

P. MICHAEL STURLA, CHAIRMAN
414 MAIN CAPITOL BUILDING
P.O. BOX 202096
HARRISBURG, PENNSYLVANIA 17120-2096
PHONE: (717) 787-3555
FAX: (717) 705-1923



HOUSE DEMOCRATIC POLICY COMMITTEE
www.pahouse.com/PolicyCommittee
Policy@pahouse.net
Twitter: @RepMikeSturla

House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

HOUSE DEMOCRATIC POLICY COMMITTEE HEARING

Topic: Jobs

Manufacturer & Business Association – Erie, PA

March 7, 2017

AGENDA

- 4:00 p.m. Welcome and Opening Remarks
- 4:10 p.m. Panel One:
- Dr. Valerica Vlad
Professor of Economics, Penn State Behrend
 - Maggie Horne
Director of Small Business Development Center, Gannon University
 - Brian Slawin
Regional Director and Portfolio Manager, Ben Franklin Technology Partners
 - Janet Anderson
Director for Partners for Performance, NWPA Workforce Development Board
- 5:00 p.m. Panel Two:
- Sean Fedorko
Co-Founder, Radius CoWork
 - Beth Zimmer
Co-Founder and Managing Director, Innovation Collaborative
 - Matt Wiertel
Director of Business Development, Velocity Network
- 5:30 p.m. Closing Remarks

Testimony for the Democratic Policy Committee hearing.

Val Vlad, Economics Department,
Penn State Erie - The Behrend College.

"Necessity, they say, is the mother of innovation. We have a lot of necessity in our society today and I think the time is here for inventing new approaches, new solutions to these various problems, so that we can indeed maintain America and to lead the rest of the world as well as the land of opportunity for those who will be the achievers of the future."

Robert Noyce, co-founder of Intel Corporation.

I would like to begin my testimony by asserting that the Erie region (ERIE) needs rapid changes in the way people think and make economic decision. Most of the changes require building synergies across five domains: education, innovation, entrepreneurship, production, and policymaking.

For the rest of my presentation, I would like to proceed in two parts:

- I. A short economic analysis of ERIE's positioning relative to the U.S. Economy.
- II. Innovation is the major stimulator of economic growth and development in the region. I present a few ideas that may help building innovation potential in ERIE.

- I. A short economic analysis of ERIE's positioning relative to the U.S. Economy.

A good way to measure ERIE up against the overall (average) U.S. Economy is to conduct a short economic analysis based on per capita income (PCI). PCI is the income of an average person living in a region or country in a given year. It is a strong economic variable because it represents three dimensions of economic performance: (1) it strongly correlates with productivity (higher productivity = higher income); (2) it represents the standard of living in the region or country; (3) it is an important factor in determining the business attractiveness of the region.

Figure 1 represents the evolution of PCI in ERIE and the U.S. As we can see, over the long run, ERIE has increasingly fell below U.S. potential.

Figure2 shows the evolution of PCI of ERIE as share (percentage) of U.S. PCI, which provides some understanding of the cause of the increasing gap in economic performance between ERIE and the U.S. Three conclusions from Figure 2 are:

1. ERIE experienced two waves of increasing economic vulnerability. First, during the oil crisis and stagflation [1974-1985] which was a business-cycle shock. Second, during the major structural, technology-led shift of 1990s+ (1990s and early 2000s).
2. Over the long-run, while the U.S. economy in general adopted the fast-growing hi-tech sector, ERIE remained relatively industrially conservative, with a dominating manufacturing sector.

3. Information Technology (IT) played an extremely important role in making economy growth for almost 20 years (roughly from 1985 to 2005). IT has been the *key technology* in the last century.

I would like to add a very important observation about the long-run economic growth of the U.S. economy. After 2006, the economy entered a long period of slow economic growth (see, Figure3). It has become increasingly accepted that the US economic (and world economy) has suffered a major downward shift in economic growth. Many, including part of the policymaking elite, believed that the slow growth has been part of the aftermath of the great recession (after 2006). As time passed, people have learned that this condition is more a long-run *growth disease*, which is here to stay for the unforeseeable future.

- II. Innovation is the major stimulator of economic growth and development in the region. I present a few ideas that may help building innovation potential in ERIE.
 1. ERIE's economy has to rely on existing economic sectors and strengthen them. Therefore, treat the manufacturing sector as a very valuable asset for the region. Protect it, promote it, and provide incentives to increase its potential. Figure 4 shows that ERIE economy has become relatively more stable since the great recession (after 2006). Therefore, something good must have happened in our manufacturing-dominated region.
 2. Attention must be given equally on big companies (GE, Zurn, etc.) and to mid-size companies (Beaumont Technologies, Process & Data Automation, and Cybersonics.) Smaller companies have difficulty getting media to report on them.
 3. Always think of ways to transform limitations on advantages. ERIE has two major disadvantages (1) its economic structure; (2) the small-scale of its economic region.
 4. According to Dr. Gregory Dillon, "ERIE must focus on growing industry clusters."
 5. ERIE has to shift from an investment-driven economy to an innovation-driven economy. Innovation-driven competitiveness is the key solution for a small-scale economic center, without too much power to attract investment (build an innovation driven region).
 6. Penn State is a forerunner in innovation that has made already important steps in stimulating entrepreneurship and innovation. There are more than 30 innovation-related initiatives in the Penn state system focused on stimulating interest among researchers in engaging in entrepreneurial activities. (Technology Center and Innovation Park, Innovation Park, Innovation Commons, etc.)
 7. The major way to develop innovative capacity is to create synergies across five domains: education, innovation, entrepreneurship, production, and policymaking.

8. I would like to talk in particular about a program that may represent a prototype of how to combine Education-Innovation-Entrepreneurship-Production. In the Interdisciplinary Business with Engineering (IBE) Program at Penn State Erie, the capstone projects represent practical examples of how to stimulate corporate entrepreneurship: bringing new products to the market. The capstone projects are set to foster collaboration with companies that would result in creating new products, produce them, and promote them to the market. Students are completing the whole analysis - from industry to design to manufacturing supply chain, cost benefit analysis, etc.
9. All these programs, projects and initiatives need policy support. It is important for the future of our region that these programs grow rapidly (exponentially, if possible) and reach magnitudes that would draw national attention and attract resources and ideas. It is, therefore, crucially important that local and state policymakers recognize them as the main highway to economic development and, more importantly, recognize them as important forces for changing the culture and the attitude in the area.
10. Policymakers need to get closer to the locus of these initiatives and projects and become more informed and aware of their potential.
11. Tax breaks for startups. That would attract more people and businesses in ERIE.
12. "Zero barriers for start-ups" (Kaufman's 'State of Entrepreneurship.')
13. From the perspective of potential investors, ERIE's scale is small for them. That is a drawback. However, in the field of innovation (and not only), *small scale* needs to become the new giant. In the past, economic growth meant thinking in big terms: globalization, increasing exports, foreign-direct investment. Now, any small project that solves a local problem, launches a new product represents economic growth. Any small project adds value. Multiply that by thousands and we can create a giant force that will put the region on the right path towards and development.
14. According to Karen Mills from Harvard Business School, small businesses represent the backbone of the economy, especially because half the people who work in the U.S. own or work for a small business.
15. The financial sector is not supportive enough to small-scale startups. ERIE needs financial innovations dedicated to small start-up projects that will help them move quickly through all practical phases: from idea to market success. These financial innovations should take more risk and be supportive of the process of small-scale entrepreneurship.
16. 'ERIE's culture is adverse to dramatic change.' It may be a barrier to innovation and attracting talent.
17. Shared prosperity.
18. Human capital and its three dimensions: (1) knowledge; (2) skills; (3) character.

Acknowledgements.

I very thankful to my colleagues and students at Penn State Erie who took time to talk about ERIE and shared their ideas and concerns with me:

Amy Bridger, Senior Director, Corporate Strategy & External Engagement at Penn State Behrend.

Greg Dillon, Associate Professor of Engineering at Penn State Behrend,

Ralph Ford, Chancellor, Penn State Erie, the Behrend College.

William H.A. Johnson, Associate Professor of Management at Penn State Behrend.

Diane H. Parente, Samuel A. and Elizabeth B. Breene Professor of Management.

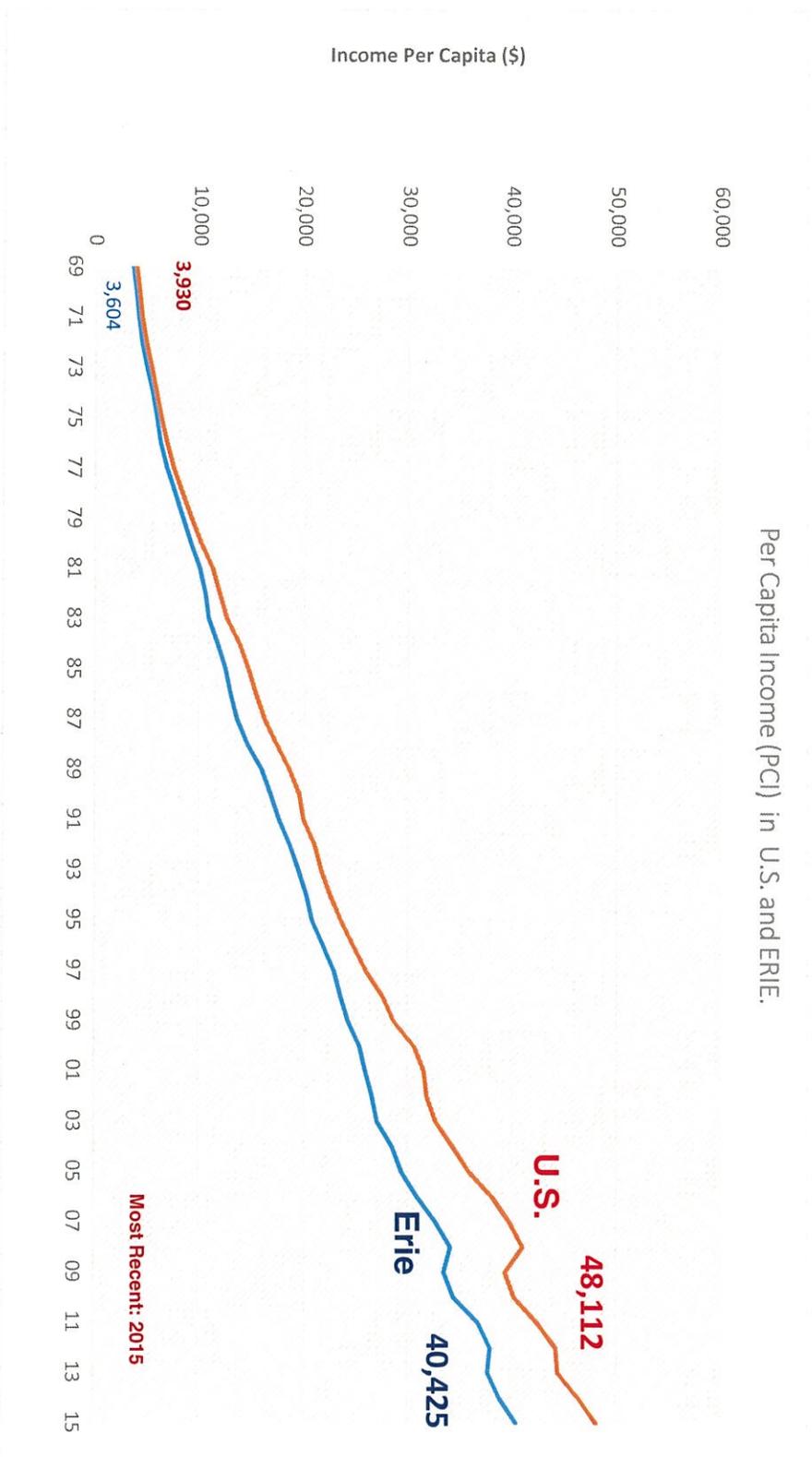
Mary Beth Pinto, Professor of Marketing at Penn State Behrend.

Dylan Rossi, student at Penn State Behrend.

Natalie Szalajko, student at Penn State Behrend.

Thank you!

Figure 1. Per Capita Income in U.S. and ERIE.



Data Source: Bureau of Economic Analysis (BEA).

Figure 2.

ERIE's Per Capita Income as Share of U.S. Per Capita Income (%)

(1970-2015).

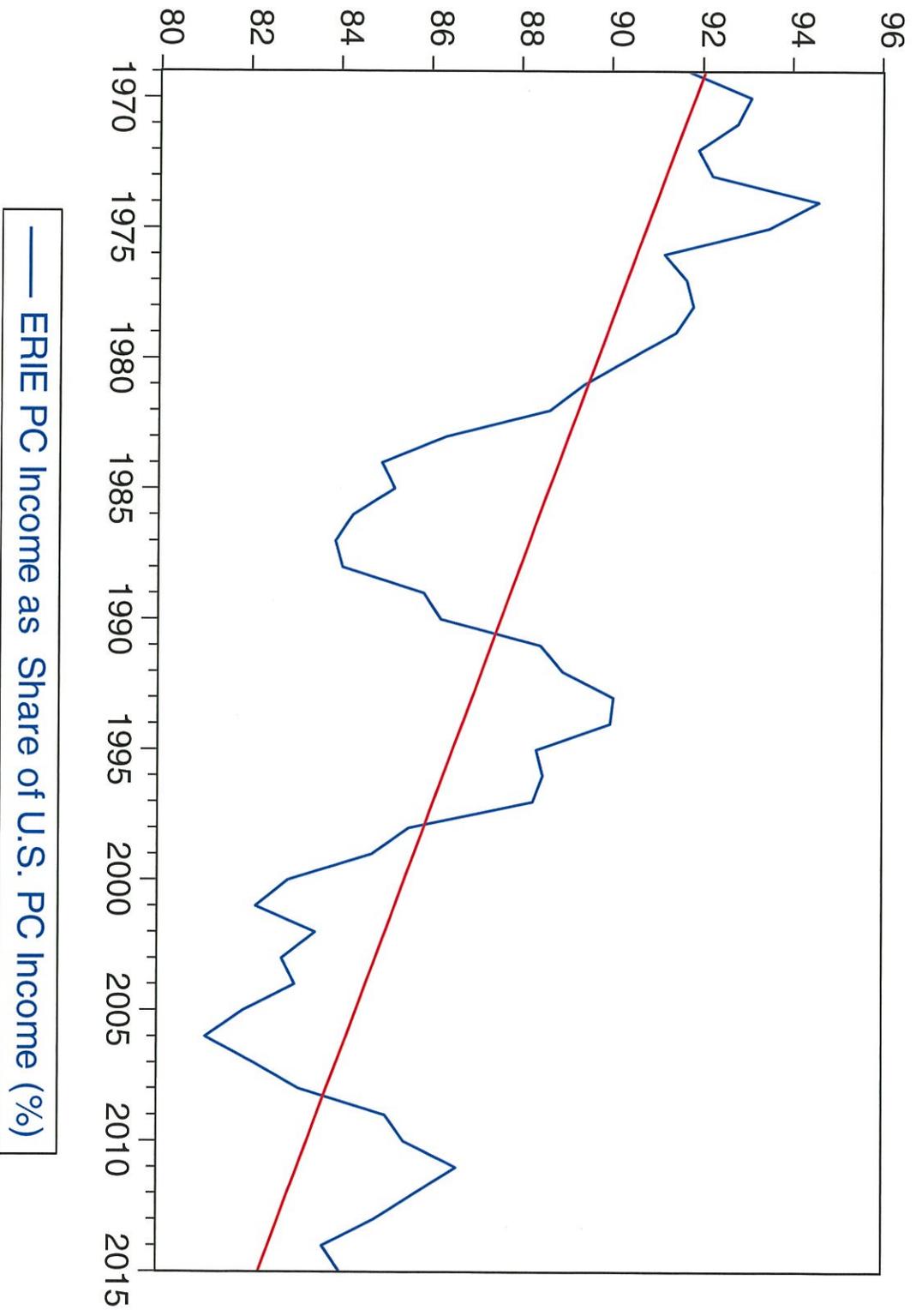
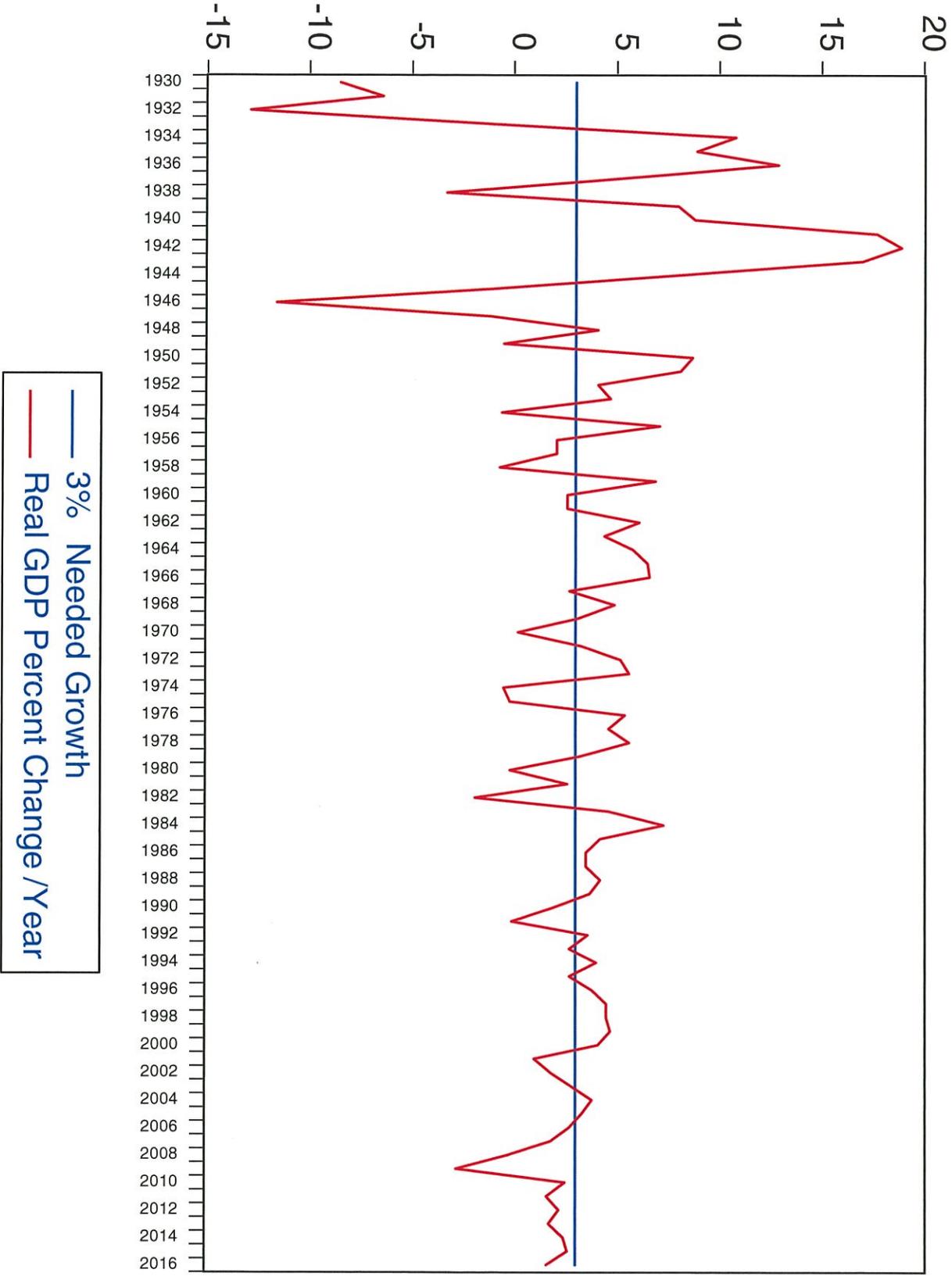
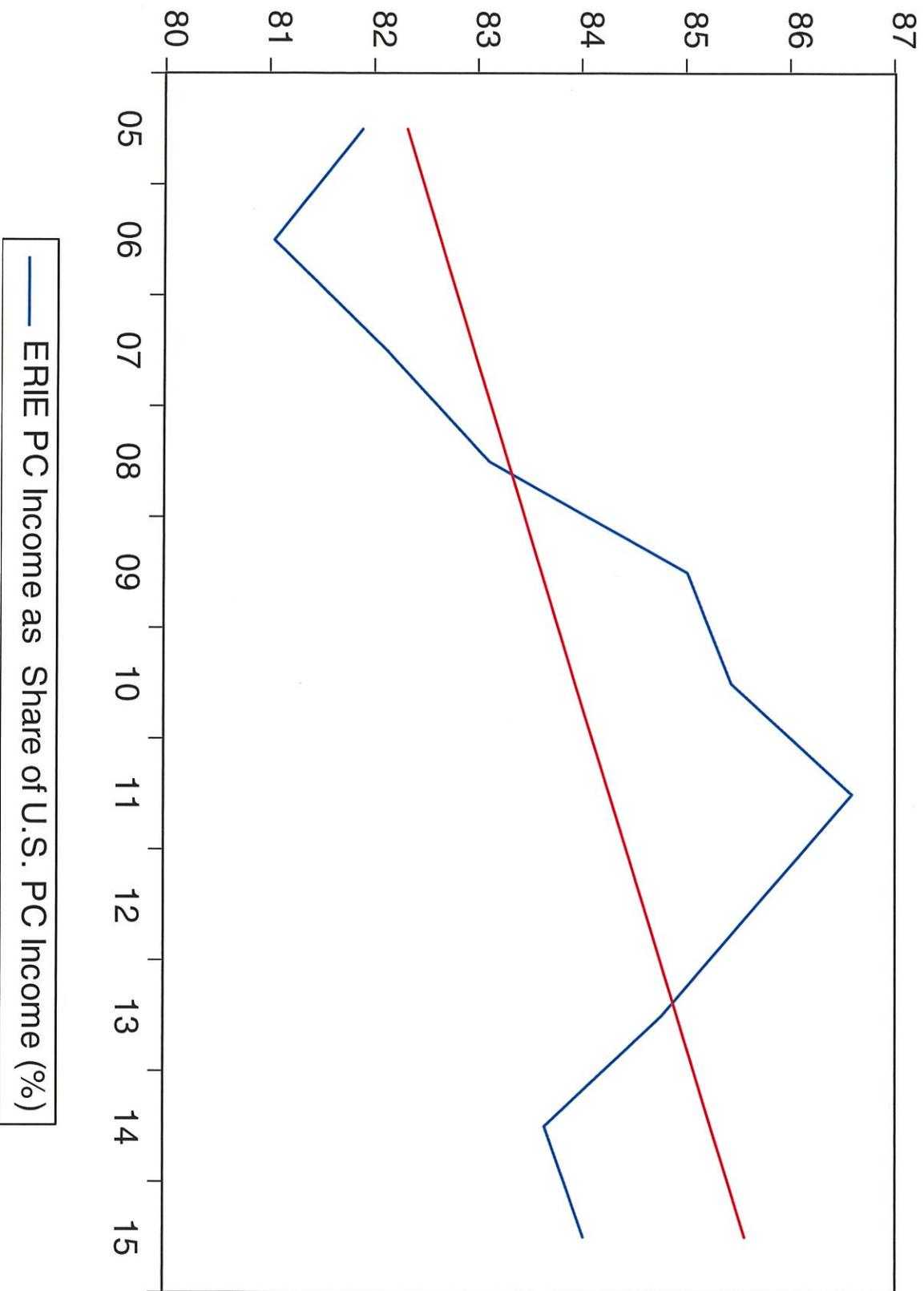


Figure 3. The U.S. Economy: Growth Rates (1930 – 2015).



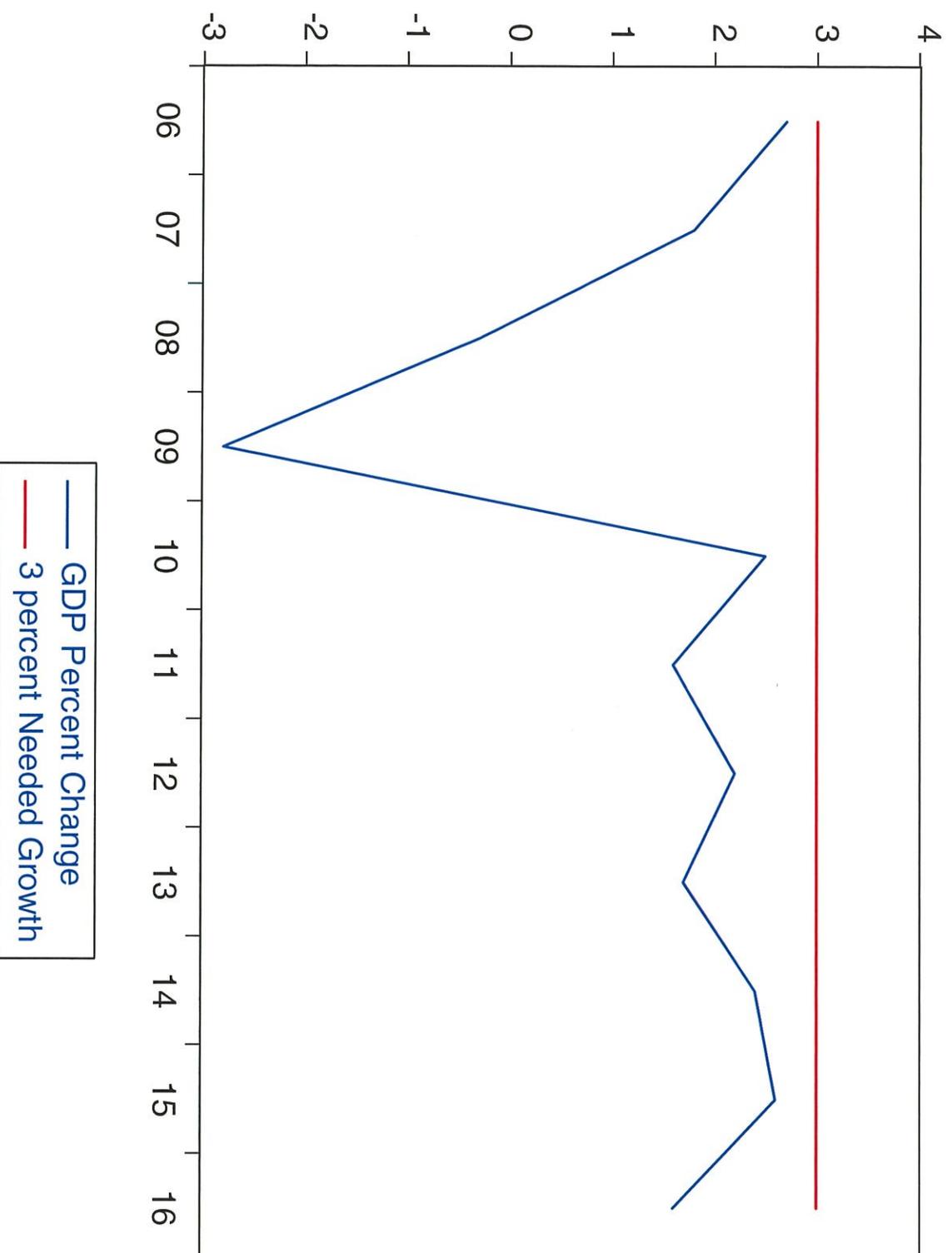
Data Source: BEA.

Figure 4. ERIE's Per Capita Income as Share of U.S. Per Capita Income (%) (2005-2015).



Data Source: BEA.

Figure 5. The U.S. Economy: Growth Rates (2006 – 2015).



GANNON SMALL BUSINESS DEVELOPMENT CENTER DIRECTOR MAGGIE HORNE

The purpose of this testimony is to provide information related to the small business community in Pennsylvania. Statistics and other information in this testimony is comprised of Gannon SBDC client information and a number of reports outlining information vital to fostering a vibrant entrepreneurial environment that best supports small business growth and job creation.

The 999,591 small businesses in Pennsylvania – defined as those businesses with fewer than 500 employees - employed 2.4 million workers in 2016 and accounted for 47.3 percent of the private sector labor force. Small firms make up 98.2% of the state’s employers. In Erie MSA, there are 6229 small businesses and over 13,000 sole proprietorship businesses, increasing each year since 2013. These facts reinforce the importance of dedicated resources to both new and existing small businesses. Programs like the Small Business Development Centers provide the educational and consulting services to businesses throughout their life cycles. In Northwest Pennsylvania alone, the Gannon SBDC’s First Step program provided start up information to approximately 300 individuals considering business ownership in 2016. Statewide, the Pennsylvania Small Business Development network provided consulting to 8,592 entrepreneurs resulting in \$187 million in capital investment, new international trade sales of \$106 million, and government contracts of \$111 million. Programs like the Small Business Contracting Program provide opportunity, primarily in the early growth stage, to small businesses to be more competitive and grow their demographic and geographic markets.

Today’s economic environment presents both challenges and opportunities to small businesses in Pennsylvania. In particular, access to capital has been a challenge, although improving, for almost a decade. Most small business owners rely on traditional banks as their primary source funding but are often restricted by financial institute constraints to business lending. This can result in a borrower receiving less than requested with less than favorable terms. However, opportunities have grown as

Community Development Financial Institutions (CDFI's) and other mission-driven lenders, like Bridgeway Capital in Northwest Pennsylvania, have expanded their offerings and offer more flexible rates and terms than conventional lenders. More start-ups are obtaining financing through non-traditional lending sources recently which enhances the ability to select the right sources of capital to meet their business needs, stimulate growth and create jobs.

As opportunities grow in more highly regulated industries, the federal, state and regional regulatory environment can be difficult to understand and manage. For the majority of small businesses, the owner is primarily responsible for learning about, navigating and managing regulations and compliance consuming an average of 200 hours per year. Small business owners desire to comply with regulations but are challenged with stacking of regulations. Services like the Environmental Management Assistance Program are invaluable to small businesses owners as they strive to comply with Pennsylvania's regulatory environment.

With most jobs being created by small businesses, the challenge of hiring qualified employees or having the resources to train staff is consistent throughout the state. Opportunities do arise out of some otherwise dire circumstances like the downsizing of larger manufacturing facilities making more qualified workers available for the small to mid-size firms.

Small businesses also overwhelmingly provide health care coverage to their employees even though more than 90% are not subject to requirements under current healthcare regulations. This is seen as the right thing to do, provides a competitive advantage, and assists with retention

While online commerce is certainly a growth opportunity, the lack of Internet access and threat of cyber attacks create a challenge to small businesses. There are still some areas in our state, and the Erie region, with no Internet access or limited accessibility. The cost of keeping up with the latest technology can also be a barrier for small businesses. Two particular challenge areas for small businesses are

cybersecurity and intellectual property. It is estimated that at least half of the businesses in the Commonwealth are not prepared for cyber threats and are unsure of how to protect their intellectual property. However, opportunities through educational programs are becoming more accessible to small business owners and most know that the growth of their businesses rely on improving their technology and instituting some form of security from cyber attack.

Even though there are technological limitations in some areas in our Commonwealth, small business owners are innovators, active in research and development, and using innovation as a means of growing. Over 30% of PA small businesses are engaged in research and development in a new product or service, 46% are in the process of launching a new product or service, and 62% are improving the quality of an existing product or service.

Small businesses are truly the engines of our economy and will benefit from resources to support their activities and solutions to some of the challenges outlined. Many of these challenges can be addressed through training, education, and availability of information. The continued support, availability of resources like the Small Business Development Center network, and state and local economic development opportunities enable growth and sustainability of small businesses resulting in investment, sales growth and jobs.



Ben Franklin
Technology PARTners
Central & Northern PA

5340 Fryling Road, Suite 202, Erie, PA, 16509
<http://cnp.benfranklin.org> | 814-898-6650

Hello and thank you for inviting us to share with you the work being done in Northwest Pennsylvania, our thoughts on how to spur the innovation economy, help grow and foster family sustaining jobs and create an economic impact in the region.

My name is Brian Slawin and I'm the Regional Director and Portfolio Manager of the Ben Franklin Technology PARTners of Central and Northern Pennsylvania. Which is a long way of saying, I work within the entrepreneurial community to find, mentor and invest in the most promising job creating companies, in our region.

In May 2015, after exiting my startup, I started to look around to figure out what I was going to do when I grew up...and that's when I found my new home in Erie. And what I've found is that northwest Pennsylvania is the perfect combination of everything awesome and frustrating, intolerable and wonderful. It's the best of things, it's the most perplexing of things and it's all rolled in to one. And, much like the national news will frequently tell us, our story is half empty and our glass is only half full.

Building on the economic platform we've been given is proving to be more of a challenge than any of us originally thought. But that doesn't mean any of us are stopping; actually, quite the contrary. As you spend time listening to those doing the work – at the ground level – you'll hear about a new energy and vibrancy as we transition from a 'maker' economy to one that includes an 'innovator' economy that requires new types of skills, capabilities, education and motivations.

And the proof is all around us. Just look at what's happening in Erie, today. Our most important tech companies are contributing to the rebuilding of our downtown. You'll see more than \$500M of infrastructure commitment by some of Erie's largest employers – it's happening right now! Startups are sprouting from their basements and garages, growing into their first desks, their first offices and their first contracts.

At the Ben Franklin Technology PARTners, we continue to invest in innovation, finding the most promising technology startups and small manufacturers while partnering with organizations like the Erie County Gaming and Revenue Authority, the Innovation Collaborative, the Erie Technology Incubator, the Gannon Small Business Development Center, Radius CoWork, Velocity Networks and many others who are building the Innovation District in downtown Erie. By extending our reach south of I-90,

we work with Penn Northwest, the eCenter in Hermitage the Economic Partnership of Crawford County and many others to help continue the growth and we help to spur tomorrow's best and brightest at the Innovation Commons on the Penn State Behrend campus.

And, we're not done yet. . . but here's the rub:

The great philosopher Yoda once said "Do, or do not...there is no try" and I'm here to tell you that Yoda was wrong. Success isn't guaranteed, but the opportunity to try, is. It's what the American Dream was built upon. Frankly, it's what most of Pennsylvania was built upon and it's what the future of northwest Pennsylvania will be built upon, as well.

And that's the mission of everyone here today, and those not here, as well. Developing a commitment to and a community built on "TRY", because we aren't going to unlearn the fear associated with risk, but we can build the successes incompatible with it.

But "TRY" isn't easy if you live in a place where our failures are met with national attention and where it's seemingly lurking around every corner and worse, if the attitude of the community is one of "I told you so". But try and fail we must and building and living in a community that accepts failure as part of the steps towards success is critically important.

And make no doubt, there is more than enough progressive leadership, more than enough brave people willing to plant their flag on some distant beach towards which we can march and if you think about it, we each have a flag and we're each marching towards our own shore. We're good at welcoming outsiders and their new ideas and the 3,400 newest Erie-ites are being embraced and being shown that anything is possible . . . that a great city can be built with trees, and water, and sand on the shores of a great lake by people that innovate and also by people that build.

We're all in this together and that's why I've come to Erie and am thrilled to work with you and everyone on the panel today.

In advance of any questions or further thoughts, thank you for the opportunity to present to you, today.

21st Century Jobs: What More Can Be Done to Increase Job Creation in the Region

Testimony of the NW PA Workforce Development Board

March 7, 2017

Honorable Representatives of the House Democratic Policy Committee, good afternoon and thank you for the opportunity to represent the Northwest Pennsylvania Workforce Development Board, NW PA WDB, at this important hearing. My name is Janet Anderson and I am the Director of the NW PA WDB. We set the policy for the PA CareerLink®s in the six counties of northwest Pennsylvania including Clarion, Crawford, Erie, Forest, Venango and Warren. We work closely with our neighboring Workforce Development Board, West Central, in a regional area called the Keystone Edge Workforce Development Region that adds Lawrence and Mercer counties, mirroring the DCED PREP region.

Workforce development is an American approach to economic development, according to Wikipedia. I believe that if you ask an economic developer today, “what is the most important asset needed to attract, grow or retain an employer,” they will tell you that it is a skilled workforce. In order to have more job creation in the region we need more trained workers. With the recent layoffs at General Electric Transportation System (GETS), Joy Global, and others, it seems there is no doubt that we have skilled workers to attract or retain employers, or do we?

As the workforce system worked with thousands of dislocated workers we found that many needed to complete some remediation to qualify for training, others were able to begin a path immediately to change careers, and others simply retired. As you can see, many didn’t enter the job market right away; limiting the pool of available workers.

In addition to dislocated workers, our workforce system counsels individuals with barriers to employment as well as both in-school and out-of-school youth, adding to the pool of available workers in the region. However, these job seekers have separate expectations from those of area employers. If we are to capture these job seekers in our pool, a customer-centric approach must be adopted built on public sector agencies working collaboratively to leverage technology and resources. The “mobile careerlink” is currently being piloted to better meet the needs of both job seekers and employers as well as to reduce the costs for bricks and mortar, thereby, placing more money into services.

One of the most popular employer-requested services is soft skills training. Beth Zimmer of the Innovation Collaborative will talk about a tool that has been adopted locally called Ice House Entrepreneurship Program during the hearing; but I wanted to share that the NW PA WDB has supported this effort in three ways; we provided funding for 30 individuals to be trained as facilitators throughout the six counties, we funded training for 20 of the dislocated workers from General Electric, and we offered the training to our PA CareerLink® staff so that they are able to use the techniques when working with clients or for themselves.

The staff of the PA CareerLink® is the most important part of the career services offered. As the public workforce system, we see people at all education levels and with wide-ranging barriers to employment. The ability to accurately assess the job seeker and help them to make informed decisions regarding training and choosing a career pathway to reach their personal goal for family-sustaining employment within the region is our mission. A partnership with Title II-Adult Basic has been established to supplement the staff of the PA CareerLink®. The Title II staff provides assessments to job seekers using their certified instructors and to provide remediation, when necessary. It is a partnership that is producing results for the job seekers and employers.

Employer engagement in the workforce system is paramount to its success. Industry Partnerships and work-based learning provide tools to keep employers engaged in workforce. The most recent budget proposal suggests moving the Industry Partnership program to DCED. The move by itself may make sense, but it is vital that workforce remain as the intermediary in the process so that there is value and reason for employers to remain on the Workforce Development Boards, and that there is balance between the needs of the worker and those of the employer. The newly proposed Manufacture PA program as a competitive grant to employers for apprenticeships is a good idea, but should continue to have workforce at the table to uncover any issues that may not be immediately apparent to DCED.

As I have said to other groups and to my board, the key word this year for workforce is "change." If the workforce system is to remain relevant we must change our approach to one that is customer-centric. We must look at the training and retraining that is needed for the 21st century job here in northwest Pennsylvania and spend our limited resources in a manner that produces a return on investment. This will require partnerships with groups that we never imagined. Thank you for your time and attention.



Sean Fedorko
Cofounder & Community Manager, Radius CoWork
1001 State St. Suite 907
Erie, PA 16501

This testimony is submitted at the request of Representative Ryan Bizzarro.

My perspective is informed by my years living away from Erie and Pennsylvania prior to returning, by my experience starting a small business in Erie's downtown, and from my engagement in economic development projects. There are many policy prescriptions that could improve the level of technology and innovation based economic growth in Pennsylvania by directly addressing the costs and ease of pursuing those opportunities. However, I am going to address policies that improve the competitiveness of Pennsylvania communities for encouraging and attracting the people behind that technology and innovation based economic activity. Instead of directly addressing costs and ease of technology and innovation opportunities, Pennsylvania should focus on policies that make their communities more attractive to the kind of people who pursue work in technology, in innovative businesses, and 21st century jobs. Community development is economic development.

People take risks and make investments in places where they are safe, satisfied by many amenities, and optimistic about the prospect of living in the community. Risk takers, innovators, and technology professionals have relocation options. Whether a community is trying to retain talent or attract it, the quality of the community will be a significant determining factor in personal choice. Without a great downtown, great schools, great local breweries, restaurants and entertainment, companies in a culturally impoverished community will always be struggling to retain or attract the best talent.

As the population of Erie County stagnated, urban residents relocated to suburban developments, removing both private wealth and customers from the urban market. With tax revenues moving out of the urban core city infrastructure investments have been deferred, housing stock has deteriorated, and the city has declined as buildings deteriorate and businesses leave, drawing fewer people in from the surrounding suburbs and relying on social services and non-profits to fill the vacancies. The subsequent decline in tax revenue especially affects schools, and as school deteriorate the remaining families that can leave, do so. Regardless of innovation based policies, innovators themselves do not want to live in such a community. This is especially true of a young, professional, urbanist generation eager for cultural amenities and vibrant social environments.

Strategies pursued by the PA House Democratic Policy Committee should address policies that create the kind of communities attractive to technologists, innovators, and 21st century industries.

Generally, policies should:

- Facilitate beautification and pedestrian-first designs of Main Streets and downtowns.
- Promote redevelopment of urban infrastructure over suburban or green-field expansion.
- Decrease barriers to the renovation and reuse of old infrastructure.





- Incentivize residential real estate investment in urban cores. Programs that abate taxes on real estate improvements have proven effective, particularly in Erie.
- Relocate social services away from Main Streets and city centers, allowing these districts to become culturally and economically vibrant urban attractions.
- Promote regionalization of municipalities which currently are incentivized to “race to the bottom” on taxes and standards to attract businesses, despite being effectively single economic and cultural regions.

Some specific policies that provide for crucial technology infrastructure update and buildout:

- Promote deployment of technology infrastructure and more efficiently coordinated traditional infrastructure:
 - Pennsylvania is one of a minority of states that preempt municipal governments from providing telecommunications services; an innovation based economy requires these data networks to thrive, and increasingly residents expect them. Allowing municipalities to operate these services where private telecoms are otherwise unwilling to invest is important.
 - Make-ready policies for telephone poles require any changes to prepare a pole for the quick and inexpensive addition of new lines. This substantially decreases the costs for fiber deployment.
 - Dig-once policies require all public and private parties interested in subterranean infrastructure to notify one another of opportunities to coordinate buildout. 90% of the cost of deployment is digging up and replacing road and sidewalk; this substantially decrease costs and improves shared record keeping.

In the last few years, General Electric, Marriott International, McDonald’s Corp., HomeAdvisor, Expedia Inc., The Coca-Cola Co., Pinterest, and Aetna Inc. have all relocated their headquarters to major metropolitan downtowns. Thriving businesses know that they need to offer the kind of urban lifestyle that the best talent now demands. This has already benefitted Pennsylvania as Uber, Apple, Google, and other major technology firms have been attracted to the improving urban culture of Pittsburgh. Personally, I was only attracted to stay in Erie because breweries, Thai food restaurants, wine bars, local alt-weekly newspapers, and a new urban population of peers had emerged to make living here appealing.

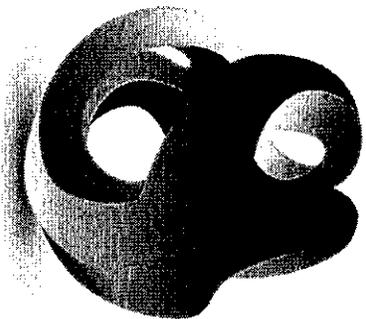
Many important policies addressing the specific needs of technologists, innovators, and 21st century industries will be suggested in your research. They’ll address attracting new entrepreneurs as well as reinvestment from established firms. My advice is to ensure that the communities where you would like to see new economic development are attractive to the entrepreneurs, innovators, and investors you hope to incentivize. Community and economic development must be pursued holistically.

Best Regards,

Sean Fedorko



Located in the Renaissance Centre
1001 State Street | Suite 907 | Erie, PA 16501
814-580-9003 | contact@radiusco.work | www.radiusco.work



Innovation Collaborative

Beth Zimmer

814.490.5295

beth@innovationcollaborators.com

Thank you for inviting me to represent the Innovation Collaborative and northwest Pennsylvania today. We genuinely appreciate your interest in hearing about the work that we're doing and the ideas that we have to further improve Pennsylvania's environment for business!

So, think if you will, for a moment... what would your "best" Pennsylvania look and feel like?

For our northwest corner, a best Pennsylvania looks and feels really bright. We're connected, geographically, professionally, and personally to forward thinking, calculated risk-taking entrepreneurs, innovators, and progressive & entrepreneurial leadership. Transparency and collaboration are the norm. Every citizen takes personal pride in where they live.

We engage in solutions-centered conversations and action, more often than not, about our communities, our schools, our places of worship, and our futures, together and individually.

Unrealistic Fantasy? Maybe.

Let's now think for a minute about each of our current realities.

Here in northwest PA, we are climbing up and out.

After we experienced significant, sustained decline over the past several years, our economic indicators lagged compared to others, and maybe still do. Our educational systems were "behind" the times, and some are even, still today, in really big trouble financially and culturally.

We used to view ourselves, individually and collectively, as victims of our circumstances, possessing no control over whether our region or our livelihoods would thrive or die. When faced with dismal news of massive layoffs and relocating employers, we hunkered down and quickly reacted... we figured out how to do more with less.

Our reality TODAY, is this. Unlike any time in the history of our region, that any of us can recall, more people, institutions, employers, and organizations are taking control of our circumstances, *proactively*, where we *do* have control and can make positive impacts. We are working together on many fronts with transparency and a focus on common goals.

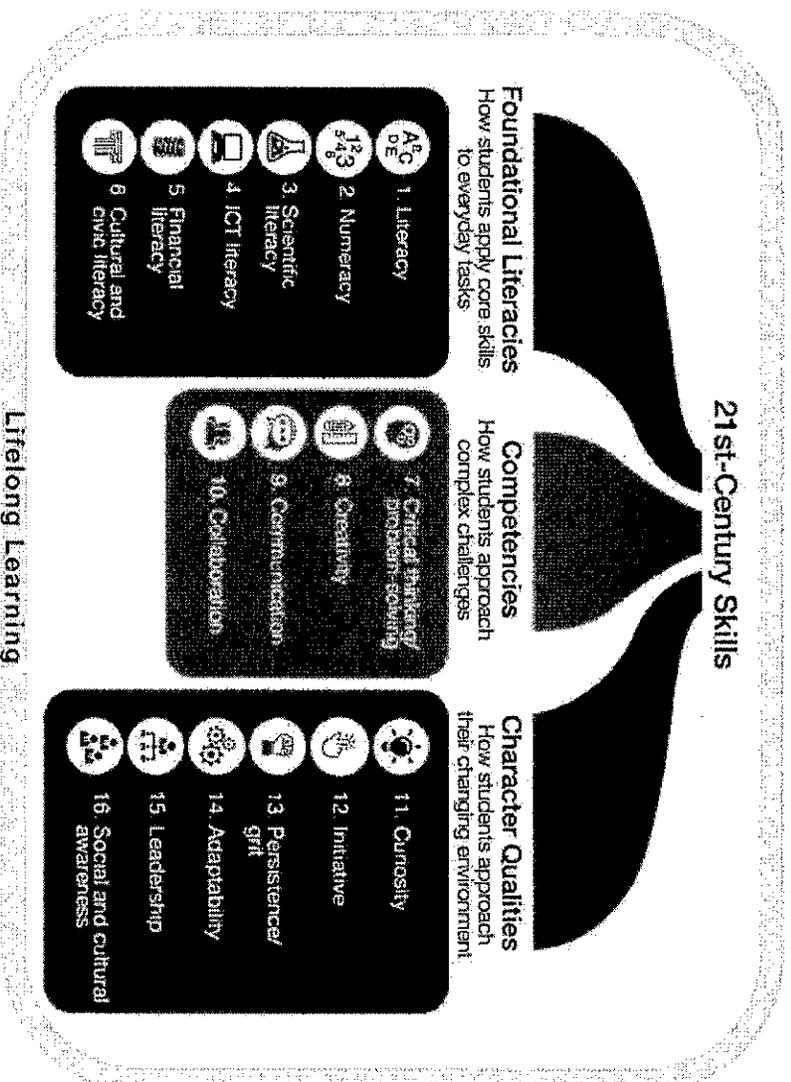
No longer is it okay to be 100% reactionary. Proactivity is rampant in the works that you see coming from many organizations like Radius CoWork, Ben Franklin, and the Innovation Collaborative. We, along with others, are pushing forward through, over, around and under perceived barriers to growth and improvement for our community. We have a vision and are making progress through persistence and gritty resolve.

Our future is bright... it's not rusty at all. In that, we all know that there is a ton of work to be done and a lot of challenges and opportunities that are in front of us.

For instance, are you aware that several reputable sources, including Intuit's 2020 Report, indicate that more than 40% of the workforce will be 1099, or contingent workers by the year 2020?

So, what is required of our 21st Century Workforce, beside the fact that they won't be focused on "stable" jobs? Here is what the World Economic Forum has to say:

Exhibit 1: Students require 16 skills for the 21st century



Note: ICT stands for information and communications technology.

TOP TEN SKILLS in 2020:

1. Complex Problem Solving
2. Critical Thinking
3. Creativity
4. People Management
5. Coordinating with Others
6. Emotional Intelligence
7. Judgment & Decision Making
8. Service Orientation
9. Negotiation
10. Cognitive Flexibility

The figure shown previously, depicting the necessary characteristics of our 21st Century Workforce directly align with the characteristics of what has proven to be an “Entrepreneurial Mindset”.



Innovation Collaborative

**Nearly 100% of net new jobs* in the last
30 years have come from companies 5
years old or younger.**

**The number of newly created jobs after hirings, firings and voluntary separations; through expansion and recession, companies of all sizes are creating and destroying millions of jobs, and employees are leaving and joining (and starting) firms by the millions, in any year*

Excerpt from Dane Stangler and Robert E. Litan, "Where Will The Jobs Come From?," Kauffman Foundation Research Series: Firm Formation and Economic Growth, November 2009



Did you know that from 2010-2014, out of our average 200 startups every year in Erie's MSA, another 260 businesses were dying? Johnstown had 20 more deaths than starts, and Altoona had 10 more deaths than starts.

Right. Just last month, the Economic Innovation Group's report, titled "Dynamism in Retreat" <http://eig.org/wp-content/uploads/2017/02/Dynamism-in-Retreat.pdf> named Erie's MSA 9th from the bottom of the list of the 20 metro areas in the US with the **lowest** startup rate.

Altoona is 5th from the bottom with only 110 starts in the first place, and Johnstown only has 100.

And no, there were no Pennsylvania MSA's listed in the list of 20 metro areas in the US with the **highest** startup rate.

The 20 metro areas with the lowest average startup rate

Metro name	Average startup rate	Average firm death rate	Average annual startups	Average annual firm deaths
Lima, OH	3.7%	5.0%	80	100
Johnstown, PA	3.7%	4.7%	100	120
Wheeling, WV-OH	3.8%	5.0%	100	130
Springfield, OH	4.0%	5.5%	80	100
Font du Lac, WI	4.1%	5.0%	80	100
Michigan City - La Porte, IN	4.1%	5.6%	80	110
Mansfield, OH	4.2%	5.6%	90	120
Danville, IL	4.2%	5.9%	50	70
Steubenville - Weirton, OH-WV	4.2%	6.1%	80	110
Bay City, MI	4.3%	5.2%	80	90
Cumberland, MD-WV	4.3%	5.4%	70	90
Erie, PA	4.3%	5.5%	200	260
Duluth, MN-WI	4.4%	5.4%	230	290
Decatur, IL	4.4%	5.3%	90	100
Elmira, NY	4.4%	5.1%	60	70
Altoona, PA	4.4%	4.6%	110	120
Sandusky, OH	4.4%	4.9%	70	70
Parkersburg - Marietta - Vienna, WV-OH	4.4%	5.6%	130	160
Muncie, IN	4.4%	5.3%	80	100
Kokomo, IN	4.4%	5.6%	70	90
United States	8.0%	7.8%	400,140	388,370

The Innovation Collaborative's testimony today is largely focused on how we can successfully seed Pennsylvania's small to mid-size markets with much more startup activity.

You may or may not know that in 2014, the DCED paid for an assessment of the entrepreneurial environment and the action plan for improvement within the 8 counties of northwest PA. The full report and action plan is available to the public at the Innovation Collaborative's website: <https://StartupEriePA.com>

The assessment piece definitely confirms that our regional startup deal flow is very low compared to other similar regions.

This report, though quite dismal in the beginning, offers us a bright light at the end of the tunnel with solid insights and actionable plans to change our collective futures for the better.

The action plan identifies all of the recommendations for execution across 6 Strategic Priority areas. The number 1 priority is that, FIRST & FOREMOST, we must act **urgently** to change our cultures from risk adversity and complacency, to be celebratory of calculated risk taking and entrepreneurial thinking and acting. Here is a list of all 6 strategic priority areas:

Strategic Recommendations



Innovation Collaborative

(1) Culture Building & Deal Flow Generation

Enhance the region's entrepreneurial spirit and increase entrepreneurial deal flow through coordinated marketing, events and storytelling

(2) Regional Entrepreneurial Network

Develop a formal network of resource providers to share deal flow and referrals, and provide higher-quality service to entrepreneurs; effort should be led by an independent entity focused on facilitating collaboration, accountability and metrics collection

(3) Economic Gardening

Identify potential gazelles and provide strategic analysis and market intelligence to support their growth

(4) Enhanced Mentoring Network

Provide improved access to high-quality mentors through appropriate screening, matching and training

(5) High Growth Startup Support Services

Provide more mentorship, expert technical assistance and funding support to startups

(6) Student Entrepreneurship Programs

Collaborate with the region's colleges and universities to encourage/reward student entrepreneurship through clubs, competitions, events and internships

Since the inception of the Innovation Collaborative in late 2014, we have been almost solely focused on Priority #1.

Think about it... what does it take to change a culture in a region, a town, or a business?

Equipping our workforce, better yet, all of our citizens, with mindsets that are entrepreneurial is one of the foundational keys to long term, sustained success in changing our culture.

Though the Innovation Collaborative is executing on several of the opportunities provided for us in the recommendations, the focus on culture change has been about 90% of the work we've been focused on since our inception in Fall 2014.

The foundational program that Janet mentioned earlier is, indeed, the Ice House Entrepreneurship program.

Other activities include working with partners and entrepreneurs to hold events, contests, media stories, and celebrations that educate the general public as to the importance of a focus on entrepreneurship as a key to economic progress that must be prioritized and sustained throughout the generations.

We can focus on retention of our existing businesses and attracting new ones to move here, but without a focus included on increasing entrepreneurial activities, we'll only achieve more of the same.

Some policy thoughts that would enhance startup activity:

Incent regions (PREP) to put as strong an emphasis on encouraging entrepreneurship in addition to retention and maybe even vs business attraction

Realign outcome requirements to common sense, customizable reporting methods for each region based on established priorities for growth

Early stage investors – consider opening up the CFA \$1-\$2 match program to all professionally managed angels instead of just a few funds that invest outside of Pittsburgh & Philly

Promote / incent tech infrastructure investment / improvement

R&D Tax Credits – used to be directly applied to employment tax relief; this is less cumbersome and more marketable; many entrepreneurs/accountants do not even know that these credit opportunities exist today

Maintain and broaden opportunities for entrepreneurs to take advantage of KIZ tax credits



velocity network | IT's about time.

Mailing Address

Velocity Network, Inc.
P.O. Box 9008
Erie, PA 16505

Physical Location

2503 West 15th St., Ste 10
Erie, PA 16505

Contact

t. 814.833.9111
f. 814.835.0009
w. velocitynetwork.net

House Democratic Policy Committee Hearing – Job Creation in Northwestern PA

March 7th, 2017
Manufacturer and Business Association
4:50 PM Panel Discussion
Matthew Wiertel
Director of Sales and Marketing – Velocity Network

Job Creation in the Digital Age

Good Afternoon -

Thank you to Representative Sturla and Representative Bizzaro and your team for the opportunity to speak to this committee and the community at large.

As mentioned in the introductions, my name is Matt Wiertel and I am the Director of Sales and Marketing for Velocity Network.

Since our founding in 1990, Velocity Network has grown to become one of the leading technology companies in Northwestern Pennsylvania. With nearly 60 employees, we have grown from a one- man operation in an apartment, to soon becoming an anchor institution in Erie's new Innovation District on West 10th Street.

In the late 1990s and early 2000s, Velocity was the leading provider of Dial-up Internet services to residents and businesses across Northwestern Pennsylvania. At our peak, Velocity provided service to over fifteen thousand homes and businesses and for most people we were the first provider they ever used to connect to the Internet.

Fast forward several years and the Internet as we knew it had changed. Dial-up was replaced by ADSL and Cable modems and Velocity Network was at a crossroads. What once was a huge segment of our business had moved elsewhere but we knew that the demands for faster Internet would continue to increase.

Around that time we also learned about a new program – Keystone Innovation Zones – from the Technology Council of NWPA.

The program would provide our team with the ability to start a new venture – focused on owning the last mile of Internet Connectivity to a residence or business – and give us tax credits that could be reinvested in the operation as we grew.

Today, Velocity.Net Communications Inc. (VNCI) is the largest locally owned telecommunications provider in Northwestern Pennsylvania. VNCI provides service to the leading educational, healthcare, and manufacturing entities in Northwestern Pennsylvania and now has launched Gigabit Fiber Optic services to residents in the region. This new service rivals what Google Fiber is providing in other large metropolitan areas across the United States.



velocity network | IT's about time.

The KIZ program has helped fuel our growth in the region and allowed us to make investments in capital and personnel that otherwise would not have been possible.

As we all know, the rise of the Internet and the Digital Age, has forever changed the way we work, shop, and live in our communities. And in the same dramatic fashion, the ways that we attract, grow, and retain talent must also transform. However, creating a job and filling that job with a qualified employee is not always easy – especially for a high growth company like Velocity Network.

Our team expects to increase our staff to nearly eighty or more employees by the time we move to our new corporate headquarters in downtown Erie. Although our growth is great for the community and our company, we struggle to fill open positions and it often takes months before we can locate a candidate that meets the needs of our organization.

Therefore, first and foremost, our community must develop the training programs and environment necessary to empower the next generation of employees. In addition to these programs, the regional economic environment also must be strong to encourage those knowledge workers to stay in the region as we compete against other opportunities across the United States.

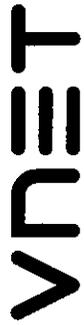
The community also must recognize that the next generation of infrastructure and amenities will encourage graduates from secondary and post secondary schools to start their careers here. Investments in vibrant downtowns, walkable cities, and high speed Internet, create an atmosphere where people want to live, work, or even start their own business.

As our team has begun to roll out our Fiber to the Home Internet Service, we have found that there is a large digital divide growing across Pennsylvania. Segments of the population or areas in the County simply do not have reliable and fast Internet connectivity. If available, this connectivity could empower many individuals to telework from home, create a startup business from their apartment, or complete their online degree.

Although Pennsylvania Act 183 in 2005 promised universal broadband service to all residents by 2015, it fell far short of its goal and in many parts of Erie County there are areas where broadband is not available or abysmally slow. Innovations in telecommunications are embedded in the history of the Commonwealth as some of the first commercially available cable television systems were constructed in Pennsylvania by entrepreneurs responding to the needs of their communities.

It is with the same passion that regional fiber optic providers across Pennsylvania are working to deliver the next generation of services to create a foundation that empowers their regions to grow.

Velocity Network would strongly encourage the legislature to look at creative ways to incentivize broadband infrastructure investment that is critically needed to grow our local economy. Forward thinking policies such as Dig Once and One Touch Make Ready would enable providers to reduce their installation costs and more affordably reach larger segments of the population. In addition, incorporating broadband infrastructure into other projects



velocity network | IT's about time.

such as streetscapes or new building construction would provide additional pathways to create a more connected community.

Velocity Network appreciates the opportunity to speak to the committee and also wants to thank the Commonwealth and its local partners for their support as we relocate our headquarters to Downtown Erie. Without the support of PIDA, and collaboration between the regional economic development and financing agencies, our ability to reinvest in the community would have changed significantly.

Thank you for your time.