HOUSE DEMOCRATIC POLICY COMMITTEE HEARING

Topic: Economic Development
Ebensburg Borough Municipal Building – Ebensburg, PA
October 6, 2016

AGENDA

10:00 a.m. Welcome and Opening Remarks

10:10 a.m. Panel from Local Unions:

- **Augie Didiano**
  President, Johnstown Building and Construction Trades Council
  Business Agent, Cement Masons Local 526

- **Don Arena**
  Business Agent, Plumbers and Pipefitters Local Union 354
  Former President, Johnstown Building and Construction Trades Council

10:40 a.m. **Debi Balog**
Workforce Development Director
Johnstown Area Regional Industries

11:00 a.m. **Barry Surma**
Director
Saint Francis University Small Business Development Center

11:20 a.m. **RaNell Fenchak**
Director
John Murtha Johnstown-Cambria County Airport

11:40 a.m. **Mike Hruska**
President & CEO
Problem Solutions, LLC

12:00 p.m. Closing Remarks
August Didiano

President and Business Agent for Operative Plasterers' & Cement Masons' Local #526
President of Johnstown Building Trades

1. Gas Fired Power Plant - C.P.V. Fairview Energy Center

2. Proposed Gas Fired Power Plant & Cracker Plant in Cresson

3. Ebensburg Industrial Park

4. Additional Tax Money
   A. Schools
   B. Roads
   C. Work for our local men & women
   D. Supplier & equipment for construction
   E. Maintenance on plants
   F. All the full time jobs
GOOD MORNING, my name is Donald Arena. I am the business agent for the Plumbers and Pipefitters Local Union 354. Our local union represents members in 14 counties of west central Pennsylvania. This is my first time to testify in front of a state house committee, and I greatly appreciate the opportunity.

My first topic of discussion is the recent, current and near future construction in our region. In the past 12 months or so, our contractors and members have worked on a variety of commercial and institutional projects both large and small. Prior to spring 2015, the Industrial sector was the primary source of man-hours. Two of our major industrial projects were environmental upgrades at Homer City Generating Station and at Conemaugh Generating Station. These two projects produced just over three million man-hours for the building trades crafts. Some of our recent and current projects have been at higher education institutions such as, University of Pittsburgh at Johnstown, Indiana University of Pennsylvania, St. Francis University, Mount Aloysius College, and the Penn State Altoona. Other institutional projects include Renovations at UPMC Altoona, an addition to the Indiana Regional Medical Center as well as the new out-patient medical facility for Conemaugh Hospital in Richland Twp. Commercial construction has improved some since mid-2015 and into 2016. The Altoona area has two new hotels under construction. The route 22 corridor here in Ebensburg has seen some growth with a few new restaurants, a medical office building, Banks and a few other small businesses. I live in Representative Burns's district, in the Greater Johnstown area and have seen a variety of new commercial construction starts over the last 18 months. These are all nice projects. Once completed, the community has benefited from new permanent jobs for the area. Unfortunately, I have observed quite a few construction workers with out of state license plates in the parking lots of these projects. Sure I represent members of organized labor, but this issue is not whether it is union or non-union, it is about tax dollars leaving the area once these projects are complete. I may not have the answer to the problem, but I can say that when they are being built union they are being built with people from our region. Currently our contractors do not have a large backlog of work. I can tell that there is not a lot out there to bid. Our next large industrial project is not expected to start until late 2017 or early 2018. This project is the CPV Fairview Energy Center in Jackson Twp. Cambria County. This is a 980 megawatt gas fired power plant.
Next I would like to touch in today’s main topic, economic development. The first time that I met with Competitive Power Ventures, the developers of the new gas fired power plant in Jackson Twp., I asked them what brought them to our area. They were looking for three key elements, water, natural gas, and power lines to carry electricity to market. I am not familiar with the proposed power plant in Cresson, but I am sure those three items were driving factors in the consideration for that site. I would have to think that we have, in this region many resources to offer, one of them being the strong work ethic of our residents. We need to get creative and figure right combinations of resources that would work to draw new business to the area. Maybe the fact that we have cold winters in this area can draw companies like Google or Amazon to build data centers in our region. These facilities require a great deal of cooling; therefore building in a cold climate like ours would make sense. Another idea may be to look at the pharmaceutical manufacturing or distribution centers. With Conemaugh Health Systems being a largest employer in Cambria County, that may be the attraction to the area. In the future I hope we are successful in attracting spin-off manufacturing from the Shell Cracker being built in Beaver County.

For many years the Building Trades crafts has participated in tripartite meetings during large construction projects. This concept has worked well with client, contractor and union labor all coming together to achieve the same goal. That goal was to get the job done safely, on time, and under budget. Today’s public hearing in many ways has a similar concept, to bring a variety of groups together, to build a common goal, economic development and job growth.

Lastly I would like to touch education, and on a survey from a 4 or 5 years ago, from Ridgid tools. This survey stated that only 6% of high school students hope to have a future career in the skilled trades - defined as plumbers, electricians, HVAC installers, carpenters and etc. According to the Bureau of Labor and Statistics, by 2014 the U.S. would need 29% more HVACR technicians, and 21% more plumbers. I am using my craft as the example, but this is a problem with all the trades. This problem has not changed. (Additional information from the Survey)

Why aren’t students interested in the skilled trades?

- 53 percent of students say working in the trades just doesn’t interest them.
- 25 percent of students cite they are not interested in working in the skilled trades because they are not mechanically inclined, while 24 percent say they are not good at fixing things.
- 21 percent of students who would not consider a career in the skilled trades say it’s because they don’t know enough about it.

From the pool of 94 percent of students who are not interested in pursuing a career in the trades, respondents revealed multiple factors that may be hindering them, such as a lack of knowledge about the industry, and the overall perception of the skilled trades.
15 percent of students would not consider a career in the skilled trades because they don't believe there is a lot of opportunity in the skilled trades.

11 percent of students were not interested because they don’t think the trades are cool.

10 percent of students say skilled trades were not high tech enough.

In addition, all students who were surveyed revealed their impressions of jobs in the skilled trades.

54 percent of young people believe there is a better future working in computers than working in skilled trades.

37 percent of young people believe working in an office is more respected than working with your hands.

25 percent of young people believe skilled trades jobs are old-fashioned.

Once again using my trade as the example and all Building Trades Crafts have similar programs in place, Local Union 354s training program is operated by the Joint Apprentice Training Committee. The committee consists of 4 contractor representatives and 4 members of labor. The JATC manages an annual budget of around $750,000, all paid for by the members of Local Union 354. We have two training facilities, located in Youngwood Pa, and here in Ebensburg. Our training coordinator, Chad Morrison, handles the day to day operations for the JATC. Our apprentices serve a 5 year apprenticeship, 2 nights a week, August through May. They are also working for various contractors year round. The apprentices are trained in every aspect of the Plumbing and Pipefitting Industry. This is an accredited program and at the end of their apprenticeship they have accumulated 32 credits towards an associate’s degree. By the end of the 5 year program our apprentices will earned the follow certifications: OSHA 10 hr. safety, Back Flow Protection, Medical Gas Installer, Forman Training, Plumbing License, and at least 50 % have a UA weld Certifications.

What we are looking for, when interviewing, are applicants with some knowledge of our trade, whether it is a high school vocational background, post-secondary education, or prior experience in the industry. Some years it is difficult to find a good pool of applicants to interview. I presented this information to stress that there are opportunities out there for the students who may not be on a college bound tract in high school. Also I believe there are other directions to go to achieve a good paying job without having a large amount of student loans to payback after your training is complete.

Again, thank you for the invitation to speak in front of this committee.
Good morning members of the committee, staff and others in attendance at the hearing today. I am Barry Surma, Director of the Small Business Development Center at Saint Francis University. The Saint Francis SBDC is one of 18 centers that comprise the Pennsylvania Association of Small Business Development Centers, all located on college campuses around the state. The PASBDC system is set up to work with businesses across a broad spectrum from pre venture clients to long established companies; from manufacturers that may need help addressing a specific problem to the retail and service sectors to home-based businesses.

In order to provide the most efficient service to the present and prospective entrepreneurs that we serve, each SBDC covers a defined geographic region. The Saint Francis SBDC serves Bedford, Blair, Cambria, Fulton, Huntingdon, and Somerset Counties. We have been serving the needs of our clients since 1979. Over the course of the past 37 years, the Saint Francis SBDC has assisted thousands of people in evaluating their business ideas and helping their businesses start, grow and prosper.

All of SBDC’s consulting services, both at Saint Francis and anywhere in the PASBDC system, are provided to clients on a completely confidential basis, and at no cost to the client. The services offered are client centered and designed to help businesses address specific needs in a variety of subject matter such as market research, developing a business plan, setting up an accounting system, or assistance in obtaining financing (from private sector and/or economic development financing programs offered at the federal, state, regional, or local level).

A less publicized but no less valuable service sometimes includes helping prospective business owners come to the realization that a proposed venture is not viable and that certain opportunities probably are not worth pursuing any further. While it is not the goal of Small Business Development Centers to crush a person’s dreams of owning his or her own business, all SBDCs believe we have an obligation to help
clients understand all of risks and pitfalls that we see in certain projects; especially before a client leaves a current position that is providing a family sustainable wage and investing a major portion of his or her life’s savings on a business venture that does not appear to have the potential for long term success.

Sometimes, a request for the SBDC to help a company with drastic problems can come so late in the process that our assistance may be unable to prevent a business closure. And, sometimes, we receive requests from clients that due to certain circumstances (such as limited equity to invest in a project or a poor credit history) will find it difficult, if not impossible, to secure the debt funding needed for their project, from either the private or public sector.

While we operate in a challenging environment, the Saint Francis University Small Business Development Center is still having a positive impact in helping our clients start and grow their small businesses.

Over the past five years, our center has counseled more than 1,300 clients throughout the region. We have helped clients secure for more than $41 million in private sector, from over 250 different commitments for funding from the private sector and various economic development programs. This assistance with capital formation has helped our clients create and retain over 1,000 jobs during that same period.

Funding for the PASBDC program is provided by the U.S. Small Business Administration, Department of Community and Economic Development through PREP – the Partnership for Regional Economic Performance, and the host institution; in our case – Saint Francis University. However, this funding has been decreasing on the federal level (down 38% in over the past fours). On the state level, after a roughly 22% decrease in PREP funds; our allocation has remained at approximately $108,000 for the past four years. As such, our funding streams have decreased while our operating costs continue to increase.
This has resulted in reductions in both educational programs and staff. Currently, our center only has two full time consultants and an administrative assistant. Due to the administrative duties associated with operating as a center director, the amount of time I can spend counseling clients is limited. While the demand for services has remained somewhat steady, staff cutbacks mean that our SBDC has fewer hours available to spend with clients. Due to those staff cutbacks, the hours spent directly consulting with clients has decreased from over 3,700 hours three years ago to less than 2,900 counseling hours last year.

Client referrals for our services come from a variety of sources including elected officials such as yourselves, private sector lenders, past clients, other economic development organizations. It is not uncommon for the SBDC to work collaboratively with regional economic development organizations (like the Southern Alleghenies Planning and Development Commission) or local economic development organizations (like Johnstown Area Regional Industries) to provide assistance for some client or work in partnership to develop more comprehensive programs and plans.

Additional investments to core economic development services, to Small Business Development Centers and local economic development organizations can help provide additional services to existing businesses (both small and large) to help them grow here in Pennsylvania.

Representative Burns has requested this hearing to explore what can be done to increase economic development in the region. Based on our SBDC’s experiences in working with a number of small businesses in the region, we have heard firsthand comments and concerns expressed by small business owners and I want to share a few of the more frequent ones with you this morning.

Here a few comments our Small Business Development Center staff have heard from clients in our region.
One of the biggest concerns expressed by small business owners is the continued increase in regulations; at all levels of government.

Conscientious small business owners understand the need for certain regulations. Small business owners know that regulations pertaining to health and safety provide a level of protection for employees and consumers. However, business owners believe they are being subjected to a continuing level of increased regulation from federal, state, or local that are requiring additional capital investments to meet new regulations and additional staff time in order to meet new or increasing reporting requirements.

Business owners continually ask that potential new regulations include some type of cost – benefit type analysis to determine if additional regulations make fiscal sense, otherwise they become a type of unfunded mandate.

Before business owners make any type of investment decisions, they ask the question, “Is the financial benefit (either in terms of increased revenue or decreased operating costs) worth the investment?

Business owners suggest a periodic review of regulations to determine if they are out of date, no longer necessary, or in conflict with the regulations of some other agency.
Increasing the minimum wage

Although the federal minimum wage was last increased back in 2009, many smaller business owners are concerned that an increase in the current minimum wage, tied to the to rate the governor implemented for state workers under his jurisdiction of $10.15 per hour would be an increase that could jeopardize the long term operations. Several of the business owners have expressed their concern about this issue to the SBDC and how it would impact their operations.

At this level, businesses needing to increase from the current minimum wage to the referenced minimum wage rate would see their payroll costs for existing minimum wage employees increase by 40%. When factoring in the federally mandated social security and medi-care contributions, employers would see their overall payroll costs (wages and payroll taxes) increase by roughly $3.13 per hour. Several small business owners are concerned about how this increase in labor cost would impact business operations.

Since several of those businesses are already operating on thin margins, they do not know if they can absorb such an increase. Many small business owners have indicated they would weigh several factors including reducing staff hours or eliminating some positions while having either their spouses or themselves working any additional hours needed due to staff cutbacks.

Another concern is the Occupational licensing that increase costs and add barriers to entry.

In July of this year, Saint Francis University announced that Dr. Edward Timmons has been appointed director of the University’s new Center for the Study of Occupational Regulation (CSOR). Dr. Timmons is one of
the world's leading scholars on the effects of occupational regulation. His research has been published in various professional and trade journals.

Research in this field suggest that more than one in four workers (approximately 25%) in the United States is directly impacted by occupational regulation, a percentage that has grown from 5% in the 1950s. This is far higher than the percentage of workers receiving the minimum wage or the percentage of workers belonging to a union.

Last summer, the White House released a report documenting the costs and benefits of occupational licensing and suggested that state governments conduct a similar analysis of existing occupational regulation. The administration would like to establish a framework for licensing reform that encourages a thoughtful approach to licensing and results in a regulatory environment that better serves the public interest.

According to the Institute for Justice, no fewer than 44 of the 100 most common low- and moderate-income jobs in the state require licenses. On the whole, the average Pennsylvania license costs $176 and requires 113 days in education or training. Many basic jobs require more training than an emergency medical technician. These types of laws can vary from state to state and even city to city here in Pennsylvania. Overly burdensome or unnecessary occupational licensing act as barriers to entry in the job market and can deny individuals opportunities for further career advancement.

Oh behalf of the SBDC and our clients, I want to thank this committee for the opportunity to present this information. If any committee members have questions, I would be happy to discuss them at this time.
Remarks for Cambria County Economy Hearing

Old ideas need new structures and new ideas need old structures

Economic vitality is an old idea. It is attempted to be supported by a number of organizations within our community in ever evolving new structures.

I’m here today to talk about some simple new ideas that can support and be supported by old structures within our community.

In the next 30 years, we will need to rebuild the United States.

We will need to rethink our roads, highways, pipelines, power, and data. This part of western PA was used as a gateway to both build and settle the US.

This region can potentially be the innovation and production engine that rebuilds America in our own special right sized version of Silicon Valley right here in the Appalachian Plateau.

However bright that might be as a potential future, our area is at a critical inflection point.

The facts are:

We are shrinking as a city at our core.

Our county population is shrinking too.

Johnstown is the poorest city in the state.

Our once burgeoning defense business that replaced the once burgeoning steel industry is also in decline.

The defense market is changing, not necessarily just shrinking though. The model of yesterday is not the model of tomorrow.

There is a bright side. We have efforts like Lift Johnstown and Vision 2025. These efforts are new ideas that are being built atop old structures and old ideas being built atop new structures simultaneously.

We have a monthly entrepreneur meetup with over 170 people in it that are focused to help one another or others start business.
We also have the Entrepreneurial Alchemy group that is working on building capacity for new companies.

They are making a difference one day at a time.

Further, recent efforts by the county through the Department of Defense Office of Economic Adjustment have the ability to help us refocus the future of economic vitality in the region. This DoD OEA effort is light toward a new future.

These initiatives focus on finding our core strengths and combining proven old ingredients in new ways. They focus on exploring and defining our true value proposition.

We are large enough to have spare parts, and small enough to have the connectivity to put them together.

Still, we are stuck. A view that large single companies, like 1 company with 800 or 1000 employees, can solely support the economy, is a view from the past and not a way to look forward.

The future is about diversity and resiliency. The future is about growing the small and medium businesses. This will increase our odds for success by evolving existing business and not just focusing on attracting companies.

This future must come from a new view. It is a view of 100, 8 person companies that we need to look toward in this new view.

It is this small, diversity, that we can focus to grow. This diversity will lead to real resiliency in our economic future.

There are 3 ways to create jobs:

Bring new companies into the area: this is a hard battle every community is putting resources into across the state. Every community would welcome Google. Would Google put an office in every community?

Start new companies: this is what has been done in many vibrant economies of today like Silicon Valley, Austin and Boston. But the lead time is long and the ingredients required to do this are not always present.

And then there is a third way: Grow existing companies. Our area has many great and diverse companies. Can we use our own resources to grow them? I think so.
Interestingly enough our area has an amazing amount of intelligence that is needed by these companies.

We have outstanding business knowledge, engineering, marketing, science and more at the higher education institutions within our county.

Our universities put out thousands of highly talented and motivated students every semester as a talent pipeline.

The Johnstown region in particular has an abundance of talent being produced from higher education to add to this effort.

Over 5,000 students are enrolled in STEM programs across 4 institutions that produce over 1,000 STEM graduates.

Just looking at Computer Science and MIS, there are over 650 students in programs with more than 120 graduates annually in our backyard.

These students and faculty could help our area companies to be better, smarter, faster, and more competitive.

Yes this happens now. Companies hire interns. Professors consult for local companies. But we could do better by being deliberate and specific. We could combine our ingredients into a much better recipe.

Think about it, we could attach a “pod” of professors and students from multiple institutions from multiple disciplines.

This could make the difference in the knowledge, skill, or intelligence necessary for our local companies to get to the next level.

The barrier is low to this kind of development.

Likely, with very few exceptions our local employers would want to get bigger.

Our professors want to live in a better community and want to maintain their skills in their crafts.

And our students want real world experiences they can put on their resume to get a better job and have a better life.

We don’t need to ask permission from many to do this. We just need to light the way.
If we could help a number of businesses within the county that derive the majority of their revenue from OUTSIDE of the county we could make an impact.

Imagine that we could help them to understand emerging opportunity spaces, to make better things, and to sell better. What if we could connect them with new customers and markets?

We would create jobs using our own resources within our own community. We have the ingredients here. We just don’t bake this type of bread that often.

So, while I know that we want to attract big business here…and if we can we SHOULD.

But realize EVERY other community, and many with more assets and value than us are also trying to do this. It’s a tough landscape.

And while I believe that a focus on starting companies and enabling entrepreneurship is important, it has a long tail to true effect. And importantly, there will be more failures than successes. We can do this, but the crops won’t be ready to pick this season.

We should be looking ahead to a future where we enable our existing and diverse businesses to grow using the resources we have in our backyard.

Johnstown has talent, recreation, and many unique companies that cover areas like: powdered metals, galvanizing, metalworking of all kinds, electronics, plastics, software, UAVs, robotics, and more. Let’s help them all. Let’s get them access to customers and help them build new capabilities and let’s help them sell more.

Let’s enable them to use the talent here to get better so that that talent can stay here. Let’s use them to create jobs for themselves and their future selves.

The Johnstown region is a blank canvas. It is big enough to have spare parts that can be combined in new ways. It is small enough and just close enough to Pittsburgh to add value to the Pittsburgh renaissance.

Let’s make our area better using what we have here and people will be attracted to that. They will come here. They will stay because we have a great place and talent pipelines.

We need to continue to develop new ideas for old structures and find new structures for our old ideas.