

Politics and Economics

Defense contracts create fewer good jobs

by Suzan Erem

Centre County is home to 118 defense contractors that have accounted for almost \$1.2 billion dollars of federal monies brought back into the community from 2000 to 2008, according to data tracked by the Federal Procurement Data System, a U.S. government Web site that monitors 12 million federal contracts in real time.

But many local contractors are a far cry from Blackwater operatives shooting Iraqis in the middle of a war zone. One is a caterer; another a mechanical bull manufacturer and even a municipal garbage hauler makes the list.

Penn State University won the bulk of defense contracts, to the tune of \$1.06 billion over that time, according to Government Contracts Won, a company that aggregates defense contract data and makes it searchable. The university won its contracts listing itself under a variety of categories including "minority institution," "other educational institution," "other small business operating in the United States," "small disadvantaged business," "other non-

profit institution" and "large business operating in the United States." No Penn State administrators, including those in the Office of Sponsored Programs in charge of such grants, would make themselves available for an interview. The only information Voices could obtain from the university was funneled through Penn State's Office of Public Information, whose staff was unfamiliar with specifics of the grants.

Other local contractors are a mix of household names and obscure acronyms. Minitab doesn't even make the top 10 and Raytheon itself is closer to the bottom 10 though Raytheon's subsidiary, HRB Systems, Inc., listed separately, brought in \$20 million over the past eight years. HRB, like many of the high tech contractors, was founded by a former Penn State researcher.

Other top defense contractors include TRS Ceramics Inc. and RLW Inc. Combined, the two companies won more than \$30 million in defense contracts in the last eight years.

TRS Ceramics received nearly \$16 million making it the third largest defense contractor in Centre County. The company,

Centre County's Top Defense Contractors

Contractor Name	Contract Amount
Pennsylvania State University System	1,060,394,338
HRB Systems, Inc.	20,337,589
TRS Ceramics Incorporated	15,678,358
RLW Incorporated	15,053,252
Remcom, Inc.	11,376,933
Valley Technologies, Inc.	10,855,378
Technology Decisions And Solutions, Inc.	10,685,338
Grauch Enterprises, Inc.	7,386,265
FBS Incorporated	3,985,321

founded by Penn State professor Tom Shrout, manufactures material for acoustic and vibration sensing devices, "creating the soundwave in an MRI so the doctors can see the image," President Wes Hackenberger told Voices. But the technology is also used for navy sonar and a wide range of other applications, primarily in medicine, the mil-

itary and industry.

Eleven of the 118 contractors claim to be women-owned businesses. Two boast that they are officially certified by third-party organizations. A number are small business-

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Locals launch single-payer healthcare effort

by Nadin Naumann

The healthcare reform fight has found a new base in Centre County as a group of local residents organized in August to push for statewide single-payer healthcare legislation, an option considered more radical than any being considered in Washington D.C.

In the past few months, the group, which calls itself Citizens for Healthcare Reform, has held open meetings and rallies around the county to gain support for a plan it says is the answer to the country's healthcare woes.

"Our current system is broken," Halfmoon Township resident Brenda Black told Voices. "We can't keep it or else it'll impair our nation."

Black explained that since she became involved she hasn't heard one good reason

why single-payer insurance is not the way to go.

"Centre County has a growing number of voters who really care about our connections on Earth," said Black. "It may not really be Happy Valley for everyone but there are a lot of us here who are willing to try to live our values which include better lives for ourselves and others."

Single-payer advocates say that it is the only proven system of all being proposed, that every industrialized nation has some form of single-payer and that it has worked more cheaply and provided more services to more Americans in the form of Medicare, Medicaid and Veterans Administration benefits than any other system.

Current legislation pending in Harrisburg would tax individuals 3 percent of their income (compared to the average 8

"Our current system is broken; We can't keep it or else it will impair our nation."

--Brenda Black

percent they now spend on healthcare) and employers 10 percent (compared to the 30 to 35 percent they now spend) to fund the program. No one would carry insurance or pay premiums or co-pays anymore and all Pennsylvanians would be covered.

The local group's most visible event was a Sept. 24 public meeting held in the State College Borough Council Chambers that drew more than 100 people and is being rebroadcast on C-NET this month. The moderator of the event was Chris Calkins, director of Outreach Health Initiatives at

Penn State and the panel included Ron Fisher, a practicing psychiatrist from Huntingdon, Chuck Pennacchio, the leader of the statewide Healthcare for All Pa., Sajay Samuel, a Penn State economist and Jon Eich chair of the Centre County Board of Commissioners who all took questions from the audience, which appeared overwhelmingly lopsided in support of reform.

The event was met with resistance from

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some borough council members and county commissioners because of what some called an imbalanced discussion. While the event was open to the public, the panel discussion only covered single-payer and not all healthcare reform options. Eventually, Halfmoon Township supervisors voted to sponsor the event so it could be aired on C-NET and therefore held in the council chambers.

The group is also organizing an Oct. 20 rally in Harrisburg. Members of Healthcare for All PA and government officials will be joining local supporters at the rally which will include visits to legislators, according to a flier distributed at the Sept. 24 event.

But the new group is not without its detractors who believe single-payer is just another example of the government sticking its nose where it does not belong.

"The Obama administration seems bent on socialization at the expense of a real dialogue that preserves Americans ability to choose their service providers," Bellefonte resident Kathleen McCue said.

Some opponents of single-payer legislation or anything close, such as the "public option in the recent national debate, call it "socialist." Centre County Republican Party Chairwoman Jennifer Myers echoed this sentiment.

"Mainly, the government doesn't have any business running healthcare," she told Voices. "If the government wants to get involved, do something about the 20 percent of people that need it instead of ruining what people have."



photo by Doug Adler
A member of Citizens for Health Care Reform flashes her sign during a Sept. 2 protest on North Atherton Street. The group is organizing for a rally this month in Harrisburg.

But cries of "socialism" are what tell single-payer supporters that the opposition is missing the point.

Karl Mierzejewski, another member of CFHR, related a story of a town hall meeting he attended where an irate reform protestor yelled, "Get government hands off my Medicare," an absurd statement to Mierzejewski, who pointed out that Medicare is a government program.

According to Princeton University health economist Uwe E. Reinhardt, Medicare represents "forms of 'social insurance' coupled with a largely private health-care delivery system" instead of "socialized medicine." He described the Veterans Administration healthcare system as a pure form of socialized medicine because it is "owned, operated and financed by government."

Mierzejewski, 57, is self-employed and said he was denied healthcare by Geisinger.

"I'm concerned because I'm getting old and I've got issues. Everyone should be covered. People shouldn't be rejected for pre-existing conditions," he said.

The United States ranks 37th on a 2000 World Health Organization worldwide comparison of healthcare systems. Every country above the United States on the list provides some form of universal healthcare to its citizens.

"Take into account that the United States spends the most money per person on healthcare than any of the countries on the list," said Jay Searles, another member of CFHR.

Searles' employer does not offer a health insurance plan, which forced him to seek private coverage on his own. This was not

an attractive option for Searles, who got quotes from private companies telling him he'd have to foot a \$250 per month bill just to get something "good."

"And that's only because I'm in good shape," Searle said.

Local residents who oppose single-payer also oppose what they term "Obama's plan" at the national level.

"The cost is prohibitive for the nation to take on this additional debt," McCue said. "The government has not proven that it can run anything efficiently." McCue pointed to the V.A. hospital system as an example of how the government falters in terms of quality, referring to a Washington Post report unveiling the conditions soldiers returning from Iraq were living in at Walter Reed hospital.

"They were sleeping in rooms with cockroaches, cheap mattresses and torn up walls," said McCue. "Why does the Obama administration think that the government can do a better job than the private sector?"

At the statewide level, though, the debate is on more specific economic terms. Black argued that a government-administered program is more efficient. The insurance industry applies about 30 percent of premiums to profit, CEO salaries, lobbying expenses, paperwork and processing, she said. That means that 70 percent or less of premiums pay for healthcare. Medicare's overhead cost, by comparison, is 3 percent.

"We would be getting a much bigger bang for our buck with single-payer legislation than what we have been receiving from the private sector," she said. "Perhaps we could move up from the WHO's ranking of 37th, just below Costa Rica."

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Addison Court residents organize over false fire drills

by Scott Weybright
and Suzan Erem

False fire alarms that caused disabled residents to hurl their canes and wheelchairs down the stairwells, according to two people, has caused Addison Court residents in downtown State College to organize a fire safety committee.

"There were people throwing their canes and walkers down the stairs," said long-time resident Carol Ames. "It was mass confusion."

"Literal panic and hysterical weeping resulted," Ames and resident Joel Solkoff wrote in a Sept. 17 letter to Alpha Fire Company, Calibre, the building manager and the Centre County Code Administration office. "General confusion was apparent. Wheelchairs were thrown down stairwells out of concerns that residents at higher

floors might not be able to ambulate once out of the building."

Addison Court is designated for low-income elderly and people with disabilities, but the aging building is eight stories tall, causing evacuation problems when a fire alarm goes off.

Fed up with the recent string of false alarms, and the lack of literature available detailing a proper evacuation procedure, Ames and Solkoff took matters into their own hands.

Solkoff contacted the Alpha Fire Company and the Centre Region Council of Government's Code Administration Office and found that Addison Court was not adhering to the proper evacuation procedure for its fire drills, he said.

Tom Knisely, a senior inspector at the Code Office, told Voices that the high rise, which has 89 separate apartments, has

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"Just because we are disabled and old does not mean we are dead -- yet. It is frustrating waiting for your bureaucracy to realize that death and injury are serious problems."

--Resident Joel Solkoff

"defend in place" status for some apartments, meaning that during a fire those residents should stay put until the fire department arrives to help the residents evacuate room-by-room.

Every apartment has multiple sprinklers and the fire-proof doors are designed to self-close, which are essential for making "defend in place" possible, Knisely said.

But according to residents, that method of evacuation is not being used. During the recent false fire alarms, including two that rang out Aug. 24 at 1:30 a.m. and 3:30 a.m., the building's elderly residents were forced to evacuate using standard procedures.

More than three weeks after contacting authorities, the residents had still not received a response, or new evacuation procedures, though the alarm system appeared to have been repaired successfully. So Solkoff and Ames went higher.

"We, at Addison Court, having experienced the panic that comes from not knowing what to do when the fire alarm goes off, need help and training from you and others charged with protecting our disabled resi-

dents and those 70, 80, and 90 years old," the two wrote in a Sept. 24 e-mail to Walt Schneider, agency director of the Centre Region Council of Government Code Administration office. "Just because we are disabled and old does not mean that we are dead—yet...It is frustrating waiting for your bureaucracy to realize that death and injury are serious problems requiring your coming to Addison Court and helping us out."

In response to the letter, Knisely attended the fire safety committee's first meeting later that same day to discuss residents' concerns and explain their rights.

Residents walked away from the meeting believing their building is no different than any other under the law and are planning to address the borough council on the matter, Solkoff said.

At the meeting, Calibre Residential, the apartment manager, also handed out a new evacuation plan, but Solkoff said the plan involves climbing stairs to get outside. Solkoff, who uses a mechanized scooter, can't climb stairs.

The company's procedure, attained by Voices, details what ambulatory and non-ambulatory residents should do in case of a fire drill and promises regular training of residents and better communication with the fire department.

In the meantime, more residents have stepped up to join the committee and serve as fire marshals. Their duties include directing firefighters to the apartments where residents with disabilities are so they can reach them more quickly.

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For more information, contact Ieva at
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es. But FBS Inc., which ranks eleventh with \$3.9 million in contracts, lists only men for its top five officers, two of those being the primary authors of the company's research publications. A person answering the phone at FBS referred a caller to the Web site as the best source of information about the company. Yet a woman-owned business is defined as "at least 51% owned by [one or more] women, and management and daily business operations controlled by [one or more] women," according to the Office of Small Business Programs of the Department of Defense. FBS did not respond to requests for interviews.

Two of the top 10 companies list themselves as "small disadvantaged businesses" – Valley Technologies and Technology Decisions and Solutions. Each received more than \$10 million in defense contracts alone from 2000 to 2008. By the Department of Defense's definition, these are "small business, unconditionally owned & controlled by [one or more] 1 socially & economically disadvantaged individuals who are of good character & citizens of the U.S., AND SBA-certified."

But businesses located in Historically Underutilized Business Zones, or HUB Zones, also qualify and that's where Valley Technologies comes in. Valley's corporate office is in Tamaqua, Pa., and the entire county of Schuylkill, where Tamaqua is located, is a designated HUB Zone.

"You have to actually transplant in a lot of ways, or link, the non-technological areas like us to areas like State College,"

explained Valley Technology President Jerry Petrole. "Tamaqua is kind of like a partner with State College." Petrole said he built his high tech business on the same land his father, a high school drop-out, ran a successful drive-in movie theater for many years.

The majority of companies are software engineering or small manufacturing firms but the list also includes a window tinting company, a real estate appraiser, caterers and hotels, architects, software publishers and retailers, canvas and heavy metal manufacturers, a flight trainer and a waste management firm among others. One unusual contractor is Mechanical Bull Sales, Inc. where the Department of Defense spent \$20,000 in 2007 and \$14,000 in 2008.

"They train [soldiers] on mechanical bulls for strength and balance," explained Mechanical Bull Sales Owner Gracienne Myers. "They make them work hard even when they think they're having fun," she said, chuckling. Myers, who owns three businesses including a shoe store in downtown State College, said her mechanical bull sales are up 300 percent since last year, and it's the one business that hasn't been hurt by the recession. She said she employs 15 people locally to manufacture mechanical bulls that sell around the world.

Creating jobs?

Military spending in Centre County creates good jobs, and \$1 billion of it creates more than 8,555 of them averaging \$65,000 per year according to the Bureau of Economic Analysis, an agency of the U.S. Department of Commerce.

But a 2007 study published by the Institute for Policy Studies shows that \$1

billion applied to other, non-military sectors of the economy could actually produce more high paying jobs.

"We have shown that spending on personal consumption, health care, education, mass transit, and construction for home weatherization and infrastructure repair all create more jobs per \$1 billion in expenditures relative to military spending," conclude economist Robert Pollin and Ph.D. student Heidi Garrett-Peltier of the University of Massachusetts.

Their analysis showed that the same \$1 billion applied to health care would create almost 13,000 jobs that paid more than \$56,000 per year, or it could create almost 18,000 education jobs paying \$74,000 per year. The only option that would not produce more jobs or revenue than military would be personal consumption through tax cuts. While tax cuts would create almost 11,000 jobs, those jobs would pay significantly less resulting in 10 percent lower compensation in the total economy, the authors report.

The same amount of money can go further because these other sectors are more labor-intensive, such as education, or more of the wages from those jobs are spent in the United States.

"There's a lot of money getting spent in Afghanistan and Iraq right now," Pollin told Voices in an interview. Those are resources not creating jobs in the United States.

So why don't policymakers opt for domestic program spending?

"The real world story is, the government says, 'Here's the contract for the military – you don't want it? We'll go somewhere else,'" explained Pollin. "It's not as if you can choose. At the level where the action takes place it's that take-it-or-leave-it and that's why people take it."

The most recent figures show that while military spending creates 11 jobs per million, domestic spending creates 17, said Pollin. That translates into 11,000 jobs ver-

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sus 17,000 jobs that could have been created in Centre County from 2000 to 2008. Voices was unable to ascertain how many jobs were created by Penn State's receipt of more than \$1 billion in defense funds from 2000 to 2008, due to the limits of Pennsylvania open records laws. Penn State spokeswoman Annemarie Mountz said the university's Applied Research Laboratory employs between 1,100 and 1,200 people but those numbers were not independently verifiable, and defense research conducted in other areas of the university also creates jobs.

The university's total research expenditures came to \$700 million in 2008, according to Mountz. Of that, \$180 million were defense dollars, according to Department of Defense records, making defense account for 26 percent of the research budget. Based on Penn State economic impact figures, that

would account for estimated 4,500 jobs. Based on economist Robert Pollin's research, it would create 1,980 jobs.

Local private contractors were very open to discussing jobs.

Locally, TRS Ceramics, the third largest contractor bringing in nearly \$16 million over eight years, supported half of the 40 jobs at the company with defense contract income, explained TRS's Hackenberger.

"A scientist here can top out around \$100,000 per year, unless they're in management," Hackenberger said. "Our manufacturing is fairly highly skilled, so they make in the \$30,000 to \$35,000 range."

Valley Technology's State College office houses five engineers, company president Petrole said, with salaries ranging from \$50,000 to more than \$100,000 depending on experience and costing the company an estimated \$125,000 to \$150,000 with overhead. From 2000 to 2008 the company averaged a total of 15 employees supported by

the \$10.9 million in Navy and Air Force contracts it won, Petrole said. He added that while he hasn't seen a new contract since April, the software his company has developed with those resources is helping him market his products to commercial enterprises now and letting him retain his workforce.

Remcom, the area's sixth largest defense contractor, attributes a third of its 50 professional staff plus support staff to defense contracts, explained President Stephen Fast. Professional salaries range from \$45,000 to around \$125,000, Fast said. Remcom, which develops software used in the design of cell phones and other transmitters, received \$11.3 million from 2000 to 2008.

Pollin's research shows similar results at the national level.

"It is true that jobs generated by military spending tend to pay relatively well, which is part of the reason that fewer jobs are created per dollar of expenditure than through alternative spending targets," the authors write in their conclusion. But, they continue, \$1 billion spent for education generates more than twice the jobs at higher pay. Spending on health care, mass transit, and home weatherization/infrastructure creates more jobs than military spending, and ones that on average still pay more than military ones. Their threshold for "minimally decent income" is \$32,000 per year. Most jobs generated through a health care, mass transit or construction expansion pay more than that, most between \$32,000 and \$64,000.

Asked about the fact that military spending in Centre County would be money spent locally and not overseas, Pollin made an educated guess that the figures would

change from 11 jobs to 13 jobs created per million dollars, still much fewer than the 17 created by spending in other sectors.

But in fact, not all the research dollars flowing into Penn State, for example, are spent locally. While the vast majority of Penn State's 318 contracts for 2008 were performed locally, 21 of them were performed out of state, from Monterrey Calif. to Austin, Texas to Arlington, Va. Spokeswoman Mountz called these "research subcontractors" who offer a specific expertise.

Penn State lobbying machine

Penn State can be credited with much of the lobbying that brings defense funds to Centre County, particularly in the form of the defense authorization acts that come up each year in Congress.

From 2000 to 2008, Penn State lobbyists have included those acts and similar ones in their ongoing efforts on Capitol Hill. In 2000, Penn State spent \$120,000 on lobbying in part for "overall basic and applied research in DOD" and "Navy, Marine Corps and Army Research in particular," according to the 2000 lobbying report filed by Penn State Assistant to the President for Public Affairs Richard DiEugenio with the U.S. Senate Feb. 14, 2001. Reports also list lobbying for agricultural research and extension, energy research, student aid, medical teaching professions, transportation appropriations, veterans affairs, National Institutes of Health and National Science

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