



House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

HOUSE DEMOCRATIC POLICY COMMITTEE HEARING

Topic: Small Business Development

Carnegie Borough Municipal Building – Carnegie, PA

September 5, 2018

AGENDA

- 2:00 p.m. Welcome and Opening Remarks
- 2:10 p.m. Carol Kilko
Deputy Secretary, Business Financing
Pennsylvania Department of Community and Economic Development
- 2:40 p.m. Gerald Ferguson
Associate Professor of Business
Community College of Allegheny County
- 3:10 p.m. Public Comments by Local Businesses
- 3:40 p.m. Closing Remarks

House Democratic Policy Committee Hearing
 Representative Anita Kulik
 Small Business Development – September 5, 2018

Carol L. Kilko, DCED Deputy Secretary, Business Financing
 Testimony Talking Points

IMPACT OF PA SMALL BUSINESSES

The following general facts are about small business and entrepreneurship in Pennsylvania. These statistics, their sources, and more are available in the full Pennsylvania small business profile at (SBA.gov. Pennsylvania Small Business Profile 2017).

- Pennsylvania is home to 1 million small businesses, and employs 2.5 million individuals or about half (46.8 percent) of the state's private workforce.
- Almost all Pennsylvania businesses with employees qualify as small businesses, making up 99.6 percent of businesses in the state.
- The economic impact of small businesses across the commonwealth is evident in all business sectors, from professional services, real estate, and construction to health care, retail, manufacturing, and education.
- A total of 15,758 companies exported goods from Pennsylvania in 2014. Among these, 14,039 (or 89.1 percent) were small firms; they generated 32.2 percent of Pennsylvania's \$36.4 billion in total known exports.
- Pennsylvania's 2015 growth rate of 2.8 percent was up from the 2014 rate of 1.8 percent.
- Small business employment constitutes 63-100% of private employment in 16 PA counties

The typical Pennsylvania business:

- Employs 20 employees or less
- Offers some type of professional, scientific, or technical service

The typical Pennsylvania small business employee:

- Works at a health care and social assistance small business

PARTNERSHIPS FOR REGIONAL ECONOMIC PERFORMANCE (PREP)

PREP is a statewide network of partners designed to work in concert to deliver vital business assistance services across the Commonwealth of Pennsylvania.

- 10 regional teams consisting of hundreds of trained and experience experts
 - How do I start a new business?
 - How do I write a business plan?
 - How can I expand into new markets?
 - Can I get training for my employees?
- Each team is coordinated and works together to provide resources and services offered by local economic development providers:

- o Industrial Development Organizations (IDOs)
- o Local Development Districts (LDDs)
- o Small Business Development Centers (IRCs)
- o Complementary economic and workforce development organizations

ENGAGE!

Engage! is a statewide, industry-driven initiative featuring a robust team of experienced professionals who proactively listen to businesses across the state to identify opportunities and challenges.

- Connects businesses to the right local resources.
- Experts develop a direct relationship with businesses.
- **Needs Assessment:** Engage! team member meets one-on-one with decision maker within the company
- **Referrals & Technical Assistance:** Create a personalized action plan with recommendations, technical assistance and follow-up steps.

PA DIVERSE BUSINESS FINANCING INITIATIVE

Pennsylvania is committed to promoting diversity, inclusion and small business opportunities.

- Capitalizes revolving loan funds managed by local economic development service providers including Community Development Financing Institutions (CDFIs).
- Allows for local decisions supporting small business development.
- Terms of the loans, including interest rate and collateral, are negotiated between the organization and the borrower.

SMALL DIVERSE BUSINESS CAPITAL ACCESS PROGRAM

Pennsylvania is committed to empowering small businesses employing 100 full time employees worldwide.

- Financing can be used for land and building acquisitions, construction and renovation, machinery and equipment and working capital and accounts receivable lines of credit.
- Term loans up to \$200,000 and lines of credit up to \$100,000.
- Creation and retention of full-time jobs.

PA BUSINESS ONE-STOP SHOP

The Pennsylvania Business One-Stop Shop is the go-to resource for planning, registering, operating, and growing a business — while working smart and living happy in Pennsylvania.

Entrepreneurs and small businesses bring the elbow grease and innovation that keeps our economy humming — the Pennsylvania Business One-Stop Shop offers the resources, tools, and experience to help them dream big, plan for the future, and achieve their goals.

- 99.6% of all businesses in Pennsylvania are small businesses.

- Entrepreneurs, particularly those running or looking to start a small business, are the backbone of our economy. Small businesses employ about half of the state's workforce and created nearly 24,000 new jobs in the second half of 2015.

To support our entrepreneurs and businesses at all stages of development, Governor Wolf created the Pennsylvania Business One-Stop Shop and launched business.pa.gov in February 2018.

- Serving as the first point of contact for Pennsylvania business development concerns, the Pennsylvania Business One-Stop Shop connects and guides businesses through all stages of development — from planning and startup to operating and expanding.
- Whether you're an aspiring entrepreneur or existing business, we provide complete, customer-focused service backed by firsthand knowledge and experience.
- We make navigating business-related processes in state government simple and accessible, so you can get back to doing what you do best — creating, innovating, and succeeding in Pennsylvania.
- Our website — **business.pa.gov** — provides information for those starting a business, growing an existing business, or considering a move to the Keystone State from the U.S. or abroad — all in one convenient location with a few essential sections:

1. Turn Your Concept into an Actionable Plan

Every small business needs to start with a plan, and it's important that first step be as informed and hassle-free as possible. Our Plan section can help turn a concept or idea into an actionable strategy. It includes a template for writing a business plan and information about business structure, business names, and where you can find free local business advice and mentorship.

2. Register Your Business

Registration may appear tricky, but we have a breakdown of everything involved in the business registration process in Pennsylvania, including state and local registration, permits, and a checklist including all the necessary steps so you can stay organized during the process.

3. Explore Small Diverse Business Resources

In Pennsylvania, Small Diverse Businesses (SDBs) are defined as those that are disabled-, women-, minority-, LGBT-, or veteran-owned. Business ownership should be accessible to all, and we are dedicated to creating more opportunities for our SDBs. In the Grow section, there is information on how to get certified in Pennsylvania and nationally, as well as resources and unique opportunities available only to SDBs.

4. View Employer Responsibilities for Operating Businesses

The Operate section covers many common employee-related requirements for Pennsylvania employers, including Workers' Compensation, Local Earned Income Tax, Employer Withholding, common business taxes, and more.

- And if you can't find what you need on business.pa.gov — the Pennsylvania Business One-Stop Shop provides one-on-one, **over-the-phone customer service too.**
- A resource like the Pennsylvania Business One-Stop Shop takes the guesswork out of many business operations and procedures and serves as an equalizer for any who want to do business here.
- The Pennsylvania Business One-Stop Shop is just one of the many ways we express our ongoing commitment to helping Pennsylvanians work smart and live happy.

PA SMALL BUSINESS WEEK

- For the last 3 years, Governor Tom Wolf has proclaimed the last week of April as Pennsylvania Small Business Week. The week is part of a national event celebrating the contributions of small businesses to our communities and economy. With more than half of Americans owning or working for a small business, it's something that significantly impacts the national economy and millions of people in the U.S.
- During the week, DCED shares helpful resources for current and future entrepreneurs, startups, and small businesses, as well as highlighting success stories across our state, posts an Event calendar with workshops, seminars, or training across the Commonwealth on **business.pa.gov**.
- Encouraged small business to download our PA Small Business Proud sign to hang in their location.
- Constant conversation on social media (Twitter, Facebook, and LinkedIn) using #PASmallBiz which does not end in April. One Saturday a month DCED spotlights a Pennsylvania small business in a business blog.

PARTNERSHIPS FOR REGIONAL ECONOMIC PERFORMANCE (PREP)

DELIVERING VITAL BUSINESS ASSISTANCE



HELP TO ANSWER YOUR BUSINESS QUESTIONS

- ✓ **HOW DO I START A NEW BUSINESS?**
- ✓ **HOW DO I WRITE A BUSINESS PLAN? WHERE CAN I GET NECESSARY FINANCING?**
- ✓ **WHERE IS THE BEST PLACE TO LOCATE MY BUSINESS? HOW CAN I EXPAND INTO NEW MARKETS?**
- ✓ **WHO CAN HELP ME RE-ORGANIZE MY SHOP FLOOR? SHOULD I INVEST IN NEW EQUIPMENT?**
- ✓ **CAN I GET TRAINING FOR MY EMPLOYEES?**

WHO WE ARE

PREP (Partnerships for Regional Economic Performance) is a statewide network of partners designed to work in concert to deliver vital business assistance services across 10 regions of Pennsylvania.

Pennsylvania is committed to preparing businesses to start, grow, and flourish. Our local and regional PREP partners have the experience and know-how to assist individuals who have an idea and need help with the basics of starting a new venture. PREP also meets the demands of existing companies that seek assistance in all aspects of successful business development and growth.

OUR REGIONAL TEAMS

The PREP network consists of hundreds of trained and experienced experts who can offer assistance and resources. PREP's one-on-one counseling, specialized workshops, online training and financial incentives make it one of the most coordinated and respected networks in the nation designed specifically to meet the needs of job creators — the men and women who start and grow businesses in Pennsylvania. Each regional PREP team works together to coordinate the resources and services offered by local economic development service providers, including:

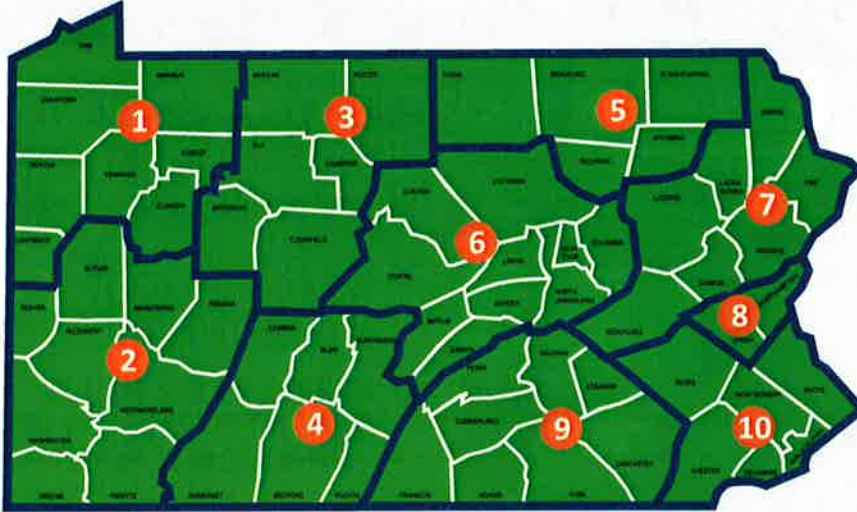
- Industrial Development Organizations (IDOs)
- Local Development Districts (LDDs)
- Small Business Development Centers (SBDCs)
- Industrial Resource Centers (IRCs)
- complementary economic development organizations

PREP makes it easier to learn what public and private sector resources can be quickly accessed to meet individual and company needs. Our coordinated network can quickly analyze needs, formulate a plan and assemble a team to put that plan into action.

Learn more about the PREP resources in your region at dced.pa.gov/prep.

MEET THE TEAM

Partnerships for Regional Economic Performance (PREP) Regional Coordinators



1. NORTHWEST PREP

Meghan Keely, Economic
Development Manager
395 Seneca Street
Oil City, PA 16301
814.677.4800 x 112
meghank@northwestpa.org

2. SOUTHWEST PREP

Lew Villotti, Director
Southwestern Pennsylvania
Commission
Two Chatham Center - Suite
500 Pittsburgh, PA 15219
412.391.5590 x302
lewvillotti@spcregion.org

3. NORTH CENTRAL PREP

Eric Bridges, Executive Director
NCRPDC
49 Ridgmont Drive
Ridgway, Pa 15853
814.773.3162
ebridges@ncentral.com

4. SOUTHERN ALLEGHENIES PREP

Deborah Prosser, Business
Development Director
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Altoona, PA 16601-9343
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prosser@sapdc.org

5. NORTHERN TIER PREP

Frank Thompson, Deputy Director
NTRPDC
312 Main Street
Towanda, PA 18848
570.265.1515
thompson@northerntier.org

6. CENTRAL PREP

Betsy Lockwood
Project Development/Grants Manager
SEDA-Council of Governments
201 Furnace Road
Lewisburg, PA 17837
570.524.4491
elockwood@seda-cog.org

7. NORTHEASTERN PREP

Jeffrey Box, President & CEO
NEPA Alliance
1151 Oak Street
Pittston, PA 18640
570.655.5581
jbox@nepa-alliance.org

8. LEHIGH VALLEY PREP

Jim Fischer, Director
Lehigh University SBDC
416 E Fifth Street
Bethlehem, PA 18015
610.758.3980
jaf816@lehigh.edu

9. SOUTH CENTRAL PREP

David Black, President
Harrisburg Regional Chamber & CREDC
3211 N. Front Street, Suite 201
Harrisburg, PA 17110
717.232.4099
dblack@hbgrc.org

10. SOUTHEAST PREP

Michael Grigalonis, COO
Chester County Economic
Development Council
737 Constitution Drive
Exton, PA 19341
610.321.8214
mgrigalonis@ccedcpa.com

PA Engage!

LISTEN. ASSESS. ACT.



WHO WE ARE

Engage! is a statewide, industry-driven initiative featuring a robust team of experienced professionals who proactively listen to businesses across the state to identify their opportunities and challenges and offer targeted technical assistance and solutions.

WHAT WE DO

Engage! connects your business to the right local resources. Our experts develop a direct relationship with you to fully understand your business needs and concerns. Working together, you and your Engage! team will create a personalized action plan with recommendations, technical assistance, and follow-up steps.

We want to create meaningful dialogue to help build lasting relationships with businesses. Through ongoing, proactive interactions with business owners and management teams, we are able to create effective personalized action plans to address company needs — no matter how large or small.

HOW WE WORK

One of our Engage! team members will initiate contact with your business via phone, email, or letter. Once connected, we will work with you on next steps:

- **Needs Assessment:** Based on your schedule, your Engage! team member will meet with you to learn more about your business.
- **Referrals & Technical Assistance:** Following this discussion, your Engage! team will prepare a customized action plan and help connect you to local resources based on your specific needs. Ongoing communications will ensure you always have access to the kind of business and professional assistance you need.

LET'S START THE CONVERSATION

To learn more, visit dced.pa.gov/engage.

"Some of the most effective business collaborations happen at the local level. Engage! is a vital resource that makes Pennsylvania a top choice for businesses who want to succeed."

*Dennis Davin
Secretary, PA Dept.
of Community &
Economic Development*

THE PENNSYLVANIA DIVERSE BUSINESS FINANCING INITIATIVE

SUPPORTING DIVERSITY AND ENTREPRENEURSHIP ACROSS THE STATE



Amma Jo
Harrisburg, PA

Pennsylvania is committed to promoting diversity, inclusion, and small business opportunities. In pursuit of these goals, DCED has created a new initiative to support lending to diverse businesses, including:

- minority-owned,
- women-owned,
- veteran-owned,
- service-disabled veteran-owned,
- disabled-owned,
- LGBT-owned, and
- other small diverse businesses.

The Diverse Financing Initiative consists of capitalizing revolving loan funds managed by local economic development service providers, including Certified Economic Development organizations (CEDOs) and Community Development Financing Institutions (CDFIs). The terms of these loans, including interest rate and collateral, are negotiated between the organization and the borrower.

"The Diverse Business Financing Initiative is about more than just being the right thing to do. It's about giving Pennsylvania the competitive edge we need in an increasingly competitive marketplace by ensuring access to crucial resources for all business owners, regardless of race, gender, sexual orientation, and disabled or veteran status."

*Dennis Davin
DCED Secretary*

THE PENNSYLVANIA DIVERSE BUSINESS FINANCING INITIATIVE



Pittsburgh, PA

To learn more about the initiative or to apply, please contact one of the following organizations:

Bridgeway Capital

Mark Peterson, Executive Director
707 Grant Street, Suite 1920
Pittsburgh, PA 15219
412.201.2450 | mpeterson@bridgewaycapital.org

Bucks County Economic Development Corporation

Robert F. Cormack, Executive Director
115 West Court Street
Doylestown, PA 18901
215.348.9031
rfc@bcedc.com

Community First Fund

Daniel Betancourt, Executive Director
P.O. Box 524
51 South Duke St., Suite 400
Lancaster, PA 17608-0524
717.393.2351
dbetancourt@commfirstfund.org

Economic Growth Connection of Westmoreland

James Smith, President/CEO
Fifth Floor, Suite 510
40 North Pennsylvania Avenue
Greensburg, PA 15601
jsmith@egcw.org

Greater Berks Development Fund

Edward J. Swoyer, Jr., President
P.O. Box 8621
201 Penn Street, Suite 500
Reading, PA 19603-8621
610.376.6739 | eswoyer@readingpa.com

FINANTA

Luis E. Mora Rechnitz, Executive Director
1301 North 2nd Street
Philadelphia, PA 19122
267.236.7000
luis mora@finanta.org

JARI Growth Fund, Inc.

Michele Clapper, Executive Director
245 Market Street, Suite 200
Johnstown, PA 15901
814.535.8675
mclapper@jari.com

Metro Action

Kristine Augustine, VP, Business & Community Development
222 Mulberry Street
P.O. Box 431
Scranton, PA 18501
570.342.7711
kaugustine@metroaction.org

The Progress Fund

David A. Kahley, President/CEO
425 West Pittsburgh Street
Greensburg, PA 15601
724.216.9160
dkahley@progressfund.org

Pennsylvania
WORK SMART. LIVE HAPPY.



05/24/2018

SMALL DIVERSE BUSINESS CAPITAL ACCESS PROGRAM

EMPOWERING DIVERSE ENTREPRENEURS



Offered through the Pennsylvania Department of Community and Economic Development (DCED) and administered by the Pennsylvania Industrial Development Authority (PIDA), the Small Diverse Business Capital Access (SDBCA) Loan Program provides low-interest loans and lines of credit to small, diverse businesses that commit to creating and retaining full-time jobs within Pennsylvania. Loan applications are packaged and underwritten by a network of certified economic development organizations (CEDOs) that partner with PIDA to administer the program.

ELIGIBILITY & USE

SDBCA financing can be used for:

- Land and building acquisitions
- Construction and renovation costs
- Machinery and equipment purchases
- Working capital and accounts receivable lines of credit

FUNDING & PARTICIPATION

The maximum participation amount is determined by a variety of factors, including the proposed use of SDBCA funds, the amount of matching financing from sources outside of SDBCA, and the number of full-time jobs to be created or retained. Generally, a 50 percent match is required — however, some exceptions may apply.

WHO'S ELIGIBLE?

PA based, for profit businesses, certified by the PA Department of General Services (DGS) as minority , woman , veteran , or service disabled veteran owned small businesses with 100 or fewer full time employees worldwide.

SMALL DIVERSE BUSINESS CAPITAL ACCESS PROGRAM



LOAN SIZE

- Term loans up to \$200,000
- Lines of credit up to \$100,000

INTEREST RATES AND FEES

- The interest rate is a fixed rate and based on market conditions. Contact PIDA for the current rate.
- The borrower is responsible for applicable closing costs and associated fees.

MATURITY AND RENEWALS

- **Up to 15 years:** Land and building acquisition; construction and renovation costs.
- **Up to 10 years:** Machinery & equipment purchases.
- Line of credit maturities can be up to 12 months.
- Lines of credit can be renewed on an annual basis up to a maximum of six years upon the review and approval of PIDA/DCED.

COLLATERAL

Collateral is required and is based on the asset being financed.

- A variety of factors are taken into consideration when assessing collateral. Examples of collateral include but are not limited to: mortgages, machinery and equipment, inventory, receivables, blanket lien against business assets, etc.
- Personal guarantees are required by the principal owners, which typically is limited to individuals with 20 percent or more ownership in the operating entity.

APPLICATION PROCESS

Please contact your local Certified Economic Development Organization (CEDO) service provider to package the Loan application.

A listing of the CEDOs (Certified Providers List) can be found at dced.pa.gov/PIDA

PENNSYLVANIA BUSINESS ONE-STOP SHOP

THE GO-TO RESOURCE FOR PENNSYLVANIA BUSINESSES

The Pennsylvania Business One-Stop Shop is equipped with knowledge, information, and resources for businesses both large and small. Serving as the first point of contact for Pennsylvania business development concerns, our team helps connect and guide businesses through all stages of development — from planning and startup to operating and expanding.



HOW CAN WE HELP?

✓ PLANNING

- Writing a Business Plan
- Naming Your Business
- Choosing a Business Structure
- Finding Business Advice

✓ REGISTERING

- Local Registrations, Permits, & Zoning
- Special Registrations

✓ OPERATING

- Hiring Workers
- State Taxes & Permits

✓ GROWING

- Government Contracting
- Diverse Business Resources
- State Funding

ENTREPRENEUR'S GUIDE

Not sure if you're ready to start a business? Check out our Entrepreneur's Guide, which is written for new and first-time entrepreneurs. This guide focuses on planning for your new business, the development of your business plan, and resources to help you get started. Download it today at business.pa.gov.

CONTACT US

PA Department of Community & Economic Development

Toll-free: 1.833.722.6778

business.pa.gov





08/13/2018



BUSINESS REGISTRATION CHECKLIST



Use our Business Registration Checklist to ensure you've got all your bases covered for basic registration in Pennsylvania.

- 1. **Confirm your business name is available.**
- 2. **Confirm your professional licensure is current.***
*Only applicable to Professional LLCs and Professional Corporations. All other business structures, skip to step 3. 
- 3. **Apply for a Federal Employer Identification Number (FEIN).***
*If you're a foreign registered company and already have an FEIN, skip to step 4.
- 4. **Register your business structure in Pennsylvania.***
*Sole Proprietors do not have to register their business structure.
- 5. **Register your Fictitious Name.***
*Only required if operating under a name that is not the Legal Name of the business or sole proprietor. 
- 6. **Register for state tax and employer accounts.***
*Employers must comply with Act 32 on Local Earned Income Tax, and report employee information to the Pennsylvania Department of Labor and Industry.
- 7. **Check for special registrations, if applicable.**
- 8. **Check with the local municipality concerning taxes, zoning requirements, local licenses and permits, and any other regulations.**

This Checklist can be found with additional details and corresponding links by visiting business.pa.gov/register.html.