus money that is  
4 available right now. So DEP is doing a wonderful job  
5 in getting many programs out there, energy work is a  
6 fairly new one. There's some other ones that are  
7 coming out. I can't even keep track of all of them.  
8 However when stimulus --- and when stimulus money goes  
9 by the wayside though all those great projects from a  
10 timely standpoint weren't ready when that stimulus  
11 fund was there --- well, there's other great projects  
12 that are going to be coming along. And there will be  
13 the money. The funding will be a twenty fifth of what  
14 it was before so maybe the stimulus money and the  
15 positive effect it has in the energy sector --- this  
16 is another industry that is really, really expanding,  
17 all over. Maybe the legislators will look and try to  
18 extend that through other means knowing that that's an  
19 additional investment.

20 REPRESENTATIVE MIRABITO:

21 Thank you all for coming. We appreciate  
22 it and I hope that we can --- we are going to  
23 definitely put this all together. That's what the  
24 analysts will do and see if we can't find some  
25 solutions to some of the problems. That concludes

1 this hearing of the Commerce Committee. Thank you all  
2 for coming.


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4 \* \* \* \* \*

5 HEARING CONCLUDED AT 1:01 P.M.

6 \* \* \* \* \*

7  
8 CERTIFICATE

9 I hereby certify that the foregoing  
10 proceedings, hearing held before Chairman Daley was  
11 reported by me on 03/11/2010 and that I Rhonda K.  
12 Thorpe read this transcript and that I attest that  
13 this transcript is a true and accurate record of the  
14 proceeding.

15   
16 **Court Reporter**