

Pennsylvania Department of Community & Economic Development

Office of Technology & Innovation Testimony

Senate Committee on Community, Economic and Recreational Development

June 20, 2017

Intro

Thank you Chairman Scavello, Chairman Farnese and other distinguished members of the Senate Committee on Community, Economic and Recreational Development, for allowing me the opportunity to share with you the importance of funding programs such as the Partnerships for Regional Economic Performance (PREP) and Manufacturing PA in the FY 17-18 budget.

My name is Sheri Collins and I have the distinct pleasure of serving as the Deputy Secretary for the Office of Technology & Innovation at the Pennsylvania Department of Community and Economic Development. In this capacity, I have direct oversight and administration of the Partnerships for Regional Economic Performance – also known as the PREP program. I serve as the Governor’s State Alternate to the Appalachian Regional Commission (ARC) and also oversee various technology-based economic development programs including the Ben Franklin Technology Development Authority which funds the four regional Ben Franklin Technology Partners. Each of the aforementioned programs has the same end goal: to serve Pennsylvania’s business community through strategic programming and technical and/or financial support.

Budget Implications

The PREP program was created during the Corbett Administration in order to promote regional coordination in the delivery of economic development services. The program has been in existence since 2011 and provides funding to a statewide network of partners designed to work in concert to deliver vital business assistance services across 10 regions. Strategic and funded PREP partners include the Industrial Resource Centers (IRCs), the Local Development Districts (LDDs), the Small Business Development Centers (SBDCs) and local Industrial Development Organizations (IDO). Currently 109 economic development organizations receive support via

PREP. Unfortunately, the PREP line item reduced funds to the partners by 22% when the program was created and funding has remained stagnant since inception.

There are a number of complementary, non-funded strategic partners who are engaged in providing coordinated services to Pennsylvania's business community through the PREP program. PREP partners have forged closer bonds with each other in order to focus on the needs of client companies. They have also developed tighter relationships with the workforce development community in order to help meet the wide array of challenges facing many small and medium-sized businesses.

Each of the 10 PREP regions collect and report on a series of 14 metrics to measure the success of the program. Examples from the most recently completed fiscal year include:

- 1,095 training workshops attended by 23,198 individuals
- 30,465 counseling sessions with entrepreneurs and businesses
- 12,890 clients counseled
- 290 loans closed
- 546 business startups
- \$1.3 billion worth of increased sales reported by client companies
- \$101,593,757 in client cost savings

Governor Wolf's proposed FY 17-18 budget called for \$9.88 million in PREP funding and an additional \$12 million for Manufacturing PA. The PREP line item would continue to support the PREP partners – the LDDs, SBDCs and the Industrial Development Organizations -- while the Industrial Resource Centers would be funded through the Manufacturing PA initiative. The IRCs would no longer receive funding through the PREP program yet would remain intimately engaged in the PREP network, working closely with the partners and providing critical services to Pennsylvania's small and medium sized manufacturers.

Let me share a brief client success story reported recently by our Central PREP region.

A Sunbury-based pasta sauce company, Toomio's, recently got its start with the help of two Central Region PREP Partners. Toomio's owner, Michael Toomey, created the sauce with his wife, Tammy, after discovering he had celiac disease when he returned from serving in Iraq. The sauce became a hit, spread by word of mouth, and for a year, they took orders from friends and family while perfecting the ingredients and taste.

The demand grew so much that Tammy reduced her hours at her job and contacted the Bucknell University SBDC for assistance as they worked to ramp up production. Dennis Hummer of the Bucknell SBDC quickly became a fan of the gluten-, GMO-, and MSG-free pasta sauce of Toomio's Fine Foods. His daughter poured it on by the ladle-full when she ordinarily wouldn't touch pasta sauce. Hummer was sold.

The SBDC provided Tammy with information about bringing a new food product to the market and advised her on how to approach lenders for the funding she would need to grow her business. They also helped her identify a Pennsylvania-based co-packer in Lancaster capable of producing and packaging up to 700 cases in each run. The sauce hit shelves in August 2015 and is now in over 64 stores in Pennsylvania and New Jersey.

Looking to expand even further, Toomey began working with SEDA-Council of Governments for help in exporting their product overseas. In June 2016, the company traveled to the Summer Fancy Food show in New York City to showcase their pasta sauce, walk the show, and meet with potential customers and distributors for their products.

SEDA-COG's Export Specialist Cody Richard traveled with the company to provide Toomio's with guidance and helpful tips on how to manage leads and make the most of their time at the show.

Toomio's met with many domestic and international distributors and food chains including Costco-Canada, Giant Food Stores, and Amazon, all of which showed serious interest in

carrying and distributing their unique pasta sauce. Today the company is selling its products in Korea and is expanding into other international markets.

Similar stories are repeated across the commonwealth as our network of PREP partners help entrepreneurs with an idea get started and assisting existing owners navigate the challenges of sustaining and growing a business.

Manufacturing PA would pull in the strengths of Pennsylvania's research and engineering universities, better aligning the organizations and leveraging their collective strengths to serve Pennsylvania's small to medium sized manufacturers. A recent visit to a small, rural Pennsylvania manufacturer solidified for me that the role our partners play in supporting our manufacturers is critical to their overall success, not only here in Pennsylvania, but across this great nation and internationally. Without the support of the SBDC, the IRC and the local University partner, the company founder unequivocally stated that the company would not be the success it is today.

While business attraction is a major component of growing the economy here in Pennsylvania, retaining Pennsylvania's existing companies is of utmost importance to the Wolf Administration and the entire team at the Department of Community & Economic Development. Governor Wolf's proposed budget for PREP allows for \$2.5 million to be allocated specifically to a business calling program. This program, which would be distinctly different from the calling programs of yesteryear, will be designed to regularly and intimately interact with companies throughout the commonwealth. Intentional outreach and deep-dive face-to-face interaction is vitally important to connecting with the businesses in the commonwealth. At its core, this program will be built on one-on-one, in person contact with business leaders to determine their needs and to assist them in a very strategic and meaningful fashion. Visits will be conducted by individuals who possess the necessary experience and business relationships to engage with C-level business leaders and who will follow-up with a detailed action plan.

The goals of a structured calling or Business Retention and Expansion (BRE) program will be to identify and call upon more PA companies that need the resources provided by our economic development partners in order to react to changes that may positively or negatively impact their business. Those that are poised for growth, but need a jump start, will be provided with the necessary tools to help them expand. Companies experiencing difficulty will be triaged in order to quickly and effectively solve problems. Regardless of which category a company falls into, all too often there is hesitancy to ask for outside help. A proactive business calling program will help us reach those companies.

Close

I want to thank you all again for allowing me the opportunity to share this information with you today. I'm certain the information to be presented by my partners in economic development will help to further solidify the need for this funding and the impact it has on Pennsylvania's business community.