



Testimony of Jennifer Black
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Subcommittee on Rural Development, Agriculture, Trade, and Entrepreneurship

“SBA’s State Trade Expansion Program: The States’ Perspective”

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Chairwoman Finkenauer and Ranking Member Joyce, thank you for the opportunity to appear before you today.

My name is Jen Black; I serve as the Executive Director of Pennsylvania’s Export Development program.

Part of the Pennsylvania Department of Community and Economic Development, our office – the Office of International Business Development (OIBD) – administers two internationally-focused economic development programs: foreign direct investment (FDI) promotion and export development.

As the Executive Director for Export Development, I lead a team of international trade consultants committed to providing Pennsylvania companies with the programs, services and resources they need to be successful in the international marketplace.

I will begin by presenting a few statistics that highlight the importance of international trade – and exporting in particular – to Pennsylvania’s economy, followed by an overview of Pennsylvania’s Export Development Program and the “export eco-system” of service providers we work with to support our small businesses.

I hope this background will provide some context for further discussion on how we have leveraged STEP funds to benefit small businesses across our commonwealth and ways we believe the STEP program can be improved to help all of us build upon the successes we have already achieved together.

As we know, international trade – both imports and exports – plays a key role in creating and supporting good-paying jobs in the United States. In Pennsylvania, international trade is estimated to support 1.52 million jobs. That's more than 1 in 5 Pennsylvania jobs. From 1992 to 2017, Pennsylvania's trade-related employment grew 6 times faster than total employment.

Exporting alone supports more than 176,000 in Pennsylvania.

In 2018, goods exports from Pennsylvania were valued at over \$41 billion, placing Pennsylvania 10th among U.S. States by value.

Pennsylvania is home to a significant number of large manufacturers and multinational firms, but it is important to note that 89% of all Pennsylvania exporters are small- and medium-sized firms (SMEs) with fewer than 500 employees.

It is in support of SMEs where our export assistance program and those of our federal partners play a critical role.

Pennsylvania's Export Development program is designed to help our companies – primarily SMEs – develop and successfully execute their international marketing and sales objectives.

We administer this program in partnership with our Regional Export Network (REN), 10 economic development agencies across Pennsylvania that serve as local points of contact for businesses in their communities. Each REN office is staffed with experienced international trade specialists who have the knowledge and training necessary to provide a wide range of counseling and technical assistance to clients across industries.

We also maintain service contracts with fifteen (15) independent consultancies worldwide to serve as Pennsylvania's authorized trade representatives. Covering 51 countries, these representatives provide business matchmaking services, arrange business meetings and coordinate schedules for clients traveling to the market, conduct background checks on potential partners, among other services.

Our capacity to deliver meaningful export assistance is reflected in our results. Last year (FY 17), we worked with 1,009 companies, the majority of which are SMEs. When asked to quantify outcomes following assistance they received through our program, clients reported over \$810 million in export sales. These sales figures illustrate the significant investment of time and money our clients make in developing international markets for their products and services.

Using economic modeling, we estimate these sales helped to support 6,354 jobs in Pennsylvania and generate \$45.8 million in state and local tax revenue.

In addition to our program, companies in Pennsylvania have access to an extensive "export eco-system" of service providers in Pennsylvania, including SBA district offices and resource

partners, 18 Small Business Development Centers (SBDCs) and 2 U.S. Commercial Service offices (Philadelphia and Pittsburgh).

Together, we offer a wide variety of complementary programs, services and resources that benefit new exporters and experienced exporters alike, as outlined in our Federal-State Annual Plan.

The STEP grant is an important component and asset to our shared mission.

Pennsylvania has applied for STEP funding every year. We were selected to receive STEP awards in Years 1 – 4 and again in Year 6 (\$585,000) and Year 7 (\$500,000.)

In the past two funding rounds, our STEP awards were less than what we applied for, so we scaled down our project plans and removed a number of proposed activities, including programs we designed in partnership with our federal colleagues.

We opted to utilize nearly all of our STEP funds to support our Global Access Program (GAP), a financial assistance plan that offsets a portion of the costs SMEs incur as they pursue international business opportunities. GAP provides up to \$5,000 (per award period) to qualifying companies to reimburse 75% of eligible expenses associated with specific export promotion activities.

GAP grant awardees are determined by a competitive process. Applications are reviewed by committee and funding decisions rendered on a first come, first-served basis.

GAP is designed to be flexible and permit the innovative use of funds. Companies are encouraged to apply for allowable activities that meet their specific business objectives and financial need. We do not prescribe which specific trade missions or trade shows are eligible activities under GAP, for example. The result is a dynamic program that allows companies to leverage GAP funds to their own best advantage.

Companies used GAP funds to participate in trade shows, trade missions and business trips, and to purchase specialized U.S. Commercial Service services such as Gold Key Service.

The program is very well-received by Pennsylvania's business community. Last year, 168 companies participated in the GAP program.

Of these, 23 were new-to-exporting, including Bella Lucia, a producer of gluten-free pizzelles located in Altoona, PA. Bella Lucia utilized GAP funds to exhibit at the Summer Fancy Food Show held in New York City last June. During that show, they took orders directly from retailers – something that rarely happens – and met with key contacts from Canada interested in their cookie line. Bella Lucia are headed back to New York City at the end of this month for the 2019 show to exhibit again and build on those connections.

Experienced exporters also benefit by using GAP funds to explore new market opportunities. One example is J&J Truck Bodies and Trailers, a division of Somerset Welding & Steel located in Somerset, PA. In early 2018, they utilized GAP funds for a U.S. Commercial Service Gold Key and travel to Ghana. While there, they signed with a representative to introduce their product line in Ghana, a long-time goal of the company.

There are many other examples of companies like these – companies from across Pennsylvania and from a wide cross-section of industries – that have leveraged GAP funds to help build their international business.

We are confident the investment of federal funds in support of these companies is making a positive impact and will continue to yield returns.

That said, one of our primary concerns remains the complexity of the STEP reporting requirements.

Even for a larger state program like ours – with an experienced team working on the STEP grant and a comprehensive performance metrics and reporting system already in place – keeping up with STEP reporting is a challenge. Despite entering most of our STEP data into our in-house database as we receive inputs from clients, our staff invests a significant amount of time compiling and consolidating data and running calculations manually in order to complete the STEP reports each quarter.

We understand the importance of accounting for how taxpayer dollars are spent on this program. I mentioned earlier the key performance indicators and economic models we use to do the same at the state-level.

But as we prepare for the eighth year of STEP, we encourage SBA to collaborate with states and the Committee to identify and define the most important data points and performance indicators needed to evaluate the effectiveness of the STEP program, and optimize the reports to capture and compile that data more efficiently.

Reducing the administrative burden – on clients, on states and on SBA staff – will also enhance our ability to leverage additional STEP funds in support of more small business exporters. We strongly support increased funding for the STEP program to \$50 million.

In combination, we believe these improvements will help all of us achieve our shared objective of providing high-quality resources, services and programs to help our small businesses succeed in the global marketplace.

Thank you and the Committee for your leadership and ongoing support of the STEP program, and for the opportunity to share our state's perspective.

I look forward to your questions.