

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

* * * *

BUDGET HEARING
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

* * * *

House Appropriations Committee

Main Capitol Building
Majority Caucus Room 140
Harrisburg, Pennsylvania

Thursday, March 1, 2012 - 1:30 p.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

Edward J. Nolan, Majority Executive Director

24 Miriam Fox, Minority Executive Director

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

INDEX OF TESTIFIERS

TESTIFIERS

PAGE

Dept. of Community & Economic Development

C. Alan Walker, Secretary..... 4

Mike Cortez, Deputy Secretary
of Administration

Lisa Hughes, Policy Director

INDEX OF REQUESTED DOCUMENTS OR INFORMATION

Page	Line	Page	Line	Page	Line
32	20-21	57	20-21	67	25 -
69	3-4				

1 CHAIRMAN ADOLPH: Good afternoon,
2 everyone. I'd like to call to order the House
3 Appropriations Committee budget hearing for the
4 Department of Community and Economic
5 Development.

6 Once again, I would like to remind the
7 members to try to keep their questions as
8 concise as possible, and I'd also like to ask
9 the testifiers to do the same. Certainly, it's
10 my privilege to introduce to the committee,
11 Secretary C. Alan Walker of the Department of
12 Community and Economic Development. Good
13 afternoon, Secretary.

14 SECRETARY WALKER: Good afternoon.
15 It's good to be here. Thank you.

16 CHAIRMAN ADOLPH: If you would, would
17 you like to introduce your staff that's at the
18 table with you --

19 SECRETARY WALKER: Yes.

20 CHAIRMAN ADOLPH: -- and a brief
21 introduction.

22 SECRETARY WALKER: Sure. I would like
23 to introduce the gentleman to my left, Mike
24 Cortez, who is Deputy Secretary for
25 Administration; and to my right, Lisa Hughes,

1 who is our Policy Director for our Department.

2 Thank you.

3 CHAIRMAN ADOLPH: Very good. All
4 right, go ahead. Would you like to make a brief
5 opening comment, Secretary?

6 SECRETARY WALKER: Yes, very briefly.
7 I want to say that I think we're on a new track
8 in Pennsylvania, and it's a positive track.
9 Many of you who have been around for a while
10 know, because of our manufacturing and
11 industrial past, we were generally the first
12 state into a recession and the last state out of
13 the recession, and we always seemed to have
14 fewer jobs when we came out of the recession
15 than when we went in.

16 But, with this current recession,
17 Pennsylvania has consistently been about one
18 percentage point under the national average in
19 our unemployment number. December 2011, the
20 latest numbers that I have are -- the number for
21 the State of Pennsylvania was 7.6 percent. The
22 national average was 8.5 percent.

23 I also want to talk about a couple of
24 very positive trends that I see developing for
25 Pennsylvania. Exports, last year we have

1 figures for \$42 billion; a huge increase over
2 the previous year; tourism, \$27.9 billion, also
3 a nice increase. Our economy is approaching a
4 600-billion-dollar-a-year economy. And for
5 frame of reference, that makes us either the
6 18th or 19th largest economy in the world,
7 depending on what major you use.

8 But if you look at the countries that
9 we're larger than, it's a very impressive list.
10 We're larger than Argentina. We're larger than
11 Saudi Arabia. We're larger than Austria, or
12 Switzerland, Poland, Sweden, Norway, Denmark.
13 So if you put our economy in perspective as a
14 world economy, it's a very significant economy.

15 Now, I've told my Department, our goal
16 is to become a top 5 economy in the U.S. Right
17 now we are number 6 behind the State of
18 Illinois. However, in the last five years, we
19 have closed the gap with Illinois each year.
20 Five years ago we were 82 percent of the
21 Illinois economy. This year we will be 87
22 percent of the Illinois economy. So, again, if
23 you use that measure, I believe we're on a very
24 positive track. Thank you.

25 CHAIRMAN ADOLPH: Chairman Markosek.

1 CHAIRMAN MARKOSEK: Thank you, Mr.
2 Chairman. Welcome, Secretary. I just wanted to
3 commend you, really, for some comments you had
4 made about enhancing our economic development
5 situation through better transportation
6 infrastructure. I know you support and you've
7 been quoted that you -- your support of the
8 recommendations in the Governor's funding
9 transportation report. One of those being
10 higher, in quote, fees, fines and higher tax on
11 oil companies; you had had in an interview
12 recently.

13 I just wanted to say that I commend
14 you for taking that stand, because, without good
15 infrastructure, good transportation systems --
16 And we had the Secretary of Transportation here,
17 so I don't want to go into all that. But it is
18 a part of economic development, a big part of
19 economic development, and I'm happy to see that
20 you support a lot of the same things that we
21 support.

22 And I will say the same thing to you,
23 as I said to the Secretary of Transportation,
24 you have the Governor's ear, certainly more so
25 than we do. And we would like you to, when you

1 are talking to him, tell him how important this
2 is, and how important it is that he take a very
3 active and enthusiastic position very soon--not
4 put it off any longer--of getting our
5 transportation funding program in place.

6 We know we can't solve this problem
7 overnight, but he is the Governor. We need him
8 to take the lead. People like you and I and
9 others in the legislature will back him. He
10 needs to come forward with a substantial
11 transportation funding plan very soon. I would
12 hope that you would share that with him when
13 you're speaking to him.

14 SECRETARY WALKER: Thank you.

15 CHAIRMAN ADOLPH: Representative Pyle.

16 REPRESENTATIVE PYLE: Mr. Secretary,
17 always a pleasure. Thanks for spending a little
18 bit of time with us today.

19 SECRETARY WALKER: Thank you.

20 REPRESENTATIVE PYLE: Just for
21 everybody watching these things at home, it
22 hasn't been brought up, but it's been a very
23 pivotal transitional year going from one
24 philosophy of government to another, and I
25 appreciate the job you've been doing.

1 In looking over this year's budget, I
2 think it's fair for my colleagues and I to
3 actually get your perspective on things. You've
4 had one year in the saddle, so to speak. What
5 are some of DCED's success stories out of this
6 past year?

7 SECRETARY WALKER: Thank you for the
8 question. I approached the position in the
9 first year almost as a consultant. And with my
10 private sector background and years in the
11 private sector, how do we streamline the
12 Department and how do we offer services to our
13 customers, our communities and businesses more
14 efficiently and more effectively?

15 So, one success is, we've reduced the
16 number of programs from 127 to 56, which I think
17 makes administration of our program a little
18 better. Now I'm going to give you a few
19 specific successes that I feel are successes.

20 REPRESENTATIVE PYLE: That's what I
21 was asking.

22 SECRETARY WALKER: Yeah. Number 1, in
23 Allegheny County--and this is a GAT project--
24 Calgon Carbon Corporation, which is in the
25 Democratic chairman's district.

1 Number 2, The LORD Corporation in
2 Erie. The LORD Corporation is a large
3 engineering company in Erie. They were actually
4 thinking about leaving the State of
5 Pennsylvania, and had a very attractive offer to
6 move to another state. And as it so often
7 happens, when the principals or the founding
8 family no longer live in the state, sometimes
9 it's a little bit easy to entice these companies
10 away. But we got involved and were able to make
11 a GAT offer, and the LORD Corporation made the
12 decision to stay in Erie County and actually to
13 expand in Erie County.

14 The Hilex Poly Corporation, LLC, in
15 Centre County is a GAT project. Ahold USA in
16 Cumberland County, which is the Giant Food
17 stores, has expanded their warehouse; the
18 Affinia Group in Schuylkill County, a GAT
19 project; Scranton Lackawanna Industrial Building
20 Company in Lackawanna; OPTIMO Information
21 Technology, LLC, in Luzerne County.

22 I'm giving you the top 10, okay?
23 Ocean Spray in Lehigh County. This,
24 to me, is a real success because they are
25 actually leaving Warren County, New Jersey, and

1 moving their bottling plant -- their cranberry
2 bottling plant to Pennsylvania, Lehigh Valley.
3 So, when you take an existing company from
4 another state and bring it into our state, to me
5 it's a success story. Certainly not a success
6 story to the State of New Jersey.

7 Executive Health Resources in Delaware
8 County. And, finally, Five Below in
9 Philadelphia is a GAT project.

10 I'm just going to mention one more
11 because I think it's a real success story, and
12 that's Accreon, which is a battery manufacturing
13 company that will be going into the old sewing
14 plant in Westmoreland County. They were being
15 courted by six other states but chose
16 Pennsylvania. Their initial hiring in the first
17 year, year and a half, will be 400 positions.
18 And if they're successful, it will probably go
19 up to 800 positions.

20 It's great technology that was
21 actually developed at Carnegie Mellon, and it's
22 a process that can store energy from wind or
23 solar is, which we can't do right now. The
24 weakness of wind and solar, it has to go
25 directly into the --

1 REPRESENTATIVE PYLE: Grid.

2 SECRETARY WALKER: Yeah. So they now
3 have a way of storing it, and it can be put in
4 the grid as it is demanded in the grid. That's
5 a new cluster of the new technology. If it
6 works, the potential is -- it's unlimited. And
7 it's going to be a Pennsylvania-based industry,
8 so I'm very proud of that one.

9 REPRESENTATIVE PYLE: That's ah -- Not
10 to correct the Secretary, that plant is actually
11 located in Hunker, Pennsylvania, which is one of
12 the great towns. I lived about five miles from
13 it at one point. I have one more question.

14 I read an article today online, a
15 popular website, that ranked business climates
16 of all the 50 states. And, unfortunately, we
17 came out pretty near the bottom. And one of the
18 things they attributed to that was high
19 regulation on taxes. Could I get your take on
20 that philosophy?

21 SECRETARY WALKER: Yeah.

22 REPRESENTATIVE PYLE: What can we do
23 to make that --

24 SECRETARY WALKER: You're absolutely
25 right. In fact, the perception is -- Well, when

1 we talked to Accreon, they almost didn't look at
2 Pennsylvania because we had the image of being a
3 very high business-tax state, and we're one of
4 only two states that has the capital stock and
5 franchise tax and the corporate net income tax.

6 But we overcame that, and I'm very
7 pleased to say that Site Selection magazine just
8 announced that the State of Pennsylvania is
9 ranking third in the nation in the Annual
10 Governor's Cup Race, and there is a caricature
11 of our Governor on the cover of the magazine.
12 But I want to read what they said. This is just
13 brief.

14 Today's Site Selection magazine, a
15 publication specializing in the corporate real
16 estate and economic development field, has
17 ranked Pennsylvania as the number 3 state in the
18 nation for new or expanded corporate facilities
19 in 2011. Pennsylvania finished third in the
20 nation in the Annual Governor's Cup competition,
21 with 453 new or expanded corporate facilities in
22 2011; an increase of over 100 projects from
23 2010. The ranking is based on new corporate
24 location projects that met at least one of the
25 following criteria:

1 Involved a capital investment of at
2 least \$1 million, created at least 50 new jobs,
3 or added at least 20,000 square feet of space.
4 This helps get a second look, and that's what we
5 need, because, even though our tax rate appears
6 to be very high, if you look through that and
7 you realize that we are a state that allows some
8 deductions and things like that, it's not as bad
9 as it appears at first.

10 However, to phase out of the capital
11 stock and franchise tax is extremely important
12 because, as you know, it's a tax on assets; not
13 a tax on profits. So it's a very punitive tax.
14 So, if we can get businesses to one tax, which
15 will be the corporate net income tax, and then
16 get what is perceived as a fair rate of our CNI,
17 we're going to do very well moving forward.

18 REPRESENTATIVE PYLE: Well, I had read
19 the article you just pointed out also. I was
20 (inaudible word) back, Secretary, but I wanted
21 to congratulate you on your very first year.
22 Keep up the good work.

23 SECRETARY WALKER: Thank you.

24 REPRESENTATIVE PYLE: Don't forget
25 Armstrong.

1 SECRETARY WALKER: We won't.

2 REPRESENTATIVE PYLE: Thank you,
3 Chair.

4 CHAIRMAN ADOLPH: Thank you,
5 Representative. Since we're on bringing
6 business into Pennsylvania, obviously, I would
7 be remiss, Mr. Secretary, if I didn't ask you
8 how your Department is involved with the closing
9 of refineries in the southeast. As much as you
10 can tell us that today, I would appreciate some
11 type of an explanation of your involvement in
12 trying to bring a oil refinery to one of the
13 closing refineries or some type of conversion of
14 the said property in this industry.

15 SECRETARY WALKER: Yeah, thank you.
16 Well, I guess, in this job it's two steps
17 forward and one step back. We were really on a
18 roll. And then, in September, we got the
19 announcement that the three refineries on the
20 Delaware would close. It was a real blow to me,
21 personally, because -- I mean, coming from an
22 energy background and knowing what it's like
23 when you close down a major operation like that
24 and how hard it is to replace those jobs, we
25 focused on it right away. I just want to make a

1 couple of general comments.

2 We have been extremely involved, and I
3 talk with the CEO, Ron McDonald, of Sunoco on a
4 weekly basis. We're in -- I've talked with
5 ConocoPhillips. But what I think you can
6 appreciate is, the state does not control those
7 assets, so we can only be involved when we're
8 invited to be involved.

9 Also, we are in discussions with
10 several firms. Of course, we had to sign
11 confidentiality agreements. But I am
12 comfortable saying this to you today. I am
13 confident that there's a high likelihood that we
14 will be able to save two of the three
15 refineries.

16 CHAIRMAN ADOLPH: Could you just
17 repeat that one more time?

18 SECRETARY WALKER: I believe that we
19 will be able to keep operating two of the three
20 refineries, and I think you understand the
21 problem. Those refineries were designed for
22 light sweet crude, and that is the most
23 expensive crude in the world to buy.

24 Now, if we look at some of the other
25 options and, hopefully, some adjustments, I have

1 to tell you, I am cautiously optimistic.

2 CHAIRMAN ADOLPH: I'll tell you what,
3 Mr. Secretary --

4 SECRETARY WALKER: Will I be invited
5 into your district if that happens?

6 CHAIRMAN ADOLPH: I will personally
7 pick you up and drive you. That's the best news
8 that I've heard in six months, quite frankly. I
9 have attended numerous meetings regarding that,
10 and we had an earlier meeting this morning with
11 the Secretary of Labor and Industry. We were
12 talking about how that Department is preparing
13 for the layoffs, and so forth and so on.

14 But this is the best news that has
15 come out in a long time. Two out of three is
16 pretty darn good considering there has not been
17 a new oil refinery constructed in the United
18 States of America in over 60 years. So, trying
19 to get refineries to relocate here in
20 Pennsylvania is fantastic news for that
21 community, and I think to the entire northeast,
22 really.

23 SECRETARY WALKER: Well, it will be a
24 tragedy if those refineries go, for a number of
25 reasons. Not just because of the job loss, but

1 the importance of middle distillate in the
2 northeast as home heating oil.

3 But again, as you know, in fairness to
4 the companies, it's not necessarily a result of
5 things they've done. It's a result of our
6 national energy policy where we've gone for fuel
7 efficiency. The demand for gasoline in this
8 country is down, which logically means, the
9 least -- the high-cost refineries are probably
10 going to be the ones that go out of business.
11 But we are looking at alternatives and options,
12 and there's some hope.

13 CHAIRMAN ADOLPH: Well, keep up the
14 good work. If you need help with incentives --

15 SECRETARY WALKER: Thank you.

16 CHAIRMAN ADOLPH: -- we'll certainly
17 be here with you.

18 SECRETARY WALKER: Thank you.

19 CHAIRMAN ADOLPH: Thank you.

20 Representative Scott Conklin.

21 REPRESENTATIVE CONKLIN: I want to
22 thank you, Mr. Chairman, for the opportunity. I
23 want to thank you, Mr. Secretary, for coming
24 today. I need to know, did your father have a
25 chance to go skiing this year?

1 SECRETARY WALKER: You find him some
2 snow, he'll be there.

3 REPRESENTATIVE CONKLIN: For those of
4 you who don't realize, how old is your father
5 now? Ninety --

6 SECRETARY WALKER: My father will be
7 100 on March 13th.

8 REPRESENTATIVE CONKLIN: And he still
9 tries to go skiing every chance he gets.

10 SECRETARY WALKER: He's a winter guy.

11 REPRESENTATIVE CONKLIN: My question
12 is for you on substance for job creation. Over
13 the years, from the time -- Usually when I
14 worked at the local level, many times we come in
15 and we assist folks with setting up new
16 businesses; get them money to create jobs. But
17 at the end of the day, they aren't able to
18 fulfill that obligation.

19 Can you tell me a little bit about --
20 Is there any mechanism in place that we can go
21 back to ask for that money back or that they'd
22 have to repay it?

23 SECRETARY WALKER: You know what, it
24 really depends upon the circumstances. If
25 there's any way it appears they can get where

1 they need to be, we're going to be flexible.

2 We're going to work with them all the way.

3 But let me just take that in a
4 slightly different direction. If you've heard
5 from L&I, they have a new program this year
6 called Keystone Works, which will allow people
7 who are on unemployment to actually receive
8 wages and unemployment at the same time because
9 they're training for a new job opportunity. I
10 think that's an innovative program, and I really
11 hope it works. And if it does work, I hope we
12 put more money into it.

13 REPRESENTATIVE CONKLIN: That would be
14 good news. Just one quick follow-up, Mr.
15 Secretary.

16 As we're going through this and we
17 talk about opency (phonetic) and transparency,
18 is there any way that you're looking at making
19 it more transparent to the public and to the
20 General Assembly, as we do go down in the future
21 of doing the subsidies, to see exactly how that
22 money was spent; if it was a good bang for the
23 buck for the Administration --

24 SECRETARY WALKER: Sure.

25 REPRESENTATIVE CONKLIN: -- for the

1 General Assembly?

2 SECRETARY WALKER: We do have metrics
3 the whole way through, and we do do an annual
4 report to the General Assembly, so it's -- I
5 mean, it's fairly transparent right now. If
6 your question is, do we have the ability to claw
7 back for people who don't perform, the answer to
8 that is yes. Do we? The answer is, not in
9 every case, but there are cases where we do,
10 because there are people who clearly miss the
11 mark, and there are people who really mislead us
12 going in, for whatever reason. You know, they
13 are really off the mark.

14 We have to keep integrity in the
15 system, so we have to have the ability to claw
16 back if we absolutely have to.

17 REPRESENTATIVE PETRI: I appreciate
18 that, Mr. Secretary, because over the years I've
19 been -- we opened to someone who (inaudible
20 word) -- They all felt that the job creation --
21 I've been questioned many times. When companies
22 weren't able to fulfill that, if there was any
23 way that we could do clawback, so I appreciate
24 your answer. Thank you.

25 CHAIRMAN ADOLPH: Thank you,

1 Representative. Representative Mauree Gingrich.

2 REPRESENTATIVE GINGRICH: Good
3 afternoon. Thank you, Mr. Chairman. Welcome to
4 you and your team.

5 Mr. Secretary, a short time ago, you
6 were kind enough to speak to a rather large
7 chamber gathering in my district. And during
8 that conversation that we had, you talked about
9 the proposal to create the Liberty Loan Fund.

10 SECRETARY WALKER: Liberty Financing
11 Authority.

12 REPRESENTATIVE GINGRICH: Exactly. I
13 want to talk a little bit more about that
14 specifically. But first I want to ask you, why
15 do you think you need this, or why do you see
16 this as an additional tool that will be valuable
17 to us on top of some of the other mechanisms in
18 place? And then I'd like to ask you a few
19 specific questions.

20 SECRETARY WALKER: Sure. Let me just
21 give you a brief outline of what I think it is.

22 For one thing, it would be one-stop
23 shop for job creators. Now -- Again, like I
24 said, I was going to act as a consultant. I
25 found that companies had to do a different

1 application for every program. Why? Okay, now
2 it's going to be one application. We'll see
3 which programs fit and we'll direct them to the
4 right program.

5 So, it's a single application. It's a
6 public/private partnership. It will be a
7 15-member governing board with four cabinet
8 secretaries, which will be DCED, banking,
9 agriculture and budget; plus, 11 private sector
10 members appointed by the Governor and the
11 General Assembly. Now, here's the important
12 part of it to me.

13 It pools 1.1 billion of resources from
14 three existing authorities and four existing
15 revolving loan funds, and it allows us to be
16 able to leverage those assets. And again, I
17 come from a business background. In business,
18 you're always looking at what assets are not
19 being used properly or what assets are
20 technically dead assets.

21 Basically, these are dead assets
22 because they're not being used as efficiently as
23 they can. By pulling them all together into one
24 fund, the Liberty Financing Authority, we have
25 about \$500 million in unencumbered assets. So

1 what we are able to do is go to the bond market,
2 put this up as collateral and say, okay bond
3 market, what are you willing to loan us in the
4 way of bonds; what's our bonding capacity
5 against these unencumbered funds? And we feel
6 it's going to be between 100 and \$200 million.

7 This is an off-balance sheet item for
8 the State of Pennsylvania, and it wouldn't show
9 up in the annual budget. So it gives us the
10 ability to use an asset that really isn't being
11 used now to really put together a business
12 development fund.

13 REPRESENTATIVE GINGRICH: Wow, you
14 almost answered all my questions before I asked
15 them, I was going to ask you, how would you do
16 that? Okay, you've explained that.

17 You sort of answered my potential
18 question on how much is it going to take? You
19 know, what kind of financing; what kind of money
20 pool are we looking at to do this type of
21 financing, and is it a simple matter to do this?
22 Can you securitize those assets? Is that a
23 problem in any way, or is this a transition that
24 you see we can make happen?

25 SECRETARY WALKER: Actually, once the

1 legislation goes through, I think it's going to
2 be a relatively simple matter, because the State
3 of Pennsylvania has a very good credit rating.
4 This authority will have a very good credit
5 rating.

6 We're kind of anxious to see what kind
7 of bond indebtedness we can create. And what we
8 want to do is create a revolving loan fund --
9 low-interest loan fund that we use for site
10 development around the state. And you
11 understand, most of the site development that's
12 done by our Department, we have the ability to
13 get the money back once the acreage is sold. So
14 this will actually be a low-interest revolving
15 loan fund.

16 REPRESENTATIVE GINGRICH: The loan
17 part is really good.

18 When you talk about that -- When we
19 talk about the creation of the board then, the
20 authority board, and the powers that ensue, how
21 will the veto power be? Will they have absolute
22 veto power like they do? How do you see that
23 working?

24 SECRETARY WALKER: We're asking for a
25 majority vote; that it will work on a majority

1 vote. But, remember, each caucus has their
2 appointees. I can say, I don't think anybody
3 controls a clear majority because you have the
4 four cabinet secretaries, and then you have 11
5 appointed by the legislature and the Governor.
6 So, I don't see --

7 Projects are going to stand on their
8 own merit, and we really hope to take it away
9 from politics as much as we can.

10 REPRESENTATIVE GINGRICH: Well, yeah.
11 I hope so. It's a worthy discussion because our
12 endeavor is to make it easiest as we can in a
13 difficult situation for businesses to choose
14 Pennsylvania and to go to Pennsylvania.

15 SECRETARY WALKER: Right.

16 REPRESENTATIVE GINGRICH: So, thank
17 you very much for everything.

18 SECRETARY WALKER: And again, I
19 discovered the importance of this when I went up
20 to Lycoming County in Williamsport Pennsylvania.
21 They had a 200-acre site there site-ready for
22 industry, and Haliburton chose that site.
23 Haliburton is saying they may end up with as
24 many 1200 -- as 1200 jobs. They're very
25 high-paying jobs.

1 So, it's sort of, if you build, they
2 will come. And we need a series of industrial
3 parks around the state, especially in the areas
4 that have lagged behind, because those
5 communities haven't had the money to do it or
6 the resources to do it. So, if we help them do
7 it, it's going to help them attract --

8 REPRESENTATIVE GINGRICH: The
9 availability is definitely going to help.

10 SECRETARY WALKER: Sure.

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

13 CHAIRMAN ADOLPH: Thank you,
14 Representative. Representative Parker.

15 REPRESENTATIVE PARKER: Thank you, Mr.
16 Chair, and welcome, Mr. Secretary.

17 SECRETARY WALKER: Thank you.

18 REPRESENTATIVE PARKER: Mr. Secretary,
19 I wanted to start with HEMAP. Recently, we had
20 the honor to hear from Attorney General Kelly,
21 which she announced the outcome of the federal
22 lawsuit, and noted that Pennsylvania via the
23 Attorney General's Office would get
24 approximately -- about \$69 million that wasn't
25 tied to any prior or very specific obligations

1 that worked in accordance with the suit. She
2 said that there was a possibility that a portion
3 of those proceeds could be used to assist with
4 HEMAP.

5 I wanted to know what was your
6 position; if that's something you would be
7 advocating for, because, you know, since --

8 SECRETARY WALKER: If I had control of
9 the money, I would be advocating it, but it's
10 under Brian Hudson's control.

11 REPRESENTATIVE PARKER: Under Brian.
12 Is there ever -- Is there any correlation
13 between DCED and PHFA since the HEMAT, although
14 it is PHFA, it was under DCED.

15 SECRETARY WALKER: Well, the only
16 connection is that I sit on that board. That's
17 about it.

18 REPRESENTATIVE PARKER: Well, I just
19 find that -- Well, you have to help me, Mr.
20 Secretary, if there's been a change or
21 something, let me know. It was always brought
22 to my attention that HEMAP, although it was
23 funded via PHFA, that that was always under the
24 auspices of DCED. If there's something
25 different, explain to me, please.

1 SECRETARY WALKER: Well, we don't have
2 the funds yet, but when they come back, we will
3 be working with Brian to see how the funds will
4 be used, yes.

5 REPRESENTATIVE PARKER: Well, I just
6 hope, for the record, that you would be able to
7 assist us in advocating for that funding.

8 HEMAP, in '83, since it was founded, it's played
9 a major role in helping Pennsylvania sort of
10 stay above the curve as it related to homeowners
11 who are losing their housing. And so, it was a
12 model program, and the fed's program was
13 actually actually developed --

14 SECRETARY WALKER: Yeah, our program
15 was a model program. It was adopted by the
16 federal people, so we were ahead of the curve.

17 REPRESENTATIVE PARKER: Next I want to
18 talk about Keystone Communities. There were
19 programs like Main Street, Elm Street that our
20 neighborhood commercial quarters and communities
21 across Pennsylvania were extremely valuable to
22 us. And the neighborhood commercial quarters
23 and, you know, those small businesses, they sort
24 of keep them alive; remain to be sort of the
25 crux of neighborhoods, I know particularly in

1 Philadelphia.

2 I want to know how is the process
3 working in terms of direct funding to
4 organizations. I want to give you an example.
5 I think I was talking with a member from your
6 Department and asked the question of, how can
7 neighborhood commercial quarters, business
8 associations that are working through Community
9 Development Corporation -- And that's usually
10 how each of you travel through neighborhoods in
11 the City of Philadelphia. You'll find that
12 there's usually a CDC in each particular
13 community, and it works to make physical
14 improvements; street lighting, signage; I mean,
15 everything that sort of bring life back to those
16 neighborhoods.

17 Where would this funding -- What line
18 item would this funding come from, and what is
19 the process for going through it? How do we
20 connect our people to that?

21 REPRESENTATIVE WALKER: Well, what
22 we've done is consolidate the program. We have
23 not eliminated the program. So, basically, they
24 would follow the same procedure they have in the
25 past. It's the same program by a different

1 name, so we're still doing Main Street, Elm
2 Street, but under the framework of Keystone
3 Communities. We don't have quite as much money
4 to work with as we have in the past.

5 But, I want to remind you about the
6 Neighborhood Assistance Program, which is an
7 18-million-dollar tax credit. If you can get
8 the companies in your area to cooperate, it's a
9 great way. And I've seen some phenomenal
10 projects done using that Neighborhood Assistance
11 Program, which is a tax credit program, which
12 gives businesses and corporations direct tax
13 credits if they're willing to get involved in
14 these programs. So, it's a great way to
15 supplement your funding.

16 REPRESENTATIVE PARKER: We'll
17 definitely do that. But, Mr. Secretary, tell
18 me -- and, you know, if all of these programs
19 have been consolidated, because you do this, you
20 know it. But for those who are familiar with
21 the way the program worked previously, is there
22 still a requirement that these business
23 associations or Community Development
24 Corporations, do they have to work through the
25 municipality?

1 The reason why I ask this question,
2 because I heard you mention in earlier
3 discussion that you were trying to sort of take
4 politics out of the process as much as you
5 possibly could as it related to any funding
6 mechanisms associated with programs operating
7 via DCED. So, do you have to go through the
8 municipality to do it, or are independent
9 Community Development Corporations eligible to
10 apply?

11 SECRETARY WALKER: Well, the
12 guidelines are published and they're pretty
13 clear. I just want to mention --

14 REPRESENTATIVE PARKER: I want -- I'm
15 sure of that, but I thought, Mr. Secretary,
16 since you were here, you would be able to sort
17 of give us something on the record that would
18 tell us a yes or a no. I'm sure they're
19 available.

20 SECRETARY WALKER: Yeah. We'll follow
21 up with you and let you know how to do it. But
22 we have a wide variety of programs. I just want
23 to give you one example that's a little outside
24 of what you're talking about. And this is a new
25 program, Discovered in Pennsylvania - Developed

1 in Pennsylvania.

2 A great success now is the Philly Food
3 Innovation project. And I'm not sure whether
4 you're familiar with that or not, but it's going
5 to be an incredible project. It's the Center
6 for Culinary Enterprises in Philadelphia -- in
7 west Philadelphia. And there's been a fair
8 amount of state money go in; there's been a fair
9 amount of federal money go in and city money.
10 And this is an innovative neighborhood project.
11 But, we'll be happy to talk to you about the
12 specifics of how you apply.

13 Generally, from what I gather what
14 you're asking, the more people or the more
15 organizations we have involved, the better the
16 chances of success, so we certainly encourage
17 that.

18 REPRESENTATIVE PARKER: Okay. Well,
19 Mr. Secretary, what we'll do is make sure --
20 We'll give you an open invitation now, and we'll
21 work with your staff and get this done. You had
22 a meeting scheduled, your Department, with the
23 southeastern region. I know I have been in
24 contact with the Philadelphia office on several
25 occasions, and they were unresponsive. But

1 there was a meeting scheduled so that we could
2 have a briefing, the legislators, because we
3 work extremely hard to try to promote these
4 different programs and get our community-based
5 organizations to participate. So, we needed to
6 sort of be briefed about the process and how it
7 works.

8 So, hopefully, we'll be able to work
9 with your Department; get that meeting
10 rescheduled so that we can get resources
11 directly to those neighborhood commercial
12 quarters where we need them the most.

13 SECRETARY WALKER: Okay. And I
14 believe the meeting has been rescheduled. The
15 application process, if the people you work with
16 are familiar with it, it's going to be the same
17 as Main Street and Elm Street. So, if they
18 already know that, it will be the same.

19 REPRESENTATIVE PARKER: Well, we'll
20 appreciate the briefing. So thank you so much,
21 sir.

22 SECRETARY WALKER: Thank you.

23 CHAIRMAN ADOLPH: Thank you. I'd like
24 to acknowledge the presence of Representative
25 Jerry Stern and Representative Rosemary Brown.

1 Welcome.

2 Next question will be by
3 Representative Scott Petri.

4 REPRESENTATIVE PETRI: Thank you, Mr.
5 Chairman. And thank you, Mr. Secretary, for
6 being here. I want to ask you some questions
7 about STEB, or the State Tax Equalization Board.
8 I know the Governor's proposal is to move that
9 within your Department.

10 What I really want to start out with
11 is to find out how familiar you are with some of
12 the problems that have been identified by
13 Auditor General Jack Wagner with regard to STEB.
14 First of all, I believe they have a new head?
15 Do they have a new head for the State Tax
16 Equalization Board? I think there was a
17 replacement I read about.

18 SECRETARY WALKER: I can't answer that
19 because, as of right now, they aren't part of
20 our Department.

21 REPRESENTATIVE PETRI: Okay. Were you
22 aware that they had some serious computer audit
23 problems; namely, the Auditor General found that
24 they were only right 65 percent of the time in
25 determining market values throughout our

1 counties?

2 SECRETARY WALKER: Yes. As we looked
3 at it and studied it, we were familiar with it,
4 and that's why it appears, as we look into it,
5 absorbing these two entities into our Department
6 does make sense.

7 REPRESENTATIVE PETRI: Okay. But do
8 you know whether they have corrected their
9 computer error problems that they had?

10 SECRETARY WALKER: I do not know. So,
11 no, I can't say.

12 REPRESENTATIVE PETRI: And I'm not
13 trying to ask you trick questions. I just --
14 Maybe what I'm doing is also giving you heads-up
15 as to what you're getting into, if you don't
16 already know.

17 In 2008, it was reported that they had
18 to make 424 adjustments to school districts
19 because of the inaccuracies. It was then
20 reported in 2009 that there were substantial
21 errors and that those errors continued into
22 2010. In fact, the Auditor General's report
23 recommended to the Governor and Legislature that
24 we throw them out; that we eliminate them. The
25 only problem with that is, and I don't know if

1 you're aware of this, their analysis is used to
2 determine local tax effort and part of the basic
3 education funding formula. Were you aware of
4 that?

5 SECRETARY WALKER: Yes. And, in fact,
6 we do a fair amount of that ourselves. There is
7 quite a bit of overlap. That's why it may make
8 sense to bring those two entities into our
9 Department.

10 REPRESENTATIVE PETRI: Now, when your
11 Department does some of this analysis on market
12 value, is any of that presently used in the
13 basic education funding formula?

14 SECRETARY WALKER: Yes, we share our
15 information with them, but they actually use
16 their own information.

17 REPRESENTATIVE PETRI: Yeah. Again, I
18 don't mean to pick on you for something that
19 isn't in your responsibility, but --

20 SECRETARY WALKER: But I do appreciate
21 the warning.

22 REPRESENTATIVE PETRI: And for the
23 benefit of all the members, quite frankly, I
24 will tell you, I have absolutely no confidence
25 at this point in time, until somebody tells me

1 that they've corrected their problems, that
2 their -- that any of their information should be
3 used to any great degree. And it concerns me
4 because it is part of the basic funding formula.

5 In the process that you do use in your
6 Department, my guess is that, since you're not
7 using it as part of the education funding
8 formula -- But let me ask you this. When you're
9 trying to establish market-value changes, do you
10 also analyze it with respect, in your
11 Department, to assess values, or is that some --
12 is that something that they would do and you
13 wouldn't do?

14 SECRETARY WALKER: Yeah, our
15 Department does not assess values. We do have a
16 transition team that is looking at those two
17 operations to see if there's synergy and
18 efficiencies in combining them into our
19 Department. And that would mean they would be
20 adopting some of our systems.

21 REPRESENTATIVE PETRI: One of the
22 other pieces of warning I want to give you, if
23 you take over this function, there's some
24 counties, like Bucks County, that haven't been
25 reassessed in a long time. In fact, we haven't

1 been reassessed county-wide since 1972.

2 As a result, when STEB analyzes market
3 value versus assessed value, we end up with a
4 low local tax effort. And that ends up being an
5 issue with basic funding formula, so that -- And
6 it's always been mystifying to me. Nobody has
7 been able to explain it to me, because almost
8 all of our school districts have a local PIT.
9 So if you have the local school district paying
10 85 percent of the -- of the cost of educating
11 our students, how in the world could you have a
12 low tax effort for purposes of the basic funding
13 formula?

14 So, the point of it is, that even when
15 we look at our contemporaries, whether they be
16 Delaware County, Montgomery County or Chester
17 County, Bucks County gets further, you know,
18 down the pike as far as distribution of those
19 assets.

20 So, I want to give you fair warning
21 that you take over this board -- It may be a
22 benefit to the Commonwealth. I may be very
23 happy as a member of the Bucks County delegation
24 with this result.

25 But, Mr. Chairman, I don't know who I

1 could ever ask these questions. I guess I know
2 as a legislator how to get a hold of staff, and
3 maybe I'll do that. But be forewarned, this is
4 a very important role in the Commonwealth, and
5 it's got to be done fairly and accurately. So
6 thank you.

7 SECRETARY WALKER: Thank you.

8 CHAIRMAN ADOLPH: Thank you,
9 Representative. Representative Brownlee.

10 REPRESENTATIVE BROWNLEE: Thank you,
11 Mr. Chairman. Good afternoon, Mr. Secretary.

12 SECRETARY WALKER: Good afternoon.

13 REPRESENTATIVE BROWNLEE: You briefly
14 mentioned a new program, the Discovered in PA -
15 Developed in PA program --

16 SECRETARY WALKER: Yes.

17 REPRESENTATIVE BROWNLEE: -- which, in
18 the last year's budget was a new line item, and
19 I believe in this year's budget it is also
20 listed as a new line item and almost
21 \$10 million; \$9.9 million. And the description
22 is, this is a widely-focused program that allows
23 public and private entities to receive grant
24 dollars to support economic development
25 initiatives as they relate to entrepreneurship,

1 technology transfer, capacity building for
2 regional economic development, and outreach to
3 businesses to aid in their success. I believe
4 that that is a very good goal or motive, because
5 we want to foster entrepreneurship and business
6 etiquette.

7 I have a few questions regarding this
8 new program, because it occurs to me that, while
9 we are tightening our belt, \$10 million may not
10 sound like a lot of money to some people, but to
11 some of my constituents it sounds like a lot of
12 money, and we have cut education and other
13 programs out of the Health Department, and so
14 forth and so on. I do have a question; a few of
15 them.

16 First of all, where did the money come
17 from to fund this new program? Is it staffed,
18 and how many staff people? Was the program
19 publicized? Who's eligible? What are the
20 eligibility criteria? I know that it's new, so
21 how many people applied; how many people got
22 letters of commitment? Just give me a -- Please
23 give me a good complement overall of what this
24 program is about.

25 SECRETARY WALKER: Okay. We have 60

1 applications to date. If all of those had been
2 awarded, it would be \$26 million. Up til this
3 point in time, 11 awards have been made for a
4 total of \$5.2 million. We will be in Hershey,
5 Pennsylvania, on Monday to announce one of these
6 Discovered and Developed, and it has to do with
7 the area of medical research, medical
8 technology. So it covers a very wide range.
9 But we're looking for entrepreneurs with unique
10 ideas, and with a little bit of help, can get a
11 great idea off the ground.

12 As far as staffing, it's staffed by
13 the existing staff that we have, and, really,
14 the money comes from existing programs that we
15 had.

16 REPRESENTATIVE BROWNLEE: You said
17 that there were 11 that was awarded at 5.2
18 million currently?

19 SECRETARY WALKER: Yes.

20 REPRESENTATIVE BROWNLEE: What regions
21 in Pennsylvania, in the Commonwealth are you
22 following? Is it from Philadelphia, Allegheny,
23 Erie? Can you give me a --

24 SECRETARY WALKER: Yeah. We have the
25 one in Philadelphia, which is the culinary

1 school, the Culinary Institute, which is in west
2 Philadelphia. We have the one in Hershey. We
3 have the one in Representative Markosek's
4 district that we're going to announce next week.
5 So, it's around the state right now.

6 REPRESENTATIVE BROWNLEE: Is this
7 program for individuals, small companies, larger
8 companies? Who can apply for this program?

9 SECRETARY WALKER: Well, Hershey
10 Medical Center applied, so -- I mean, it's the
11 whole range. It's small, medium, large. It's
12 the whole range.

13 REPRESENTATIVE BROWNLEE: Start-up
14 companies?

15 SECRETARY WALKER: Start-up companies,
16 yeah. The guidelines have been published.
17 They're pretty clear. But we're really looking
18 for innovation and ways of taking innovation to
19 commercialization, which is a little bit of a
20 gap we have right now.

21 REPRESENTATIVE BROWNLEE: Thank you.
22 Thank you, Mr. Chairman.

23 SECRETARY WALKER: Thank you.

24 CHAIRMAN ADOLPH: Thank you.

25 Representative Dave Millard.

1 REPRESENTATIVE MILLARD: Thank you,
2 Mr. Chairman. Thank you, Mr. Secretary for
3 being with us here today.

4 I just want to put a plug in before I
5 ask you my questions. At Columbia County, where
6 I come from, we're just completing or getting
7 pretty close to completing a new industrial park
8 site right off of Interstate 80, so keep us in
9 mind. We always welcome economic activity in
10 our county.

11 In this current and active budget, the
12 tourism promotion assistance line was
13 consolidated into the marketing to attract
14 tourism line. Agritourism, number 1 industry in
15 Pennsylvania. Will there be grants available in
16 the next fiscal year budget to county designated
17 for regional tourism to promote on agencies? In
18 Columbia County, we have a TPA.

19 SECRETARY WALKER: Okay.

20 REPRESENTATIVE MILLARD: That's my
21 question.

22 SECRETARY WALKER: Yeah, sure. We
23 have TPAs in each county. I want to explain why
24 we looked at this the way we did. The hotel tax
25 in Pennsylvania last year brought in

1 \$135 million. 75 million of that was used for
2 debt service of convention centers in the
3 counties where they approved that. In the other
4 counties, it represents about \$60 million.
5 That's to be used for tourism promotion. If the
6 local counties and the TPAs are doing it right,
7 there's a lot of money out there for tourism
8 promotion.

9 REPRESENTATIVE MILLARD: Well, if you
10 make any grants available to either the county
11 or the TPAs, this year there is no funding
12 formula. But will there be some suggestive
13 formula next year?

14 SECRETARY WALKER: When we looked at
15 the \$3 million, it really wasn't enough to
16 justify grants to local tourism groups, and we
17 really will continue to use that money on a
18 statewide basis.

19 We have a couple of significant events
20 coming up in Pennsylvania that we'll try to
21 promote. One is the new cultural district in
22 Philadelphia. I think most of you know the
23 Barnes Museum is moving to downtown, and I've
24 seen it and it's fantastic. If you like art,
25 you should go see it. But they're going to have

1 a cultural tour. So, I told them their slogan
2 should be: For New Yorkers, come to
3 Philadelphia for your culture.

4 Also, for the Battle -- or for
5 Gettysburg, as you know, 2013 is the 150th
6 anniversary of Lincoln's Gettysburg Address, so
7 we really hope to promote that outside the state
8 as a good reason to come to Gettysburg.

9 So, the \$3 million is not a
10 particularly large number. And rather than
11 sprinkle it out into the counties -- who seem to
12 be doing well. And I don't know about Columbia
13 County specifically, but I'm from Clearfield
14 County, and with the numbers they're getting in
15 for the hotel tax, they actually think they've
16 died and gone to heaven, because they have more
17 money to work with than they ever had before; a
18 lot of money.

19 So, it's a matter of using that money
20 efficiently, coordinating the best we can, and
21 then using the statewide money to promote the
22 really big things. You know, if done right, the
23 Gettysburg situation should bring in a lot of
24 out-of-state tourists.

25 REPRESENTATIVE MILLARD: Another item.

1 There's been an idea, a thought process here,
2 and a proposal to, in Pennsylvania, create a
3 separate tourism agency or commission. What's
4 your thoughts on that?

5 SECRETARY WALKER: If you can figure
6 out how to fund it, it's something that maybe
7 you should take a look at. But again, these
8 TPAs have a lot of money, and it's a matter of
9 how best we coordinate those dollars. I mean,
10 \$60 million on a statewide basis, that's a lot
11 of money.

12 REPRESENTATIVE MILLARD: Yeah, I
13 agree. Thank you. Thank you, Mr. Chairman.

14 CHAIRMAN ADOLPH: Thank you,
15 Representative. The next question will be by
16 Representative Steve Samuelson.

17 REPRESENTATIVE SAMUELSON: Thank you,
18 Mr. Chairman. And thank you. I just wanted to
19 add something for the record.

20 I know there was discussion earlier of
21 the -- The capital stock and franchise tax was
22 described as kind of a property tax. There's
23 actually a page in Governor Corbett's budget
24 book which talks about -- a little bit more in
25 detail. It says it also factors in net income

1 and net worth of the company.

2 SECRETARY WALKER: No. It's a tax on
3 assets is what I said. Net worth is assets.

4 REPRESENTATIVE SAMUELSON: Okay.

5 My questions are about the accessible
6 housing line item and also the HEMAP program. I
7 know you said at the beginning of your testimony
8 that you've reduced the number of programs from
9 127 to 56. And I think you described it as
10 looking for more efficiency.

11 One of the challenges that we asked
12 about last year in the budget hearing is,
13 sometimes when the programs are collapsed into
14 fewer line items, the combined amount of money
15 also decreases. Representative Millard just
16 asked about the tourism. I'm looking at that
17 one. There are two line items collapsed into
18 one. And the amount of money the state is
19 committing to tourism is 3 million when it used
20 to be
21 10 million just two short years ago, so it's a
22 70 percent decrease.

23 Now, I realize there's 60 million that
24 you're talking about that's a hotel tax raised
25 by the counties. But a lot of states around the

1 country actually commit state funds to promote
2 tourism. So I think what Representative Millard
3 was getting at is that the state is going to be
4 asked -- well, committing funding to tourism.

5 We had a discussion last year about
6 another one where small business centers and
7 industrial resource centers, they're combined
8 into one line item, but now the pot of funding
9 is down 22 percent.

10 The accessible housing line item is in
11 the same kind of situation. It used to be a
12 separate line item. Now it's in with all the
13 Keystone Communities programs.

14 I guess my question is, is there still
15 adequate funding for the accessible housing
16 programs where we help people stay in their
17 homes, people with disabilities, maybe home
18 modifications. We used to spend about a million
19 dollars just a couple years ago. Actually, in
20 the past, we spent even more than that.

21 If that's in a combined line item, how
22 are we sure that these kind of affordable --
23 accessible housing projects are being funded?

24 SECRETARY WALKER: Well, actually,
25 under the -- The way we've combined them, we

1 have a lot more flexibility to move money into
2 that program. So, it's not going to go --

3 I mean, are any of these programs ever
4 adequately funded? Well, you know, the need in
5 Pennsylvania, on a good day at least, is almost
6 limitless, so we're going to do the best job we
7 have with the resources we have to work with.
8 And accessible housing is very important to us,
9 and it will continue to be a program.

10 REPRESENTATIVE SAMUELSON: With that
11 added flexibility you just talked about, is
12 there more money going into accessible housing
13 now? I noticed that line item has stayed in the
14 same ballpark; 12 million, 10 million, 12
15 million, 11 million. With the flexibility, is
16 the state committing more than the previous \$1
17 million to accessible housing when --

18 SECRETARY WALKER: You know, that's
19 totally demand-based. And if the demand is
20 there and it's a reasonable demand, the number
21 will go up. If the demand isn't there, you
22 know -- We just need the flexibility to move
23 those funds around.

24 REPRESENTATIVE SAMUELSON: And one
25 quick follow-up on the demand. I know there

1 used to be -- There's a new requirement that the
2 Department has put in that these nonprofit
3 organizations have a match in order to qualify
4 for one of these accessible housing grants.
5 That's a new requirement. Isn't that going to
6 reduce the number of applicants you get from
7 these nonprofit organizations?

8 SECRETARY WALKER: I don't know. It
9 may, it may not. It's just a way to get more
10 bang for our buck.

11 REPRESENTATIVE SAMUELSON: Okay. I
12 wanted to close with my question about HEMAP,
13 and I know Representative Parker talked about
14 this before. I think this is a very important
15 program. And I know -- I think you said earlier
16 that the Department doesn't have a whole lot to
17 do with that now. But, two years ago, we did
18 have a whole lot to do with it because we
19 committed 10 million of state money.

20 So, if it goes from 10 million of
21 state money down to 2 million in Governor
22 Corbett's first year, down to zero in Governor
23 Corbett's second year, that's a policy decision.
24 The reason that the Department no longer has
25 anything to do with HEMAP is because the state

1 has cut out the money.

2 Now, I have a situation in my
3 district. One couple came into my office a
4 couple years ago, and when the wife was working,
5 the husband was unemployed. They actually
6 qualified for a HEMAP grant. They were two --
7 got a loan. They were \$2,000 behind on their
8 mortgage; a couple months behind. HEMAP
9 provided them a couple thousand dollars to get
10 caught up. They have to pay it back in full,
11 \$25 a month, which they can afford, and they are
12 still living in their home a couple blocks from
13 my office.

14 Last month another couple called me;
15 similar situation; going through some rough
16 times; going through foreclosure. They just got
17 the foreclosure notice, which I think comes
18 about
19 90 days after you start falling behind. That
20 used to be the trigger when you could apply for
21 HEMAP.

22 Unfortunately, in 2012, my office, we
23 couldn't help this couple sign up for HEMAP
24 because they stopped accepting applications last
25 June 30th. And I know there was a federal

1 program that closed September 16th.

2 I guess my point is that, this HEMAP
3 program was founded in 1983; Governor Thornburgh,
4 a Republican, in a recession, and the purpose of
5 the program was to help people stay in their
6 homes. This is still a need in Pennsylvania,
7 and I hope that we find a way to get HEMAP
8 program back in the budget. It may be temporary
9 with this money that the Attorney General has.
10 But, ultimately, we have to look at finding in
11 the general funds to continue this program,
12 because it has been a success and it has helped
13 individual families stay in their homes.

14 SECRETARY WALKER: Thank you. And,
15 yeah, it's something we believe in. But
16 remember, the federal program really grew so
17 much larger than ours. They just had so many
18 more resources to work with.

19 REPRESENTATIVE SAMUELSON: And they
20 stopped on September 16th last year, so you
21 can't sign up for that federal program today.
22 So without -- without the HEMAP program, which
23 closed last June 30th, and without the federal
24 program, which closed on September 16th, if
25 somebody would call DCED or my office or any of

1 the other offices and ask, what programs are out
2 there to help me with my mortgage -- catching up
3 on my mortgage, what would you -- what would you
4 tell them where to turn?

5 SECRETARY WALKER: Well, hopefully,
6 there is money that will come back from the
7 federal government and there will be a pool of
8 money available.

9 REPRESENTATIVE SAMUELSON: Okay. I
10 would endorse trying to use the money the
11 Attorney General got. Like I said, that's a
12 short-term solution. We have to look at getting
13 this back in the budget long term.

14 Thank you, Mr. Chairman.

15 CHAIRMAN ADOLPH: Thank you. Thank
16 you, Representative. As the Secretary said, and
17 as the Attorney General said before is that,
18 that's -- I believe that's federal settlement
19 money. I think it's like \$62 million. You
20 know, hopefully, a portion of that, if not all
21 of that, could be allocated to that program. I
22 know the executive director of our staff is
23 looking into it also.

24 I thought there was also some -- a
25 line item in there for the Marcellus Shale bill

1 as well for that program. So, there's support
2 for that program, obviously, as a result of this
3 economy. So, I appreciate your questions and
4 the issue.

5 Next question will be by
6 Representative John Bear.

7 REPRESENTATIVE BEAR: Thank you, Mr.
8 Chairman, and thank you, Mr. Secretary, for
9 joining us this afternoon. I want to talk a
10 little bit about Marcellus Shale, H2O, flood
11 control projects and the Commonwealth's
12 financing agency.

13 Basically, my question is, to the
14 delight of many municipalities, with the passage
15 of the Marcellus Shale bill, there's some impact
16 fee, dollars that could be used for H2O and
17 flood control projects, especially in developing
18 this plan.

19 So the question I want to ask you is,
20 can you tell me exactly when you think the CFA
21 will be able to start accepting these
22 applications and when the money can start
23 rolling back to them?

24 SECRETARY WALKER: Well, remember, the
25 Commonwealth Financing Authority is an

1 independent board that I don't have any control
2 over. They have their own governance and their
3 own voting. I think the legislation said the
4 money is supposed to come in, I don't know, was
5 it April of each year? There's a definite month
6 that it's supposed to come in. So I would
7 assume, when that money comes in, then the
8 Commonwealth Financing Authority can start
9 dealing with it.

10 REPRESENTATIVE BEAR: I forget --
11 going back to legislation, are the guidelines
12 being developed by DCED or is that the CFA -- or
13 CFA (inaudible; drops voice) --

14 SECRETARY WALKER: Pardon?

15 REPRESENTATIVE BEAR: I'd just like
16 for you to know, maybe, developing the
17 guidelines around these fees, if that's going to
18 be the DCED or the CFA?

19 SECRETARY WALKER: Well, as far as the
20 CFA, our Department does staff the CFA, so those
21 guidelines would be developed by people in our
22 Department. But, I mean, you are aware that we
23 did put a fair amount of money in the flood
24 control. After this last flood, we felt with
25 some -- to raise some dikes, and we've helped

1 with several projects; some dam projects, monies
2 coming through our Department. So we're very
3 aware of it.

4 And also, in Luzerne County, we were
5 able to create a 4-million-dollar fund for small
6 business assistance. It actually came from the
7 gambling money, what went into the Luzerne
8 County Industrial Development people, to be used
9 for flood control projects and to help rebuild
10 these small businesses that were lost during the
11 flood.

12 But again, I can't answer your
13 questions as to specifically when the money will
14 be going into the CFA, but we're very aware of
15 the need for those projects.

16 REPRESENTATIVE BEAR: For the existing
17 money for flood control projects, do you know
18 what that dollar amount is right now that's
19 left?

20 SECRETARY WALKER: I don't. But we
21 can certainly get you that answer.

22 REPRESENTATIVE BEAR: The reason I'm
23 asking is, back in my county, we have Valley
24 Forge which was emptied because of flood control
25 high dam repair project. It's one of many Fish

1 and Boat Commission needs to repair, so when
2 these dollars are in there for flood control --
3 When the Marcellus Shale bill passed last year,
4 it was actually an avenue that I've pursued with
5 the (inaudible word) municipality, so that's why
6 time is of essence for us, and we'll get in
7 touch with you. Thank you.

8 SECRETARY WALKER: Thank you.

9 CHAIRMAN ADOLPH: Representative Tina
10 Pickett.

11 REPRESENTATIVE PICKETT: Thank you,
12 Mr. Chairman. Mr. Secretary, a comment first.

13 We all know that one of the challenges
14 and the opportunities, of course, for the
15 Marcellus industry in our state is to be able to
16 use it to attract a diversity of jobs and
17 industries into the state.

18 When you were talking a little bit
19 about your Liberty Fund, some of the words that
20 caught my ear were site-ready opportunities. We
21 say in our rural areas, we have a lot of open
22 land. We're land rich, but we're infrastructure
23 poor. We don't --

24 You know, somebody makes an inquiry in
25 our area to maybe bring in something that's

1 significant and is going to be providing jobs
2 and now related to the new industry of Marcellus
3 Shale in the area, it's very hard to come up
4 with a site that has the infrastructure that
5 they need. So, those are the things that will
6 mean a lot to be able to attract jobs probably
7 throughout the state, but certainly in our rural
8 areas.

9 I also wanted to just talk with you a
10 minute today about the -- In 2011, some of the
11 programs that were rolled together were -- it's
12 now called, I think, Partnerships for Regional
13 Economic Performance. It was the IDAs, IDSI,
14 SBDCs, LDDs, and IRCs. I have questions, of
15 course, would only be in my area, concerned
16 about how that was going to work out and what
17 they were going to be able to continue to
18 provide to the area. But, after a, short short
19 time and asking if they were feeling good about
20 it, they thought a good roll-out. I'm wondering
21 how you're seeing it, all the partners involved?
22 Is the performance there? Is it working
23 throughout the different regions? Is everybody
24 in?

25 SECRETARY WALKER: Yeah. Let me

1 comment on your first question first. I come
2 from a rural county. I'm from Clearfield
3 County. I come from a small town. And last
4 year I said half factitiously, but not totally
5 factitiously, we created one new job in
6 Clearfield Borough in four years. That was when
7 the undertaker added an assistant, and we had to
8 create a Keystone opportunity zone to get him to
9 do that. So, believe me, I can relate to the
10 problems of finding industry to come into rural
11 counties.

12 But having site-ready areas with
13 infrastructure goes a long way. And again, I
14 want to comment about how certain companies, and
15 you know of, Proctor & Gamble have already used
16 the national gas to really expand their
17 operations because they now have an inexpensive
18 source of energy.

19 REPRESENTATIVE PICKETT: And they
20 themselves very competitive within their own
21 company picture. So when new paper machine
22 capacity is added, I hope we'll look very good
23 to the company morale. So, yeah, paper machine
24 is 250 good jobs.

25 SECRETARY WALKER: Yeah.

1 REPRESENTATIVE PICKETT: So you're
2 right. It's great value to companies that are
3 already there also.

4 SECRETARY WALKER: And I hope that
5 model will be followed by a lot of other
6 companies.

7 Now, the second question you had about
8 the PREPs. Again, I said I was a consultant.
9 What I found were a lot of silos and different
10 groups competing that shouldn't have been
11 competing. They weren't speaking. So the PREP
12 sort of tried to impose an umbrella. Look, you
13 get along with our neighbor or you're going to
14 be left behind. It has worked extremely well,
15 and we have letters for the support from all 12
16 of that area.

17 Yeah, it got off with a slow start.
18 There was push-back because it involved change.
19 But, you know, when you can get different groups
20 to work together on a team approach, you're
21 going to be a lot more effective. And I think
22 we're heading in that direction.

23 REPRESENTATIVE PICKETT: It looks that
24 way from your side, we're okay on our side, too.
25 Thank you.

1 SECRETARY WALKER: Thank you.

2 CHAIRMAN ADOLPH: Representative
3 Gordon Denlinger.

4 REPRESENTATIVE DENLINGER: Thank you,
5 Mr. Chairman. Good afternoon, Secretary.

6 I'm attempted to dig into the issue of
7 the part-time undertaker position up in your
8 county, but better judgment will steer me away
9 from that.

10 SECRETARY WALKER: It is a growing
11 business, unfortunately.

12 REPRESENTATIVE DENLINGER: One quick
13 question, first, on Act 32, if I may, the
14 county-wide consolidation of local earned income
15 tax collection, what DCED was tasked with
16 overseeing the roll-out of that, promulgating
17 regs and synergization of forms, and so forth.

18 I'm wondering if you can give us your
19 perspective on how that process is moving
20 forward. There have been discussions about
21 follow-up legislation to make adjustments. Is
22 it your feeling that there's a need for that at
23 this time, or how are we doing?

24 SECRETARY WALKER: Well, again,
25 initially there was push-back. There was a

1 three-year transition; a period to get ready.
2 The effective date was January 1st of this year.

3 I attended several seminars, and the
4 stakeholders I thought were extremely helpful.
5 The accounting people came in, the payroll
6 people came in. And I think you know the issue.
7 There was a lot of tax money that was slipping
8 through the cracks because nobody was really
9 assigned to collect it. We believe as much as
10 \$260 million in additional revenue will come in
11 as a result of this new system. We've gone from
12 over 500 collecting entities down to 20.

13 As far as I know--I have not heard
14 push-back yet--that the new system is not
15 working well. We had a little bit of a problem
16 in a couple of counties because of different
17 dates and different ways; some of the school
18 districts and things did their accounting.

19 But again, I have not heard a large
20 outcry that this isn't working. I think,
21 ultimately, people were pleased with the
22 simplification. And again, it's like anything
23 new, it took a while to adjust to it. The proof
24 in the eating will be when we get that
25 \$260 million we thought we were going to get.

1 REPRESENTATIVE DENLINGER: Very good.
2 I raised that not having heard of significant
3 problems. But if there is an issue there,
4 please keep our committee informed.

5 SECRETARY WALKER: I appreciate that.
6 But that's a group that if there is a problem,
7 we're going to hear about it. I have not heard
8 about it.

9 REPRESENTATIVE DENLINGER: All right.
10 And I'd like to just ask a few questions about
11 the stressed Municipalities Act 47 that we set
12 up, if I may. We've had over the years 26
13 municipalities enter into Act 47; six have come
14 back out. I think we are at 20 currently.

15 SECRETARY WALKER: Correct.

16 REPRESENTATIVE DENLINGER: The
17 Governor's budget book indicates the expectation
18 that an additional municipality will slide into
19 the stress status in the upcoming year.

20 SECRETARY WALKER: We've had an
21 application from Altoona, Pennsylvania.

22 REPRESENTATIVE DENLINGER: Altoona.
23 Okay, that answers my question.

24 SECRETARY WALKER: And there are a
25 couple who have reached out to us who may not be

1 quite there, but I am afraid to say there are
2 more coming.

3 REPRESENTATIVE DENLINGER: One thing
4 that many of us have been approached on is --
5 and been approached by the League of County
6 Mayors -- or the City Mayors across
7 Pennsylvania, the idea that, perhaps, we should
8 be extending to healthier cities some of the
9 provisions of Act 47 so that they can avoid
10 sliding downhill and needing to go that route.

11 What would your perspective be on
12 giving them some relief in the front end?

13 SECRETARY WALKER: Yeah. And we've
14 actually asked for a little bit more money so we
15 can do loans, and things like that, to help them
16 from sliding into Act 47. I think, you know, an
17 ounce of prevention is worth a pound of cure.
18 So I absolutely think that's a good way to do
19 it, but it take resources to do that.

20 REPRESENTATIVE DENLINGER: I think
21 most prominently of the issue raised was more
22 flexibility with union negotiations at
23 (inaudible word) of time.

24 SECRETARY WALKER: We thought that was
25 under control with Act 47. But as you know,

1 there was a court decision that threw that away,
2 so it may have to be looked at again.

3 REPRESENTATIVE DENLINGER: And then
4 lastly, in relation to the stressed cities,
5 obviously, Harrisburg voted to declare Chapter 9
6 just last year. Do you anticipate any of our
7 stressed cities moving toward Chapter 9 filing?

8 SECRETARY WALKER: Well, I can't say
9 that's the ultimate failure. From my
10 perspective, the reason we don't want that to
11 happen is, it would definitely lead to a
12 downgrading of credit -- credit rating across
13 the state. It would become more expensive to
14 borrow money.

15 And we all think that we're immuned
16 from this, but look at what happened to the
17 United States' credit rating; look what happened
18 to France, Italy, and some European -- They were
19 downgraded, and it cost them more money to
20 borrow money. We don't want that to happen.

21 So, bankruptcy is absolutely last
22 resort. And I haven't heard any other cities
23 that are looking at that route right now.

24 REPRESENTATIVE DENLINGER: Very good.
25 So you're not aware of any?

1 SECRETARY WALKER: Not aware of it.

2 REPRESENTATIVE DENLINGER: Very good.

3 Thank you, Mr. Chairman.

4 CHAIRMAN ADOLPH: Thank you,
5 Representative. Representative Scott Perry.

6 REPRESENTATIVE PERRY: Thank you, Mr.
7 Chairman. Secretary, good to see you again.

8 Questions I have with regard to the
9 Commonwealth Financing Authority and some of
10 their actions, we discussed earlier some
11 provisions of clawback, and so on and so forth.
12 Do you have any idea? Can you enumerate any
13 companies that have been subject to clawback?

14 Are there a number of jobs that
15 haven't been created or an amount of money that
16 has been refunded in that regard because, as I
17 understand, many of those provisions that those
18 loans or grants are provided to create so many
19 jobs. I think that in the interest of
20 accountability, the public wants to know if
21 their money is being spent wisely. If these
22 companies haven't been able to produce, then
23 their money comes back to the state. Do you
24 have any information on that?

25 SECRETARY WALKER: Yes, we can get

1 that for you. Again, a lot of them are saying,
2 when we originally made these deals, the economy
3 was headed in one direction, and then we went
4 into a recession and it headed in another
5 direction. So, there's a lot of push-back when
6 we try to do the clawback. But we will get you
7 that information.

8 And I also -- Remember, a lot of the
9 CFA's money is used for upgrading the sewage
10 treatment plants and H2O projects --

11 REPRESENTATIVE PERRY: Sure.

12 SECRETARY WALKER: -- and water
13 treatment plants.

14 REPRESENTATIVE PERRY: It wouldn't be
15 necessarily -- It's not necessarily job
16 creation.

17 SECRETARY WALKER: No. I don't think
18 you're going to do a clawback against a
19 municipal sewage treatment plant.

20 REPRESENTATIVE PERRY: I would agree
21 with you.

22 On the energy production grants and
23 loans, do we have any idea of what percentage
24 was loans and what percentage was grants? And
25 then a percentage may be of how much was loaned

1 or granted to public entities like schools, and
2 so forth, as opposed to private entities?

3 SECRETARY WALKER: We can get you a
4 complete list of that.

5 REPRESENTATIVE PERRY: Okay. And just
6 out of curiosity, is there any auditing
7 mechanism in place for those grants or loans to
8 determine if the -- They get the grant or loan
9 based on how much energy they're going to
10 provide back; whether it's solar, whether it's
11 wind that's used, thermal or whatever, how do we
12 audit that to make sure, actually, we're getting
13 our bang for our buck back?

14 SECRETARY WALKER: There is reporting
15 required, so there is an audit.

16 REPRESENTATIVE PERRY: There's a
17 reporting required, and then an audit of that
18 reporting?

19 SECRETARY WALKER: I don't know about
20 the audit of the reporting. It seems like
21 everything else in Harrisburg is audited, so I
22 would be very surprised if it weren't, but I
23 don't know that for sure.

24 REPRESENTATIVE PERRY: Okay. Thank
25 you, Mr. Secretary. Thank you, Mr. Chairman.

1 CHAIRMAN ADOLPH: Thank you,
2 Representative.

3 Mr. Secretary, that is the end of the
4 questioning of the first round. There are some
5 members of the committee that have some
6 additional questions. Sitting here for the last
7 half hour, I keep on thinking back when you told
8 the committee earlier that -- earlier in the
9 hearing that there is two out of the three
10 refineries in southeast Pennsylvania are going
11 to be sold.

12 SECRETARY WALKER: I didn't say going
13 to be. I said I'm cautiously optimistic. That
14 was not a --

15 CHAIRMAN ADOLPH: Well, simply how --

16 SECRETARY WALKER: There are companies
17 in the pipeline who are serious potential
18 buyers.

19 CHAIRMAN ADOLPH: Okay. Just between
20 me and you, Mr. Secretary --

21 (Laughter in the hearing room).

22 SECRETARY WALKER: And our television
23 audience.

24 CHAIRMAN ADOLPH: Are these oil
25 refineries?

1 SECRETARY WALKER: Let's have a side
2 conversation, okay?

3 CHAIRMAN ADOLPH: That's fine with me.

4 SECRETARY WALKER: I mean, there are
5 so many ways down here I can go to jail, and I
6 don't want one of them to be that I have
7 violated a confidentiality agreement, okay?

8 CHAIRMAN ADOLPH: I have that same
9 goal. Representative Parker.

10 REPRESENTATIVE PARKER: Thank you, Mr.
11 Chair.

12 I just needed to do a little redirect,
13 Mr. Secretary, on my opening question, and it
14 was in regards to the HEMAP program. I
15 appreciate the Chair Adolph and Representative
16 Samuelson following up with the notion that the
17 reason why the question was asked on record was
18 because we did hear from the Attorney General,
19 and she talked about the lawsuit and she talked
20 about the sixty -- approximately \$69 million
21 that could possibly be used, and we hope it will
22 be used.

23 The reason why I asked, you seemed to
24 like not be certain why I would be asking
25 whether -- asking a question of you of whether

1 or not you supported it. And the reason why I
2 was asking it is because, if you look in the
3 Governor's budget book, on page E 11 4, PHFA is
4 listed as being funded in '11-12 at \$10,476,000
5 and 2 million '11-12 and zero this year. So I
6 didn't just sort of just decide that I was going
7 to ask the Secretary --

8 SECRETARY WALKER: No, no, no.

9 REPRESENTATIVE PARKER: -- a question
10 regarding --

11 SECRETARY WALKER: I'm with you.

12 REPRESENTATIVE PARKER: -- HEMAP --

13 SECRETARY WALKER: We support that,
14 yes.

15 REPRESENTATIVE PARKER: Okay. I just
16 wanted to clarify that for the record, because
17 there seems to be a little bit cloudy why I
18 would be asking this of you. It's only because
19 HEMAP was listed as being under the auspices of
20 DCED. Thank you very much, Mr. Secretary.

21 SECRETARY WALKER: Thank you.

22 CHAIRMAN ADOLPH: Representative
23 Samuelson.

24 REPRESENTATIVE SAMUELSON: Quick
25 follow-up. One of our budget hearings last week

1 we had the Office of Open Records that came in
2 and testified, and which, Office of Open Records
3 is listed under DCED. And I believe the
4 testimony of the director was that there is
5 level funding proposed. They have to absorb
6 some benefit costs that they didn't have to in
7 the past. They have to absorb some postage
8 costs they didn't have to in the past. So she
9 was saying, that even with level funding,
10 they're going to face some challenges.

11 She also pointed out that Connecticut,
12 a state which is about one-third of our size,
13 actually commits about twice as much funding and
14 staff to its Open Records office.

15 And, also she said, when this office
16 was first created a couple years ago, it was
17 envisioned at about 1.4, 1.5 million, but it is
18 now kind of at 1.1-million-dollar range.

19 So, as a follow-up to her testimony to
20 us, why was this level funded, and is there a
21 way, possibly, to have additional funding for
22 the Office of Open Records in the future
23 especially with all the requests that come in
24 from out of state?

25 SECRETARY WALKER: We actually work

1 with her on numbers, so she's the person you
2 should be asking for on that one. Yes, as far
3 as our Department, but they are independent.
4 That's why she was here for her own hearing.

5 REPRESENTATIVE SAMUELSON: Okay. She
6 wrote us a letter back in October saying that
7 she was looking for the 1.4 million that was
8 initially committed to this organization a
9 couple years ago. So --

10 SECRETARY WALKER: I was looking for
11 300 million for my Department.

12 REPRESENTATIVE SAMUELSON: Am I
13 misunderstanding? Is this office -- When she
14 submits her budget request, doesn't she submit
15 it to the Secretary of DCED instead of directly
16 to the Governor? It is part of the DCED; am I
17 correct?

18 SECRETARY WALKER: Yes; statutorily,
19 an independent office that happens to be housed
20 in our Department.

21 REPRESENTATIVE SAMUELSON: Who decides
22 the funding level? Would that be the Governor,
23 the Budget Secretary, the DCED?

24 SECRETARY WALKER: I would assume
25 it's, yes, the Budget Secretary. It is not I.

1 REPRESENTATIVE SAMUELSON: Maybe for
2 the future, Mr. Chairman, we could have this
3 listed as a separate independent agency; not
4 part of this budget. Thank you.

5 CHAIRMAN ADOLPH: Thank you,
6 Representative. Mr. Secretary, I want to thank
7 you and your staff for appearing before our
8 committee today. I want to compliment you on
9 what I consider a real good job this past year.

10 SECRETARY WALKER: Thank you.

11 CHAIRMAN ADOLPH: I think Pennsylvania
12 is moving in the right direction.

13 SECRETARY WALKER: I appreciate that.

14 CHAIRMAN ADOLPH: Thank you.

15 (At 2:45 p.m., the DCED budget hearing
16 concluded).

17 * * * *

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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.

This certification does not apply to any reproduction of the same by any means unless under my direct control and/or supervision.

Dated this 10th day of March, 2012.

Karen J. Meister - Reporter
Notary Public

My commission
expires 10/30/14