

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES  
APPROPRIATIONS COMMITTEE HEARING  
BUDGET HEARING

STATE CAPITOL  
MAJORITY CAUCUS ROOM  
HARRISBURG, PENNSYLVANIA

MONDAY, FEBRUARY 25, 2008, 3:05 P.M.

VOLUME V OF V

PRESENTATION BY  
DEPARTMENT OF LABOR AND INDUSTRY

BEFORE:

HONORABLE DWIGHT EVANS, CHAIRMAN  
HONORABLE MARIO J. CIVERA, JR., CHAIRMAN  
HONORABLE STEPHEN E. BARRAR  
HONORABLE STEVEN W. CAPPELLI  
HONORABLE H. SCOTT CONKLIN  
HONORABLE CRAIG A. DALLY  
HONORABLE GORDON R. DENLINGER  
HONORABLE BRIAN ELLIS  
HONORABLE DAN B. FRANKEL  
HONORABLE JOHN T. GALLOWAY  
HONORABLE WILLIAM F. KELLER  
HONORABLE THADDEUS KIRKLAND  
HONORABLE BRYAN R. LENTZ  
HONORABLE TIM MAHONEY  
HONORABLE KATHY M. MANDERINO  
HONORABLE MICHAEL P. MCGEEHAN  
HONORABLE FRED MCILHATTAN  
HONORABLE DAVID R. MILLARD  
HONORABLE RON MILLER  
HONORABLE JOHN MYERS  
HONORABLE CHERELLE PARKER  
HONORABLE JOSEPH A. PETRARCA

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BEFORE: (cont'd.)  
HONORABLE SCOTT A. PETRI  
HONORABLE SEAN M. RAMALEY  
HONORABLE DAVE REED  
HONORABLE DOUGLAS G. REICHLEY  
HONORABLE DANTE SANTONI, JR.  
HONORABLE MARIO M. SCAVELLO  
HONORABLE JOSHUA D. SHAPIRO  
HONORABLE JOHN SIPTROTH  
HONORABLE MATTHEW SMITH  
HONORABLE KATIE TRUE  
HONORABLE GREGORY S. VITALI  
HONORABLE DON WALKO  
HONORABLE JAKE WHEATLEY, JR.

ALSO PRESENT:  
MIRIAM FOX  
EDWARD NOLAN

JEAN M. DAVIS, REPORTER  
NOTARY PUBLIC

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ACTING SECRETARY SANDI VITO

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1           CHAIRMAN EVANS: I would like to reconvene  
2 the House Appropriations Committee meeting.

3           We have the Acting Secretary of the  
4 Department of Labor and Industry. So can you  
5 introduce yourself for the record, as well as if you  
6 have anybody you want to introduce, and then I want  
7 to get right to the questions.

8           ACTING SECRETARY VITO: Okay. My name is  
9 Sandi Vito. I'm the Acting Secretary of the  
10 Department of Labor and Industry.

11           Behind me are the Deputy for Unemployment  
12 Compensation, Pat Beaty; the Deputy for  
13 Administration, Allen Cwalina; Deputy for Safety and  
14 Labor Law, Bobby O'Brien; Deputy for Unemployment  
15 Compensation, Liz Crum; and Executive Director of the  
16 Bureau of Occupational Rehabilitation, Bill Gannon.

17           CHAIRMAN EVANS: Okay.

18           And we are doing this as a joint hearing with  
19 my good friend -- he and I got elected together --  
20 Representative Bob Belfanti. Is Bob around? Where  
21 is he? Oh; there he is. I just wanted to make sure  
22 Bob was here.

23           Now, who is your counterpart on the  
24 Republican side?

25           REPRESENTATIVE BELFANTI: Representative

1 DiGirolamo, and he's not in today.

2 CHAIRMAN EVANS: Oh; DiGirolamo. Okay;  
3 DiGirolamo.

4 So this is a joint hearing with the Labor  
5 Relations Committee that we do this oversight in  
6 terms of the department, and I would like to start  
7 off with the first question.

8 The cost of doing business in Pennsylvania,  
9 can you specifically tell me ways that the Labor  
10 and Industry Department has found to make it less  
11 costly to do business in the Commonwealth of  
12 Pennsylvania?

13 ACTING SECRETARY VITO: Well, first, through  
14 the Governor's strategic sourcing initiative, we  
15 avoided \$20 million in costs since 2005, and as you  
16 know, that relates to bulk purchasing of supplies,  
17 equipment, et cetera.

18 In addition, we have engaged in a number of  
19 cost-saving mechanisms, things like eliminating cars  
20 for employees who do not drive significant distances,  
21 reviewing our use of wireless. So we can name over  
22 \$11 million in avoided costs just this year.

23 In addition, we have had some Federal cuts  
24 which have necessitated us to review programs such as  
25 workforce development, where we have actually had to

1 close CareerLinks because of the lower costs.

2 Last year, we received a 6.6-percent cut in  
3 our overall budget. You will see this year there's a  
4 4.4-percent increase, and that increase is largely  
5 attributable to an increase for OVR, without which we  
6 will not be able to draw down all of the Federal  
7 funds to which we are eligible.

8 So I can say confidently that we have cut  
9 costs wherever we could and are really operating at a  
10 barebones budget.

11 CHAIRMAN EVANS: How about UC taxes?

12 ACTING SECRETARY VITO: UC taxes. Actually,  
13 we have actually lowered the cost of doing business  
14 in Pennsylvania in two key areas.

15 UC taxes have gone down from 5 percent to 4.7  
16 percent for employers. In addition, employers on  
17 average will receive just over a 10-percent decrease  
18 in their workers' compensation premiums. So in fact,  
19 we have actually lowered the cost of doing business  
20 in Pennsylvania.

21 CHAIRMAN EVANS: The Republican Chairman of  
22 the House Appropriations Committee, Representative  
23 Mario Civera.

24 CHAIRMAN CIVERA: Thank you, Mr. Chairman.

25 I'd like to ask you about SWIF.

1           Based on the number of insurers in the State  
2 of Pennsylvania compared to -- because that's our  
3 last resort from the business community. If they go  
4 to SWIF for workers' compensation insurance, what  
5 would you say, right now, where does SWIF hold the  
6 insurance market?

7           ACTING SECRETARY VITO: It's about 13 to  
8 15 percent of the insurance market. The private  
9 insurers make up about 67 percent of the market,  
10 and then self-insured is about 22 percent of the  
11 market.

12           CHAIRMAN CIVERA: Okay. With the situation  
13 where people are trying to get workers' compensation  
14 insurance, has that market tended to go more with the  
15 State than it has been in the previous years, or is  
16 it basically staying the same?

17           ACTING SECRETARY VITO: It's relatively  
18 stable, although we have seen a gradual decline in  
19 the number of customers at SWIF over the last 3 to  
20 4 years.

21           CHAIRMAN CIVERA: Why is that? Because we  
22 haven't changed anything as far as the Pennsylvania  
23 laws dealing with the workers and all, so why would  
24 you see a decrease? Is the private market becoming  
25 more competitive, or---

1           ACTING SECRETARY VITO: I believe there has  
2 actually been an increase in private insurers coming  
3 in to do business in Pennsylvania, and there has been  
4 more coverage in the private market. So there's  
5 essentially an increase in the number of and percent  
6 of coverage by private insurers.

7           CHAIRMAN CIVERA: Okay.

8           The number of offices that cover SWIF in the  
9 State of Pennsylvania, how many do we have compared  
10 to like, I know we have one in Philadelphia, we have  
11 one in Harrisburg. I mean, is it a fair, equal---

12          ACTING SECRETARY VITO: We have full  
13 coverage, and to be honest, Representative, I cannot  
14 remember the exact number of offices, but I can get  
15 back to you with that. But we do have coverage  
16 across the Commonwealth.

17          CHAIRMAN CIVERA: And the fund itself, how is  
18 the fund dollar-wise doing as far as the SWIF fund  
19 that that money goes into?

20          ACTING SECRETARY VITO: The actuarial report  
21 shows that we have not a safely distributable  
22 surplus. However, we do have sufficient funds  
23 currently to cover our projected liabilities.

24          CHAIRMAN CIVERA: Okay. That's all.

25          Thank you, Mr. Chairman.



1           CHAIRMAN EVANS:  Chairman Robert Belfanti,  
2  Chairman of the Labor Relations Committee.

3           REPRESENTATIVE BELFANTI:  Thank you, Mr.  
4  Chairman.

5           The focus of my questions is concerning the  
6  rise in immigrants who are working illegally in the  
7  Commonwealth on various construction projects and the  
8  inability of us to do much about it until it's too  
9  late.

10          The Feds are very slow in reacting to  
11  complaints about this.  I know Secretary Schmerin did  
12  help conduct a raid in my district because of child  
13  labor being used.  But the department is pretty much  
14  limited to intervening only when you can prove there  
15  is a violation of the Child Labor Act.

16          Now, I'm not sure if there have been  
17  discussions at the top levels in L&I about how to  
18  more quickly enforce the work stoppages on commercial  
19  and industrial workplaces where people who cannot  
20  even speak English and certainly, you know, do not  
21  have papers, therefore, they are very likely not  
22  paying workers' compensation, they are not paying  
23  unemployment compensation, they are not paying their  
24  1-percent wage tax, and it's completely unfair to  
25  legitimate contractors to have people like this out

1 in the field. So that's part A of my question.  
2 I'll let you respond to that, and then I'll go to  
3 part B.

4 ACTING SECRETARY VITO: Well, our Bureau of  
5 Labor Law Compliance investigates all complaints, and  
6 sometimes those complaints involve either unfair wage  
7 practices and/or the hiring of illegal immigrants.

8 In those cases, they investigate them. If a  
9 company is found to be paying lower than minimum wage  
10 and/or not abiding by fair labor standards, they are  
11 cited.

12 In addition, I know on several occasions that  
13 bureau has sent information about the use of illegal  
14 immigrants to the Federal government and has actually  
15 cited employers for those violations.

16 But as you say, that bureau is complaint  
17 driven, so we only respond when we get the  
18 complaints.

19 REPRESENTATIVE BELFANTI: We have some  
20 legislation that is still in the ice-cream machine  
21 churning around. We are trying to get input from all  
22 the stakeholders, which would require a license for  
23 contractors -- nonresidential, so commercial and  
24 industrial contractors -- thereby if they have  
25 something to lose, they have to have a license in

1 their job trailer or in their headquarters on site,  
2 and if they don't, they are not allowed to work.  
3 They are not allowed to be on site.

4           So again, this has been a complicated ordeal,  
5 and I know that many of the Administrations have been  
6 against any new licensing laws, but it seems unusual  
7 to me that a barber needs to have a license, somebody  
8 who clips your toenails needs to have a license, but  
9 someone who is doing a \$15 million project doesn't  
10 need to be licensed.

11           And this is not a union or a nonunion issue.  
12 This is an issue where, if you are a legitimate  
13 employer and you are paying your taxes -- you are  
14 paying your unemployment and workers' compensation,  
15 your SSI, your wage tax -- you get a license.

16           Now, if the Bureau of Wage and Labor  
17 Standards or one of your other agencies goes to a job  
18 site and finds that there are 5 or 10 or 15 persons  
19 on the job site that would not meet the criteria for  
20 legal employees, that now we have a license to yank.  
21 Without that, they have nothing to lose.

22           It is just like, I guess, the local VFW or  
23 the Elks Club, even though they are great  
24 organizations, they apply for a liquor license, and  
25 if they are violating certain laws, that license can

1 be pulled or suspended for 10 or 15 days. And my  
2 question is, if we have the ability to yank a license  
3 for 60 days, first offense; a year, second offense;  
4 and three strikes and you're out, you can't work in  
5 the State, would that not be a great deterrent to the  
6 amount of illegal and unfair contracting, unfair to  
7 our contractors and our employees? Wouldn't that be  
8 something that the department would favor?

9           ACTING SECRETARY VITO: Well, currently we  
10 have the ability to bar contractors if they violate  
11 prevailing wage or other labor laws from seeking  
12 public projects.

13           I would need to look at the legislation and  
14 have our department look at the legislation  
15 regarding, you know, sort of preventing them from  
16 doing business in Pennsylvania. I'm not sure what  
17 the legal issues involved in that would be.

18           However, we are always happy to talk to you  
19 about proposed legislation.

20           REPRESENTATIVE BELFANTI: Thank you, Mr.  
21 Chairman.

22           CHAIRMAN EVANS: Representative Ron Miller.

23           REPRESENTATIVE MILLER: Thank you, Mr.  
24 Chairman.

25           My question goes to the Self-Employment

1 Assistance Program.

2           We have had some success with that in the  
3 workforce investment area of the State where I live,  
4 and I notice in this year's budget that the funding  
5 is totally cut for it. It was \$3 million in '06-07,  
6 and then it was \$500,000 last year. Is there no  
7 support for this program within the department? Why  
8 is it cut?

9           ACTING SECRETARY VITO: In the past, it has  
10 received significant legislative support.

11           When we look at the priorities -- as I'm sure  
12 everyone on this committee is all too familiar; we  
13 are living in a very constrained fiscal environment  
14 -- each year the Governor has to make decisions about  
15 his proposed budget.

16           When we look at the efficacy of programs,  
17 Self-Employment Assistance, while for many people it  
18 provides both supplemental income and the opportunity  
19 to build a successful small business, on average, the  
20 wages and the outcomes are not as good as some of the  
21 other programs.

22           So again, it was cut as part of the proposed  
23 budget. I would anticipate that the Legislature and  
24 the Governor's Office will be in a significant amount  
25 of negotiations, and the priorities will get worked

1 out through that process.

2           There is, however, as you note, demand for  
3 the Self-Employment Assistance Fund. It was not  
4 included in this year's proposed budget because of  
5 the outcomes.

6           REPRESENTATIVE MILLER: So we are debating  
7 whether the outcomes are sufficient for this program?  
8 Because we're seeing pretty good outcomes; that's why  
9 I'm wondering.

10           ACTING SECRETARY VITO: Well, what we have  
11 determined in terms of the objective measure of the  
12 outcome is that anecdotally, there are significant  
13 successes. However, when you look at the overall  
14 numbers, for many individuals who go through the  
15 program, they are not able, you know, to earn a  
16 family-sustaining wage through the small business  
17 that they set up.

18           So compared to other programs, the outcomes  
19 are not as good. Nonetheless, it's really up to the  
20 Legislature in its negotiations whether it restores  
21 those funds or not.

22           REPRESENTATIVE MILLER: Okay. Thank you.

23           Thank you, Mr. Chairman.

24           CHAIRMAN EVANS: Representative Kathy  
25 Manderino.

1           REPRESENTATIVE MANDERINO: Thank you.

2           Thank you, Madam Acting Secretary. I don't  
3 know the right way to say that.

4           Representative Miller basically asked my  
5 question; however, I would like some additional  
6 follow-up, and it is okay if you send it later in  
7 writing.

8           But I would like to be able to objectively  
9 review the data that you are saying the department  
10 has reviewed, because one of my questions was going  
11 to be -- I mean, I understand the whole, you know, we  
12 do this every year; the Governor views this as a  
13 legislative priority, et cetera, and my question was  
14 going to be, how does the department value it? And  
15 you have kind of told us that.

16           I would like to see the data as to outcomes  
17 and how it compares to other programs that are within  
18 the department's budget. I think that would be  
19 helpful.

20           ACTING SECRETARY VITO: I'm happy to provide  
21 that for you.

22           REPRESENTATIVE MANDERINO: Okay.

23           The second question. With regard to the line  
24 item for independent living, the centers for  
25 independent living, I mean, again, I know the same

1 kind of battle about legislative priority versus  
2 Administrative initiative, et cetera, but I would  
3 like the same kind of evaluation, either verbally or  
4 in writing, in terms of what you think the value of  
5 what it is we fund in that line item for centers for  
6 independent living are. Because again, from a  
7 legislative perspective, I think with both of those,  
8 many of us view them as very valuable, because we see  
9 how they affect our communities. If you have a  
10 different analysis that you are using, I would like  
11 to see that.

12           ACTING SECRETARY VITO: Well, on the centers  
13 for independent living, let me say that the success  
14 of those programs is undisputed. They provide  
15 crucial assistance for Pennsylvanians with  
16 disabilities in terms of leading independent,  
17 productive, you know, meaningful lives. So I think  
18 there's no dispute on the success of those programs  
19 whatsoever.

20           I think, as you know, the Governor's proposed  
21 budget proposes funding for the nine centers for  
22 independent living at the statutory minimum. Last  
23 year, the Legislature added another \$50,000 for each  
24 center for independent living.

25           Again, we understand that the budget is a



1 negotiated process, but let me be very clear that we  
2 are very supportive of the centers and very confident  
3 in the way that they spend that additional money.

4 REPRESENTATIVE MANDERINO: Great.

5 Thank you, Mr. Chairman.

6 CHAIRMAN EVANS: Representative Katie True.

7 REPRESENTATIVE TRUE: On that note, the  
8 centers for independent living and what  
9 Representative Manderino mentioned, if I may, I'm  
10 glad to hear that you don't dispute that and I was  
11 going to ask you if there was a problem, because I  
12 applaud you for your cost-cutting. So I was going to  
13 ask you, you know, if you felt there was a problem,  
14 and obviously you do not.

15 So I guess my comment would be, to my good  
16 friend, the Chairman, our majority chair of  
17 Appropriations, Representative Evans, if perhaps as  
18 we go down the path of negotiating this budget,  
19 perhaps you would be an advocate for all the members,  
20 because I think we all feel the same way, to stop or  
21 perhaps ask the Governor to not hold programs like  
22 this hostage.

23 I personally believe, and I'll say it  
24 publicly, that we do this with negotiating tools.  
25 There was no reason to make that cut. This is not a

1 personal thing to you; this is politics, and I would  
2 just ask ever so politely, Chairman Evans, if we  
3 could please argue about new programs, new funding,  
4 new borrowing, but let's be very responsible and  
5 return these centers to the level we should, and I  
6 would just politely ask that you would do that on  
7 all of our behalf, because I know you are concerned  
8 also.

9 Thank you, Mr. Chairman.

10 CHAIRMAN EVANS: Thank you.

11 Representative John Siptroth.

12 REPRESENTATIVE SIPTROTH: Thank you, Mr.  
13 Chairman, and just a comment regarding the two  
14 previous Representatives.

15 Regarding the centers for independent living,  
16 Northeast Pennsylvania certainly serves my district,  
17 and they have a terrific program there. And I would  
18 echo the sentiments of Representative True that we do  
19 not in any way, shape, or form cut that particular  
20 program and hope that you will support that when we  
21 get to the negotiation process, Madam Secretary.

22 I have one other very deep concern, the  
23 residential Uniform Construction Code. When the act  
24 was passed -- and this may be before your time, and  
25 maybe one of your Deputies can help you out -- but

1 municipalities were offered the option to use  
2 third-party inspectors. There seems to be a lack of  
3 consistency in the third-party inspectors.

4 Now, we have had an extremely high growth  
5 rate in Monroe County, where Representative Scavello  
6 and I both represent that district, and I hear  
7 complaints constantly from the developers that it  
8 seems like municipalities are imposing more  
9 restrictions than what the residential Uniform  
10 Construction Code calls for in a lot of instances,  
11 and there appears to be no consistency when a  
12 developer moves from one municipality to another.

13 So I would ask that your department try to  
14 look into that, and, you know, if we need to set up  
15 some new guidelines, then so be it. But the system  
16 isn't working entirely as it was designed to work  
17 when the law was passed.

18 ACTING SECRETARY VITO: A couple of comments.

19 The first comment is, there are statutory  
20 ways in which municipalities can adopt standards that  
21 would be above the UCC, and they have that right by  
22 statute at the present time. It is actually reviewed  
23 by L&I.

24 I think the most important comment I can make  
25 relative to your statement, Representative, is that

1 there's a piece of legislation sponsored by  
2 Representative Buxton which would create a Uniform  
3 Construction Code Advisory Board, and we are very  
4 much in support of that.

5 We need to issue new regulations when the  
6 International Construction Code is changed, so that  
7 should happen sometime in 2009. That advisory board,  
8 I think, will help us work through and develop more  
9 consistent and, in some cases, more  
10 Pennsylvania-appropriate regulations related to UCC.  
11 So that is something that we would be very much in  
12 favor of.

13 REPRESENTATIVE SIPTROTH: Okay. Thank you  
14 very much.

15 Coming from local government, I do appreciate  
16 and know that municipalities can impose reasonable  
17 other conditions, but what is happening is, it's not  
18 an enforcement of a local municipal ordinance. This  
19 is just done arbitrarily through these third-party  
20 inspectors, and I think that that's where our problem  
21 lies. And I don't know if Representative Scavello  
22 will sustain this or not, but I think that that's  
23 what needs to be looked at very, very carefully.

24 ACTING SECRETARY VITO: And as you know, I  
25 think we certify the third-party agencies.

1           I would hope that if there are specific  
2 instances, you would please bring those to the  
3 attention of the department, because we will look  
4 into it.

5           REPRESENTATIVE SIPTROTH:   Okay.   Thank you  
6 very much.

7           Thank you, Mr. Chairman.

8           CHAIRMAN EVANS:   Representative Craig Dally.

9           REPRESENTATIVE DALLY:   Thank you, Mr.  
10 Chairman.

11           Good afternoon, Madam Secretary.

12           ACTING SECRETARY VITO:   Good afternoon.

13           REPRESENTATIVE DALLY:   I have two issues, and  
14 these things come up occasionally from constituents  
15 dealing with the State Workers' Insurance Fund.

16           One issue involves a constituent of mine who  
17 has a business in Pennsylvania but does work in New  
18 Jersey.  He has insurance through a private carrier  
19 in New Jersey to cover his New Jersey operations, but  
20 SWIF is insistent upon charging him once again for  
21 those same employees in Pennsylvania, even after he  
22 supplied SWIF with a copy, you know, evidence of  
23 insurance, and when he does public works projects in  
24 New Jersey, they want New Jersey workers' comp  
25 insurance.

1           So what I need is a contact person from you  
2 in your agency that I can sit down with and go over  
3 that issue, as well as the next one that I'm going to  
4 tell you about.

5           That involves a manufactured-home community,  
6 where in that instance the company is being billed  
7 for all the subcontractors that work on-site, and  
8 these are people that are operating under fictitious  
9 names. I mean, they are clearly separate business  
10 entities, and he is being surcharged for the labor  
11 portion of those contracts for their workers' comp,  
12 and I don't know where the authority under the  
13 statute comes from for that.

14           I mean, it's not a sense where, you know, he  
15 is 1099ing people. I mean, he's actually getting  
16 invoices and paying them on an invoice, and, you  
17 know, these are separate business establishments.

18           So those are just two issues which have  
19 caused a great deal of consternation with my  
20 constituents.

21           ACTING SECRETARY VITO: Let me look into both  
22 of those, and I will also give you a name of somebody  
23 so we can work through some of the issues.

24           REPRESENTATIVE DALLY: Okay.

25           ACTING SECRETARY VITO: I'm a little more

1 familiar with the independent contractor issue, and  
2 the concern has been that, you know, in many cases --  
3 and it does not sound like that in your case.  
4 However, I know in a lot of cases, there are  
5 employers who are deeming actual employees as  
6 independent contractors---

7 REPRESENTATIVE DALLY: Right.

8 ACTING SECRETARY VITO: ---and I think if you  
9 have seen the national press, there has been a  
10 number, by the IRS, a number of employers cited for  
11 doing that.

12 REPRESENTATIVE DALLY: Right.

13 ACTING SECRETARY VITO: But that doesn't  
14 sound like that's the case in your example, but we  
15 should look into it, and we will certainly sit down  
16 and talk to you about that.

17 REPRESENTATIVE DALLY: Okay. That would be  
18 great, because I did have another constituent where  
19 the other issue was with a trucking firm, and I think  
20 that ultimately ended up being litigated, I think.  
21 It is on the independent contractor issue. But okay;  
22 I appreciate that.

23 The other question that I have is, in  
24 yesterday's Patriot-News, it was pretty enlightening.  
25 It indicated that Deloitte Consulting had received

1 \$441 million from the State in the last 5 years, and  
2 this included \$68.4 million for the development of a  
3 workforce development system.

4 My question to you is, what has your  
5 department gained from this investment in workforce  
6 development?

7 ACTING SECRETARY VITO: The contract is for  
8 the development of a comprehensive workforce  
9 development operating system.

10 Several years ago -- and I was in fact the  
11 Deputy Secretary for Workforce Development at the  
12 time -- there were three areas: our Workforce  
13 Investment Act and employment service area that  
14 needed a new operating system, as well as the  
15 Department of Public Welfare employment and training  
16 system and OVR.

17 All three of those areas essentially needed  
18 new operating systems. Rather than do three separate  
19 contracts, we combined them into one for a host of  
20 reasons. One, it saved us money, but probably more  
21 importantly, it created much more efficiencies in our  
22 ability to serve our clients.

23 So because clients often moved between one  
24 funding stream to the other, it allowed essentially  
25 those providing services to share information, as



1 appropriate, obviously.

2 REPRESENTATIVE DALLY: Okay.

3 ACTING SECRETARY VITO: So we actually saved  
4 money on that contract.

5 I can also assure you, because I ultimately  
6 was the person who reviewed the RFP review team's  
7 review of the work, that it was done by a committee  
8 of seven, all of which had program experience and  
9 were internal to the departments. It was a very fair  
10 and competitive hearing, and Deloitte received the  
11 highest score on that RFP.

12 REPRESENTATIVE DALLY: And you are satisfied  
13 with the end product thus far?

14 ACTING SECRETARY VITO: They have done very,  
15 very good work.

16 We have gone live. In other words, we have  
17 started the use of all three systems, and there have  
18 been, let's call them glitches in the system. We  
19 have actually gone out and done focus groups with  
20 employers and clients, and Deloitte is making  
21 improvements to the system based on customer  
22 feedback. So we have been very satisfied.

23 REPRESENTATIVE DALLY: All right. Thank you  
24 very much.

25 CHAIRMAN EVANS: Philadelphia's best

1 legislator, Representative Mario Scavello.

2 ACTING SECRETARY VITO: He changed his  
3 residence?

4 REPRESENTATIVE SCAVELLO: Thank you, Mr.  
5 Chairman.

6 Yeah; in looking for dollars, you know,  
7 anybody in Monroe, when we put, let's say the  
8 municipality, we say Philadelphia County, because it  
9 helps me get more dollars for us.

10 There are a couple of comments I wanted to  
11 follow up.

12 Representative Siptroth talked about, I want  
13 to give you a for-instance; this happened last year,  
14 same builder. In one municipality with two -- he was  
15 putting footers in. He wanted to build two houses at  
16 the same time. One of the houses was in one  
17 municipality and the other one was across the street,  
18 like diagonally across. In one place he could pour  
19 the footer, in the other one he couldn't. And it is  
20 interpretation, and that is happening. And it cost,  
21 you know, it cost him dollars. He had to bring  
22 people back. So at some point we need to address  
23 that.

24 ACTING SECRETARY VITO: I absolutely agree,  
25 Representative.

1           REPRESENTATIVE SCAVELLO: Representative  
2 Belfanti talked about illegal immigrants, and one  
3 location in my district had over 80 illegals working  
4 in that facility. And I'm just throwing it out  
5 there. I can't believe they didn't break a labor  
6 law. Somehow or other there had to be some law  
7 broken. It was last year. If you could get back to  
8 me, I would appreciate that.

9           ACTING SECRETARY VITO: Sure. I absolutely  
10 will.

11           REPRESENTATIVE SCAVELLO: Comments on the  
12 centers for independent living.

13           I remember this, because I made the comment;  
14 I have it written here: "It is obvious everyone  
15 wants to see the centers funded properly, and I hope  
16 that this is the last time we have to talk about  
17 this," and here we are, you know, talking about it  
18 again.

19           I don't know why they do -- you know,  
20 especially in Monroe. The Northeast Pa Center For  
21 Independent Living does a fabulous job, and why we  
22 have to go back to this year in and year out, there's  
23 really no reason for it.

24           And the Office of Vocational Rehabilitation,  
25 the OVR, is facing a funding crisis in the near

1 future. As you are aware, OVR empowers people with  
2 disabilities to become taxpaying citizens again. Can  
3 you comment on OVR's funding crisis, and is this  
4 additional \$5 million -- and I support it; I think it  
5 is great -- but is it enough to address the issue  
6 pretty much on a longtime effort?

7 ACTING SECRETARY VITO: As you pointed out,  
8 Representative, we have been sort of shy of what we  
9 need to make our Federal match for the past several  
10 years. This \$5 million allows us, if you maintain it  
11 over the next few years, to draw down on the Federal  
12 match and will actually catch us up, so to speak,  
13 with our Federal dollars.

14 So yes, this is adequate, as long as it is  
15 maintained over the next 4 years.

16 REPRESENTATIVE SCAVELLO: Okay. Thank you  
17 very much.

18 Thank you, Mr. Chairman.

19 CHAIRMAN EVANS: Representative Scott Petri.

20 REPRESENTATIVE PETRI: Thank you, Secretary  
21 Vito.

22 I have some questions about the Governor's  
23 veterans outreach centers, which, of course, are  
24 regionally divided across the State. As I understand  
25 it, we use Federal funds to fund that in total, and

1 how much is that a year?

2 ACTING SECRETARY VITO: You know,  
3 embarrassingly enough, I cannot remember how much  
4 that is a year. But it's out of Wagner-Peyser  
5 funding, and if I remember correctly, it is somewhere  
6 in the neighborhood of around \$300,000. But I need  
7 to get back to you with the definite number on  
8 that.

9 REPRESENTATIVE PETRI: Okay.

10 And then, do you know, are there any Federal  
11 proposed cuts in this area?

12 ACTING SECRETARY VITO: Representative, that  
13 is funded out of discretionary dollars. We are not  
14 required by Federal regulation or law to fund that.  
15 That was actually an Administration decision to fund  
16 those projects.

17 However, I will tell you that we have  
18 received significant Federal cuts in all of our  
19 workforce dollars -- a \$23 million cut in Workforce  
20 Investment Act funds and a fairly sizable cut in the  
21 Wagner-Peyser fund, which is our employment service  
22 line.

23 So while we have no intention of cutting  
24 those services and the funding for the centers, we  
25 are living in a very fiscally constrained environment

1 with Federal workforce dollars.

2 REPRESENTATIVE PETRI: And what are the total  
3 Federal workforce dollar cuts?

4 ACTING SECRETARY VITO: Well, it's  
5 \$23 million in the Workforce Investment Act, and in  
6 Wagner-Peyser, I want to say it's about \$8 million.

7 REPRESENTATIVE PETRI: Okay. But you are  
8 committed to continue to fund the outreach centers  
9 nonetheless?

10 ACTING SECRETARY VITO: That is correct.

11 REPRESENTATIVE PETRI: Can I assume that this  
12 program is in Labor and Industry because of the  
13 Federal dollars?

14 ACTING SECRETARY VITO: Yes.

15 REPRESENTATIVE PETRI: Okay. Is there any  
16 reason you know of that the counties couldn't be  
17 allocated this money to do this same thing and still  
18 receive the Federal dollars?

19 ACTING SECRETARY VITO: Well, I think we  
20 can't -- there has been discussion about us providing  
21 the workforce dollars over to the Veterans  
22 Administration. It would not be proper for us to do  
23 that because it is workforce-related dollars, and so  
24 we have Federal oversight responsibilities.

25 However, we are in favor of combining

1 responsibilities with regard to veterans. However,  
2 you would need State dollars to replace those Federal  
3 dollars, and there has not been a willingness to do  
4 that.

5 REPRESENTATIVE PETRI: Okay.

6 All our counties have designated veterans  
7 services that do much of the same thing that the  
8 Governor's veterans outreach centers do. How do you  
9 coordinate with those counties so they know what you  
10 are doing and you know what they are doing?

11 ACTING SECRETARY VITO: The vet services are  
12 -- and this is one of the things that we have pushed  
13 since taking office back in 2003. We have  
14 coordinated with the county offices, with our  
15 CareerLinks, which also have veterans  
16 representatives, and the vet centers. So we really  
17 have tried to coordinate those services, both in  
18 terms of outreach and the services that are provided  
19 with respect to job training and re-employment  
20 services.

21 We have also coordinated with Veterans  
22 Affairs to do outreach to returning vets as they come  
23 back into Pennsylvania so that we can provide them  
24 with services immediately upon their return.

25 REPRESENTATIVE PETRI: A final question.

1           The Veterans Affairs program runs a very  
2 important program that disabled veterans are not  
3 required to pay real estate taxes. As I understand  
4 it, they are well backlogged in the paperwork, 6 to  
5 7 months in processing. Is there any ability to use  
6 workforce investment dollars to administer that  
7 program since they seem unable to do so?

8           ACTING SECRETARY VITO: I don't believe so.

9           REPRESENTATIVE PETRI: Thank you, Mr.  
10 Chairman.

11           CHAIRMAN EVANS: Representative McIlhattan.

12           REPRESENTATIVE McILHATTAN: Thank you, Mr.  
13 Chairman.

14           Madam Secretary, a couple of questions and  
15 comments dealing with the Uniform Construction Code.  
16 Do you folks have jurisdiction over that, especially  
17 for the opt-out municipalities?

18           And it has been a real challenge in the rural  
19 parts of Pennsylvania adjusting to that whole  
20 concept, because it's something new and different for  
21 us. But I would just like to say that any time I  
22 sort of have a problem with the Uniform Construction  
23 Code, there's a gentleman over in your office by the  
24 name of Mike Gensemer, and I want to tell you, that  
25 man is a first-rate public employee. Any time I have



1 trouble with the Building Code issue, I go and sit  
2 down with Mike, and I have never found a more  
3 competent and helpful individual. You need to treat  
4 him well. He does a wonderful job for you folks in  
5 that area.

6 ACTING SECRETARY VITO: Well, that is very  
7 good to hear. We like to hear that.

8 REPRESENTATIVE McILHATTAN: He's amazing.

9 ACTING SECRETARY VITO: Good.

10 REPRESENTATIVE McILHATTAN: Following up on  
11 that whole thing, you folks now are adjusting to that  
12 whole situation. Is that a costly situation or is it  
13 paying its way? Because I know I have got a couple  
14 big industrial sites and plants in my area that pay a  
15 couple hundred thousand dollars, in fact, for  
16 permits. Is that paying its way? Is it cost  
17 effective? Or how is that working out for us?

18 ACTING SECRETARY VITO: In terms of the  
19 ability of our Bureau of Occupational and Industrial  
20 Safety in their ability to provide coverage for the  
21 opt-out municipalities?

22 REPRESENTATIVE McILHATTAN: Yeah, and is that  
23 a loss leader for you? I mean, is that something  
24 that costs you more than you bring in with your  
25 permits or not?

1           ACTING SECRETARY VITO: Yes, but we are  
2 adequately funded at the moment.

3           REPRESENTATIVE McILHATTAN: Okay. All right.  
4           Now, let's move on real quick a little bit to  
5 talk about the way of the Workforce Investment Board  
6 issue.

7           Now, I don't keep my hands on that on a  
8 day-to-day basis, but I have talked recently with my  
9 county commissioners. We are up in northwestern  
10 Pennsylvania. We are the Regional Center For  
11 Workforce Excellence. You know, that is Erie,  
12 Clarion, Crawford, Venango, Forest, Warren, and  
13 Michele Zieziula runs that operation up there.

14           I put a call in to Michele last week, because  
15 I was a little bit concerned about some of the things  
16 that I have been hearing, and she hasn't gotten back  
17 to me yet. And I don't mean that negative, because  
18 she's a busy person and I don't mean it that way, but  
19 since you are here today, I thought maybe I would ask  
20 you a couple of questions on that.

21           ACTING SECRETARY VITO: Absolutely.

22           REPRESENTATIVE McILHATTAN: It appears to me  
23 that, I guess the Federal funding is shrinking and  
24 that whole thing seems to be pulling back. People  
25 are being laid off. There's a possibility that the

1 CareerLink in Clarion County that I represent may be  
2 closed.

3 Is this all rumor and innuendo or is this  
4 fact or fiction? What is going on there? Can you  
5 sort of give me a quick overview, please?

6 ACTING SECRETARY VITO: There have been  
7 significant cuts in Federal workforce dollars. The  
8 funds that I talked about before, the \$23 million  
9 cut, affects all of the local areas.

10 I can't specifically speak to Clarion County,  
11 but I can tell you that all of the local areas have  
12 had to do a review of how they spend money and look  
13 at potential cuts, especially when you look at  
14 investments and infrastructure like CareerLinks  
15 versus being able to put money into training which  
16 helps individuals get back into the workforce.

17 So while I can't speak specifically to  
18 Clarion, I can tell you that it's probably not rumor  
19 and innuendo. All of the local areas have had to  
20 look at that.

21 REPRESENTATIVE McILHATTAN: Counties could  
22 end up without a CareerLink in their counties  
23 possibly, you are saying?

24 ACTING SECRETARY VITO: That is correct.

25 REPRESENTATIVE McILHATTAN: I hope that

1 doesn't happen.

2 Thank you very much for the information.

3 CHAIRMAN EVANS: The last questioner,  
4 Representative Scott Conklin.

5 ACTING SECRETARY VITO: That's one of the  
6 counties that doesn't have a CareerLink.

7 REPRESENTATIVE CONKLIN: And I'm not going to  
8 go into it with you. The good future Secretary and I  
9 have talked about that many times, and I appreciate  
10 your ear, although I have bent it off.

11 Just a quick question on autism, if you  
12 could.

13 Presently, today's services for autism stops  
14 at 21 for adults, and I was wondering -- I know it is  
15 under DPW -- but I was wondering, are there any plans  
16 for L&I to work with those individuals with autism to  
17 still help them to especially integrate back into the  
18 workforce more?

19 ACTING SECRETARY VITO: I would have to get  
20 you specific details regarding the clients served,  
21 Representative, but we have an interdepartmental task  
22 force on autism, and in that task force, folks from  
23 our Bureau of Workforce Development Partnership meet  
24 with DPW. OVR is also involved in some services for  
25 individuals with autism. So it is something that the

1 Commonwealth is looking at in terms of providing  
2 comprehensive services.

3 In terms of if we have been able to increase  
4 our services, let me get back to you with specific  
5 numbers.

6 REPRESENTATIVE CONKLIN: Thank you.

7 CHAIRMAN EVANS: Madam Secretary, I would  
8 like to thank you and members of your staff for  
9 coming and making this presentation before the  
10 House Appropriations Committee. We greatly  
11 appreciate this opportunity in terms of what you have  
12 presented.

13 I would like to thank the members of the  
14 House Appropriations Committee and the other members  
15 who have joined us from the Labor Relations Committee  
16 here.

17 I want to again make an announcement.  
18 Tomorrow at 3:30, there will be PHEAA. That will be  
19 before us at 3:30, so I am announcing they will be  
20 with us at the end of all the other sessions that we  
21 have.

22 So we now are recessed until tomorrow morning  
23 at, I think it is 9 o'clock? 9 o'clock tomorrow  
24 morning.

25 Thank you very much.

1           ACTING SECRETARY VITO:  Mr. Chairman, thank  
2 you.

3           CHAIRMAN EVANS:  Thank you.

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5           (The hearing concluded at 3:45 p.m.)

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I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me on the within proceedings and that this is a correct transcript of the same.

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Jean M. Davis, Reporter  
Notary Public