

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE HEARING
BUDGET HEARING

STATE CAPITOL
MAJORITY CAUCUS ROOM
HARRISBURG, PENNSYLVANIA

TUESDAY, FEBRUARY 26, 2008, 2:00 P.M.

VOLUME V OF VI

PRESENTATION BY
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

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 TIM MAHONEY
HONORABLE KATHY M. MANDERINO
HONORABLE FRED McILHATTAN
HONORABLE DAVID R. MILLARD
HONORABLE RON MILLER
HONORABLE JOHN MYERS
HONORABLE CHERELLE PARKER
HONORABLE JOSEPH A. PETRARCA
HONORABLE SCOTT A. PETRI
HONORABLE SEAN M. RAMALEY

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BEFORE (cont'd.):
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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NAME	PAGE
SECRETARY DENNIS YABLONSKY	4

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

3 We'll have you introduce yourself for the
4 record.

5 SECRETARY YABLONSKY: Certainly.

6 Dennis Yablonsky. I'm the Secretary of the
7 Department of Community and Economic Development.

8 CHAIRMAN EVANS: You received high praise
9 today from the President of Penn State. He was
10 speaking highly of you, laying the groundwork for you
11 this afternoon. He said, give Dennis anything he
12 needs.

13 Mr. Secretary, as you know, what the rules
14 are is that we go right to the questioning. This is
15 your second time coming before us, because you came
16 before us and talked a little bit about the
17 Governor's economic stimulus plan.

18 I would like for you to take a few minutes
19 to again talk about the importance of the economic
20 stimulus plan in conjunction with the redevelopment
21 assistance.

22 We had Global Insight that came before us.

23 SECRETARY YABLONSKY: Right.

24 CHAIRMAN EVANS: They talked about that we
25 are a low-debt State.

1 SECRETARY YABLONSKY: Right.

2 CHAIRMAN EVANS: The Treasurer, in an
3 unofficial role as an investment banker, somebody
4 said to her, you're a former investment banker. She
5 said, you know, once an investment banker, always an
6 investment banker. I put those words in there. She
7 also said there was low debt. And my understanding,
8 you know, we had a crucial point about kind of
9 protecting the progress that we have made in economic
10 stimulus.

11 I'd like for you just to kind of talk about
12 the thinking and the recommendation that you made to
13 the Governor in this budget about trying to keep
14 Pennsylvania moving forward and why you think using
15 the RCAP, \$750 million in shovel-ready projects, and
16 the other kinds of things that you have recommended,
17 because the whole idea is how we maintain our
18 business community and business environment and
19 continue to grow jobs.

20 Can you take some time and talk a little bit
21 about that?

22 SECRETARY YABLONSKY: Certainly,
23 Mr. Chairman.

24 There are two of the three elements of the
25 proposed Protecting Our Progress stimulus package

1 that DCED made recommendations on.

2 The first one that you mentioned are various
3 elements of the program that are designed to address
4 the pent-up demand for construction infrastructure
5 and brick-and-mortar-related projects, RCAP being one
6 of those; the energy bill another; the Rebuild PA a
7 third; the Business in Our Sites a fourth; and Jonas
8 Salk a fifth.

9 The thinking here is that in a current
10 downturn in the economy, we're trying to do things to
11 protect, as you said, the progress that we have made.
12 One of the best and fastest things we can do is get
13 brick-and-mortar construction projects going.

14 Why? They create construction and
15 engineering jobs immediately. They have to buy
16 supplies -- steel and cement and other things which
17 have an impact. And then they have a downstream
18 positive impact on the business climate in terms of
19 site preparation -- roads, bridges, et cetera,
20 et cetera.

21 And in all of the recommendations that we
22 made, we were able to identify a pent-up demand of
23 ready-to-go or what's been referred to as
24 shovel-ready projects that, if additional funding
25 were available, could get started this calendar year

1 and have an immediate effect on the economy.

2 The other part of the stimulus that the
3 department made recommendations on were things to
4 incent Pennsylvania businesses to create jobs now
5 rather than wait, and things to incent Pennsylvania
6 businesses to make investments in equipment, in
7 working capital, and in construction now rather than
8 late. And that includes the increase in the job
9 creation tax credit, the reduction in the rates on
10 business lending programs, and the extension of the
11 KOZ program.

12 And all of those things are a part of the
13 final proposal that is in front of the General
14 Assembly now for your consideration.

15 CHAIRMAN EVANS: Are you able, you or your
16 department, to give us some sense of what the
17 potential job opportunities that you just described
18 will mean? I mean, short term? long term? Will it
19 upgrade employment? Will it attract a number of
20 businesses? expand businesses? Are you able to kind
21 of qualify that in terms of numbers?

22 SECRETARY YABLONSKY: In a couple of cases.
23 I mean, the Salk initiative, for example, we've
24 specifically quantified about 12,000 jobs that would
25 be created as a result of that. And those are

1 high-paying jobs, typically \$50,000 and above per
2 year with benefits.

3 Similarly, on the energy proposal, we've
4 quantified about 13,000 new jobs, once again,
5 high-paying jobs that would be associated with that.

6 On construction in general, construction
7 jobs are good jobs. They have benefits associated
8 with them.

9 So in some cases, we've got very specific
10 quantification; in other cases, the quantification
11 will come project by project when we take
12 applications and review these things on a competitive
13 basis. But there's no doubt in my mind that there
14 will be a significant measurable return on the
15 investments here.

16 And as you also mentioned, I do believe that
17 while some of these programs require debt, debt has
18 an appropriate role, particularly when you're
19 investing in long-term assets. I mean, one simple
20 accounting principle is you match benefits with
21 costs, and these kinds of assets have multiple-year
22 life. And all of the numbers that I've looked at
23 indicate that Pennsylvania is in a debt position that
24 is able to absorb this additional debt without
25 pushing us out of the definition of a low-debt State.

1 CHAIRMAN EVANS: For years, there's always
2 been a constant debate over our competitiveness as a
3 State, our business climate over the debate of
4 investment versus tax reductions. And I should say
5 up front, generally I have had a feeling that it
6 doesn't necessarily need to be an either/or kind of
7 proposition but in a holistic and competitive
8 situation.

9 Obviously when we look at New Jersey and
10 New York with their deficit types of situations and
11 California way over to the West and Massachusetts up
12 to the Northeast, we seem to be like right in the
13 middle from our financial situation, which, from what
14 I've always understood in terms of the business
15 community, is if there is predictability and
16 stability, and not where you're talking about raising
17 taxes all the time or making the environment more
18 over-regulated in terms of business growth and
19 business development, we're in a pretty sound
20 competitive position.

21 You have been in your position now 5 years,
22 and you started with the economic stimulus and you're
23 moving out. How do you kind of see Pennsylvania's
24 business climate at this particular point and where
25 are we? Because, you know, you constantly have these

1 kinds of exaggeration swings back and forth. I
2 personally think we're in a good, decent position for
3 opportunity.

4 You tell me, you know, how do you see it?

5 SECRETARY YABLONSKY: Well, I would say that
6 as a result of the economic stimulus package that we
7 all put together and approved and that our department
8 was primarily responsible with implementing, as well
9 as other things, I think our business climate has
10 improved relative to our competitors in particular,
11 and there are a number of ways to measure that.

12 I also believe that, as you indicated, I
13 think the whole issue of business taxes versus
14 investments in programs like infrastructure, I don't
15 think it's an either/or discussion. I think that you
16 need to do both.

17 I do believe and this Administration
18 believes in business tax cuts. I mean, we've had
19 business tax cuts in every budget that we have
20 passed, and I think the total is somewhere in the
21 \$1.2, \$1.3 billion range. And we have improved our
22 tax competitiveness now to, I believe, 27th on the
23 National Tax Foundation. And certainly relative to
24 our surrounding States, we've improved our position
25 vis-a-vis our business tax climate.

1 But business taxes alone or primarily as an
2 economic development strategy, in my opinion, is not
3 the right way to go. I think they need to be a part
4 of an overall package that includes the other things
5 that businesses look at when they make decisions,
6 like infrastructure, which recently on a very
7 important national survey ranked to number one;
8 like energy costs; like health-care costs; like
9 workforce.

10 Those are all things that come into play
11 when businesses make decisions. And taxes, while
12 it's typically in the top six or seven factors, it's
13 never the first number-one factor and it's certainly
14 never the only factor.

15 So I think prudent business taxes as a part
16 of an overall strategy is the right approach.

17 CHAIRMAN EVANS: Chairman Civera.

18 CHAIRMAN CIVERA: Thank you, Mr. Chairman.

19 Welcome, Mr. Secretary.

20 SECRETARY YABLONSKY: Thank you,
21 Mr. Chairman.

22 CHAIRMAN CIVERA: Mr. Secretary, in the
23 Governor's budget that we have in front of us, his
24 proposal has called for the Department of Community
25 and Economic Development to receive \$507 million

1 in State funds. That total includes more than
2 \$136 million in cuts in existing State programs,
3 which represents a 21-percent reduction in the
4 current budget.

5 Do you believe this is a fair proposal? And
6 can your department live with \$136 million in cuts
7 that the Governor has proposed? And the \$136 million
8 that is proposed, would you say it would have a
9 negative effect on Pennsylvania's economy?

10 SECRETARY YABLONSKY: The budget that the
11 Governor proposed is something that I submitted and
12 that I agree to. And we were asked not only to make
13 cuts this year, but particularly in our case, we
14 decided to go back and zero budget.

15 What I mean by that is, go back and really
16 look at every single program, which ones are
17 necessary; which ones are not; which ones could
18 we trim a little bit; which ones need more money.
19 And there's a long list of cuts and changes in
20 the budget, including elimination of certain
21 programs.

22 So would I like to have all that money back?
23 Of course. I mean, could I put it to good use? I
24 believe I could. We're in a tight budget period
25 right now, and I think that I did what I was asked to

1 do, which is to prioritize where things should go.

2 CHAIRMAN CIVERA: So basically what I'm
3 hearing from you then is that you support the
4 Governor's proposal and the \$136 million in cuts?

5 SECRETARY YABLONSKY: I do.

6 CHAIRMAN CIVERA: Thank you, Mr. Chairman.

7 CHAIRMAN EVANS: Representative Galloway.

8 REPRESENTATIVE GALLOWAY: Thank you,
9 Mr. Chairman.

10 Thank you, Mr. Secretary, for being here.

11 I'd like to speak briefly about your effort
12 to extend the KOZ/KOIZ program.

13 SECRETARY YABLONSKY: Certainly.

14 REPRESENTATIVE GALLOWAY: I represent one of
15 the most successful KOIZ sites in the State, in
16 Fairless Hills, especially when it comes to
17 alternative energy and things like that. That's been
18 a huge success.

19 My question specifically is, how does it
20 affect existing sites? Is the extension for new
21 sites? Is it for existing sites? Is the tax-exempt
22 status going to be extended to the sites that are
23 already there and the companies that are already in
24 the sites?

25 Thank you.

1 SECRETARY YABLONSKY: You're welcome.

2 The basic proposal is, the KOZs that are out
3 there, there's a percentage of the land that was
4 designated to KOZ that has been developed; businesses
5 have moved in; they've taken advantage of the tax
6 breaks. We're not proposing extending any deal for
7 an existing business. If they've moved in, they got
8 their deal. When their time comes to an end, it
9 expires.

10 But there's a percentage of these zones that
11 have never been developed. They're still empty, and
12 nothing has been developed on them. It's that
13 percentage of zones, that undeveloped property, that
14 we are proposing should be extended by 7 years.

15 The KOZs -- and there are KOZs, KOEZs, and
16 KOIZs -- but some of them expire this year, some
17 expire in 2010, some expire in 2013, and some expire
18 in 2018, and we're proposing to extend all of them by
19 7 additional years.

20 REPRESENTATIVE GALLOWAY: Thank you.

21 And just a quick follow-up, Mr. Chairman;
22 one last question.

23 Could you speak to the success of the KOIZs
24 across the State in relation to the amount of
25 economic development money that's been put into

1 them?

2 SECRETARY YABLONSKY: I can partially answer
3 that question, and what I mean by that, I have a
4 report that we get regularly that shows how many jobs
5 have been created, how many jobs have been retained,
6 how much capital has been invested, and there are
7 3,552 companies who have taken advantage of the KOZ
8 program in the State.

9 And I can tell you that there are literally
10 dozens of projects where we have competed with other
11 States that offer aggressive tax cut benefits, that
12 without the KOZ program, we would not have been able
13 to win those deals.

14 The part of your question I can't answer is
15 how much it has cost us. That is a number that the
16 Revenue Department keeps that is not shared with our
17 department. So I don't know the answer in terms of
18 the cost.

19 REPRESENTATIVE GALLOWAY: Okay.

20 Thank you, Mr. Chairman.

21 CHAIRMAN EVANS: Representative Siptroth.

22 REPRESENTATIVE SIPTROTH: Thank you,
23 Mr. Chairman.

24 Mr. Secretary---

25 SECRETARY YABLONSKY: Representative, how

1 are you today?

2 REPRESENTATIVE SIPTROTH: Mr. Secretary, how
3 are you today?

4 SECRETARY YABLONSKY: I'm well. Thank you.

5 REPRESENTATIVE SIPTROTH: Good.

6 I have a question regarding the shift of
7 funds from the TPAs to the rural marketing program.

8 SECRETARY YABLONSKY: Right.

9 REPRESENTATIVE SIPTROTH: And I have some
10 very deep concerns about the competitiveness and the
11 distribution of funds through the RMP versus the TPA
12 program and wonder whether it might not be best to
13 allow TPAs to join resources and use their dollars in
14 a regional initiative, if they would be so inclined
15 to do, rather than have, you know, this pushed at
16 them.

17 The other thing that I understand -- and
18 correct me if I'm wrong -- through the TPA program,
19 that is required to have matching local funds as well
20 where as the RMP does not. So in essence, there will
21 be even a greater loss of dollars for the promotion
22 of tourism.

23 So if you could help me out there, I would
24 certainly appreciate that.

25 SECRETARY YABLONSKY: Certainly,

1 Representative.

2 The line item, the tourist promotion
3 assistance line item, frequently referred to as the
4 matching funds for the TPAs, we've proposed a
5 \$3 million reduction there this year and a
6 corresponding \$4 million increase in the regional
7 marketing initiative line item.

8 The philosophy behind that is that when the
9 matching fund TPA line item was established 20,
10 25 years ago, it was established as a formula-driven
11 approach and entitlement, if you will, for the TPAs.
12 It was before there was any hotel tax available, and
13 there has been a significant increase in marketing
14 and promotion money available for the TPA since that
15 hotel tax was enacted. So I think the bill was put
16 in place with an intent prior to the current set of
17 circumstances.

18 Our philosophy is, we believe in the current
19 environment that regional -- as you suggested; I
20 agree with you -- regional approaches to marketing
21 and tourism are better than county-by-county
22 approaches. So what we're proposing is a shift
23 gradually, or hopefully even faster than gradually, a
24 shift away from the formula-driven funding for the
25 TPAs to a competitive, regional approach, and that is

1 embodied in this particular budget.

2 And I will tell you that we're working with
3 the committee chairs, Representative Tangretti and
4 Representative Nailor, and their committee to work on
5 a revision to the bill, the actual statute, that
6 would reflect some of these things.

7 Regarding the match, you're correct. The
8 TPA line requires matching, which the RMI doesn't
9 require. We typically get matching in the
10 applications, but it's not technically required.

11 REPRESENTATIVE SIPTROTH: Okay. So in your
12 opinion, will there actually be a net loss of funds
13 by instituting the RMI program over the TPA
14 program?

15 SECRETARY YABLONSKY: No, there would not.

16 I mean, overall, there would be a net
17 increase of funding to them by \$1 million with more
18 money going to the regions that come together and
19 less money probably going to regions that go it
20 alone.

21 I mean, I'd like to point out also that
22 frequently people equate the TPA line with the
23 tourism line, and there are actually a number of
24 lines in the budget that affect tourism. And there's
25 a major program in the stimulus, the First Industries

1 Fund, that has \$50 million carved out for tourism
2 projects. We've had 66, I think 66 projects funded
3 through that program.

4 So over the last 5 years, there has actually
5 been a relatively significant increase in the amount
6 of money that the Commonwealth is putting into
7 promoting tourism, and the numbers reflect that in
8 terms of hotel rooms sold, revenue, et cetera,
9 et cetera.

10 REPRESENTATIVE SIPTROTH: Okay. One other
11 question concerning my particular district.

12 The Mountain Laurel Center for the
13 Performing Arts is, again, under financial straits,
14 and I was just wondering if you were aware of that,
15 number one; and number two, if there may or may not
16 be any additional funds to again look at funding that
17 particular facility?

18 SECRETARY YABLONSKY: I'm only vaguely aware
19 of it, Representative, but we would be happy, of
20 course, to sit down. Any of those types of
21 destinations, we'd be happy to sit down and analysis
22 their situation to see what, if anything, we can do
23 to help them.

24 REPRESENTATIVE SIPTROTH: Okay. Thank you
25 very much.

1 Thank you, Mr. Chairman.

2 CHAIRMAN EVANS: Mr. Secretary, you just
3 helped Professor/Representative Tangretti's stock go
4 up when you mentioned his name.

5 He's here with all his students, so we want
6 to make him look good. So when you mentioned his
7 name -- Tom is the Chairman of the Oversight
8 Committee of his department. I don't know if he told
9 you that. Now I did. I just gave a little teaching
10 moment, Tom.

11 Representative Dave Millard.

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

14 Mr. Secretary, with the formula that is used
15 with specific implementation to TPAs, with any change
16 -- and you alluded to this, that you're in
17 discussions with Chairman Tangretti and Chairman
18 Nailor on this -- will the net result at the end of
19 the day be more money, more of a percentage, for
20 Philadelphia and Pittsburgh? And this is my concern,
21 because I represent a rural area that last year,
22 if it had gone through with the formula change,
23 would have been at the short end of the receiving
24 line.

25 So my question is very specific: Is it more

1 for Philadelphia and Pittsburgh and less for the
2 rural areas?

3 SECRETARY YABLONSKY: The answer is, I don't
4 know, because until we work through the particulars
5 with the committee and the committee chairs and how
6 they want to handle this, it's impossible for me to
7 speculate how the formula would affect any one area
8 or any one TPA.

9 REPRESENTATIVE MILLARD: Okay. Thank you.

10 SECRETARY YABLONSKY: You're welcome.

11 REPRESENTATIVE MILLARD: Thank you,
12 Mr. Chairman.

13 CHAIRMAN EVANS: Representative Scott
14 Conklin.

15 REPRESENTATIVE CONKLIN: Thank you,
16 Mr. Chairman.

17 Thank you, Mr. Secretary. I'm hiding over
18 in the corner over here.

19 SECRETARY YABLONSKY: Yes?

20 REPRESENTATIVE CONKLIN: Actually, I just
21 have a couple of questions for you.

22 One, could you give me a little insight on
23 the PennTAP funding, where it's going to be at for
24 this year?

25 SECRETARY YABLONSKY: As I recall, we zeroed

1 out the PennTAP funding in this year's budget, and it
2 is not -- don't take that as disrespect or in any way
3 a lack of confidence in that program. We happen to
4 think it's a good program. But in a budget year like
5 this where we're trying to effect priorities, we felt
6 that this is a program that could compete for funds
7 in other areas.

8 For example, the Ben Franklin Technology
9 Development Authority has a technology pot of money
10 that we take competitive proposals every year and the
11 board decides where it goes. And we have funded
12 PennTAP out of that line before, and I think that's
13 our intention going forward, is to let them continue
14 to compete.

15 REPRESENTATIVE CONKLIN: Thank you.

16 And my second has to do with the First
17 Industries Fund.

18 SECRETARY YABLONSKY: Okay.

19 REPRESENTATIVE CONKLIN: One of the
20 questions that I have for you, one is, can you tell
21 us a little bit more about the Governor's initiative
22 on the First Industries Fund as a stimulus? But most
23 of all, I'd really like to equate that to the
24 agricultural and tourist community.

25 One is, what can we look for? Two is, how

1 much has it really brought back since 2004? And what
2 are the major projects that folks such as myself can
3 look at that we can use in our communities?

4 SECRETARY YABLONSKY: Sure. That's a good
5 question.

6 The First Industries Fund, as the name
7 implies, was designed to support two of our, what I
8 think of as legacy industries, tourism and
9 agriculture, which historically, particularly
10 agriculture, had gotten very little access to State
11 economic development money. We changed that in 2003.
12 The Governor directed me to open up all of our
13 programs to ag, and we did that right away.

14 But with your support, we were able to put
15 an additional \$150 million -- \$10 million in grants
16 for planning projects and \$140 million in
17 low-interest loans and loan guarantees -- that are
18 available for ag and tourism projects.

19 I would have to say that this program has
20 been an unqualified success. We've committed
21 \$86 million of the \$150 million, so there's still
22 money left. There have been 228 agriculture projects
23 all over the State. There have been 66 tourism
24 projects.

25 And these moneys go directly to farms and to

1 tourism operators for working capital, for their --
2 if it's a tourism operator, maybe they need to buy
3 equipment to upgrade or add rooms to a bed and
4 breakfast.

5 We've had a lot of interest on Route 6. All
6 the advertising we did for the Pennsylvania Wilds
7 resulted in an overwhelmed situation for rooms up on
8 Route 6, and so we've been trying to put more
9 restaurants and more hotel rooms up there, as an
10 example.

11 On the agriculture front, people have been
12 able to protect farmland, bring more cattle in,
13 expand their barns, buy new equipment, a whole range
14 of things. Like I said, 226 projects. We work very
15 carefully with the Department of Agriculture on this
16 to vet all these things.

17 And I think if you were to go out and ask
18 anybody about this, you would hear a very positive
19 bit of feedback on this particular program.

20 REPRESENTATIVE CONKLIN: Thank you,
21 Mr. Secretary.

22 SECRETARY YABLONSKY: You're welcome.

23 CHAIRMAN EVANS: Representative Dan Frankel.

24 REPRESENTATIVE FRANKEL: Thank you, Mr.
25 Chairman.

1 Good afternoon, Mr. Secretary.

2 SECRETARY YABLONSKY: Good afternoon.

3 REPRESENTATIVE FRANKEL: Secretary
4 Yablonsky, we're back at the table of year three,
5 Jonas Salk Fund, you know, something I've supported
6 and many other members have supported moving forward.
7 During these past 2 years, you know, I and I think
8 probably many members have been approached by
9 research institutions throughout Pennsylvania about,
10 you know, moving this forward and getting prepared to
11 put some shovels in the ground to build some
12 facilities.

13 Do you have a sense at this point -- I mean,
14 I have a sense. Certainly I know of some projects in
15 Pittsburgh that are on the verge of taking place, and
16 Philadelphia. I've been at Fox Chase. They are
17 anxious to move forward.

18 Do you have some sense of how much pent-up
19 development in terms of research institutions is
20 waiting there for us to move forward with this
21 proposal?

22 SECRETARY YABLONSKY: I do, Representative.

23 That was part of, when we were putting the
24 stimulus together, the question was asked, if we were
25 to spend this money or make this money available,

1 would something actually happen? And we went through
2 a pretty detailed process with all the institutions
3 and identified \$750 million worth of new construction
4 projects that would start this calendar year.

5 REPRESENTATIVE FRANKEL: Okay.

6 SECRETARY YABLONSKY: Some in Pittsburgh,
7 some in State College, some in Philadelphia, and a
8 couple of others that would start this calendar year.
9 There's another \$750 million that will probably start
10 next year. But there's \$750 million ready to go
11 right now if we had the funding.

12 And I will tell you that the pressure on
13 these institutions is growing. The NIH budget looks
14 like it is going to be flat next year. That's
15 effectively a cut in an inflation-oriented
16 environment. The competition for those NIH funds
17 will increase, and the universities will tell you
18 that hiring the faculty and having the facilities and
19 equipment for them to be competitive is what they
20 need.

21 So we're ready to go, and hopefully Salk's
22 time has come.

23 REPRESENTATIVE FRANKEL: Well, I certainly
24 hope so. I mean, you know, it's one of those
25 proposals that's very hard for me to understand

1 saying no to. It doesn't involve tax dollars. The
2 research institutions have agreed to, you know,
3 diverting some of the CURE funds.

4 Those who don't want to do it have gotten
5 some reassurances. I know I've worked closely with
6 the University of Pittsburgh, which had some initial
7 concerns, but those have been addressed as well.

8 I certainly hope that we're prepared to get
9 this done this year.

10 Thanks very much.

11 SECRETARY YABLONSKY: Thank you.

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

14 CHAIRMAN EVANS: Mr. Secretary, I'd like to
15 thank you for coming before the House Appropriations
16 Committee with your questions. And I'd like to thank
17 you for the last 5 years, you know, what you've given
18 to the people of the Commonwealth of Pennsylvania,
19 and I know I personally appreciate working with
20 you.

21 SECRETARY YABLONSKY: Thank you.

22 CHAIRMAN EVANS: Again, to the members,
23 we're going to recess until 3:30. We have PHEAA
24 coming to us at 3:30, and I encourage all members to
25 come back at 3:30.

1 We'll recess until 3:30. Thank you very
2 much.

3 SECRETARY YABLONSKY: Thank you very much.

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5 (The hearing concluded at 3:00 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.

Jean M. Davis, Reporter
Notary Public