

**Testimony before the
Pennsylvania House of Representatives
Finance Committee
in Support of
HB 898 - Innovate Pennsylvania Program**

Presented by

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Central and Northern Pennsylvania

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- Chairman Benninghoff and members of the Committee, my name is Steve Brawley, and I have had the pleasure and honor to serve as the President and CEO of the Ben Franklin Technology Partners of Central and Northern Pennsylvania for nearly ten years. Thank you for the opportunity to address you today and voice my support for the Innovate PA Program - HB 898.
- This program will improve the access to capital for Pennsylvania's early-stage technology firms and funding for innovation in our established manufacturers. By utilizing proven methods, this will be accomplished in a revenue-neutral manner without impacting the currently proposed state budget.
- This year Ben Franklin Technology Partners is celebrating 30 years of service to the Commonwealth. Thanks to the leadership of Governor Thornburgh, former Representatives Geist and Murphy, and the foresight of all Governor's since, the "Ben Franklin Partnership" as it was then known, became one of the first public-private partnerships dedicated to technology commercialization in the nation. Our charter was

to help diversify the Pennsylvania economy and make it a leader in “advanced technology enterprise”. Since then, Ben Franklin Technology Partners has become the acknowledged gold standard for technology-based economic development¹.

- I am very happy to be sharing the agenda today with three of our client companies: Videon-Central, Maculogix and Actuated Medical. We are proud of our association with these innovators and proud of their current and future contributions to the PA economy.
- Videon-Central employs 80 in State College and develops software that runs in consumer goods worldwide. Through relationships with companies like Intel, the company has created technologies for millions of products ranging from Blu-ray Disc players to in-flight entertainment centers. Customers may not recognize the Videon-Central name, but most use the products they help create.
- Maculogix, based in Hershey, is bringing to market a device which may has the potential to be the first practical diagnostic for early detection and tracking of Age-related macular degeneration, a progressive eye disease and a leading cause of blindness, affecting 13 million people in the U.S. alone.
- Actuated Medical Inc. of Bellefonte has quickly emerged as a leader in designing and developing next-generation, FDA-compliant medical devices that incorporate *Innovative Motion™*, a revolutionary actuation technology that is reshaping the traditional healthcare model. Since the company’s inception, Dr. Mulvihill and her team have been awarded SBIR funding and a variety of industry accolades including:
 - ✓ 2011 Finalist for the Ernst & Young Entrepreneur of the Year[®] Western Pennsylvania and West Virginia Awards.
 - ✓ 2011 Finalist Enterprising Women of the Year.

¹ Ben Franklin Technology Partners was awarded the 2008 International Economic Development Council’s Program Award.

- As I've noted, our clients are innovators. They are startup entrepreneurs or established manufacturers seeking renewal and new growth. We partner with them, and help share the risks associated with bringing new innovations to market, by providing investment capital, strategic business mentoring and facilities for incubation. The enduring success of this model that utilizes regional service delivery, private management and public accountability has been studied and imitated by 17 states and 15 nations. Pennsylvania is now repeatedly recognized as a leader in policies that support innovation and entrepreneurship.

- For instance, in the 2012 Enterprising States report by the US Chamber of Commerce, the Ben Franklin Technology Partners were listed among selected "types of investment {s} the public and private sectors can make now to improve the economy in the future." These tributes come only because Ben Franklin Technology Partners can demonstrate that its work accelerates the success of start-up technology firms and increases the competitiveness of our state's established manufacturers.

- The Pennsylvania Economy League, a nonpartisan research organization, conducted an independent, objective evaluation of the economic impact of Ben Franklin Technology Partners in Pennsylvania from 2002 through 2006². It found:
 - ✓ That Ben Franklin boosted the Pennsylvania economy (Gross State Product) by \$9.3 billion;

 - ✓ That the Commonwealth received more than \$517 million in additional state tax revenues as a direct result of Ben Franklin's work. This represents a 3½-to-1 payback to the Commonwealth on its Ben Franklin investment during the same period;

² "A Continuing Record of Achievement: The Economic Impact of the Ben Franklin Technology Partners 2002-2006, Pennsylvania Economy League, February, 2009

- ✓ That Ben Franklin clients employed five more people on average in each year following funding than they would have in the absence of our investment.
- ✓ That those jobs are in industries that pay 33 percent more than the average non-farm wage in Pennsylvania.

- In the territory my center serves, a largely rural region stretching from Erie to the Maryland border, I can attest that these are jobs that sustain families and companies that anchor communities.

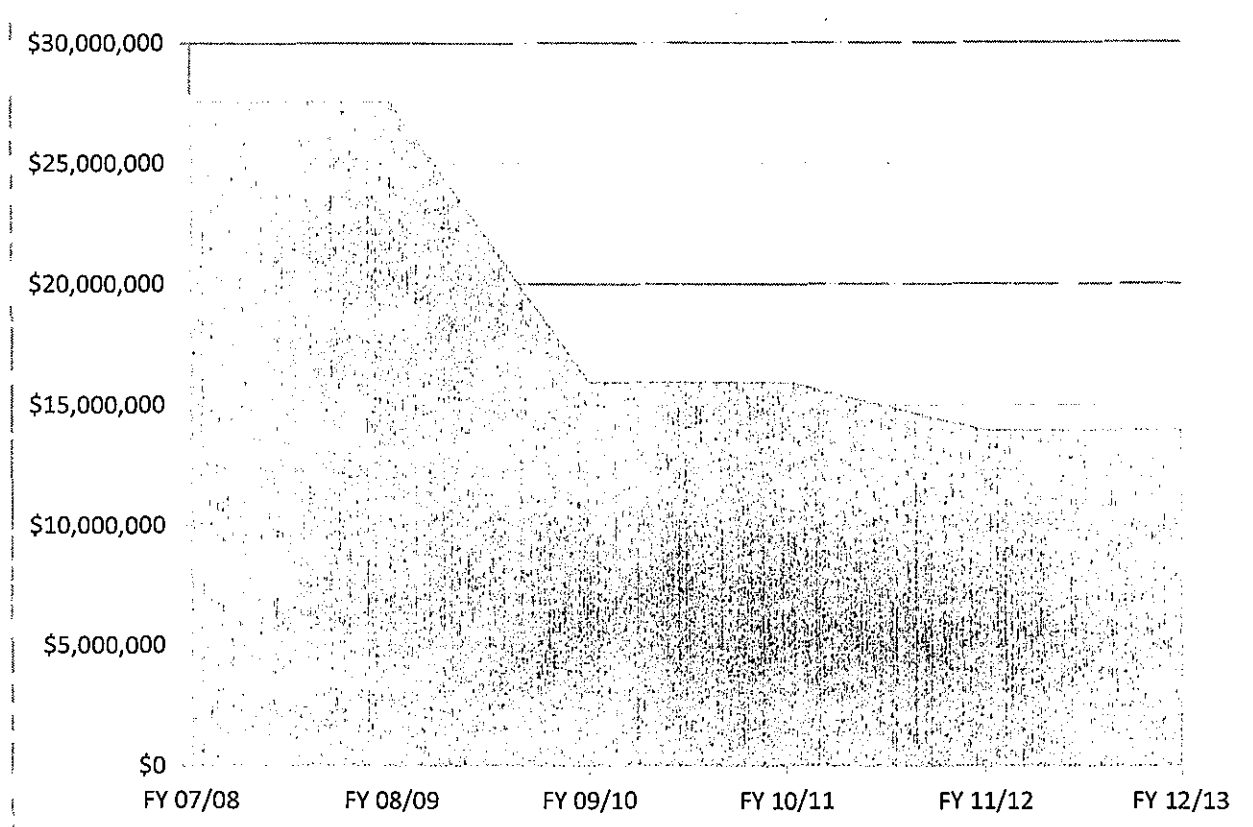
- For example, the importance of Drucker/QBC, to its home communities of Port Matilda and Philipsburg in Centre County cannot be overstated. Drucker/QBC is now the largest manufacturer of laboratory centrifuges, by volume, in the United States but when it started interacting with Ben Franklin in 1996, it had just six employees. Thanks to critically timed investments totaling \$540,000, management guidance and the university connections to solve a key technical issue, the company now employs 105 in two facilities.

- And yet, the ability of Ben Franklin to continue to deliver these positive impacts is in jeopardy. Due to the budget pressures caused by the recession, Ben Franklin funding has been reduced by more than 50 percent since fiscal year 2007/2008. These crushing blows to Ben Franklin's resources have dramatically curtailed our ability to deliver the remarkable results we have produced in the past. Deserving companies that might create the highly paid, sustainable jobs that Pennsylvania so desperately needs are being turned away, and others are being seriously underfunded.

- Reducing the budget of Ben Franklin is squandering one of Pennsylvania's most valuable economic development assets and crippling a well-oiled tax- and job-creation machine.

The current budget allocation simply does not provide sufficient funding for the critical services and investments that companies need to succeed.

BEN FRANKLIN TECHNOLOGY PARTNERS NETWORK FUNDING LEVELS SINCE
FISCAL YEAR 2007/08



- For Pennsylvania competitiveness, this underfunding could not come at a worse time. Maryland, New York, Michigan and Ohio all have robust risk capital initiatives for emerging technology companies and Georgia, Colorado, Indiana and Wisconsin are all in the process of rolling out new ones³. They are doing it because best practices like the Ben Franklin Technology Partners are now widely imitated. State Sen. Tim Golden of

³ "Tom Still: State not alone in quest for venture capital", LaCrosse Tribune, March 19, 2013

Georgia, the main sponsor of his state's plan notes, "Other states, because of these funds, are raiding Georgia companies after we get them established. This bill would help solve that problem once we get it up and running." The great irony is that many of these state initiatives are based on the best practices in technology-based economic development established in Pennsylvania by Ben Franklin Technology Partners. And now these states are leapfrogging us.

- Innovate PA offers a sensible solution. When combined with current appropriation levels, Innovate PA will bridge the Ben Franklin budget until Ben Franklin Technology Development Authority appropriations can be restored to functional levels. Innovate PA will allow Ben Franklin to invest now in companies like Drucker/QBC that will create the jobs that will accelerate the economic recovery and sustain Pennsylvania's global competitiveness.
- Projecting historical performance, Pennsylvania's investment in the Ben Franklin Technology Partners will provide a direct financial return of 350 percent in additional state tax revenue. This revenue is the result of the jobs, growth and investment our clients produce.
- In just the last five years, the clients in our portfolio at the Central and Northern Ben Franklin have credited us with helping them:
 - ✓ Create or retain more than 3,000 jobs;
 - ✓ Started 29 new companies and earn over \$400,000,000 in revenue;
 - ✓ Innovate 343 new commercial products and processes;
 - ✓ Attract more than \$311,000,000 of follow-on investment.

- As impressive as these achievements are, they are simply unsustainable at the current funding level. However, it's not just the investment and mentoring of high-potential companies that will suffer. From its very beginning, Ben Franklin was chartered to identify and build on regional strengths and opportunities.
- While we welcome innovations across all areas of technology, representing virtually all industry sectors, over the years, each Ben Franklin has evolved as new technologies and industrial sectors have emerged in the regions and begun to grow. Perhaps the most significant recent example has occurred in my region and that is the Shale Gas Industry.
- Our Ben Franklin focuses on developing the resources needed to build the second generation technologies needed for this energy sector that will provide the long term jobs for Pennsylvanians. These innovations relate to safety, monitoring and utilization among others. To ensure these technologies come to the marketplace, we have devoted significant resources to the creation of the Shale Gas Innovation and Commercialization Center (SGICC) located in State College but serving the whole state. Tapping into a collaborative team of stakeholders from many segments of the public and private sectors, the Center identifies applied research, intellectual property, and early-stage entrepreneurs that can be advanced to the point that their business value becomes apparent to investors, existing companies and other stakeholders. The result of this milestone-based, research-discovery and support will be the development of new high-growth companies, licenses of university-developed technologies to existing businesses, and increased utilization of natural gas and its component materials.
- One example of SGICC is the cooperation and funding the Center has provided for three very early stage technologies resident at Penn State University related to the treatment of Abandoned Mine Drainage (AMD) as a water source for hydro-fracking shale gas wells. The use of such technologies would provide water quality improvement to watersheds degraded by AMD, while providing a local source of water for the shale gas industry.

- Another regional technology infrastructure initiative we have created is the Ben Franklin TechCelerator programs we have placed in Carlisle, State College and Hershey. The TechCelerator was created to serve those tech entrepreneurs at the very earliest stages of new company formation. They all provide a common suite of free services that are modeled on best practices in entrepreneurial acceleration that include:
 - Flexible, all-inclusive co-working space
 - Structured classroom instruction on startup topics
 - One on one mentoring
 - Networking opportunities with graduates
 - The opportunity to pitch the results of their work to investors

- We are gratified by the results so far. Since 2010, the TechCelerator@Carlisle has graduated 30 entrepreneurs from its Boot Camps and created ten startups. One graduate from our Carlisle TechCelerator was one of eight companies chosen worldwide to present its product to investors during the 13th Founder Showcase Pitch Competition in California's Silicon Valley on March 27.

- This success was repeated in 2012 at the TechCelerator@StateCollege, targeting university researchers. 12 new companies now employ 26 people. In 2013, this model was introduced to the College of Medicine/Milton S. Hershey Medical Center to support tech-transfer/startup opportunities. It will be no surprise to any of you that globally competitive entrepreneurs can be found all over Pennsylvania including places like Carlisle. However, without the resources like TechCelerator to support them, I can tell you we will not benefit from their full potential.

- The proven mechanism proposed by Innovate PA will bring much-needed additional capital to early-stage technology firms, funding for innovation in established manufacturers and resources to support regional technology infrastructure. Supporting

growth in Pennsylvania companies is a concrete pathway to increased tax revenue, job growth, and prosperity. Innovate PA will allow the Commonwealth to benefit from the foresight of its leadership 30 years ago in creating Ben Franklin Technology Partners, Pennsylvania's technology-based economic development organization that is now the world's gold standard.

- Thank you for your support of the Ben Franklin Technology Partners and the Innovate PA legislation.