



**TESTIMONY BEFORE
THE SENATE COMMUNICATIONS AND TECHNOLOGY COMMITTEE**

“THE STATE OF TECHNOLOGY IN PENNSYLVANIA”

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Presented by:
David F. Bonsick
President and CEO
Technology Council of Central Pennsylvania

Good Morning Chairman Vulakovich, Vice-Chair Vance, Minority Chairman Farnese and all of the members of the Communications and Technology Committee. On behalf of the nearly 225 members of TechQuest Pennsylvania, it is my distinct honor to appear before you today to offer some remarks regarding the state of Pennsylvania's technology industry and what we need to be thinking about as a Commonwealth to be able to harness the undoubted growth of this industry in the future.

TechQuest Pennsylvania is the Harrisburg-based trade association dedicated to growing and developing the Commonwealth's technology industry. As the only technology trade association with a statewide presence, TechQuest plays a vital role in advancing the innovation agenda of the Commonwealth while serving the needs of our diverse membership. Our proven track record has assisted thousands of technology companies and individuals grow and succeed here in Pennsylvania.

When you look at economies across the country and across the globe, the regions that are experiencing true growth are those that have been able to not only identify, but leverage the innovation resources they have available to them. According to 2010 data from the Milken Institute, an independent economic think tank, Pennsylvania ranked 14th out of the 50 states in terms of science and technology capabilities and the ability to convert such capabilities into companies and high-paying jobs.

A ranking of 14 in this study clearly indicates that we as a Commonwealth are doing some things right when it comes to advancing technology development. We are incredibly fortunate to have at our disposal world-class research institutions that bring in hundreds of millions of dollars each year in R&D funding; we have programs like the Ben Franklin Technology Partners and the three regional Life Science Greenhouses that provide critical early stage financing and business support to emerging companies; we have economic development incentives like the Keystone Innovation Zones and tax credits programs which help innovation companies manage through the early stages of their development; and, we have adequate amounts of risk capital available to assist companies move through the latter stages of growth. All of these resources and initiatives have assisted Pennsylvania in achieving a ranking in the top one-third of all states in this study.

However, the results of this study also hold some disturbing news for Pennsylvania. The Commonwealth's ranking actually dropped from number thirteen in the same study conducted in 2008. And, some of Pennsylvania's most fervent competitors for business investment -- New Jersey, Maryland, Delaware and Virginia-- are all ranked ahead of us, while our neighbor to the west, Ohio, is

gaining ground quickly. Thus, our good track record of recognizing the importance of an innovation economy and putting in place resources to grow and develop companies in this space, we can and should be doing more to not only retain, but increase our competitiveness in the critical areas of technology and science.

When you look at the really successful states in technology development, what they all have in common is an ecosystem dedicated to supporting and growing an innovation economy. From research and development funding, to technology transfer, to product commercialization, to venture capital funding, and workforce development, these states have put in place mechanisms that both allow companies to grow within their borders, as well as retain the necessary intellectual and human capital to support such companies in their latter stages of development.

What is it then that Pennsylvania should be doing to help increase its competitiveness on the national and even global stage? First, we need to continue to fund critical programs like the Ben Franklin Technology Partners and the Life Science Greenhouses.

The Ben Franklin program was one of the first of its kind in the country and has been a model after which many other states, and even countries, have structured their technology development programs. For every dollar invested into the Ben Franklin Technology Partners, the Commonwealth has garnered a payback of \$3.50 in additional state tax revenues. In the last five years alone, the program has helped support the creation of 196 new companies resulting in nearly 7,500 new high-paying jobs. And, over the course of its 30 year history, the program has boosted the state's economy by well over \$20 billion.

Similarly, the investments by the Life Science Greenhouses here in the Commonwealth have created nearly 700 new jobs, helped retain another 550 jobs and leveraged follow-on funding in excess of \$152 million. The life science industry in Pennsylvania is a source of many high quality jobs, with an estimated 79,000 employees working in the field at an average salary of over \$90,000. Pennsylvania already has what many parts of the world want, which is a robust life sciences industry and it is ours to lose if we don't continue to support the necessary parts of the ecosystem I mentioned earlier.

A critical component of our success as a Commonwealth going forward will be the availability of a highly-skilled workforce to support innovation companies through their lifecycle. As such, it is vitally important that Pennsylvania continue to look at additional ways to support science, technology, engineering and math, or STEM, programs to ensure that there is a proper funnel of students into these fields.

Unfortunately, what we are seeing from our member-companies is a shortfall in qualified employees because many of our college graduates simply don't believe that the opportunities in science and technology exist here in Pennsylvania. This misconception is especially prevalent here in the central Pennsylvania region. We cannot and will not be successful unless we can find ways to not only produce high-quality graduates, but retain them here and help them further develop in their chosen fields.

Another critical element to long-term success and sustainability is economic development programs that recognize the growth potential of companies over the whole of their development. With the exception of the aforementioned Ben Franklin Partners program and the Life Science Greenhouses, much of Pennsylvania's economic development funding is predicated on the creation of a certain number of jobs in a defined period of time. For technology companies, even modest job creation will likely not take place for several years, thereby effectively eliminating them from many of the Commonwealth's existing funding programs. Just as other states looked to the Ben Franklin program as a model 30 years ago, we need to be examining what other states are doing well in this area of economic development and attempt to replicate such here in Pennsylvania.

Finally, we need to make sure we are not just leveraging, but maximizing the incredible resources we have available to us here in the state. Penn State University, Carnegie Mellon University, Lehigh University, the University of Pennsylvania, the University of Pittsburgh and others are all producing cutting-edge technologies that we need to ensure stay and develop here in Pennsylvania. Geisinger Medical Center, Hershey Medical Center, Children's Hospital of Philadelphia and other leading health care facilities are developing technologies that are changing the future of patient care in this country. We need to ensure they also stay and develop here in Pennsylvania. We cannot overlook what is taking place right in front of us and the significant opportunities these technological advances hold for this Commonwealth.

I cannot emphasize enough how important it is to Pennsylvania's future economic stability for us to be a true competitor in the innovation economy. A recent economic development study by the Team Pennsylvania Foundation found that businesses with 500 or more employees headquartered in Pennsylvania shrank by 23.1 percent while their employment declined 26.7 percent. Conversely, the number of self-employed grew by 65.8 percent and businesses with between two and nine employees grew 46 percent in number and 22.7 percent in employment. These "high growth" businesses – many of which are technology and innovation

companies -- are quickly becoming the lifeblood of Pennsylvania's economy and, as the author of the Team PA Foundation study, Dr. Gary Kunkle, concluded:

“Everything good you want (in economic development) comes from these companies, but if we don't do a better job of helping them, then they will experience slower job growth, they will move out of the state or they will eventually die. This is the great threat to economic development in Pennsylvania.”

We have a fantastic opportunity ahead of us as a Commonwealth to harness our resources and make Pennsylvania a leader in technology and innovation growth and development. TechQuest Pennsylvania, our member-companies, and our partner organizations look forward to working with this Committee, the General Assembly as a whole, and the Governor's Office to identify ways for us to accomplish this goal together.

Thank you.