

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

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BUDGET HEARING
DEPARTMENT OF LABOR & INDUSTRY

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House Appropriations Committee

Main Capitol Building
Majority Caucus Room 140
Harrisburg, Pennsylvania

Thursday, March 1, 2012 - 10:00 a.m.

1300 Garrison Drive, York, PA 17404
717.764.7801 877.747.2760

1 COMMITTEE MEMBERS PRESENT:

2 Honorable William Adolph, Jr., Majority Chairman

Honorable John Bear

3 Honorable Gary Day

Honorable Gordon Denlinger

4 Honorable Brian Ellis

Honorable Mauree Gingrich

5 Honorable Glen Grell

Honorable David Millard

6 Honorable Mark Mustio

Honorable Michael Peifer

7 Honorable Scott Perry

Honorable Scott Petri

8 Honorable Tina Pickett

Honorable Jeffrey Pyle

9 Honorable Thomas Quigley

Honorable Mario Scavello

10 Honorable Curtis Sonney

Honorable Joseph Markosek, Minority Chairman

11 Honorable Matthew Bradford

Honorable Michelle Brownlee

12 Honorable Scott Conklin

Honorable Paul Costa

13 Honorable Deberah Kula

Honorable Tim Mahoney

14 Honorable Michael O'Brien

Honorable Cherelle Parker

15 Honorable John Sabatina

Honorable Steve Samuelson

16 Honorable Ronald Waters

17 NON-COMMITTEE MEMBERS PRESENT:

18 Honorable Rosemary Brown

Honorable Ron Miller

19 Honorable Jerry Stern

Honorable Will Tallman

20 Honorable Pamela DeLissio

Honorable H. William DeWeese

21 Honorable William Keller

22 STAFF MEMBERS PRESENT:

23 Dan Clark, Esquire, Chief Counsel

Ed Nolan, Majority Executive Director

24 Miriam Fox, Minority Executive Director

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1 CHAIRMAN ADOLPH: Good morning,
2 everyone. I'd like to call to order the House
3 Appropriations Committee budget hearing with the
4 Department of Labor and Industry. Today's
5 testifier is the Secretary of the Department of
6 Labor and Industry, Julia K. Hearthway.

7 I'd just like to let folks know that
8 we're going to try to stay the course today
9 regarding the budget and issues, and try to get
10 our questions to a point where they're less than
11 two or three minutes long. This way members can
12 get more questions in; but also, our schedule,
13 which is the most important, where yesterday we
14 ran about an hour and a half over. We tie up an
15 awful lot of people that way. I think some of
16 the questions get a little lengthy, and some of
17 the answers get a little lengthy. So, see if we
18 can keep it on course today.

19 We'll go through the introductions of
20 members. My name is Bill Adolph. I'm the
21 Republican Chair of the Appropriations
22 Committee, and I reside in Delaware County.

23 MR. NOLAN: Ed Nolan, Executive
24 Director.

25 MR. CLARK: Dan Clark, Chief Counsel

1 of the Republican Appropriations Committee.

2 REPRESENTATIVE MILLER: Ron Miller,
3 Chairman of the House Labor and Industry
4 Committee.

5 REPRESENTATIVE MUSTIO: Good morning.
6 Mark Mustio, Allegheny County.

7 REPRESENTATIVE SONNEY: Good morning.
8 Curt Sonney, Erie County.

9 REPRESENTATIVE SCAVELLO: Good
10 morning. Mario Scavello, Monroe County.

11 REPRESENTATIVE QUIGLEY: Tom Quigley,
12 Montgomery County.

13 REPRESENTATIVE MILLARD: Dave Millard,
14 Columbia County.

15 REPRESENTATIVE GINGRICH: Good
16 morning. Representative Mauree Gingrich from
17 Lebanon County. Welcome.

18 REPRESENTATIVE PICKETT: Tina Pickett,
19 Bradford, Sullivan and Susquehanna counties.

20 REPRESENTATIVE BEAR: John Bear,
21 Lancaster County.

22 REPRESENTATIVE PETRI: Scott Petri,
23 Bucks County.

24 REPRESENTATIVE DENLINGER: Gordon
25 Denlinger from eastern Lancaster County.

1 REPRESENTATIVE SAMUELSON: Steve
2 Samuelson from the Lehigh Valley.

3 CHAIRMAN MARKOSEK: Good morning. I'm
4 State Representative Joe Markosek, the
5 Democratic Chair of the Appropriations
6 Committee, and my district includes Allegheny
7 and Westmoreland counties.

8 MS. FOX: Miriam Fox, House
9 Appropriations Committee, Democrats' Executive
10 Director.

11 REPRESENTATIVE KELLER: Good morning.
12 Bill Keller, Democratic Chair of the Labor and
13 Industry Committee, Philadelphia County.

14 REPRESENTATIVE KULA: Good morning.
15 Representative Deb Kula from Fayette and
16 Westmoreland counties.

17 REPRESENTATIVE BROWNLEE: Good
18 morning. Michelle Brownlee, Philadelphia.

19 REPRESENTATIVE O'BRIEN: Welcome.
20 Mike O'Brien, Philadelphia.

21 REPRESENTATIVE COSTA: Good morning
22 and welcome. I'm Paul Costa. I represent parts
23 of Allegheny County.

24 REPRESENTATIVE CONKLIN: And I'm Scott
25 Conklin, Centre County.

1 CHAIRMAN ADOLPH: Thank you. Madam
2 Secretary, good morning and welcome.

3 SECRETARY HEARTHWAY: Thank you.

4 CHAIRMAN ADOLPH: If you'd like to
5 make some brief comments, and then we'll go
6 right into questions.

7 SECRETARY HEARTHWAY: I believe you
8 all have my -- the written statements, so I'll
9 be very brief and just give a few words on the
10 overall Labor and Industry budget. I think, as
11 you are aware, most of Labor and Industry is
12 funded through federal funds and specialized
13 dedicated funds. Overall, Labor and Industry
14 has a 1.2, or just under 1.2-billion-dollar-
15 annual budget. Only six percent of that
16 encompasses state funds, so I just wanted to
17 give that overview.

18 The Governor had, overall, asked us to
19 reduce our state funding by five percent. We
20 were able to find some duplications and
21 inefficiencies within L&I to save some of those.
22 So, overall, we've come up with about a three
23 and a half percent reduction on each of the line
24 items on the budget to meet that goal. Because
25 of those inefficiencies, we were able to do

1 that.

2 And with that very brief overview, I
3 will open it up to questions.

4 CHAIRMAN ADOLPH: Thank you. Chairman
5 Markosek.

6 CHAIRMAN MARKOSEK: Thank you,
7 Chairman. And welcome --

8 SECRETARY HEARTHWAY: Thank you.

9 CHAIRMAN MARKOSEK: -- Secretary. I
10 don't have a direct question right now. It will
11 leave a little extra time for some of our
12 members to ask questions.

13 But I think I ought to comment that I
14 do agree with the Chair about keeping things
15 brief. It will be the first time in 30 years
16 that I've actually seen that occur, if we do
17 that today. But, nevertheless, it's an
18 admirable goal. So welcome, and I'll turn it
19 over to questions from the members.

20 CHAIRMAN ADOLPH: Thank you. The
21 first question is from Representative Mauree
22 Gingrich.

23 REPRESENTATIVE GINGRICH: Good
24 morning, Madam --

25 SECRETARY HEARTHWAY: Good morning.

1 CHAIRMAN MARKOSEK: -- Secretary.
2 Thanks for being here. I have a very specific
3 line item question I'd like to introduce to you,
4 and it's with regard to the Assistive Technology
5 budget line. Of course, for those who aren't
6 really familiar with that--I am because I've
7 known people who have used it and found it very
8 valuable--they provide low-interest cash loans
9 for assistive devices to get people to work.
10 They offer extended loan opportunities at low
11 interest.

12 What's amazing to me is what I've seen
13 in the number of people served and success of
14 some 2,000 people, I think; maybe \$26 million
15 spent on this rather significant opportunity for
16 people to access the workplace when they really
17 want to and have that level of effort to get
18 there. The default, I understand, has been like
19 1.9 percent, so the loans are paid back.

20 Now, the reason -- You can tell I'm a
21 little bit of a fan of that. But, in the
22 proposed budget, I see there's a separation of
23 the two lines, which is the technology and then
24 the Lending Library. Do you have any idea what
25 value that is going to add here in this

1 situation? Is that transparency going to help
2 us make it available to more people? Do you
3 forecast that being in any way a hindrance to
4 either division? I'm just curious as to the why
5 and then the how it will work.

6 SECRETARY HEARTHWAY: I think dividing
7 the line items out between those two probably
8 highlights them. They are two separate
9 programs. The one, as you indicated, is a
10 lending program. I've met with the group a
11 number of times.

12 As I understand it, one of their
13 primary things is providing loans for vehicles.
14 An individual with disability often can get the
15 equipment to modify the car, but cannot get the
16 car itself. And so, this serves a very valuable
17 purpose in providing the loan in order to get
18 the vehicle that could be modified to have the
19 individual get to and from work.

20 The other is the Lending Library for
21 devices from Temple University. So, I think by
22 breaking the two out, you highlight both and the
23 functions of both.

24 Previously, it was one line item. It
25 was left to the Secretary to determine how the

1 budget would be divided up. Traditionally, it
2 always took a 68/32 -- or 38/62, excuse me,
3 percentage of breakdown. That is, again, what
4 we suggest here, but it does allow both of those
5 divisions or services to advocate for their own
6 line item instead of as a group.

7 REPRESENTATIVE GINGRICH: Okay, and
8 that does make sense. I just want to see it
9 continue to work the way it has and to be as
10 successful and have such a low-default rate
11 while we're getting people to work, thank
12 goodness.

13 SECRETARY HEARTHWAY: Yeah, it doesn't
14 change the underlying programs at all.

15 REPRESENTATIVE GINGRICH: Good. Thank
16 you very much for that answer. We were short
17 and good. Thanks.

18 CHAIRMAN ADOLPH: Thank you.
19 Representative Mike O'Brien.

20 REPRESENTATIVE O'BRIEN: Thank you,
21 Mr. Chairman. And good morning, Madam
22 Secretary. Let's take a few moments, and let's
23 get our head around Keystone Works, a new
24 program that you're bringing on line.

25 So, I very much like the idea of eight

1 weeks of job training. I think in this economy
2 that retraining is an essential part. But, I
3 have a little bit of a problem with providing a
4 free labor pool. These are folks that are
5 collecting unemployment compensation. So, you
6 know, being an Irish guy, we have issues with
7 indentured servitude. So, tell me -- tell me
8 the checks and balances that are in place on
9 this?

10 SECRETARY HEARTHWAY: When looking at
11 a program to kind of help jump-start some
12 hiring, we had heard from a number of employers
13 across the state that a little bit of assistance
14 would help them move that ball in hiring more
15 individuals.

16 We looked at a series of programs
17 across the United States; tried to look for the
18 pitfalls in them, as well as the successes in
19 them. The most well-known of this is Georgia
20 Works, and it had some pitfalls in it in respect
21 to being free labor. They had a sort of initial
22 program where people would come on and there
23 wasn't a careful screening of an actual
24 on-the-job program. We very much took that into
25 account.

1 It would have to be a pre-approved
2 existing training program, so it can't be
3 something where an employer just says, I'll
4 train them on the job. There has to be a
5 program. It's limited to 24 hours a week, so
6 the individual is not putting in a week of work
7 and labor for that week, but a mere 24 hours.
8 Those -- That restriction allows the continued
9 unemployment compensation benefits to be paid.
10 We also will have a follow-up at the end of
11 that. It's up to eight weeks of training. It
12 could be less, depending on what's being trained
13 for.

14 The pre-approval process, we're still
15 putting up our guidelines on that, but we want
16 it to be a family-sustaining job that requires
17 an on-the-job training that would lead to a
18 career path, and something that doesn't have an
19 existing training program to it. So we'll be
20 very mindful of those employers that may try to
21 use this as free labor. And I think the limited
22 24 hours a week will go a long way in that
23 regard.

24 REPRESENTATIVE O'BRIEN: So, in
25 Philadelphia County, you have folks that are on

1 unemployment, but their positions weren't
2 full-time family sustaining. You know, so maybe
3 their benefits aren't all that much cash. So,
4 with this 24 hours a week, do -- do we run into
5 a position that maybe somebody's working or
6 training for below minimum wage? Have you
7 vetted that out?

8 SECRETARY HEARTHWAY: The individual
9 who's on-the-job training would not be receiving
10 a salary or wages. That's why we're going to
11 vet the actual training program in great detail.
12 They will be allowed to continue to collect
13 their unemployment benefits while having on-the-
14 job training. It won't be where they will be
15 collecting unemployment as well as the salary.
16 That would have violated the federal rules, and
17 we wouldn't be able to do this program.

18 REPRESENTATIVE O'BRIEN: You were
19 saying that this -- similar programs have been
20 tried in other states.

21 SECRETARY HEARTHWAY: Yes.

22 REPRESENTATIVE O'BRIEN: It's -- It's
23 my understanding that, at times, the U.S.
24 Department of Labor has had problems with some
25 of these. As you put this program together,

1 have you sought input and instruction from them?

2 SECRETARY HEARTHWAY: Yes. We've --
3 We've looked at other states. We've talked to
4 US DOL. We wanted to make sure that what we put
5 together, first and foremost, met their
6 guidelines; that we weren't jeopardizing an
7 individual's ability to continue to collect. We
8 also asked for previous problems, previous
9 successes, to make sure we were learning from
10 other states' mistakes.

11 REPRESENTATIVE O'BRIEN: You said a
12 claimant's ability to collect. Is this a
13 voluntary program?

14 SECRETARY HEARTHWAY: Oh, absolutely.

15 REPRESENTATIVE O'BRIEN: Okay. So, no
16 worker would be forced into a training?

17 SECRETARY HEARTHWAY: No, no.

18 REPRESENTATIVE O'BRIEN: Okay. And
19 last question. It's also my understanding some
20 other states have had -- have provided stipends
21 for child care or for transportation for some of
22 the trainees. Is that your intent?

23 SECRETARY HEARTHWAY: No. We had not
24 set aside funds in Keystone Works for those kind
25 of additional expenses. There may be other

1 funds available in which that individual could
2 utilize, but we had not built that into the
3 program specifically for Keystone Works any more
4 than any of the other training programs.

5 REPRESENTATIVE O'BRIEN: Thank you,
6 Madam Secretary. Thank you, Mr. Chairman.

7 CHAIRMAN ADOLPH: Thank you,
8 Representative. Next question will be asked by
9 Representative Mark Mustio.

10 REPRESENTATIVE MUSTIO: Good morning.

11 One of the programs that are funded by
12 federal dollars are the Strategic Early Warning
13 Network program that's been very successful, not
14 only in Pennsylvania, but has really won
15 national recognition. And my one quick, very
16 easy question for you is, is there a commitment
17 on the Department's part to continue to fund
18 that program?

19 SECRETARY HEARTHWAY: Yes, absolutely.
20 The grant for that is up this June, and we
21 anticipate level funding from the government --
22 federal government on that, and we anticipate
23 renewing that.

24 REPRESENTATIVE MUSTIO: Thank you.
25 How was that, Chairman Markosek?

1 CHAIRMAN MARKOSEK: Pretty quick. An
2 A plus, Representative.

3 CHAIRMAN ADOLPH: Representative Deb
4 Kula.

5 REPRESENTATIVE KULA: Thank you, Mr.
6 Chairman.

7 My questions are going to kind of
8 center upon the call center. My colleagues and
9 I, and I'm sure most of them can speak also,
10 with the fact that there is such a waiting
11 period for people to get a determination on
12 unemployment compensation, their benefits;
13 whether they're eligible. Is that because of --
14 What is the average turnaround time to determine
15 that? And I have a couple other questions.

16 If the Department -- I mean, do you
17 need to, maybe, collect more information from
18 the employer that could be the holdup, and is
19 there a time frame to receive that information
20 from the employer? And do you have enough staff
21 to handle the questions that you have coming
22 into these call centers?

23 SECRETARY HEARTHWAY: Okay. On both
24 of the time frames, with respect to the turn-
25 around time, both from the claimant's point of

1 view and the employer, I will have to get back
2 to you on. I don't have that on the top of my
3 head.

4 With respect to providing a prompt
5 service, in -- In all frankness, the call
6 centers were overwhelmed when the recession hit.
7 And it's, obviously, lasted longer than any of
8 us would have wanted it to.

9 The staffing for UC call centers and
10 the UC Department is largely dependent upon the
11 number of claims that we have. There's a
12 complicated formula that the federal government
13 has on initial claims and how much federal
14 support you have for staff, so we're somewhat
15 limited. We did hire -- Our busy season is
16 January, February, March. We did hire 90 new
17 intake of individuals to answer the phones for
18 this period; this busy period.

19 I think there's some significant
20 inefficiencies in how the program's been run,
21 and we've been looking at trying to change
22 those, both from a training point of view so
23 that a lot of those questions are asked up
24 front, and it doesn't have to have a significant
25 follow-up; but also, in how we route these

1 calls.

2 A number of states do this very
3 differently. They have Social Security numbers
4 ending, having to call on certain days. So if
5 you have a certain Social Security number, you
6 call on Monday, or Tuesday or Wednesday,
7 depending on where your number falls.
8 Pennsylvania doesn't do that. Consequently, our
9 busiest days and the longest wait times are
10 Sunday and Monday, and not so on Thursday or
11 Friday. It makes for a very uneven workload.

12 There are other states, such as
13 Florida, that have no call centers at all. If
14 you would like to file an unemployment claim,
15 you have to do so online. We are trying -- We
16 don't want to go completely to an online system.
17 We think there's value in having the back-and-
18 forth, but we are trying to encourage more
19 people to go online. There is no waiting time
20 for online.

21 We're trying to train our call centers
22 so it's more efficient. And we're looking for a
23 way in which to even out the workload through
24 the week so that more attention could be taken
25 on that initial call and clear up some of this.

1 But I understand that there are problems, and
2 we're working diligently to correct those.

3 REPRESENTATIVE KULA: And I appreciate
4 that, and I would appreciate any information you
5 can provide --

6 SECRETARY HEARTHWAY: Absolutely.

7 REPRESENTATIVE KULA: -- along those
8 lines. Also, I know at times we have
9 constituents that have indicated that when
10 they've contacted the call centers, they may
11 have asked the same question and be given -- if
12 they ask it twice, they might have gotten two
13 different answers.

14 I mean, how is the training done
15 and -- I mean, how trained are the people that
16 are answering these questions? I mean, is there
17 a set, kind of document that says, if you ask
18 this question, this is the answer? Or, how do
19 you go about all of that?

20 SECRETARY HEARTHWAY: There are
21 guidelines. They need to be updated. And with
22 the various changes in the law, there's been a
23 lot of change and a lot of new information for
24 our intake personnel to get their arms around.
25 I have heard that comment. I hate hearing those

1 comments, obviously. I want everyone to be on
2 the same page and for it to be clear to any
3 individual calling in. We -- We've looked at
4 several avenues in trying to train individuals
5 so that everyone has the same answer.

6 We're also looking to sort of revamp
7 the job description for an intake interviewer so
8 that we're reaching out for a quality-level
9 individual that maybe has more computer skills
10 so that you can quickly get those answers.

11 We're also looking for a system where you have a
12 supervisor online. If a caller is there for too
13 long, the supervisor comes in to see if they can
14 assist. There may be a series of questions.

15 So, I understand those issues. You're
16 absolutely correct; no one should call and get
17 two different answers on the same question.
18 We're trying to work through that process so
19 that that does not occur.

20 REPRESENTATIVE KULA: Well, I thank
21 you for -- for your answers, and I look forward
22 to receiving -- if you would send that
23 information to --

24 SECRETARY HEARTHWAY: Absolutely.

25 REPRESENTATIVE KULA: -- Chairman

1 Adolph, we'd appreciate that. Thank you, Madam
2 Secretary.

3 CHAIRMAN ADOLPH: Thank you,
4 Representative. Representative Gordon
5 Denlinger.

6 REPRESENTATIVE DENLINGER: Thank you,
7 Mr. Chairman. Welcome, Secretary.

8 SECRETARY HEARTHWAY: Thank you.

9 REPRESENTATIVE DENLINGER: I'd like to
10 shift gears, if we can, briefly, to industry
11 partnerships. Specifically, the Governor, in
12 his address, laid out the comprehensive
13 workforce strategy that he has. And looking at
14 the budget line, obviously, there's some
15 movement of dollars around in the strategy for
16 the Department.

17 But, specifically, I'm wondering if
18 you can share with us how you see industry
19 partnerships playing a role with the Governor's
20 jobs-first strategy. We know that the federal
21 government is looking across the state and the
22 landscape of the state's look for innovation;
23 new ideas. I think employer-driven is kind of
24 the big push at this point. So, if you can kind
25 of share with us perspectives there.

1 And then beyond that, I understand
2 there's a task force that's being created, this
3 interagency, to try to coordinate some of our
4 approach here. If you could elaborate a little
5 bit on the nature of that task force.

6 SECRETARY HEARTHWAY: Yes. You're
7 absolutely correct, in that, we want our
8 training to be employer-driven. I would like to
9 see more programs, and I think the connections
10 and the information from the industry
11 partnership will be extremely valuable in this
12 regard.

13 Where we have employer involvement
14 pre-training, so that there's actually screening
15 individual where, yes, if the person gets
16 through the training, I will hire them, rather
17 than train and then see if they're hired. So
18 we're trying to switch the emphasis completely
19 so that we have a much more targeted training.

20 The industry partnerships is an
21 excellent program. It's an excellent resource
22 as well for, sort of, on the ground, what
23 businesses need. I've gone around the state.
24 I've talked to a number of them. They are
25 varied, as you can imagine, in different regions

1 of the state, but they all bring exactly what an
2 employer needs or requires in order to have an
3 individual ready when they come on board; where
4 they can start work and be, sort of, a valued
5 contributor to that.

6 They also assist us in trends, so they
7 will be very much a part of all of our workforce
8 initiatives. We -- We've developed an extremely
9 good rapport in the information with respect to
10 that. And with an increased emphasis on
11 employer-driven, I think industry partnerships
12 will be critical.

13 REPRESENTATIVE DENLINGER: And then if
14 you could elaborate on the interagency task
15 force.

16 SECRETARY HEARTHWAY: Yes. We are
17 meeting to coordinate both from a service point
18 of view--the PA CareerLinks have a number of us,
19 DPW, L&I being the largest contributors--to see
20 what we can join forces and not duplicate
21 efforts.

22 We've met with Department of Education
23 to also coordinate with respect to training
24 programs, both from high school -- well,
25 actually, K through high school; then the

1 community colleges. This is -- There are a
2 series of task forces that have been formed in
3 order that, each of the departments talk with
4 one another; know where we can use each other to
5 assist and leverage the resources to the best
6 advantage of Pennsylvanians, and not duplicate
7 as well.

8 REPRESENTATIVE DENLINGER: Very good.
9 I guess I've long held an opinion that, we get
10 into a silo mentality a little bit with our
11 programs. I think more interaction could save,
12 you know, duplication of effort, and I think
13 better coordination is always -- always called
14 for.

15 SECRETARY HEARTHWAY: You're
16 absolutely right. This -- This is a cabinet
17 that talks to one another constantly.

18 REPRESENTATIVE DENLINGER: Very good.
19 Thank you. Thank you, Mr. Chairman.

20 CHAIRMAN ADOLPH: Thank you.
21 Representative Scott Conklin.

22 REPRESENTATIVE CONKLIN: Thank you,
23 Mr. Chairman. I want to thank the Secretary for
24 being here.

25 You know, as legislators, I think we

1 all have something that really just drives us
2 crazy. Everybody has a little different pet
3 peeve. For mine, I was in the construction
4 business for over 30 years. And one of the
5 things that used to drive me crazy is that, the
6 worker misclassification; why I'm out paying my
7 workers by the hour; doing my subcontractors
8 correctly with all the paperwork.

9 When I'd take on a big job, I would do
10 union labor contracts with the unions to be able
11 to backfill the employees I need. But all the
12 time, my competitors were doing their hourly and
13 salary employees; calling them subcontractors;
14 not paying the benefits on them; paying people
15 under the table, which, frankly, isn't fair to
16 the employee.

17 So, could you just tell me a little
18 bit, since we put Act 72 in last year, just tell
19 me a little bit on the workers classification.
20 How many folks have you been able to find -- Has
21 the Department been able to apply any
22 administrative penalties to any of these folks?
23 Just give me just a little bit of background on
24 what we've been able to do as to that.

25 SECRETARY HEARTHWAY: Well, with the

1 worker misclassification, the employer/employee
2 relationship is very detailed defined. And I
3 think that, in and of itself, may have been a
4 somewhat deterrent effect. We have only
5 received, since the enactment of that, 29
6 complaints. Now, each of those complaints are
7 still open and being investigated.

8 Most of Labor and Industry is
9 reactive, in the sense that, we respond to
10 complaints. Someone tells us that one of the
11 labor laws are being violated, and we then go
12 out and investigate it.

13 With respect to misclassification,
14 it's not been a large number. There's only been
15 29 reports. Now, we have discussed -- I have
16 discussed with a number of individuals in the
17 industry other ways we may look at that; that
18 maybe, perhaps, through some of our audits that
19 we routine -- routinely do, both in workers'
20 comp and unemployment compensation. So we're
21 looking at other ways to ensure that that law is
22 complied with. But, to date, there's not been a
23 lot of reports of misconduct.

24 REPRESENTATIVE CONKLIN: Just a
25 quick -- quick follow-up to that. September of

1 last year, United States Department of Labor
2 enacted a misclassification that 11 states have
3 entered into. Are we looking at Pennsylvania
4 entering into that misclassification;
5 allowing -- that the feds had passed 11 years
6 ago to join those 11 states, then trying to
7 crack down on this more? What are your thoughts
8 on that? Are you planning on going that way?

9 SECRETARY HEARTHWAY: I would have to
10 look at that more in depth. I am not familiar
11 with the specifics of it. But now that you've
12 pointed it out, I'll be more than happy to go
13 back and take a look at it.

14 REPRESENTATIVE CONKLIN: Would you do
15 that for us --

16 SECRETARY HEARTHWAY: Absolutely.

17 REPRESENTATIVE CONKLIN: -- and give
18 the -- the Chairman, so the committee members
19 can look at your reaction to it.

20 SECRETARY HEARTHWAY: Absolutely.

21 REPRESENTATIVE CONKLIN: Thank you.

22 CHAIRMAN ADOLPH: Thank you,
23 Representative. Chairman Markosek for
24 announcements.

25 CHAIRMAN MARKOSEK: Thank you,

1 Chairman. The following members of the
2 Appropriations Committee are present:
3 Representative Mahoney, Representative Bradford,
4 Representative Parker, Representative Sabatina
5 and Representative Waters. Also, we have a
6 guest legislator here, Representative Pam
7 DeLissio from Philadelphia. Thank you.

8 CHAIRMAN ADOLPH: Thank you. Members
9 that have also arrived is Representative Pyle,
10 Peifer, Perry and Grell. And, certainly, a
11 pleasure to have the Chairs of the Labor
12 Committee with us, Representative Keller and
13 Representative Miller, for their presence.

14 Representative Tina Pickett has the
15 next question.

16 REPRESENTATIVE PICKETT: Thank you,
17 Mr. Chairman. Good morning.

18 SECRETARY HEARTHWAY: Good morning.

19 REPRESENTATIVE PICKETT: If I might
20 comment first on the Keystone Works program. As
21 a former employer, I'm seeing that as a rather
22 reasonable incentive to an employer. We talk a
23 lot about shovel-ready work jobs. This may be
24 making people job-ready. As an employer, you
25 see people who have potential, but it's costly

1 to take them on. And I think this might be a
2 nice blend of giving the employer the incentive
3 to do that. So, it looks like a good
4 opportunity to me.

5 I also wanted to ask you a question
6 about Senate Bill 1310 that we recently passed
7 through the House that would allow the state to
8 take out a bond to pay off our UC debt to the
9 federal government. There's a bit of a time
10 limit on that, so that we will not see another
11 FUTA tax increase. Can you comment on how you
12 think we're doing on that time line and how
13 that's going to work out overall for the
14 employers?

15 SECRETARY HEARTHWAY: Yes, gladly.
16 The time line, in order to -- Let me back up for
17 a minute.

18 The bond itself would save, perhaps,
19 about 25 million a year to the UC trust fund.
20 When we're in debt, which we currently are at
21 \$3.52 billion, 25 million a year is not
22 significant, unfortunately, but it is a savings.

23 The bond by itself, without some
24 solvency measures, would not be favorable to the
25 employer, because you would have the price of

1 servicing the bond on top of the increased
2 borrowing.

3 If we were able to submit the bond and
4 pay off our debt to the federal government by
5 November 10th, and that's the deadline that
6 you're referring to, we then will have a
7 two-year interest-free period for borrowing from
8 the federal government. If we do not make it by
9 November 10th, we have to wait until the
10 following year. Otherwise, employers get hit
11 from both ends. But I wanted to caution, if
12 it's just the bond, without solvency measures,
13 the employers will also get hit by both ends.
14 It's like refinancing but not paying off your
15 entire mortgage if you do that.

16 REPRESENTATIVE PICKETT: Thank you.
17 It's a tough time for employers for many
18 reasons, and to be added another charge on these
19 time -- on this fund is difficult. So, thanks
20 for what you can do on that.

21 CHAIRMAN ADOLPH: Thank you.
22 Representative Paul Costa.

23 REPRESENTATIVE COSTA: Thank you, Mr.
24 Chairman. Madam Secretary, thank you for being
25 here.

1 Actually, my question was about
2 Strategic Early Warning Networks, and
3 Representative Mustio already presented the
4 question to you, which, once again, proves that
5 great minds think alike. Unfortunately, also,
6 psychotic ones think alike too, but --

7 Since I do have the microphone, and
8 I'll keep it very brief, Mr. Chairman, I am glad
9 that you're continuing that program. For the
10 people that are out there that are not familiar
11 with this program, they saved over 42,000
12 manufacturing jobs over the last five years.
13 And to put that in dollars sense, that's
14 \$25 million that we saved in unemployment
15 benefits for the Commonwealth. It helps
16 businesses stay alive. I may be proud because
17 they come from my district or they originate
18 from that area, but they serve over 50 counties
19 throughout the Commonwealth, and they do a great
20 job. And I'm very glad to hear that you're
21 going to continue that program. So thank you
22 very much.

23 SECRETARY HEARTHWAY: Yeah. It's an
24 excellent program, I agree.

25 REPRESENTATIVE COSTA: Thank you, Mr.

1 Chairman.

2 CHAIRMAN ADOLPH: Thank you,
3 Representative.

4 Madam Secretary, I have a question
5 regarding the closures of the refineries in the
6 southeast. I guess it's a double question.
7 What has your Department been doing regarding
8 the closures? And if these refineries stay
9 closed, how does that affect our unemployment
10 fund; whether these companies -- are they
11 self -- were they self-ensured as far as the
12 unemployment compensation is concerned? That's
13 my question right now regarding --

14 SECRETARY HEARTHWAY: The --

15 CHAIRMAN ADOLPH: -- the Department's
16 involvement in the closures.

17 SECRETARY HEARTHWAY: Yes, sir. The
18 Governor has, again, formed another task force
19 to try and deal with this issue that the
20 southeast Pennsylvania is faced with. L&I's
21 role in that as far as potential new buyers is
22 to provide the information of a workforce, and
23 we've been on the ground. Then we sort of
24 switched to our other role.

25 Labor and Industry is a very reactive

1 agency with respect to this. When we heard of
2 the potential layoffs, we again formed teams,
3 similar to what we had done in the flooding,
4 where we sent a rapid response team down to the
5 sites so that we had individuals there in the
6 facilities, explaining to the employees services
7 that were available; their unemployment, how to
8 file for unemployment when they were laid off;
9 and any of the other training programs that may
10 be available to them. So we had teams down
11 there to work directly with the employees that
12 were affected, in addition to being a part of a
13 larger group that the Governor has formed in
14 trying to address this in a bigger issue in
15 keeping business.

16 I will add as well that the Strategic
17 Early Warning is primarily with manufacturers.
18 They were not a part of the actual refinery
19 layoff, but they are now very much a part of the
20 ancillary effects that may occur from those
21 layoffs.

22 So, we've been on site. We've been
23 with a larger team looking to deal with the
24 bigger problem. And we've submitted a grant to
25 the federal government to get additional funds

1 for training for these individuals. It's a
2 5-million-dollar grant. It's been submitted.
3 We're very positive that -- very hopeful that it
4 will occur; very confident that it will occur.
5 So, we've been down there working with them
6 daily.

7 I actually had a call with one of the
8 vice presidents of ConocoPhillips. The workers
9 had long shifts and had some difficulties after
10 or before their shifts; coming and talking with
11 our team to get the information that they
12 needed; and, quite frankly, for our team to get
13 the information, because that's very valuable in
14 terms of getting the grant. I asked if they
15 would allow the workers at various different
16 times to use their work time in order to do
17 this, and they did comply after my phone call.
18 So, that's one instance. But we've been there
19 on a daily basis working with them.

20 CHAIRMAN ADOLPH: Okay. I'm glad to
21 hear that because, you know, no one likes to be
22 out of work. And, obviously, in this particular
23 case, there's going to be thousands out of work.
24 So, I'm not sure whether Conoco -- Were you
25 going to say something?

1 SECRETARY HEARTHWAY: Sir, I was just
2 going to add, we've also been approaching other
3 businesses. We know the skilled labor force now
4 that is there at the refineries and the ones
5 that will be furloughed. We've now gone to
6 market that labor force to other companies to
7 say, you need individuals; these individuals are
8 skilled. And if they need slightly different
9 training in order to fit in with your company
10 and be employed, we can provide that. So we're
11 trying to be very proactive in that regard.

12 CHAIRMAN ADOLPH: Okay. As far as the
13 effect of our unemployment fund, when -- And I
14 don't really remember in recent history a labor
15 force all at once being laid off like this;
16 literally, thousands of people are going to be
17 laid off. How will that affect our unemployment
18 fund if, in fact, these companies are a part of
19 our unemployment fund?

20 SECRETARY HEARTHWAY: They are.

21 CHAIRMAN ADOLPH: They are.

22 SECRETARY HEARTHWAY: And these
23 individuals will collect unemployment like any
24 other individual who's lost their job due to no
25 fault of their own. It will, obviously, be an

1 increased cost to the fund. As I indicated in
2 the last question, we're \$3.52 billion in debt.
3 That fluctuates. It will fluctuate up with this
4 closure and these additional claimants. It will
5 put us further in debt if we don't address the
6 solvency issue.

7 CHAIRMAN ADOLPH: Okay. Thank you.

8 On another issue, someone who -- a
9 small businessman, and paying unemployment into
10 his own unemployment fund but reports to the
11 state on a quarterly basis and sends a check to
12 Pennsylvania Unemployment Compensation Fund. He
13 ran into some problems regarding a new system
14 where the checks go to you and you send them off
15 to Revenue, and Revenue was not sharing this
16 information with Labor and Industry. He was
17 being billed for money that he already sent to
18 unemployment, and he was unable to contact Labor
19 and Industry regarding the billing. They said
20 that Revenue has the money, even though Labor
21 and Industry was cashing the checks.

22 And I don't know if this was a
23 computer glitch, but he was being billed for
24 money that he already paid, plus interest. And
25 it was probably almost about a year and a half

1 in the works of trying to straighten this out.

2 Are you aware of any type of modern --
3 modernization in your computer system? And is
4 this happening -- Was this an isolated case, I
5 hope, or is this happening quite a bit to those
6 folks that are paying their own unemployment tax
7 into a fund for their own employees?

8 SECRETARY HEARTHWAY: I wish I could
9 say it was isolated. There are other incidences
10 regarding that. There is a modernization
11 program, occurring when I came on board as
12 Secretary of Labor and Industry. We -- The
13 Labor and Industry was in the midst of a
14 computer overhaul. Representative mentioned
15 silos before. The computer system really was in
16 silos and archaic; it's 40, 50 years old.

17 But, the program is two years behind
18 schedule, and the complications have been
19 immense. We're working through those with the
20 vendor, but it has created some glitches, and
21 we've put additional staff on board to try and
22 address that, particularly the tax question.
23 We're in the middle of the second phase of the
24 computer modernization program, which is the tax
25 phase, and it has created some problems. We're

1 trying to address them as quickly as possible.

2 It is -- It's a maddening part of
3 Labor and Industry because it's this wrapped-up
4 computer system. And there was a decision,
5 prior to my coming on board, to do away with the
6 legacy system, so we are stuck with having to
7 work with the new system, and it has a lot of
8 bugs. I think we're slowly working through
9 those. I put together a team that's working on
10 trouble-shooting for the new computer system.

11 That seems to be helping a great deal. But, it
12 is a system that's two years behind schedule.

13 CHAIRMAN ADOLPH: Just a suggestion
14 regarding public relations regarding this.
15 Knowing that there is a glitch in the system,
16 when these small business folks contact the
17 unemployment office, instead of saying no, you
18 owe it, you should say, we will look into it.
19 Okay? Because, this gentleman took literally a
20 year and a half trying to get this information.
21 It wasn't until the involvement with public
22 officials that it actually got solved, which
23 is -- which is unfortunate. Okay. I'm glad it
24 got solved. But, I'm afraid it's going to
25 happen again as soon as he starts filing the

1 next quarter.

2 SECRETARY HEARTHWAY: And I'm
3 unfamiliar, obviously, with this specific
4 incident.

5 CHAIRMAN ADOLPH: Yes.

6 SECRETARY HEARTHWAY: But I can tell
7 you, there was sort of a consumer-oriented
8 approach for claimants. There was not the
9 counter consumer-oriented approach for
10 employers, and we've now changed that. We need
11 to service the employers with respect to the
12 taxes that they need to file. So we have that
13 now on board at Labor and Industry to try and
14 address those issues.

15 CHAIRMAN ADOLPH: Okay. Thank you.
16 Representative John Bear.

17 REPRESENTATIVE BEAR: Thank you, Mr.
18 Chairman. And, Madam Secretary, thank you for
19 joining us. I just have two really quick
20 questions.

21 The first one is regarding the federal
22 unemployment trust fund and its insolvency. I
23 think maybe it was mentioned earlier that we're,
24 I think, \$3.5 billion in debt to the federal
25 government. This is something our committee has

1 dealt with quite a bit as far as conversations.

2 My question for you is, what has the
3 Department been doing to work on this solvency
4 issue, and what would you like to see from us?

5 SECRETARY HEARTHWAY: We've pulled
6 together a team internally to try and deal with
7 this question, and we've met with all the
8 stakeholders that we can think would be affected
9 by this. We've looked at this from a number of
10 different angles. I've spoken to both the
11 Chairmans of Labor and Industry Subcommittees of
12 L&I.

13 We have together some proposals of
14 looking at the increased tax that employers are
15 going to have to pay, along with some, perhaps,
16 eligibility requirements with respect to the
17 fund. We are still trying to get input from a
18 few of the stakeholders. I'm hoping that we can
19 come with a consensus on that and a package.

20 I've been working very closely with
21 Chairman Miller on that, as well as Senator
22 Gordner from the Senate side, as a package to
23 deal with both the bonding issue and the
24 solvency issue. But I'd like to get a little
25 bit more input from a few of the stakeholders

1 until that final package is presented. I'd be
2 glad to sit down and give the details with you
3 with all the numbers.

4 REPRESENTATIVE BEAR: And what's the
5 average number of weeks now a person can be
6 unemployed and receive benefits? What's that at
7 right now?

8 SECRETARY HEARTHWAY: Currently, with
9 the extended benefits provided by the federal
10 government, 86 weeks.

11 REPRESENTATIVE BEAR: Okay. So that's
12 down -- Was it -- What was the max?

13 SECRETARY HEARTHWAY: It was 99.

14 REPRESENTATIVE BEAR: Ninety-nine.
15 Okay. The second question I have is around
16 prevailing wage. As you're probably aware, our
17 committee, the Labor Committee in the House,
18 passed six reform bills several months ago. Of
19 those six bills, there was two that have
20 received the most attention.

21 One is an adjustment in the threshold.
22 And for folks that aren't that familiar, that is
23 taking the threshold dollar amount, which is at
24 \$25,000, which was set in 1963, and adjusting
25 that for inflation, hopefully to 185,000, and

1 then having the index, you know, for inflation
2 moving forward. That one seems like it's gotten
3 a lot of support, and I suspect that will leave
4 this chamber here in a few weeks.

5 The second one that seems to be a
6 little more controversial and seems to have some
7 resistance is my bill that was dealing with job
8 classifications. So, for folks who aren't
9 familiar with that, when an employer goes to bid
10 a job, they need to know what the job
11 description is for a, let's say electrician,
12 laborer, plumber, what have you.

13 Originally, my bill had a proposal to
14 do one definition statewide on a subject. And
15 when we were doing this, we said, hey, we're
16 open to having the unions write the definition.
17 We'll work with all the different stakeholders.
18 And when we started doing that, there was some
19 push-back saying, well, there's problems with
20 having one definition for electrician because it
21 varies throughout the state. So then we came
22 back and said, okay, let's do it by region,
23 jurisdiction, customer usage, whatever.

24 The whole point is, we want to have it
25 transparent. So, whoever is bidding on it, they

1 know what the standard is and they can bid
2 fairly and not make any mistakes. And given the
3 fact that this body has passed things such as
4 Right-to-Know laws, which is a bipartisan
5 undertaking several years ago; the fact that we
6 passed Penn Watch, which is, again, another
7 transparency issue. It puzzles me and
8 frustrates me that, yet, something as simple as
9 having a definition, whether it be statewide or
10 by region, published in a very transparent
11 manner on the L&I website for everyone to know
12 in detail, I don't understand--I'm hoping you
13 can give me some insight--as to why this is such
14 a problematic area. Because, to me, this is a
15 common sense reform that no one should be able
16 to argue as a good government initiative.

17 So I was wondering if you could give
18 some insight to us, like, where do you think the
19 hang-ups are and what we can do to move forward.

20 SECRETARY HEARTHWAY: This, um -- This
21 is an extremely difficult statute to amend.
22 That's, I don't think, any surprise to anyone
23 sitting here today.

24 The Labor and Industry does post
25 definitions. It is done now regionally. The

1 definitions are like the hourly rate. They're
2 provided to us almost exclusively by collective
3 bargaining agreements, so that's what we have on
4 hand to deal with the definitions.

5 There are other sources we can go to,
6 and we've been looking at those. We have also
7 been meeting to try to come up with a single
8 definition with respect to certain
9 classifications. Common labor is one of the
10 ones that has, probably, the most controversy or
11 the most overlap with respect to it.

12 We have had, at this point, probably
13 half a dozen meetings with the laborer's union
14 trying to hammer out a definition. It is a slow
15 process. We are plugging away at it. I do
16 agree that it would be helpful to have clear,
17 single, well-known, transparent definitions that
18 anyone can follow. But, traditionally,
19 historically, in Pennsylvania, this has taken on
20 a regional emphasis, and --

21 Suburban Philadelphia or the City of
22 Philadelphia has a different definition than
23 Allegheny County, and we're trying to work with
24 that. It may be that we come up with one or two
25 definitions for the whole state in a single

1 classification. But I can tell you we are
2 meeting with the unions, as well as businesses,
3 to try and come up with that common ground so we
4 have a definition.

5 REPRESENTATIVE BEAR: When it comes
6 to, historically, debarment cases, am I correct
7 in saying that, usually, the majority of the
8 cases deal with this issue; the question of what
9 class -- or definition was used for a job;
10 whether it be, maybe, the state between a
11 laborer and electrician or where there's some
12 overlap.

13 SECRETARY HEARTHWAY: That is a large
14 portion of them, yes. A lot of the businesses
15 that get caught up in the prevailing wage issue
16 are the smaller businesses that don't do this on
17 a regular basis, so that, they're a little
18 unfamiliar with all the definitions or how they
19 work in their particular area. Those would be
20 the unintentional violations of prevailing wage,
21 and they are the vast majority of what we get
22 each year.

23 The larger businesses that do the
24 public works projects on a regular basis are
25 more familiar with their region and their area,

1 and it's not as big of an issue with respect to
2 the definition.

3 REPRESENTATIVE BEAR: Well, it just
4 seems to me -- And I appreciate your efforts on
5 that. And, you know, certainly, as the sponsor
6 to this bill, I'm willing to go whatever
7 direction to get this done because, at the end
8 of the day, my objective is having a very clear
9 and transparent definition on a website, L&I's
10 website. I don't care who writes it. I don't
11 care if it's done by jurisdiction. I just want
12 to know what it is.

13 And to me, when you're talking about,
14 when money is tight; when you talk about things
15 that will cause businesses to go into
16 litigation; and when you figure you apply for a
17 normal job, you have to have a job description,
18 to me is a common sense solution that I don't
19 know why we can't get to that point. But,
20 anything we can do to help you with that, I
21 appreciate. And I appreciate your efforts
22 moving forward, but it seems like there's some
23 light there, but it seems like something we
24 should be able to get done.

25 SECRETARY HEARTHWAY: We will keep

1 plugging, I assure you.

2 REPRESENTATIVE BEAR: Thank you.

3 CHAIRMAN ADOLPH: Thank you,
4 Representative. Next question will be by
5 Representative Steve Samuelson.

6 REPRESENTATIVE SAMUELSON: Thank you,
7 Mr. Chairman. Questions on a couple of line
8 items.

9 First, though, I wanted to note there
10 was an earlier discussion of the Assistive
11 Technology line item and a discussion of the
12 tremendous value of this program, and I concur.
13 I do want to point out for the record that last
14 year's budget cut that program 23 percent. The
15 budget that the majority of the House and Senate
16 voted on was a 23 percent cut.

17 Now today, the two line items -- I
18 know there's two line items. When I add them
19 together, it looks like there's an additional
20 five percent cut. So, I guess my point for the
21 record is, if we're all in agreement that this
22 is such a valuable program, maybe we can avoid
23 this additional five percent cut and restore
24 that funding.

25 My questions are actually about the

1 Keystone Works, Centers for Independent Living,
2 and New Choices/New Options. Keystone Works, I
3 know you talked about that earlier with
4 Representative O'Brien; eight weeks of training,
5 and the cost associated with this, I think, is
6 the 15-hundred-dollars incentive grants; is that
7 correct?

8 SECRETARY HEARTHWAY: The two and a
9 half million that we're asking for in
10 appropriation would be for those incentives,
11 yes. And I did not explain that in the previous
12 question. After the training program, there's
13 an incentive for the employer to keep the
14 employee on board full time. Every four weeks
15 that they do that, they would get \$375 dollars,
16 up to a maximum of \$1500.

17 REPRESENTATIVE SAMUELSON: So the only
18 way they get the incentive grant is if they keep
19 the employee after the training period is done?

20 SECRETARY HEARTHWAY: Yes, sir. Yes,
21 sir.

22 REPRESENTATIVE SAMUELSON: Okay. So,
23 an employer who does the eight weeks of training
24 and then nothing further would not get any
25 incentive?

1 SECRETARY HEARTHWAY: That's correct.

2 REPRESENTATIVE SAMUELSON: Okay. Next
3 question is about the New Choices/New Options
4 program, which, once again, was cut last year
5 significantly, but this budget proposal
6 eliminates the funding for the New Choices/New
7 Options program.

8 Now, I have one of those programs in
9 my area up in the Lehigh Valley, and they work
10 with women who are trying to get back in the
11 workforce after an extended period of time;
12 perhaps, for childbearing. They work on
13 training. They work on services. They work on
14 counseling. It's really a holistic approach. I
15 wonder why the -- why propose elimination of
16 this program?

17 SECRETARY HEARTHWAY: It -- It is a
18 program that I hear individual stories about
19 that seem very helpful. But when you look
20 statistically at the success of this program,
21 the placement rate for employment is in the 30s.
22 It's an exceptionally low placement rate of
23 employment. We do far better with our other
24 services.

25 And I will add, I think part of the

1 value of that when it was first introduced was
2 that these were individuals who had been out of
3 workforce for a while and needed, perhaps, that
4 extra help and counseling in trying to get back
5 into the workforce after an extended period of
6 time.

7 With the extended recession that we've
8 had, all of our CareerLinks are more attuned to
9 that situation. I do feel that these
10 individuals could be well-served by going
11 through the normal route. We have a much higher
12 placement rate, and the same programs now are
13 very attuned to that individual who's been out
14 of the workforce for a while. So I think many,
15 many of those needs could be addressed through
16 those programs, and the placement rate is much
17 higher.

18 REPRESENTATIVE SAMUELSON: Are you
19 proposing moving this \$500,000 to the
20 CareerLinks, or is it just elimination of the
21 \$500,000?

22 SECRETARY HEARTHWAY: It's elimination
23 of the 500,000, but the service being provided
24 to those individuals could be provided through
25 the CareerLinks. And I am suggesting that may

1 be the better route to go, because I think the
2 placement will actually be higher.

3 REPRESENTATIVE SAMUELSON: Okay. I
4 think it's a valuable program and we, as on a
5 committee, should take another look at that and
6 try to restore that funding, is my view.

7 My final question's on the Centers for
8 Independent Living. I noticed that they're
9 taking a five percent cut. These are centers.
10 I think there's nine of them that are state
11 funded across the state; one right in Allentown
12 up in the Lehigh Valley.

13 Five percent cut on top of some recent
14 cuts, and I understand they also -- There was a
15 change in administrative costs; that, in
16 addition to the five percent cut, they also are
17 being asked to absorb administrative costs, so
18 maybe the five percent cut actually translates
19 into about nine percent when you factor in
20 those.

21 My point is, these are people with
22 disabilities who are getting valuable services
23 at these Centers for Independent Living with the
24 goal of living independently, and I don't think
25 it's something that we, as a state, should be

1 cutting back for -- should be cutting back on.

2 Is there any consideration of the fact
3 that they had to absorb those administrative
4 costs, and is there any way that you would be
5 receptive to restoring this funding?

6 SECRETARY HEARTHWAY: It is a very
7 valuable program, and let me address the
8 administrative cost for a moment. Those we gave
9 are put upon the independent living centers last
10 year. The reason for that, previously in the
11 history of Labor and Industry, we utilize
12 administrative costs from federal funds. We've
13 administered those programs from Labor and
14 Industry using federal funds.

15 We were audited by US DOL and told we
16 had to now charge administrative funds or lose
17 that federal funding. That particular federal
18 funding was a 4-to-1 match. So, to do so would
19 have meant losing a large chunk of money for
20 individuals with disabilities. The wise thing
21 to do--and the Appropriation's enabling
22 legislation allowed us to do this--would be to
23 place the administrative cost on the sills.

24 Now, I know that that was unfortunate.
25 It's four percent less. I will tell you, this

1 is from an administrative cost, a very low
2 percentage, and we are keeping track of the
3 actual time and costs associated with that. If
4 it doesn't rise to four percent, those sills
5 will be credited that additional amount. So
6 we're charging them only what time and expense
7 we've had to utilize. And we're doing that so
8 that we do not lose our 4-to-1 federal funding
9 for that same group of individuals. No one
10 likes to see programs cut, but there are limited
11 funds.

12 I've had numerous meetings with my
13 Deputy Secretary, the Executive Director of
14 Occupational Vocational Rehabilitation. I am
15 convinced we can provide these services to that
16 group of individuals by addressing certain
17 inefficiencies; by moving people to other
18 programs and being more careful about the
19 federal funds that we're using so that those
20 services will not be diminished for those
21 individuals with these cuts.

22 REPRESENTATIVE SAMUELSON: And my
23 final point is, there are some services that
24 these centers provide a unique, wonderful
25 service to people with disabilities across

1 Pennsylvania who may not be able to get to
2 another place where there's -- where there's
3 service or another program. So I think we
4 should do what we can to maintain these --
5 maintain these programs. And, perhaps, as the
6 committee looks into the budget further, we can
7 consider that they did have to absorb some of
8 those administrative costs, and maybe we can
9 find a way not to have that additional five
10 percent cut.

11 I thank you for your answers, and
12 thanks for your being here today.

13 SECRETARY HEARTHWAY: Thank you.

14 CHAIRMAN ADOLPH: Thank you,
15 Representative. Representative Mario Scavello.

16 REPRESENTATIVE SCAVELLO: Thank you,
17 Mr. Chairman, and good morning, Madam Secretary.
18 What a pleasure listening to your answers.

19 SECRETARY HEARTHWAY: Thank you.

20 REPRESENTATIVE SCAVELLO: A big
21 difference than it was a few years ago. I've
22 got a couple questions.

23 First, it has to do with people with
24 disabilities. Do you have an unemployment
25 number for people with disabilities?

1 SECRETARY HEARTHWAY: I believe
2 nationally it's 12.9 percent. It's in that
3 vicinity. They have a higher unemployment rate
4 than the general population.

5 REPRESENTATIVE SCAVELLO: And how
6 about in PA? Is it --

7 SECRETARY HEARTHWAY: We are better
8 than the national average.

9 REPRESENTATIVE SCAVELLO: That's a
10 good sign.

11 SECRETARY HEARTHWAY: I'm sorry.
12 Offhand, I cannot remember that
13 figure, but I can get that for you. I know
14 that -- I know that we do better as a state than
15 the nation does as a whole.

16 REPRESENTATIVE SCAVELLO: Supposedly,
17 there's a memorandum of understanding between
18 the OVR and the Veterans Administration. Can
19 you comment on your efforts with the veterans
20 with disabilities, because there's a tremendous
21 amount of them coming back.

22 SECRETARY HEARTHWAY: Yeah. We
23 have -- We've been looking at veterans, in
24 general, specifically at the request of the
25 Governor for our returning veterans, both those

1 with disabilities and those without, to find
2 them jobs. It's our responsibility, our duty.

3 We have in almost all of our
4 CareerLinks an individual devoted to Veterans
5 Administration; and also, specifically, to deal
6 with those veterans with disabilities.

7 We're also trying to create -- If we
8 look at ways that we can approach businesses,
9 there's a number of credits available to them to
10 hire a veteran. I'm not sure that's as
11 well-known as it should be. We're trying to get
12 that word out so that employers know that
13 there's tremendous advantage to hiring a
14 veteran; and that they realize the kind of
15 abilities that they can do and the assistance
16 that can be provided.

17 I've heard some wonderful stories from
18 employers who were reluctant to hire someone
19 with disabilities or a veteran with
20 disabilities.

21 REPRESENTATIVE SCAVELLO: Right.

22 SECRETARY HEARTHWAY: And once they
23 have, they have an extremely loyal employee
24 that --

25 REPRESENTATIVE SCAVELLO: Dedicated.

1 SECRETARY HEARTHWAY: -- is very
2 productive. And I would like to take those
3 stories and get it out to the rest of the
4 business world, because I think it's an
5 underutilized area for business. And if they
6 were more informed about some of these choices,
7 they would hire more individuals --

8 REPRESENTATIVE SCAVELLO: I just want
9 to give a plug out to -- My CareerLink,
10 especially with the unemployment situation, John
11 Casella has done an outstanding job there trying
12 to get people placed and trying to get them
13 trained and into the workforce. It's been a
14 real tough struggle, and I just -- That office
15 is really --

16 SECRETARY HEARTHWAY: Thank you.

17 REPRESENTATIVE SCAVELLO: -- doing a
18 hell of a job with what they have.

19 I want to follow up on Representative
20 Tina Pickett's question, and that has to do with
21 the -- You know, last year the surcharge was
22 0.44, and I think you said to the employers -- I
23 think you said it generated 25 million; is that
24 correct? Did I --

25 SECRETARY HEARTHWAY: The .44 is the

1 interest charge --

2 REPRESENTATIVE SCAVELLO: Right.

3 SECRETARY HEARTHWAY: -- to employers
4 to pay the interest on this debt.

5 REPRESENTATIVE SCAVELLO: Um-hm.

6 SECRETARY HEARTHWAY: If we -- That's
7 the interest charge on the employer.

8 The actual interest on the debt, it
9 fluctuates. It's a variable. It is currently,
10 I believe, at 4.1 percent interest charge. If
11 we floated a bond, we could probably halve that
12 to two percent. Halving it is 25-million-dollar
13 savings to the fund a year.

14 REPRESENTATIVE SCAVELLO: Well,
15 hopefully we'll be able to help some of these
16 employers, because they're really having a tough
17 time. What's the rate in 2012, what we're in
18 right now? Have we increased the rate, or is it
19 the same?

20 SECRETARY HEARTHWAY: The interest
21 rate is still .41, I believe.

22 REPRESENTATIVE SCAVELLO: Four one.

23 SECRETARY HEARTHWAY: What has
24 occurred is that the FUTA tax credit now is
25 slowly being lowered, which, in essence, is an

1 increase in tax for business. So, it was added
2 a .3. It started at 6. It's now at .9. Next
3 year it will be 1.2, and every year thereafter,
4 businesses are going to see their tax, just to
5 pay this debt, go up .3 percent every year.

6 Now, in real dollar figures, that's
7 just to pay the debt. I'm not talking about the
8 additional costs on interest or the base costs
9 that are paid into the fund normally. This is
10 just to pay the principal on the debt. This
11 year I think it was 139 million. Next year it
12 jumps up to 259 million. The year after that,
13 300, so it keeps increasing.

14 And, if I may, these are all dollars
15 that are going to Washington, D.C. They're tax
16 dollars. They're not staying in Pennsylvania.
17 They're all being sent directly to Washington,
18 D.C.

19 REPRESENTATIVE SCAVELLO: That's part
20 of that \$3.5 billion shortfall.

21 SECRETARY HEARTHWAY: Exactly.

22 REPRESENTATIVE SCAVELLO: This is on a
23 personal note, and it has to do with an
24 inspector that visits the Salvation Armies in
25 the northeast and how that person is

1 interpreting the 1924 law. I'm gonna talk to
2 you privately at the end, if that's possible.

3 SECRETARY HEARTHWAY: I'd be glad to
4 do that.

5 REPRESENTATIVE SCAVELLO: Thank you.

6 CHAIRMAN ADOLPH: Thank you,
7 Representative. Representative Parker.

8 REPRESENTATIVE PARKER: Thank you, Mr.
9 Chair, and hello, Madam Secretary.

10 SECRETARY HEARTHWAY: Good morning.

11 REPRESENTATIVE PARKER: Madam
12 Secretary, I wanted to go back to the
13 conversation that you were having earlier
14 regarding the UC trust fund and solvency. I
15 believe that that level is about 3.42 billion at
16 this point now. You mentioned the very, sort of
17 unique twist to it; in that, there's sort of no
18 one-stop shop or an answer to reach solvency.
19 You kept mentioning, and I listened to you, you
20 started mentioning all of the stakeholders; all
21 of the stakeholders who would have a role in
22 that process.

23 And one of the pieces of the puzzle
24 that has sort of always, you know, been first
25 and foremost in my mind has been that taxable

1 wage base; and that, you know, employers in the
2 Commonwealth are paying taxes as it relates to
3 unemployment compensation on the first \$8,000 of
4 an employee's wages; while the employees are
5 paying on the full amount. I believe employees
6 pay about \$80 (sic) on every \$1,000 of their
7 pay.

8 And so, one, I wanted to know whether
9 or not you thought that increasing that taxable
10 wage base was one of the elements that was
11 extremely necessary; that we should include it
12 in any package that's presented that will help
13 us reach solvency?

14 SECRETARY HEARTHWAY: There is a
15 proposal where, at the time that you increase
16 that wage base from eight gradually up to
17 10,000, you also lower what we call the state
18 adjustment factor so that it becomes revenue-
19 neutral. I don't think at this time we want to
20 add taxes on top of taxes.

21 The federal government has already
22 raised taxes significantly on businesses. If we
23 were to just raise the taxable wage base without
24 the second adjustment, that would be an
25 additional tax on businesses on top of all the

1 other taxes they're currently getting.

2 When you talk about the taxable wage
3 base, it is -- I think we're -- We're certainly
4 in the lower half of the states on our wage
5 base. But at the same time, you have to talk
6 about the rate, and we have one of the highest
7 interest rates -- or percentage rates on that
8 taxable wage base. When you put the two
9 together, which is the tax an employer is
10 charged, we're 13th highest in the nation.

11 So I understand the taxable wage base,
12 but we can't talk about it without also talking
13 about the rate itself. However, I think the
14 combination of the two, lowering the state
15 adjustment factor, which makes it a little
16 fairer tax because you are now calculating more
17 of the tax on an employer's experience; how many
18 people they have previously laid off. Lowering
19 that at the same time we raise the taxable wage
20 base is something that we could do.

21 REPRESENTATIVE PARKER: I agree, and I
22 think you gave me the response, Madam Secretary,
23 I was looking for in that sort of increasing.
24 It hasn't been increased since 1984.

25 The taxable wage base, it's an

1 important part of us reaching solvency, but
2 that's not just the one way we can do it. In
3 order to reach solvency, you can do so solely on
4 the backs of claimants. But you need the
5 claimants, the employees, the employers,
6 everyone at the table in helping to sort of get
7 where we need to go as it relates to solvency.
8 So, I appreciated your response.

9 It sort of makes me think about
10 comments that I heard earlier about the
11 importance of increasing the threshold to the
12 \$185,000 as it relates to prevailing wages. So
13 we say we need to do that on one end, but at the
14 same time, should we be indexing the minimum
15 wage and also increasing the taxable wage base.
16 So you can't sort of think -- you know, sort of
17 isolate it as it relates to one particular issue
18 over another, but a very comprehensive approach
19 to it.

20 I want to go to the issue of
21 unemployment rates in the Commonwealth. I too
22 have been extremely proud when talking to folks,
23 particularly outside of our region, that
24 Pennsylvania has consistently had a lower
25 unemployment compensation of -- unemployment

1 rate than most other states in the country.

2 However, when I look at Philadelphia,
3 there's a 10.6 percent unemployment rate; Pike
4 County, 9.8; Carbon County, 10.4; and Cameron
5 County, 11.5. In those areas, are we finding
6 that there's some common factors associated; why
7 they're so not just extremely higher than what
8 other counties in our Commonwealth are facing,
9 but also higher than the -- also the national
10 rate? And do we have a unique prescription for
11 addressing unemployment in these counties?

12 SECRETARY HEARTHWAY: We are looking
13 in -- We're trying to be very detail-oriented in
14 our approach to this. We realize different
15 sections of Pennsylvania require different
16 solutions, and the system is set up to deal with
17 that on local levels with the workforce
18 investment boards that we have.

19 I think Philadelphia is a situation in
20 which we've been delving into the actual
21 available jobs and what we think may be
22 ancillary jobs. I will give you one program
23 that we're currently looking at and have met
24 with a few times with the Philadelphia Community
25 College. We would like to bring, sort of, the

1 successes of lowering the unemployment rate that
2 some of the state has felt with the Marcellus
3 Shale further east, and I think we've got some
4 partners willing to do that with us. And there
5 is a supply chain that should reach across the
6 state helping that unemployment.

7 We've been meeting with Philadelphia
8 Community College with respect to training in
9 order to get people job-ready for that, as well
10 as meeting with businesses to come in and hire
11 those individuals once training is done.

12 We are trying to be very --

13 REPRESENTATIVE PARKER: Right. Um-um.

14 SECRETARY HEARTHWAY: -- localized in
15 our approach. We are also -- which is
16 fortunate, this work search requirement that you
17 all know went into effect this January is going
18 to be a tremendous help for us. We will now
19 know -- The group of unemployed, let's say right
20 in Philadelphia County, we will know their prior
21 work experience, their education, and we can
22 match those up with the jobs. And if there
23 aren't jobs that fit their qualifications, we
24 can very strategically now go in with specific
25 training. I think that kind of focused approach

1 is going to help lower those numbers in the
2 areas that are not seeing it as low as some of
3 the other parts of the state.

4 REPRESENTATIVE PARKER: Um-hm. Thank
5 you, and I appreciate your response because,
6 when you talk to people who are, again, from the
7 Philadelphia, the Pikes, the Carbons and the
8 Camerons, and we hear that Pennsylvania's doing
9 so well, and they look at their own numbers in
10 their own county, they say, wait a minute;
11 what's wrong with us. So it's great to see that
12 the Department is working and has some efforts
13 going towards addressing the unique issues in
14 those areas.

15 Finally, I'm sure not a surprise to
16 you, I have been in contact with your office on
17 several occasions, and I talked to the
18 Department of General Services yesterday
19 regarding this issue. It was the certification
20 of minority women and disadvantaged businesses
21 in the Commonwealth; but particularly, as it
22 relates to L&I, about those that are -- have the
23 great fortune of doing business and working on
24 capital projects at institutions that receive
25 state funding.

1 And one of the things we've noticed is
2 that, there are some companies that are
3 awarded -- are awarded the business. They are
4 working on institutions of higher learning or
5 other projects that receive state funding. And
6 I've received several complaints in my office at
7 different locations about companies that are not
8 adhering to the minority participation and
9 inclusion policies.

10 I'll give you an example, because it
11 sounds really simple when you just sort of
12 described it. But proving it is also -- that's
13 where the devil is in the details when you talk
14 about this issue. So, you go onto a site and
15 you look and you see no minorities or women
16 participating in the process. Obviously, we get
17 the calls in our district offices back home. We
18 say, DGS, are you monitoring? Contact L&I. Is
19 this group sending in certified payrolls? Are
20 they doing everything that they need to do?

21 Tell me how you work with DGS to
22 ensure that people are not taking advantage of
23 the Commonwealth as it relates to doing business
24 with us; doing business because they're supposed
25 to have minority and women participation

1 involved, but they don't. How do the two of you
2 work together?

3 SECRETARY HEARTHWAY: You're correct
4 in that the devil's in the details, and it's
5 actually having the evidence if they are not
6 complying.

7 This, I think, is an area where it's
8 very fact-specific. We need to go on complaints
9 and then follow through on those complaints in a
10 more detailed investigation. I cannot sit here
11 today and give you specific policies and
12 procedures that have been enacted. I'd have to
13 get back to you on that. But, I know that this
14 is an area where it's not dissimilar to a lot of
15 the other investigations that we're asked to do.
16 They become very fact-specific, so each one
17 takes on its own sort of dynamics, so to speak.

18 With respect to coordinating with
19 DGS -- I mean, we coordinate with all the
20 agencies well. In this particular area, I would
21 have to get back to you on the details of what
22 we're doing.

23 REPRESENTATIVE PARKER: Thank you.
24 And any sort of comments you have, you can
25 forward them to both Chairman Adolph and

1 Markosek. I'd be greatly appreciative. Thank
2 you, Mr. Chair, and thank you, Madam Secretary.

3 CHAIRMAN ADOLPH: Thank you,
4 Representative. Next question will be asked by
5 Representative Scott Perry.

6 MR. PERRY: Thank you, Mr. Chairman.
7 Great to see you, Secretary.

8 My question -- First of all, in the
9 previous testimony--I just want to make a
10 clarification--I think the statement was made
11 that, for unemployed persons, once the fund is
12 insolvent, they pay \$80 per thousand. And I
13 think it's 80 cents per thousand --

14 SECRETARY HEARTHWAY: Yes.

15 REPRESENTATIVE PERRY: -- is that
16 correct?

17 SECRETARY HEARTHWAY: It is correct;
18 80 cents per thousand, and I meant to make that
19 clarification. It is a -- It is a small
20 portion.

21 REPRESENTATIVE PERRY: All right. My
22 questions relate to the apprenticeship council.
23 As I understand it, new federal standards were
24 adopted in 2008, and they appear to require the
25 states to change, through legislation, to

1 comply. I'm wondering -- I think we received a
2 grant at the last minute in 2010 which we
3 previously were denied for. And I know that's
4 before your time, but I'm just looking for an
5 update as to where we stand here.

6 SECRETARY HEARTHWAY: We're not
7 currently in compliance, along with 19 other
8 states. The federal government has come in, and
9 on the apprenticeship program, they really are
10 the sort of boots on the ground, the federal.
11 We have the apprenticeship council that votes on
12 it, but it's the federal government that goes
13 in; takes the application; checks to make sure
14 the program's going well.

15 They want us to adopt their
16 guidelines. To do so would take legislative
17 action. But, along with that, they also want us
18 to take over their investigative end of it
19 without any funding for it. So it is not just
20 adopting the guidelines and business as usual.
21 It's adopting the guidelines and taking over the
22 program without any federal funding for it. So
23 it's, again, a somewhat federal mandate without
24 appropriation, which is -- which has created a
25 problem for both Pennsylvania and 19 other

1 states.

2 The option would be to turn it back
3 and let the federal government run the program
4 entirely. The federal government wasn't quite
5 ready to do that; not with 19 other states also
6 saying it. So, in essence, they've asked us to
7 come up with a plan to work toward that goal,
8 which we have done. We have been given a
9 reprieve, so to speak, in meeting those
10 guidelines until that comes -- the plan comes to
11 fruition.

12 I would say that we, in essence, have
13 bought ourselves some time to figure out how we
14 want to address this issue. We have the option
15 of keeping it in Pennsylvania. We would be, in
16 essence, enforcing the federal guidelines and
17 having to use state funds to do so; or, the
18 option of giving it to the federal government to
19 impose themselves.

20 I think there are pros and cons to
21 both of that. I'd also like to see what some of
22 the other states are doing with respect to that.
23 That has put this, basically, on hold while we
24 work through this process.

25 REPRESENTATIVE PERRY: Thank you. So,

1 if I hear you correctly, with all the other
2 nuances, we're not imperil of any penalty at
3 this point and for the foreseeable future if we
4 are not being able to comply with the directive?

5 SECRETARY HEARTHWAY: Not at all.

6 REPRESENTATIVE PERRY: All right. As
7 you know, apprenticeship ratios vary from 1 to 1
8 for union shops, to 3 to 1, to 5 to 1 for agency
9 shops. And that's one of the flaws I think the
10 federal government identified in the current
11 apprenticeship program.

12 Do we have any solution in mind, or
13 are we moving forward, or is that part of -- is
14 that part of the -- what we just spoke about
15 regarding the apprenticeship council and the
16 training program?

17 SECRETARY HEARTHWAY: It is part of
18 it. The way the statute and the regs are
19 written now, there are specific ratios, 1 to 3,
20 3 to 6, et cetera, unless it's in a collective
21 bargaining agreement. So that, if it's in a
22 collective bargaining agreement, they can set
23 their own ratios, and that's the way the statute
24 and regs read; Pennsylvania statute and regs.

25 If we go with the federal, it will be

1 primarily a 1-to-1 ratio. But wrapped up in
2 that is who's going to administer the program
3 and at what cost. So the two go hand in hand,
4 and that's the process we're working through
5 now.

6 REPRESENTATIVE PERRY: And I don't
7 know this number off the top of my head. Maybe
8 you don't either. If you know, what is the
9 breakout? What's the number of organized labor
10 in the trades in the workforce as opposed to
11 open shops in Pennsylvania? What percentage do
12 we -- Do you have any indication of that
13 whatsoever?

14 SECRETARY HEARTHWAY: I don't have
15 that figure. I can get that for you.

16 REPRESENTATIVE PERRY: Okay. The
17 reason I'm asking is this. I have attended, as
18 I've told you before, the apprenticeship council
19 meetings myself and seen with my own eyes, and
20 it seems to me -- And it's inherently political,
21 I understand that, and I know that there's only
22 a certain amount that you have to do with that.
23 But the deck is really stacked in favor of one
24 side to the peril of business and people that
25 want to get a job and train.

1 And I -- I just want to get your
2 thoughts on -- We're talking about an
3 apprenticeship training program, so it's a
4 program that's approved by the Department,
5 per -- per the legislation, so on and so forth,
6 that says, you did this training. You're now
7 able to be an electrician at this level, a
8 plumber at this level, or whatever your trade
9 is. What, if anything, does that have to do
10 with a collective bargaining agreement?

11 SECRETARY HEARTHWAY: Well, they --
12 they make it part of the agreement. You pay
13 a -- an apprenticeship a lower hourly rate than
14 you normally would someone who is fully trained,
15 so it then becomes part of the agreement.

16 With respect to the apprenticeship
17 statute, they made that as a barometer of what
18 we were to follow in respect to ratios. If the
19 union contract indicated it was 1 to 1, then
20 that's what the statute required us to do.

21 REPRESENTATIVE PERRY: I mean, I guess
22 I understand what you're saying. But what I'm
23 saying is, is that, if I go to school at any --
24 ABC public school and I learned -- I went to
25 Vo-Tech school for auto mechanics, so to speak.

1 When I got done, I was deemed the graduate of
2 Cumberland Perry Vo-Tech School for auto
3 mechanics and could go out and get a job as
4 such.

5 What does any agreement that I have
6 with my school to have so many teachers teaching
7 me, as opposed to not, have anything to do with
8 my level of education at the end of the day? I
9 just don't understand the correlation between
10 the bargaining agreement and the number of
11 apprentices versus master electricians, or what
12 have you, journeymen, et cetera? I don't see
13 the correlation whatsoever.

14 I don't understand why there should be
15 differences from collective bargaining
16 agreements to just submit your plan; this is how
17 we're going to train our people, and that's what
18 it has -- and that's what it is. It has nothing
19 to do with our collective bargaining agreement.

20 SECRETARY HEARTHWAY: Well, and my
21 response to that is that the statute itself
22 requires that we -- we look at that. These are
23 national certifications, which is why the
24 federal government is involved. So someone
25 trained under our apprenticeship journeymen

1 statute also can go to Arizona or California and
2 it's recognized. That is the value of the
3 federal national training program. Otherwise,
4 Pennsylvania really could have its own. But we
5 may not have as marketable of workforce if we
6 did that, so that's a second consideration that
7 we have to take into account.

8 REPRESENTATIVE PERRY: All right.
9 Thank you very much. Thank you, Mr. Chairman.

10 CHAIRMAN ADOLPH: Thank you,
11 Representative. I'd like to acknowledge the
12 presence of Representatives Day and Ellis that
13 have been here, members of the Appropriations
14 Committee, and Chairman Markosek for an
15 announcement.

16 CHAIRMAN MARKOSEK: Yes. I'd like to
17 acknowledge the presence of Representative Bill
18 DeWeese from Greene County.

19 CHAIRMAN ADOLPH: Thank you. Welcome.
20 The next question will be by Representative Deb
21 Kula. I'm sorry. I jumped -- I jumped
22 Representative Ron Waters.

23 REPRESENTATIVE WATERS: Thank you, Mr.
24 Chairman, and thank you, Madam Secretary.

25 I had a question. I want to ask it

1 maybe a little differently. Representative
2 Parker, when you responded to her, you kind of
3 dealt with my question, and that was, the
4 unemployment disparities without -- throughout
5 the Commonwealth. Even though there is a -- In
6 Philadelphia, the numbers might be 10 point --
7 What did you say; 10.6 for Philly? But --

8 SECRETARY HEARTHWAY: I think that's
9 around the range. I don't have that figure off
10 the top of my head.

11 REPRESENTATIVE WATERS: Okay. In some
12 communities in Philadelphia, the numbers is even
13 greater. So even within the county, the
14 disparity -- there's great disparity. What I
15 wanted to say, even in the county, the numbers
16 change depending on what neighborhood you're in.

17 What I wanted to talk to you is about
18 the Marcellus Shale. I had went out to
19 Williamsport on a tour with some of my
20 colleagues, and went to the Penn School of
21 Technology out there where they was training
22 people for the skills dealing with the Marcellus
23 Shale; preparing them. And once the students
24 graduate, they almost immediately have a job.
25 The employers are just anxiously waiting for the

1 day that they walk down the aisle.

2 If -- And in places like Bradford, I
3 believe it is, have some of the lowest
4 unemployment numbers throughout the
5 Commonwealth, and places where the Marcellus
6 Shale activity is taking place, those numbers
7 are low.

8 I'm happy to hear that you said that
9 you are looking for a way to -- where -- because
10 the supply and demand issue. We have supply in
11 certain parts of the state, and we have demand
12 in other parts of the states. I'm happy to hear
13 that L&I is trying to figure out how to bridge
14 that gap and to bring the two together.

15 And I heard you mention the community
16 college. Because I had spoken with community
17 colleges before about if they were interested in
18 having an educational skills set program there
19 that can help people become job-ready for that,
20 because Williamsport isn't -- Williamsport may
21 be 115, 20 miles outside of Philadelphia. Those
22 guys out there at the Marcellus Shale are
23 working like 12-hour days. They make great
24 money.

25 I know plenty of people in

1 Philadelphia that wouldn't mind commuting. They
2 have hotels out there. They have people who
3 have turned their homes into rental facilities
4 to accommodate the people who come there to
5 work. I believe we could really decrease the
6 numbers in the Philadelphia County area if we
7 did that.

8 In addition to community college,
9 there's other -- there's a couple other groups
10 out there that, perhaps, you might be interested
11 in speaking to; like the DAP program, which is
12 Diversified Apprenticeship Program, which
13 would -- which, many times, have -- not the
14 easiest way of placing their graduates right
15 away. Perhaps, that would be a great
16 opportunity, too, in addition to community
17 college, to speak with the people at that
18 program to get their apprentice --
19 apprenticeship people prepared to go to work out
20 there at the Marcellus Shale.

21 In addition to that, we know that,
22 with the ConocoPhillips and Sinoco closing, that
23 despite how bad the numbers in the Philadelphia
24 and the Delaware County numbers are right now,
25 they're gonna get worse if we don't -- if those

1 facilities close down; not only because of the
2 direct jobs there, but the ripple effect of the
3 people who are -- who depend on those employees
4 for their own livelihood, and many of those
5 people will be Philadelphians.

6 So, I really hope and look forward to
7 any kind of way that I, Chairman Adolph --
8 because it's going to affect the people in
9 Delaware County, which he's a representative of
10 Delaware County, so that we could try to make
11 this happen with the Marcellus Shale and that
12 great job opportunity to get Philadelphians and
13 people in Delaware County and the surrounding
14 areas prepared and job-ready to go to work. I
15 just want to thank you for showing us that L&I
16 is working at that.

17 But before I finish, this is something
18 that always comes up in discussion with people
19 who are interns. How many weeks do you have to
20 work in order for you to qualify for
21 unemployment compensation?

22 SECRETARY HEARTHWAY: How many weeks?

23 REPRESENTATIVE WATERS: Yes.

24 SECRETARY HEARTHWAY: You have to have
25 a minimum of 18 weeks in your base year to

1 qualify for unemployment.

2 REPRESENTATIVE WATERS: And -- Well,
3 my son, he does internship every summer when
4 he's home from school. And I believe interns
5 pay into unemployment compensation?

6 SECRETARY HEARTHWAY: They can. It
7 depends.

8 REPRESENTATIVE WATERS: Okay. Well,
9 he does. Many interns that I've talked to say
10 that they do. I was wondering, what's your
11 feelings or perspective on the fact that people
12 pay into something that they could never benefit
13 from?

14 SECRETARY HEARTHWAY: Well, depending
15 on how long they work, and I think this is one
16 of those areas we need to look at in terms of
17 solvency. The unemployment compensation system
18 was always thought of and geared towards someone
19 who's connected with the workforce. And when
20 you have an individual --

21 In Pennsylvania, as you know, we use
22 the high quarterly earnings to calculate
23 someone's benefit. There's also a requirement
24 that you have a certain amount of weeks outside
25 that high quarterly earnings. That has not been

1 looked at in a long time, and it's something we
2 should look at.

3 So that you have individuals who are
4 connected to the workforce, not throughout the
5 whole year, but more than just a two-month
6 summer program or a three-month intern program,
7 so that they have more connection outside that
8 one quarter to the workforce for eligibility in
9 unemployment. And I think that's one of the
10 things that we can look at in connection with
11 solvency.

12 If I may, very briefly, with your
13 earlier comments I had mentioned to the
14 representative earlier that we had been talking
15 with Philadelphia Community College to bring the
16 training, as well as some of the supply chain
17 ancillary benefits of employment from Marcellus
18 Shale.

19 I also want to provide information to
20 those residents of Philadelphia so that someone
21 with a certain skill set knows that there is a
22 job waiting for them, if they want to move west
23 a little bit, that is excellent pay. I mean,
24 some of those jobs are starting at \$48,000 a
25 year.

1 REPRESENTATIVE WATERS: That's right.

2 SECRETARY HEARTHWAY: You know, there
3 are facilities to live Monday through Friday;
4 come home on the weekend, and earn a good
5 family-sustaining wage. And these are jobs that
6 have career paths that are phenomenal. This is
7 something that I think all Pennsylvanians can
8 take advantage of, particularly Philadelphia. I
9 would like them to know what they can start with
10 so that -- Jobs are tight in Philadelphia. A
11 beginning job may only pay twenty-four, 26,000 a
12 year, or there could be another job available
13 for you at almost twice that.

14 REPRESENTATIVE WATERS: I look forward
15 to that. I would love to help you with the
16 outreach. I'm sure many members of -- from the
17 Philadelphia region would love to help you with
18 the outreach so that we can make sure that
19 people are aware of this opportunity.

20 Thank you, Madam Secretary.

21 SECRETARY HEARTHWAY: Thank you.

22 CHAIRMAN ADOLPH: Thank you.

23 Representative Pyle.

24 REPRESENTATIVE PYLE: Thank you, Mr.
25 Chairman. Madam Secretary, thank you. It's

1 been a long morning. You've answered so many
2 questions. I have one specific to my area.

3 I am not from Philadelphia. I'm from
4 the other end of the state. The Federal
5 Environmental Protection Agency using the Clean
6 Air Act just improved my life by shutting down
7 seven power plants. I know, at the Reesedale
8 Armstrong station, there were 60 people laid
9 off. This is such a weird scenario. I really
10 don't know what to tell those guys other than go
11 to CareerLink.

12 In reading the papers over the past
13 week, I've seen not only did Reesedale get shut
14 down, but there are seven other Pennsylvania-
15 based power plants. And, if I can, put a plug
16 in for Reesedale, that 800 megawatts everybody
17 seems to think we could do without equals our
18 entire AEPS output, but who am I to say. What
19 can I go home and tell these guys?

20 SECRETARY HEARTHWAY: Within L&I, we
21 have what's known as rapid response funds, and
22 we have rapid response teams that go out when
23 there is a closing of a business to try and
24 assist them, so it's almost an on-site
25 CareerLink, so to speak. We are looking very

1 closely at these in terms of trying to now place
2 these individuals in like positions.

3 What I can tell you is that, we have
4 the services available and we're putting
5 together, almost SWAT teams to try and go in and
6 address that so it's not just wandering into
7 Careerlink one by one, but to try and help them
8 as a group for their unique needs. Plus,
9 they've got a unique skill set that we now try
10 to capture and find jobs for them.

11 REPRESENTATIVE PYLE: Thank you very
12 much. That's a very informative answer. Could
13 you please put Reesedale on that list of visits?
14 FirstEnergy, who bought out Allegheny Power,
15 which was our supplier, they're the ones who
16 want to resale. But I also notice GenOn is
17 shutting down five more power plants, which go
18 mostly across the T and down through the
19 midstate; a little towards the west. It's a
20 serious problem for us.

21 I mean, everybody thinks Marcellus is
22 making our lives better, which it is. But being
23 the treasure chest of the state, as Armstrong
24 County has often been called, taking 60 jobs
25 off-line is pretty dramatic for us.

1 SECRETARY HEARTHWAY: And I will add
2 to that. We're trying to be very fast and
3 flexible in our approach, because it is easier
4 to find work and it's easier for someone to go
5 back to work if you can get them quickly. So
6 the newly unemployed we're trying to get in
7 quickly and look for jobs to place them in
8 quickly before too much time passes.

9 REPRESENTATIVE PYLE: And that kind of
10 brings up my next question. I promised Joe I'd
11 be brief. When federal mandate requires job
12 loss, is there a job retraining fund stream out
13 of Washington that comes through Harrisburg that
14 I can steer these guys toward?

15 SECRETARY HEARTHWAY: I can tell you
16 we've become very adept at looking at all the
17 federal funding streams. I can't answer for
18 this specific circumstance sitting here today.
19 I probably could get that to you tomorrow or the
20 next day.

21 REPRESENTATIVE PYLE: There's eight
22 power plants. We're talking four or six --
23 between four and 600 people; not counting the
24 peripherals, which is about a factor of .5 more,
25 so we're around a thousand jobs affected here.

1 SECRETARY HEARTHWAY: One of the first
2 things we've started to do, and this really sort
3 of started with the floods. As soon as there is
4 a group of individuals that are dislocated from
5 their work, we're not only -- we have existing
6 dislocated funds for the dislocated worker from
7 the federal government that we can utilize. We
8 then are looking for additional federal funds in
9 the form of grants. We've submitted a large
10 number of grants with respect to that. We can
11 look at that for your area and for those
12 thousand individuals affected by this.

13 REPRESENTATIVE PYLE: I want to thank
14 you, Madam Secretary. That's about the first
15 glimpse of light coming through the clouds we've
16 had about Reesedale in a couple of weeks. And
17 thank you, Mr. Chairman.

18 CHAIRMAN ADOLPH: Thank you.
19 Representative Scott Petri.

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

22 I want to go back to the Unemployment
23 Compensation Trust Fund. And I'm going to tell
24 you about five or six constituents who have come
25 into my office. They were employed in New

1 Jersey but lived in Pennsylvania. So in their
2 first round they applied in Pennsylvania. And
3 then when the extensions came up, they were
4 told, well, you need to apply to New Jersey, and
5 an adjustment was made with regard to, I assume,
6 whose account between New Jersey and
7 Pennsylvania; who's really getting the loan
8 balance. So that raised the bigger question in
9 my mind.

10 How do we know, as a Pennsylvania
11 Labor and Industry Department, that we are being
12 treated fairly with respect to the unemployment
13 trust funds of our neighbors? Are you actually
14 looking at that, so that we are not paying back
15 the balance for the jobs that those neighboring
16 states lost?

17 SECRETARY HEARTHWAY: We do keep track
18 of this. There are states that owe us money.
19 Louisiana is one of them. But we can keep track
20 of the number of individuals that file for
21 unemployment in our state.

22 There is a reciprocal agreement among
23 the states so that those funds transfer back and
24 forth. US DOL is sort of the gatekeeper of
25 that. And when we run into any issues or

1 problems, they are the ones that are supposed to
2 step in and resolve them between states.

3 It is a fairly detailed process in
4 calculating which comes from which states. I
5 feel fairly comfortable that it's generally
6 adhered to and we don't have issues.

7 Pennsylvania is a state, however, that
8 has, overall, very generous benefits compared to
9 most states, so we've become a state that is
10 somewhat of a prime target for individuals to
11 want to apply in. That's why we have the
12 current issue with Louisiana. When they had the
13 flooding, coming to Pennsylvania was a lucrative
14 state in order to file unemployment benefits, so
15 that, a good portion of unemployment benefits
16 from Louisiana were filed in Pennsylvania for
17 that reason.

18 REPRESENTATIVE PETRI: I might as well
19 ask the question since everybody's wondering,
20 how much does Louisiana owe us?

21 SECRETARY HEARTHWAY: I believe it's
22 nine million currently.

23 REPRESENTATIVE PETRI: Nine million.

24 So let's go back to the example I
25 mentioned. We have a Pennsylvania resident who

1 was employed in New Jersey, and so, he initially
2 files in Pennsylvania. How does this system --
3 How do we know that, in fact, that would be an
4 obligation of New Jersey? Is there some sort of
5 computer tracking?

6 SECRETARY HEARTHWAY: On the intake
7 process, when the person files for unemployment,
8 those questions are asked. I don't know the
9 specifics as to when it falls into New Jersey
10 and when it falls into Pennsylvania, but I can
11 get that for you.

12 REPRESENTATIVE PETRI: Yeah, if you
13 could, because it just occurred to me that, in
14 this -- in these several instances, it wasn't
15 really noted until they went to their extension
16 benefits and somebody said, well, wait a minute.
17 You still have benefits in New Jersey that you
18 never applied for.

19 What ended up happening was, the
20 individuals had to go to New Jersey; fill out an
21 application because they were denied in
22 Pennsylvania, and then there was some sort of --
23 then the payment had to be made back to
24 Pennsylvania from the funds they got from New
25 Jersey. Of course, for the unemployed

1 individual, it's a really scary process because
2 they're going into a hearing with a referee, and
3 they really don't know for sure what's going to
4 happen. And it does work.

5 But it made -- it made it occur to me,
6 you know, that I started thinking, I wonder if,
7 because New Jersey and New York are so close
8 that, you know, on our side, that maybe we
9 aren't being properly credited. If you could
10 look at that specific issue, and then I would
11 like to see a list of every state that owes us
12 money. I assume, then, we owe somebody else
13 money. Maybe you can just give that to the
14 Chairman of the committee.

15 SECRETARY HEARTHWAY: I'd be glad to
16 do that.

17 CHAIRMAN ADOLPH: Thank you.
18 Representative Mike Peifer.

19 REPRESENTATIVE PEIFER: Thank you, Mr.
20 Chairman. Thank you, Madam Secretary, for being
21 here today.

22 One of the initial questions the
23 gentleman from Philadelphia asked you was about
24 the Administration's new Keystone Works program.
25 I know the Republican Policy Committee, for the

1 last several years, under Representative Turzai,
2 Saylor, and now Representative Reed, have
3 traveled the state trying to connect our
4 employers to the employees. We tried to listen
5 to the business community, the CareerLinks,
6 basically trying to develop a program where we
7 can get people back to work.

8 I think we all understand the need --
9 in our system of government here in Penn-
10 sylvania, that we need to get people working on
11 raising their families; a wage where they can be
12 an active part of our society in helping our
13 community. But when we talk to our businesses,
14 we always hear about the risks that's associated
15 with new hires. That's very scary to them, and
16 it's a concern.

17 I was just looking through some of our
18 policies, and we had, you know, similar to your
19 Keystone Works program, we had policies,
20 whereby, individuals receiving unemployment or
21 cash assistance would be matched to those
22 employers who have their type of need of
23 employment and their specialities, which I know
24 the Governor talked about in his address.

25 There's another one talking about

1 the -- you know, connecting the unemployment
2 claimants with a short-term Careerlinks for
3 training or retraining them. There were bills
4 for -- credits for businesses who would hire
5 people on public assistance programs; whether
6 they be unemployment; whether it be a TANF;
7 whether they had a developmental disability;
8 several of those programs. We even had a credit
9 for individuals that would train teenagers;
10 getting them into the workforce; teaching them a
11 program, teaching them a skill.

12 Could you just give us some of the
13 goals of your program? I mean, I think we're
14 very encouraged by this program. I think we're
15 excited by your program. Maybe you could tell
16 us, maybe, the goals of the Administration, of
17 what you're trying to do.

18 SECRETARY HEARTHWAY: Thank you.
19 Keystone Works is going to be a win-win for
20 everyone. And we have an additional tool this
21 year that we haven't had before that I mentioned
22 earlier, and that's the work search requirement.
23 With that requirement, an individual who's
24 collecting unemployment needs to register with
25 the Pennsylvania CareerLinks. That registration

1 process, as I indicated, will provide us with
2 information that we've not been privy to before.

3 Prior to this time, it's really those
4 individuals who came into Careerlinks; who
5 voluntarily went there in order to look for a
6 job. Now we will actually have the universive,
7 unemployed individuals with their background.
8 And in that registration process, we'll be
9 asking them their previous training, their
10 previous job.

11 We will now be able to connect with
12 employers in a way that hasn't been done before.
13 We can go to a business and say, within a
14 25-mile radius of your front door are the
15 following individuals that fit the criteria you
16 need for your jobs. That's not kind of matching
17 capability that Pennsylvania has ever done
18 before.

19 So, along with Keystone Works, where
20 we'll be able to now add these incentives for
21 this business, we will have what we've
22 internally been calling job matching on
23 steroids; where we will now be able to take the
24 unemployed with all their skills and
25 qualifications and background and match them up

1 with available employers. We would like an
2 equally large number of employers to be part of
3 that system. And, in my view, the way to do
4 that is to show that we have value in that
5 system. And I think that kind of detailed,
6 focused need in each of the areas of
7 Pennsylvania for each of the businesses will be
8 that valued need.

9 REPRESENTATIVE PEIFER: Great. Thank
10 you. I think, like I said, we were really
11 excited about the program as well. As you can
12 see, we were kind of going down a road similar
13 to that. But, I think it's exciting for us.

14 Mr. Chairman, I would like to comment,
15 we've heard several times about Pike County;
16 specifically, the high unemployment rate. I
17 think you have to understand that there is no
18 drilling in Pike or Wayne counties, Monroe
19 County where I represent because of the gas
20 drilling moratorium by the DRBC. So, you have a
21 direct reflection there. Other than second-tier
22 or third-tier businesses that are there, there
23 are no people working or there is no drilling
24 going on in my district.

25 The second thing is, there is the lack

1 of snow in the Poconos, so it's very hard to
2 recreate and ski when there's no snow. There
3 are many issues facing us. But the one issue,
4 which maybe the gentlelady from Philadelphia can
5 help us with is, last week I did meet with our
6 Senator on several workforce initiatives in our
7 area. What we're trying to do is maybe
8 establish a career education council where we
9 could direct students to the job markets. One
10 of the -- The Administration's been very helpful
11 to us in establishing this career council, and
12 we're very excited about that.

13 But as with many of the funding issues
14 that we face, there are hold harmless provisions
15 in that statute that don't allow that program to
16 be funded. In other words, some other career
17 education center would have to give up some of
18 their monies to help fund my new education
19 center. You know, we have that problem,
20 obviously, with our property tax issues and our
21 school education funding formula. We have run
22 into that problem as well with our Area Agency
23 on agencies (sic). Maybe if the gentlelady from
24 Philadelphia would like to work with me and
25 maybe help me provide some of those funds to

1 help educate some of my people, and maybe we
2 could point them in the right direction. I
3 would really look forward to working with her on
4 that. Thank you, Mr. Chairman.

5 CHAIRMAN ADOLPH: Thank you,
6 Representative. Representative Gary Day.

7 REPRESENTATIVE DAY: Thank you, Mr.
8 Chairman.

9 Do I understand correctly your
10 complement is state funded 136 and federal funds
11 is 931; is that correct?

12 SECRETARY HEARTHWAY: On the
13 complement of the positions in L&I?

14 REPRESENTATIVE DAY: Yes.

15 SECRETARY HEARTHWAY: I did not break
16 down the funding streams from complement. I can
17 tell you that 94 percent of L&I's budget is from
18 outside sources. Six percent is from state
19 funding.

20 REPRESENTATIVE DAY: So, what I was
21 trying to get at is, we have state-funded
22 employees that are managing federally-funded
23 employees? Is that how it works, or how do you
24 do that?

25 SECRETARY HEARTHWAY: No. We

1 attribute to each funding stream the task being
2 done by those individuals.

3 REPRESENTATIVE DAY: Okay.

4 SECRETARY HEARTHWAY: For example, in
5 unemployment compensation, all of the employees
6 are utilizing funds from the UC, which are
7 federal funds, to administer the program. Some
8 of the other programs cross over, and there will
9 be a calculation made between the amount of time
10 spent on a state or the amount of funds that
11 come from state funding to pay their salary or
12 wage as opposed to federal funds.

13 REPRESENTATIVE DAY: Okay. Thank you.
14 I appreciate that answer.

15 The PennSERVE facilitates, and this
16 may -- you may be able -- you may be able to try
17 to, maybe, co-op this question and get back to
18 the Keystone Works. You might be addressing it
19 through that.

20 But PennSERVE, my understanding,
21 facilitates community service and learning of
22 the individual through volunteerism. That's
23 kind of my definition; a little borrowed from
24 yours as well. Have you ever or would you ever
25 consider using that concept for the unemployed

1 to learn new skills; gain exposure to employers?

2 Specifically, we have our subsidiaries
3 all across the Commonwealth. We have counties,
4 school districts and municipalities. Would you
5 consider something where the unemployed -- Let's
6 just use a period of time, like, 99 weeks you're
7 on unemployment compensation. Is it possible to
8 maybe use the first six -- The period doesn't
9 matter to me as much, but the beginning part to
10 look for reemployment. After you get to a
11 certain point to be into a program, maybe
12 measured or monitored by the PennSERVE program
13 in order to try to link people up to get
14 retrained through volunteerism; projects that
15 may be, and I should say, outside of any CBAs
16 that would be negotiated at the local level.

17 SECRETARY HEARTHWAY: I think it's a
18 concept that we can look at. PennSERVE within
19 L&I is -- it is the community-based volunteer
20 program. It primarily is the program that
21 administers the AmeriCorp federal program.

22 I know that a lot of unemployed
23 individuals have gotten jobs from volunteering
24 because they then do, not only get a new skill
25 set, but the employer or the individual working

1 with them sees that there are work ethic, their
2 skills and their ability.

3 Linking it to a requirement or -- of
4 unemployment, I've not explored that option with
5 volunteered work. I think it's something we can
6 look at. I know that it is, oftentimes,
7 recommended as a way to get your foot in the
8 door; to volunteer for something and learn the
9 skill set with the employer, et cetera.

10 REPRESENTATIVE DAY: Thank you. My
11 last question has to do with the United States
12 Department of Labor's Benefit, Accuracy
13 Measurement. I guess, for a three-year period
14 ending this past year, Pennsylvania was at--I'll
15 just talk about the percentage--10 and a half
16 percent of an error rate. Half of that, I
17 think, was reported to be possibly attributed to
18 fraud; overpayments through fraud; not fraud --
19 fraudulent payments, but fraudulent
20 applications.

21 Can you speak to -- you know, talk to
22 that issue a little bit, and what are you doing
23 to help lower that accuracy measurement?

24 SECRETARY HEARTHWAY: The BAM report,
25 as you indicated, has Pennsylvania at like

1 10 and a half percent error rate. I will tell
2 you the national average is 11 and a half
3 percent, so we're underneath the natural --
4 national average, but not acceptable. We've
5 been putting together, again, teams to address
6 this overpayment.

7 In all honesty, when the recession
8 hit, it overwhelmed L&I. There was an emphasis
9 of putting people on the phones, taking the
10 claims and paying the benefits. There was not a
11 lot of ability, as well as drive or focus, to do
12 the follow-up; checking and questions as far as
13 making sure the payments were accurate. There
14 is a large backlog with respect to that, and
15 we're working through that backlog to make sure
16 all those overpayments are addressed.

17 In addition to the fraud issue, I
18 think most of you are aware, my background is as
19 a prosecutor, and I dealt with fraud for over a
20 decade as a criminal element. We've put
21 together, at the Governor's direction, an
22 integrity bureau within Labor and Industry
23 specifically to address fraud waste and abuse.
24 We have had initiatives. There are 50 steps we
25 put as to an immediate change within L&I in

1 order to prevent that kind of fraud waste and
2 abuse. There's never been a focus like that
3 within the agency. It's already showing
4 tremendous dividends in terms of recouping some
5 of those overpayments.

6 I can tell you, with one provision
7 where we -- the overpayments are now going to be
8 attached to someone's income tax return. I
9 think, in a two-week period, we got \$3.1 million
10 back. So there is a daily effort going to lower
11 that number to begin with; to address it so it
12 doesn't occur in the past (sic), and to look for
13 any and other areas of fraud waste and abuse.

14 REPRESENTATIVE DAY: Is there an
15 acceptable percentage? In business we have
16 acceptable percentages as well. So, is there
17 anything -- I didn't know what the national
18 average was, so I was -- It's good to hear that
19 we're, you know, around the national average, a
20 little bit lower. But, do you have --

21 I think these hearings are about
22 communication between the legislative body and
23 the Administration. So, it's important that I
24 understand and my colleagues understand, what is
25 the target? What's the bullseye?

1 SECRETARY HEARTHWAY: I think it's
2 difficult for anyone to say that there's an
3 acceptable level, particularly of fraud.
4 Realistically, can we eradicate it? I mean,
5 scam artists can be very creative in how they
6 scam the system. So, we simply need to be
7 diligent to be one step ahead.

8 I am told, nationally, to get that
9 number down to five would be phenomenal. I'm
10 not sure I accept that yet. I think there's a
11 great deal more that we can do. But to give you
12 a target, it's in the vicinity of five or six.

13 REPRESENTATIVE DAY: Let me interrupt
14 you. That really wasn't a fair question to ask,
15 what is an acceptable amount of fraud, of a
16 former prosecutor. I apologize for that. But
17 let me get to my last question.

18 There are two bills from our
19 colleagues. Representative Miller and
20 Representative Grove have that, address willful
21 misconduct and willful fraud. Have you taken a
22 position on those bills, or has the Governor,
23 that you know of, and should we continue to
24 proceed and push those through the House?

25 SECRETARY HEARTHWAY: Yeah, we've been

1 working closely with the committee with respect
2 to those bills. The term willful misconduct is
3 a broad term. We've made some suggestions that
4 maybe we want to actually draft specific conduct
5 indicating that that would not be acceptable in
6 order to collect unemployment benefits. I think
7 we're still in the process of going through
8 that, but it's been, certainly, a weekly process
9 of going back and forth and helping to clarify
10 that.

11 REPRESENTATIVE DAY: Thank you for
12 your answers to my questions today. I
13 appreciate you being here. And thank you, Mr.
14 Chairman.

15 CHAIRMAN ADOLPH: Thank you,
16 Representative. For the members' information,
17 that completes the first round of questioning.
18 As is customary during the Appropriation budget
19 hearings, that we invite and welcome the
20 committee Chairs of the corresponding standing
21 committees of the House. So, without further
22 ado, I'd like to introduce the Democratic Chair
23 of the Labor Committee, Representative Bill
24 Keller.

25 REPRESENTATIVE KELLER: Thank you, Mr.

1 Chairman. Madam Secretary.

2 I didn't know we were doing
3 clarifications, but I'd just like to make a
4 small clarification. I believe Representative
5 Bear asked a question about the average
6 claimant's unemployment. Just so people out
7 there understand, 86 weeks is what the feds will
8 allow. It's not the average week -- It's not
9 what the average claimant gets in Pennsylvania.

10 I believe, in 2010, the average weekly
11 benefits was 19.5 weeks, so Pennsylvania is
12 not -- It's not 86 weeks.

13 And another clarification.
14 Pennsylvania is only responsible for the first
15 26 weeks. So if it's 86 weeks or 99 weeks,
16 Pennsylvania's trust fund only pays up to 26
17 weeks. I just wanted to get that clarification
18 out there.

19 SECRETARY HEARTHWAY: No, you're
20 absolutely correct. And I'm sorry if I was
21 confusing.

22 REPRESENTATIVE KELLER: And that
23 brings us back to solvency. You know we've had
24 many issue -- many discussions about solvency
25 because I think that's the one issue out there

1 that we have to attack because we have to get
2 the fund back to solvency. And every time we
3 have a discussion, I open up the discussion
4 with, it's no one's fault so everybody under-
5 stands. This recession hit. The performance in
6 the past, the experience I've been, that we only
7 needed 2 billion, \$3 billion. And now it shows
8 that we need 5 billion. So we have to address
9 that. And it's no one's fault. The recession
10 hit, and that was one of the consequences of it.

11 But I -- We also have had many
12 discussions about how to fix it. I was a little
13 dismayed because you're saying that you're
14 working with the chairmen of the labor
15 committees, the Republican Chairman. We've done
16 a great job with the bonding issue. We try to
17 get as many tools in your hands as we could get
18 to fix this issue.

19 But, my constant complaint is, we
20 can't take it out of eligibility, and we can't
21 take it out of the claimant's end; benefits.
22 There's just not enough money in there to fix
23 this huge problem. And I know the
24 Administration has a problem with saying that
25 the taxable wage base has to be increased. And

1 you've testified that you're willing to increase
2 the taxable wage base, but you have to bring
3 down the rate, and that leaves us with the same
4 amount of money. We have to fix this problem by
5 getting more revenue into the trust fund. And I
6 know you're working with all the stakeholders.

7 And again, I don't know how we fix
8 this, and I know you're going to try to keep it
9 as close to the vest as you can until you have a
10 whole program together. But, can you give us
11 some indication of where you're headed and how
12 we're going to increase revenue into the fund by
13 not going anywhere near increasing the taxable
14 wage base?

15 SECRETARY HEARTHWAY: Yes. I mean,
16 this -- this is a problem that will severely
17 affect Pennsylvania if we don't address it. It
18 is a per employee tax. So, as taxes rise -- And
19 taxes are rising. The federal government has
20 made sure of that on employers. So that
21 additional tax on employers is occurring as we
22 speak. I think what we need to do is make that
23 manageable because it will kill jobs in the
24 future if we do not.

25 I do think, unfortunately, because the

1 hole is as deep as it is, we're going to have to
2 have shared pain. I would submit that the
3 employers have that additional pain felt with
4 the taxes, and that's not going away. Even with
5 the bonding, what we do is we level out the
6 amount of taxes so that -- and it goes into
7 Pennsylvania as opposed to Washington D.C.

8 We are looking at eligibility. I
9 think that is a more targeted approach. I know
10 this committee, or this body, as well as the
11 Senate, last year had looked at the benefit side
12 in terms of going to two quarters or three
13 quarters of averaging the benefit instead of a
14 single-high quarter. That wasn't successful.

15 We're trying to be more targeted in
16 our approach of how to deal with it, and we have
17 focused in on eligibility. It's something
18 that's never been looked at in Pennsylvania, so
19 it's never been updated.

20 I did, however, and as I indicated in
21 our meeting last week, I will be more than happy
22 to sit down and walk through some of the numbers
23 that we've discovered. We've done some pretty
24 in-depth research on this to try and come up
25 with a very focused, direct, out-of-the-box

1 creative way to deal with this issue.

2 But, in fairness, it will be sort of a
3 shared pain, and we're looking to make sure that
4 that's balanced; that it's not hitting one group
5 any more than another group; that everybody's
6 kind of pitching in to solve this problem.

7 REPRESENTATIVE KELLER: I'm glad you
8 said that because we're for fair and balanced
9 too. But the increases in the taxes for the
10 businesses is because we're insolvent.

11 SECRETARY HEARTHWAY: Correct.

12 REPRESENTATIVE KELLER: So, you can't
13 say we're -- businesses are getting increased
14 taxes. They're getting increased taxes because
15 we have to address the insolvency issue. And to
16 do it just on the backs of claimants, I -- and
17 the fund and eligibility -- I know you said
18 we're working toward fair and balanced, but I
19 hope that's taken into consideration.

20 And one thing we always -- I talk
21 about every time we talk about this. Every time
22 we get the fund up into some reasonable
23 standard, the first thing we do is stop paying
24 into the fund. And that -- If you're going to
25 put it into law, I think that has to be in the

1 law, too. A fund -- You have to go by your past
2 experience. And the past experience now shows
3 that we have to have at least \$5 billion in that
4 fund. As soon as we get to \$2 billion, I
5 guarantee you, we're going to talk about cutting
6 taxes into the fund. And I think we should put
7 something in -- If I could have -- We should
8 have something in the law that you're designing
9 that this fund cannot -- people cannot pay into
10 this fund until it's fully funded.

11 SECRETARY HEARTHWAY: I agree with you
12 on that issue. And since that we have got --

13 REPRESENTATIVE KELLER: Excuse me?

14 SECRETARY HEARTHWAY: I agree with you
15 on that issue. We have got to look at this
16 solvency for the long term; not just to get out
17 of this problem, but to make sure it doesn't
18 happen in Pennsylvania again. So I think we
19 have to look at solvency, not just for next
20 year, the year after, but for the long term so
21 that that fund remains solvent, and those are
22 issues we need to delve into. We have been.

23 As I indicated, though, I wanted to
24 get a little bit more feedback before I stated
25 the following proposal. And I, you know -- As I

1 indicate, meet with you and get your feedback as
2 well.

3 REPRESENTATIVE KELLER: That's fine.
4 And as you're aware, because you have mentioned
5 President Obama's budget proposes to provide a
6 two-year tax relief to the states that are
7 repaying federal loans into the unemployment
8 compensation trust fund.

9 Under the plan's interest accrual and
10 interest payments and the FUTA penalties would
11 be suspended. I believe that's a two-year
12 reprieve they have on that. That gives us an
13 excellent two-year opportunity to get this fund
14 a little bit more solvent than it is now.

15 Do you have an estimate of what the
16 tax savings of the President's plan would
17 generate for employers in Pennsylvania?

18 SECRETARY HEARTHWAY: No, I do not.
19 And that reprieve is if we pay off the debt by
20 the November 10th, what I was speaking about
21 earlier. And then there's no interest charged
22 on any new borrowing for two years.

23 REPRESENTATIVE KELLER: Does the
24 Administration have any opinion on the
25 President's plan?

1 SECRETARY HEARTHWAY: The
2 President's -- Obama's plan with respect to UC
3 did not give us a break on the FUTA tax. That
4 will continue to go up. There's actually no
5 break on interest unless we pay it off. So,
6 with respect to that plan, it isn't helping us
7 in terms of solvency.

8 I don't think there has been, in
9 previous years, a forgiveness. For this year no
10 interest has to be paid. That's over with.
11 That's not happening anymore. I -- I -- This
12 plan, the new plan of the President's, as well
13 as any future plan, I don't think are going to
14 include any of those kind of breaks.

15 REPRESENTATIVE KELLER: Okay. But
16 you'll take a -- You'll take a deeper, in-depth
17 look --

18 SECRETARY HEARTHWAY: Of course.

19 REPRESENTATIVE KELLER: -- at it and
20 let us know? All right. One more question.

21 To my good friend, the Chairman, we're
22 talking about refineries. And he had asked if
23 this has ever occurred before, the amount of
24 layoffs; thousands of layoffs. I lived through
25 it through the close of the Philadelphia naval

1 shipyard. 5,000 jobs closed all at one time.
2 It was devastating. It still has long-lasting
3 effects 20 years later. And I always -- When I
4 talk about the refineries, I always said, the
5 closing of the Philadelphia naval shipyard will
6 pale in comparison to what's going to happen at
7 the refineries.

8 The refineries have been the
9 industrial backbone of the southeast region for
10 over a hundred years. The closing of these
11 three refineries is going to be devastating.
12 Any -- Any increases we make in unemployment, or
13 increase in taxes, will be severely hurt by the
14 closing of these refineries.

15 And I'm not an economist, and I don't
16 know much about the law of supply and demand,
17 but I always thought that, when prices
18 increased, supplies would also increase. It
19 looks like we're going to -- People are talking
20 about having five-dollar-a-gallon gas.

21 As the price increase, in our region,
22 we're closing three refineries that have
23 produced 24 percent of the region's gasoline and
24 home heating oil. I've never understood how
25 companies are going to close refineries, but

1 yet, meet their market share. I've asked this
2 question many times. I don't know if you had
3 the opportunity to, when you're talking to the
4 refineries, are they giving up their market
5 share, or are they going to import refined
6 product and still sell in this market with
7 gasoline that has been refined overseas?

8 SECRETARY HEARTHWAY: I don't know
9 that I can answer that question for you. I --

10 REPRESENTATIVE KELLER: I think it's a
11 question that should be asked to the refineries.
12 How -- How's that going to happen? How are they
13 going to keep their market share, but yet,
14 they're closing refineries down?

15 SECRETARY HEARTHWAY: I can tell you,
16 the Governor and his Administration is
17 laser-focused on this southeast problem and
18 trying to solve it. But, at the same time, we
19 have to be respectful of the private industry
20 and private property and a business running it
21 the way they see fit to make a profit. There
22 is -- You know, we can't interject into those
23 private rights.

24 REPRESENTATIVE KELLER: I understand,
25 but they are having devastating effects on the

1 economy of southeastern Pennsylvania. And it
2 looks like they're still selling product in
3 Pennsylvania. Maybe I'm Chicken Little, but I
4 believe this is going to be devastating to our
5 area. And they have -- Even though they're
6 private industry, they need to be asked hard
7 questions. It's going to affect us severely,
8 and we should ask them the hard questions.
9 Let's find out what they're doing.

10 Maybe those refineries really aren't
11 for sale. Maybe they want to keep the docks;
12 maybe they want to keep access to the pipeline;
13 maybe they want to keep the tank farms. That's
14 a question that has to be asked. Are you -- Are
15 they for sale, or are they not for sale? If
16 you're keeping the best assets of the facility,
17 then they're really not for sale. That's
18 questions I've been trying to get asked, and I
19 can't get an answer.

20 CHAIRMAN ADOLPH: Thank you, Chairman
21 Keller. I certainly understand your passion on
22 the issue. I think a lot of these questions
23 have been asked both publicly at some of the
24 meetings that I have attended. I know you --
25 We're just not getting the answers. I think the

1 questions -- the questions have been asked of
2 these refineries, but we haven't received the
3 answers.

4 The Secretary's here to react, as she
5 said, to the results of the closing and to make
6 sure that the individuals that will be suffering
7 as a result of the layoffs are taken care of
8 through benefits and -- and workplace
9 retraining. I think she -- she will not be able
10 to answer the question of why they made these
11 decisions.

12 I do know that the Governor's
13 workforce has been at work behind the scenes.
14 Some of us have said publicly, and some
15 privately, we'd like to see the Governor out in
16 front a little bit more than he is.

17 But, I can tell you this: When I was
18 in Center City Philadelphia about three weeks
19 ago, Governor Corbett came up to me and he said,
20 Bill, I just want to let you know we're working
21 very hard, and there will be some answers in the
22 very near future. So, I hope it's good answers.
23 Okay. I know he is working. I know the
24 Governor's team is hard at work.

25 Not this Administration; not the

1 previous Administration, had anything to do with
2 the closing of these refineries. We all have
3 family members; we all have neighbors that are
4 going to be suffering as a result of these
5 closures, and we're all working and doing our
6 best to try to see the future. I'm looking
7 forward to working with you in making this
8 conversion, this transfer, this change of the
9 area, if necessary, we don't find buyers.

10 I'm glad you took part in this hearing
11 today. But these questions, which are so
12 important, are for another meeting and
13 another -- another time. So, thank you very
14 much. I'm looking forward to being out there at
15 dinner with you over the weekend.

16 REPRESENTATIVE KELLER: That's the
17 nicest way I've ever been told to shut up in my
18 life.

19 CHAIRMAN ADOLPH: He can say that to a
20 friend of probably over 40 years. We go back to
21 teenage years together. Representative and
22 Chairman of the committee, Ron Miller.

23 REPRESENTATIVE MILLER: Thank you, Mr.
24 Chairman. I'll try to avoid that ending there.

25 Thank you, Madam Secretary. I'd like

1 to thank you for everything you've been doing to
2 try to work on some very, very difficult issues.
3 I'd also like to thank some of our other friends
4 in the audience here today that have been
5 working on issues with you and the people in
6 your Department; job classification, and all the
7 issues we're trying to advance to help with the
8 solvency issue; help with the unemployment comp
9 issue in the state. There's a lot of things
10 that need to be done. And I agree, with the
11 solvency, with my co-chair, Representative
12 Keller.

13 Act 6 you referenced. We have an
14 active work search requirement for the first
15 time in my memory, anyways. But, part of your
16 written testimony references a comprehensive job
17 matching system as part of the cornerstone of
18 where we're headed. And a couple of the phrases
19 in the testimony say we will have this.

20 Where are we in implementation of
21 where people will be able to match up; look and
22 see what their skills are, and employers will be
23 able to see the skills that are available so we
24 can actually match people and get people back to
25 work, because that's the only way we really get

1 to solvency again.

2 SECRETARY HEARTHWAY: We have a system
3 of sorts now. It's cumbersome. It's difficult
4 to use. It's difficult to navigate for an
5 individual and for an employer. It's relatively
6 frustrating for them to try and match.

7 We also did not have, which we do now,
8 a larger group of individuals putting
9 information into it. One of the work search --
10 the first work search requirement is registering
11 and filling out this information. So, the
12 ability to match is there. It's just not easily
13 done and is not as fine-tuned as it should be.

14 We've been looking at programs to
15 enhance all that, as well as complement that
16 kind of work search record requirement
17 necessary. I hate to say a deadline, because
18 we're dealing with programs and computers, but I
19 think that very first phase of it is already
20 there. The increased abilities by July 1st, we
21 should have a significantly improved system that
22 will help match employees and employers, and
23 that an individual can go on and search at it at
24 a much greater ease; put in qualifications that
25 they would like to see from a company and

1 vice-versa.

2 By the end of the year, I think you'll
3 see an extremely robust system that has several
4 levels to it, so both the job creator and the
5 job seeker can get together.

6 REPRESENTATIVE MILLER: I appreciate
7 that answer. It strikes me, in the days of
8 Twitter and Facebook and instant communication,
9 anything that we can do that helps the employer
10 and the employee to meet, to match up, almost a
11 dating program in a way, you know; if we could
12 facilitate this, we can get people back to work.
13 So I appreciate what you're trying to do there.

14 Mr. Chairman, I have no further
15 questions. Thank you very much for the
16 opportunity.

17 CHAIRMAN ADOLPH: Thank you, Chairman.
18 On the second round of questions, we'll start
19 with Representative Parker.

20 REPRESENTATIVE PARKER: Thank you, Mr.
21 Chair. Thank you, Madam Secretary, for your
22 patience.

23 First let me just state to my
24 colleague, the gentleman on the other side from
25 the northeast, I am so excited to sort of

1 receive the olive branch as it relates to sort
2 of working together with the counties that I
3 mentioned earlier that the unemployment rate is
4 extremely high in Cameron, Carbon, Pike and
5 Philadelphia; again, 9.8 Pike, 10.4 Carbon, 11.4
6 Cameron and 10.6 Philadelphia. And despite the
7 reasons why we see such a high rate of
8 unemployment in those particular counties, the
9 fact of the matter is, the rate exists. We're
10 looking at a map from the Center for Workforce
11 Information and Analysis that was given to us on
12 January 31st, 2012.

13 But no matter what, the unemployment
14 rates exist as they are, and anything that we
15 could do as a Commonwealth to assist the
16 residents who reside in those areas, we should
17 be more than willing to do so. So I would be
18 more than willing to work with the gentleman,
19 along with the Department, on any initiatives
20 that you proffer to move in that direction.

21 Madam Secretary, I wanted to just go
22 back to something that we've heard a lot of
23 today, and that's the issue of the CareerLinks.
24 In Philadelphia, obviously, you know we value
25 our CareerLinks very much. We send a lot of

1 people to the Careerlinks to get -- to get
2 assistance.

3 But, I was a little troubled by the
4 Pew Charitable Trust initiative. They came out
5 with a report that talked about the 12 percent
6 of businesses being connected to the CareerLinks
7 in Philadelphia versus about 25 percent
8 statewide. I wanted to know if you had any
9 comment on anything that we should be doing
10 different in Philadelphia to assist the
11 Department and/or the CareerLinks in connecting
12 with more businesses? Can you give us sort of a
13 proverbial role; an action role in helping that
14 process along?

15 SECRETARY HEARTHWAY: You're correct
16 on the figures, and we'd like to get them up. I
17 mean, I'd like to have every Pennsylvania
18 business involved in CareerLink; again, as I
19 indicated, I think to show value to the
20 business; that they're going to be able to
21 identify, even pre-screen a labor force would be
22 a benefit to them. Part of the reason I want to
23 make the system much more streamlined.

24 I will add, on the Philadelphia
25 number, just to put it in perspective, it is

1 done by business, by employer. Philadelphia has
2 some very large employers. They're counted as
3 one employer, so that percentage, from a
4 job-opening point of view, may be larger than it
5 appears. It's not 12 percent of the open,
6 available or potential job positions. It's 12
7 businesses. In Philadelphia, that could mean a
8 lot more jobs than it could in some of the rural
9 areas because you have large companies with a
10 huge employment base.

11 We've looked at various different ways
12 of getting businesses' employers involved.
13 Again, I think L&I-Pennsylvania needs to provide
14 a product that they find valuable, first and
15 foremost. That's what we're working on.

16 But then the second part of that is
17 getting the information out. And I will be
18 coming back and asking for assistance with that
19 in every regard to help me get to businesses;
20 explain to businesses the benefits of doing
21 this, because it will be a snowball effect. The
22 more -- We now can get the unemployed involved
23 because of the work search. The more employers
24 we get involved, the more matching that will
25 occur. So, hopefully, we can get the ball

1 rolling in doing that. I think, first it's with
2 value, and then second it's information.

3 The map that you're pointing to that
4 shows those labor markets and unemployment
5 rates, that's one of the things we just talked
6 about in a meeting. That could be of value to a
7 business. So, maybe we offer that. If they
8 register, we'd be able to provide their labor
9 force in their area.

10 I'll add one other on both of the
11 questions. We get this system up and running
12 with full participation, we're going to be able
13 to go out and entice businesses into
14 Pennsylvania because, you ask all businesses,
15 they will tell you to have a constant steady
16 flow of a -- available good-skilled workforce is
17 what they need. We would then be able to show
18 them. So we could go into a company that needs
19 machinists and say, in the area that you're
20 looking to locate, or let's suggest you locate
21 in this area because we have a ready-made,
22 job-ready labor force for you.

23 That's one of the things we can do
24 with this system that is long overdue. We have
25 the technology to do it. We just now need to

1 get that ball rolling.

2 REPRESENTATIVE PARKER: Thank you,
3 Madam Secretary. Let me just also note. I want
4 to thank my colleague from York who mentioned
5 the adjustment and the number that I referenced
6 earlier today when I talked about the taxable
7 wage base. I mentioned employees paying the \$80
8 on every 1,000. He noted that the reference is
9 actually 80 cents on \$1,000 they earn. I
10 appreciate the adjustment to the record.

11 But I also would be very leery about
12 noting that even that amount is a small amount
13 for a Pennsylvanian to be paying, particularly
14 during these tough economic times. It's very
15 difficult to go into someone's pocket and decide
16 what's a small amount for them versus a large
17 amount. So, I appreciate the adjustment to the
18 record.

19 One of the things I want to close
20 with, Madam Secretary, is that, if there's
21 anything we've learned about this fiscal crisis
22 our nation and our Commonwealth is facing, that
23 is, it doesn't matter what corner of the
24 Commonwealth you live in. Whether you live in
25 urban, rural, suburban Pennsylvania, this --

1 this economic challenge has had a strong impact
2 on the people who are here. If there's ever
3 been a unifying factor to show us that we have
4 much more in common than we do as it relates to
5 what separates us, it's this current economy and
6 the impact it's had on unemployed. So thank you
7 so much for your work and what you do.

8 SECRETARY HEARTHWAY: Thank you.

9 CHAIRMAN ADOLPH: Thank you,
10 Representative. Madam Secretary, I want to
11 thank you for testifying this morning. I
12 appreciate your frankness, straightforwardness
13 regarding tackling the tough issues that we're
14 all facing. And we're looking forward to
15 working with you during the next several months
16 in order to balance this state budget. Thank
17 you --

18 SECRETARY HEARTHWAY: Thank you.

19 CHAIRMAN ADOLPH: -- and we
20 appreciate.

21 For members' information, the next
22 budget hearing will be at 1:30. Thank you.

23 (At 12:19 p.m., the Department of
24 Labor and Industry hearing concluded).

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C E R T I F I C A T E

I, Karen J. Meister, Reporter, Notary Public, duly commissioned and qualified in and for the County of York, Commonwealth of Pennsylvania, hereby certify that the foregoing is a true and accurate transcript of my stenotype notes taken by me and subsequently reduced to computer printout under my supervision, and that this copy is a correct record of the same.

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Dated this 20th day of March, 2012.

Karen J. Meister - Reporter
Notary Public

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