

**Testimony before the Pennsylvania House Commerce Committee
In support of
House Bill 1616 Benefit Corporation Legislation**

**Presented by
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February 13, 2012

Chairman Hess, and Members of the House Commerce Committee, my name is RoseAnn Rosenthal, and I am President and CEO of the Ben Franklin Technology Partners of Southeastern Pennsylvania. Thank you for the opportunity to address you today and for your interest in new concepts that can help strengthen our Commonwealth.

For almost thirty years, the Commonwealth's four Ben Franklin Technology Partners have served their state-directed mission to

“...invest in the transformation of the Pennsylvania economy through technology, innovation, and strategic partnerships that foster a favorable business environment for high-growth companies.”

Over the years, the Ben Franklin Technology Partners have fulfilled this mission. The Pennsylvania Economy League, a nonpartisan research organization, conducted an independent, objective evaluation of the economic impact of Ben Franklin Technology Partners in Pennsylvania from 2002 through 2006. It found:

- That BFTP boosted the Pennsylvania economy (Gross State Product) by \$9.3 billion, or \$8.7 billion after adjusting for inflation;
 - That the Commonwealth received more than \$517 million in additional state tax revenues as a direct result of BFTP. This represents a 3.5-to-1 payback to the Commonwealth on its investment during the same period;
 - That BFTP clients employed five more people on average in each year following funding than they would have in the absence of BFTP investment;
- and,

- That those jobs are in industries that pay 33 percent more than the average non-farm salary in Pennsylvania.

In Southeastern Pennsylvania, since 2001, we have committed more than **\$55 million to over 450 early stage companies** which have created or retained over **3000 high-tech jobs**. Those clients have raised over **\$1 billion in follow-on investment**. In just the past five years, our work with university partnerships has helped to secure **over \$550 million** of federal funding for our region in research to commercialization initiatives that will provide the platform for new company formation and enable existing enterprises to evolve their products and services as a result of new discoveries.

When the Partnership was formed in 1982, the imperative to diversify our economy and to catalyze the formation of new enterprises and the rebirth of existing ones that could be competitive and succeed in a global market was driven by an economy in turmoil, one that was witnessing the demise of long-standing industries, even as the beginnings of new ones were visible.

This “creative destruction,” while on-going, is happening now at a pace that is much faster than we experienced thirty years ago. The Commonwealth’s consistent support of the Ben Franklin Technology Partners has helped ensure that we have the tools to offer agile and market-driven assistance to emerging enterprises as the nation’s financial and technology landscapes change and the competition for talent and investment become more and more acute.

However, funding for the Partnership has been reduced in recent years, a result of state budget deficits. The impact to the network and to the companies it is able to seed and service is real and measurable. Fewer dollars means fewer new enterprises, fewer new jobs and fewer tax revenues...creating a downward economic spiral. In Southeastern Pennsylvania, the PriceWaterhouseCoopers and the National Venture Capital Association Moneytree report for the 4th quarter of 2011 indicated that our organization invested in fully 61% of all the seed capital deals reported in the region. This is both good news and

bad...good that we were able to support these enterprises, bad in that there is such a shortage of private seed capital.

Just last week, the Kauffman Institute released its “State of Entrepreneurship Address.” That report speaks to the “downturn in entrepreneurship” over the past few years and the declining jobs being created by startup companies. The reports addresses the impact of this trend on society, noting that “...because major technological advances are disproportionately commercialized by new firms, the slowdown also portends slower growth in living standards.”

While it is important that we work together to find ways to restore adequate funding to enable the Ben Franklin Technology Partners to remain the widely replicated national and international model it has become, we also need to find ways to encourage the private sector and foundations to engage with us in new ways to build and strengthen our communities.

In an article entitled “Creating Shared Value” by Michael Porter and Mark R. Kramer, published by the Harvard Business Review in January-February 2011, the authors explain “shared value” as “...*policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.*” They discuss the emergence of hybrid enterprises around the country and their role in enabling local business cluster development; and the authors address the role of government in encouraging companies to pursue shared value.

The proposed “B” Corp legislation is an example of government action in support of a form of hybrid enterprise that advances the concepts of shared value. The legislation proposed for consideration here in Pennsylvania is particularly innovative. We support an amendment which would, in the definition of “specific public benefit,” **recognize initiatives and partnerships that increase access to capital for emerging and growing technology enterprises, facilitate the transfer and adoption of new technologies, and provide technical**

and business support to these enterprises. While the provision, in and of itself, is no guarantee that more resources will flow to these important growth strategies, it does send a welcome message and encourages newly organized “B” corporations to consider measures that support technology-based growth in their strategies.

The challenges facing all of us require that we find new and creative ways to bring a wider array of resources and mechanisms to the tasks at hand. B Corporations can be a first step in fostering a closer alliance between and among private and public partners on behalf of our Commonwealth and in creating that “shared value” for all of our communities.

Thank you.