Fact Sheet
Report on a Sunset Audit of the Ben Franklin/IRC Partnership

The Ben Franklin/IRC Partnership program is the single largest economic development program of the Department of Community and Economic Development. The FY 1999-00 allocation of $37.4 million went to four regional Ben Franklin Technology Centers ($26.5 million) and seven Industrial Resource Centers ($9.2 million).

Findings:

A. The Ben Franklin/IRC Partnership program appears to be fulfilling its statutory mission to promote the competitiveness of small and mid-size companies through technology development, modernization, and training programs.

Ben Franklin Technology Centers: During the 3-year period from FY95-96 through FY97-98, the centers reported creating 4,463 jobs, retaining 6,988 jobs, commercializing over 300 new products, implementing 150 new processes, and receiving $6.4 million in royalties. A consultant's report found that, on average, BFTC clients employed five more people in each year following funding than they would have in the absence of BFTC investments. The study also found that every public dollar invested in the BFTC program yielded almost $14 of additional income in the state. We found that employment at companies receiving BFTC funding in FY96-97 increased while employment at control group firms actually decreased. Wage growth increased by 24 percent for the BFTC firms compared to a 41 percent increase in wages for our control group. Ninety-eight percent of our questionnaire respondents believe the BFTC/IRC Partnership program should be continued.

Industrial Resource Centers: In 1997 companies receiving IRC services reported their IRC engagements accounted for nearly $49 million in sales increases, nearly $6 million in cost savings, and $2.8 million in inventory reductions. IRC customers also reported 415 net jobs created and 604 jobs retained. A consultant report found that IRC clients, on average, increased labor productivity by 3.6 to 5.0 percentage points per year more than had they not received assistance, and that the IRC program increased Pennsylvania's gross state product by roughly $2.0 billion between 1988 and 1997. Officials at the National Institute of Science and Technology told us that they believe PA's IRCs are among their best MEP performers in the nation.

B. The Ben Franklin/IRC Partnership Board needs to more clearly define several key program policies and priorities, including: the role of the program in the Commonwealth's overall technology strategy; allocations to the BFTCs and IRCs; project selection; BFTC royalties and paybacks; the role of the BFTCs in the PA Technology Investment Authority; IRC repeat engagements; and use of in-house versus third-party consultants.

C. DCED has taken steps to improve its contracting and monitoring process, however it has often been three or more months late in finalizing its contracts with the centers. We also found: BFTC and IRC project files are well maintained; there is little consistency in how the centers report administrative costs; travel policies vary from center to center, but are reasonable; and conflict of interest policies appear reasonable.

D. Coordination between BFTCs, IRCs, and other Commonwealth economic organizations is generally good.

E. Several provisions of the Ben Franklin/IRC Partnership Act should be reconsidered (see recommendations below).

F. On an inflation-adjusted basis, state funding for BFTCs and IRCs has declined 1.7 percent since FY95-96.

Recommendations:

1. The Department work with the Ben Franklin/IRC Partnership Board and others to develop a technology strategic plan.
2. The Partnership Board develop written guidelines for allocating funds to the various centers.
3. The Partnership Board reconsider the program's performance measures and goals.
4. The BFTCs document the criteria used when deciding which companies to invite to submit proposals.
5. The Partnership Board review BFTC payback policies.
6. The Partnership Board clarify the role of the BFTCs in relation to the Pennsylvania Technology Investment Authority.
7. The Partnership Board consider limiting the number and duration of IRC repeat engagements.
8. The Partnership Board consider placing upper and lower limits on the use of third-party consultants by the IRCs.
9. The BFTCs and IRCs be permitted to spend monies encumbered in one fiscal year in the subsequent fiscal year.
10. The Department submit a formal response to the Auditor General's report of March 1999.
11. The Department require BFTCs and IRCs to report administrative and project costs in a consistent manner.
12. The Department require BFTCs and IRCs to establish maximum meal and lodging limits.
13. The Partnership Board give guidance to the BFTCs/IRCs regarding participation in local Workforce Investment Boards.
14. The General Assembly consider the following statutory changes in reauthorizing the program: terminate the Advisory Board; eliminate the MILRITE Chairman as a member of the state Board; allow greater flexibility for representation from the education sector to the state Board; delete the requirement for regulations; reconsider the requirement that Board members be physically present to establish a quorum; allow IRCs to work with firms providing support service; and require that companies receiving BFTC assistance maintain a significant presence in Pennsylvania.