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COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE

MAIN CAPITOL
ROOM 140
HARRISBURG, PENNSYLVANIA

PUBLIC HEARING
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES

TUESDAY, FEBRUARY 28, 2012
11:32 A.M.

BEFORE:

- HONORABLE WILLIAM F. ADOLPH, JR.,
Majority Chairman
- HONORABLE MARTIN CAUSER
- HONORABLE GARY DAY
- HONORABLE GORDON DENLINGER
- HONORABLE BRIAN ELLIS
- HONORABLE MAUREE GINGRICH
- HONORABLE GLEN GRELL
- HONORABLE DAVID MILLARD
- HONORABLE MARK MUSTIO
- HONORABLE BERNIE O'NEILL
- HONORABLE MICHAEL PEIFER
- HONORABLE SCOTT PERRY
- HONORABLE SCOTT PETRI
- HONORABLE TINA PICKETT
- HONORABLE JEFFREY PYLE
- HONORABLE THOMAS QUIGLEY
- HONORABLE MARIO M. SCAVELLO
- HONORABLE CURT SONNEY

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BEFORE: (cont'd)

HONORABLE JOSEPH MARKOSEK, Minority Chairman
HONORABLE MATT BRADFORD
HONORABLE MICHELLE BROWNLEE
HONORABLE H. SCOTT CONKLIN
HONORABLE PAUL COSTA
HONORABLE DEBERAH KULA
HONORABLE TIM MAHONEY
HONORABLE MICHAEL O'BRIEN
HONORABLE CHERELLE PARKER
HONORABLE JOHN SABATINA
HONORABLE STEVE SAMUELSON
HONORABLE MATTHEW SMITH
HONORABLE GREG VITALI
HONORABLE RONALD WATERS

ALSO PRESENT:

HONORABLE ELI EVANKOVICH
HONORABLE MARK GILLEN
HONORABLE TIM HENNESSEY
HONORABLE MARK KELLER
HONORABLE JERRY STERN
HONORABLE DICK STEVENSON
HONORABLE KATHY WATSON
HONORABLE LAWRENCE CURRY
HONORABLE PAMELA DELISSIO
HONORABLE JOSEPH PETRARCA

ED NOLAN, MAJORITY EXECUTIVE DIRECTOR
MIRIAM FOX, MINORITY EXECUTIVE DIRECTOR
DAN CLARK, COMMITTEE CHIEF COUNSEL

BRENDA J. PARDUN, RPR
REPORTER - NOTARY PUBLIC

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1 P R O C E E D I N G S

2 CHAIRMAN ADOLPH: Good morning,
3 everyone.

4 I'd like to call to order the House
5 Appropriations Committee budget hearing on the
6 Department of Conservation and Natural Resources.

7 I'd like to ask every one if they would
8 please turn their cell phone, Blackberries to
9 vibrate so we cannot be interrupted.

10 Without further ado, I'd like to
11 welcome the secretary of DCNR, Secretary Richard
12 Allan.

13 Good morning.

14 SECRETARY ALLAN: Good morning,
15 Mr. Chairman.

16 CHAIRMAN ADOLPH: Nice to see you,
17 Mr. Secretary.

18 SECRETARY ALLAN: Pleasure, as well.

19 CHAIRMAN ADOLPH: If you would like, if
20 you would introduce for the committee members, the
21 group of individuals that are sitting at the table
22 with you.

23 SECRETARY ALLAN: Yes, sir.

24 CHAIRMAN ADOLPH: And -- when, if they
25 are going to participate in the questions and

1 answers, if they would identify themselves as
2 they -- before they speak, so the viewers back home
3 know who they are.

4 Okay. So, without further ado, if
5 you'd like to introduce them and make some brief
6 comments.

7 SECRETARY ALLAN: Sure.

8 To my left is Ellen Ferretti, deputy
9 secretary for Parks and Forests. To my right, is
10 John Giordano, deputy secretary for Administration.
11 And to his right, Cindy Dunn, deputy secretary for
12 Recreation and Technical Services.

13 If I may make a few comments.

14 CHAIRMAN ADOLPH: Thank you.

15 SECRETARY ALLAN: Chairman Adolph,
16 Chairman Markosek, members of the committee, thank
17 you for this opportunity to address the budget
18 priorities of the Department of Conservation and
19 Natural Resources. This spring will mark my first
20 anniversary as secretary of DCNR. And I wanted to
21 take a few moments to share with you what I've
22 learned about the work and the mission of the
23 department.

24 DCNR's mission to is conserve and
25 sustain PA's natural resources for present and

1 future generations' use and enjoyment. Through a
2 strategic planning process, we've organized our
3 work around five goals: Conserve the
4 Commonwealth's natural resource, manage state
5 parks' and forests' sustainability, foster
6 sustainable communities and working landscapes, and
7 operate more effectively and efficiently.

8 I would like to emphasize that DCNR's
9 staff, who are among the best public servants in
10 this Commonwealth, are the key factor to achieving
11 these goals. Their care for our public lands and
12 promoting our natural assets and the work
13 supporting sustainable, thriving communities are
14 what makes DCNR an important economic driver in the
15 Commonwealth.

16 Our achievements since I began at DCNR
17 help show the breadth of our work. We continue our
18 high standards of operation, public services, and
19 natural resource management at our gold-medal state
20 parks, awarded for national excellence in park and
21 recreation management.

22 We have maintained strong forest
23 certification for well-managed forests and forest
24 products that command a higher market demand.

25 We continually improve our management

1 of public lands in an era of growing oil and gas
2 production with the highest level of best
3 management practices, most productive leases, and
4 -- excuse me -- most protective leases, and with
5 open communication with industry representatives.

6 We continue supporting the conservation
7 landscape initiative that ties natural assets to
8 tourism and community revitalization.

9 Our PA five-star Statewide Outdoor
10 recreation plan was honored as best in the nation.

11 Our employees weathered severe storms
12 that challenged resources at our parks and forests
13 that experienced a number of extreme weather events
14 that threatened lives and wreaked havoc on our
15 facilities. They went way and above the call of
16 duty to help our visitors and protect our
17 facilities while assisting citizens and
18 communities.

19 We received Gold LEED certification
20 related to the construction and sustainability for
21 the Nature Inn at Bald Eagle, the Elk Country
22 Visitor Center, and the Resource Management Center
23 at Tiadaghton State Forest. In addition, also
24 three, silver levels in the LEED certification.

25 We offer a highly trained, unique staff

1 at DCNR as Commonwealth centers of technical
2 expertise, and our state parks and forests define
3 who we are in PA.

4 We -- in addition to their beauty and
5 their opportunities they provide to be -- to be
6 active outdoors, the newly revised data center
7 indicates with visitors to the parks help local
8 communities prosper, generating more than 1 billion
9 in revenue to these communities and supporting over
10 13,000.

11 I am fortunate to lead an agency of
12 extremely dedicated men and women, who are the best
13 in the country when it comes to land management,
14 providing outdoor recreation opportunities, and
15 adopting partnership approaches.

16 By tightening our belt and constantly
17 looking for new efficiencies and resource revenue,
18 we will continue to be -- to do our best to
19 maintain our unique balance of conservation
20 practices and economic development.

21 Thank you.

22 CHAIRMAN ADOLPH: Thank you,
23 Mr. Secretary.

24 I'd like to start the hearing off by
25 putting some statistics on the table, if you

1 would. It's my understanding that the Commonwealth
2 owns state forest land, and they lease some of the
3 state forest land for drilling, and that Governor
4 Rendell signed three leases during his time as
5 governor and opened up a hundred thirty-eight -- a
6 hundred thirty-nine thousand acres of land for
7 natural gas drilling. Is that correct?

8 SECRETARY ALLAN: Yes, sir.

9 CHAIRMAN ADOLPH: Has Governor Corbett
10 signed any leases under his administration?

11 SECRETARY ALLAN: Mr. Chairman, there's
12 a moratorium in place, so no further leasing has
13 occurred.

14 CHAIRMAN ADOLPH: Okay. What would
15 have to happen in order to lift that moratorium?

16 SECRETARY ALLAN: Well, if the governor
17 chooses to lift that moratorium, we then would be
18 looking at the Marcellus Commission Report, which
19 adopted many recommendations as the basis of how we
20 would look at any future leasing. We would be
21 looking at any potential opportunity on a case-by-
22 case basis where there would be no or minimal
23 surface impact.

24 CHAIRMAN ADOLPH: Can the governor do
25 that with executive -- with an executive order?

1 SECRETARY ALLAN: Yes, sir.

2 CHAIRMAN ADOLPH: So he would not need
3 legislation; the governor can do that with an
4 executive order.

5 SECRETARY ALLAN: Yes, sir.

6 CHAIRMAN ADOLPH: Okay. Thank you.

7 The Keystone Fund, I found that
8 proposal to redirect \$38 million from the Keystone
9 Fund into the general fund a little unsettling.
10 Could you give me the reason for this?

11 And I have to be very honest with you,
12 Mr. Secretary. I've received many, many phone
13 calls from my constituents that are a little
14 unsettled by this, and I told them that when the
15 secretary comes in, I'm going to ask him directly
16 why this decision was made and see if I agreed with
17 the decision as we go through this budget process.

18 SECRETARY ALLAN: Mr. Chairman, we
19 started discussions back in the fall on our budget
20 with budget office. And discussions came around to
21 the Keystone Fund, and we did express our concerns
22 when it was suggested that some of the funds be
23 redirected to help support the general fund and
24 balance the state budget. The conversation's
25 continued through early '12, and we do recognize

1 need for funds like this to be available to help
2 support the budget.

3 CHAIRMAN ADOLPH: Okay. Could you
4 please tell the committee what these Keystone Funds
5 were used for over the years?

6 SECRETARY ALLAN: Yes. The Keystone
7 Funds were generally used for grants, community
8 grants that we've done traditionally over the
9 years, and also for park and forest maintenance
10 infrastructure.

11 CHAIRMAN ADOLPH: Okay. How will your
12 department do without these funds?

13 SECRETARY ALLAN: We are looking to
14 prioritize all the funds that we will have
15 available by looking at the environmental
16 stewardship fund and the oil and gas fund to help
17 support the type of programs that we traditionally
18 had supported through those -- through the
19 Keystone.

20 CHAIRMAN ADOLPH: You know, I think a
21 lot of these grants were used to purchase open
22 space in certain communities. Is that correct?

23 SECRETARY ALLAN: Correct.

24 CHAIRMAN ADOLPH: And just for the
25 record, a lot of times when these communities go to

1 choose and apply for these grants, a lot of times
2 the question's put on a ballot, a referendum,
3 and -- to see what the -- if the people of that
4 county or that community agree with the question.
5 And my experience is, is that those that support
6 the purchase of this land for open space
7 overwhelmingly, 85 percent, have voted to support
8 this.

9 So I'd like you to take this back to
10 the administration and make sure that they
11 understand that this is one aspect of your
12 particular line items that is a little unsettling.
13 And I'm sure we're going to be able to work it out
14 and, I'm sure, under your leadership.

15 Far as maintaining the parks, I had the
16 pleasure of visiting and touring the state parks,
17 and you're doing a fantastic job. It's really an
18 asset that I hope -- and I know thousands and
19 thousands of PA residents do visit and get to
20 enjoy. So keep up the good work that way, but
21 we're going to have to work with the budget here a
22 little bit to help -- help get this Keystone Fund
23 back.

24 SECRETARY ALLAN: Thank you,
25 Mr. Chairman.

1 CHAIRMAN ADOLPH: Chairman Markosek.

2 REP. MARKOSEK: Thank you,
3 Mr. Chairman.

4 Mr. Secretary, welcome to you and your
5 staff. You were very gracious this past summer and
6 hosted our committee at one of the state parks, and
7 it was very informative and learned a lot, and we
8 certainly do have a very beautiful Commonwealth and
9 you have a very tough responsibility, big
10 responsibility in being the steward of the state
11 lands and our very wonderful state parks.

12 I share Rep. Chairman Adolph's concerns
13 about the park and recreational fund as well. I
14 don't have any specific questions. I know the
15 chair mentioned in the last hearing that some of
16 these issues are better brought up with the
17 secretary -- the budget secretary, and we certainly
18 plan to do that, because I think a lot -- probably
19 all of our committee members, at least our side,
20 have a very, very strong concern about that and
21 many other issues.

22 Rather than ask any questions, I'm
23 going to give my time to our members, and with the
24 Chairman's permission, I'd like to introduce Rep.
25 Greg Vitali for the first round of questioning.

1 REP. VITALI: Thank you.

2 Thank you, Mr. Chairman.

3 And thank you for coming today,
4 Secretary Allen. We've always had a good
5 relationship over the years, and I have utmost
6 respect for you, and any comments I make that might
7 be critical of this proposal should not reflect on
8 my high opinion of you.

9 So I'm going to just sort of third the
10 concern about a \$38-million transfer from the
11 Keystone -- from the Keystone Fund to the general
12 fund. And it's particularly troublesome, given the
13 testimony at the last hearing, where we had money
14 from the Growing Greener II bond fund passing
15 through with regard to agricultural preservation to
16 the general fund. So that between that pass-
17 through of the Growing Greener II bond money and
18 this, that's \$58 million that is really going from
19 what has been traditionally Growing Greener
20 programs to the general fund. So that's a cause of
21 concern.

22 Now, I think, as you mentioned in your
23 testimony, some of this Keystone Fund goes for --
24 you indicated it would have an affect on state
25 park -- a significant affect on state park and

1 state forest infrastructure. Now, correct me if
2 I'm wrong, but was it you who testified that we
3 have about a billion-dollar backlog, or at least a
4 year ago, a billion-dollar backlog in state park
5 and forest infrastructure?

6 SECRETARY ALLAN: Correct, Rep. Vitali.
7 We did an assessment and came up with, I would say
8 our wish list to take a look at, and it wasn't
9 completely a backlog. There's always ongoing
10 maintenance that we have to do. And doing a rough
11 review over the last year, we estimated that
12 number, and that number includes a lot of different
13 kinds of projects, including normal maintenance.

14 REP. VITALI: So you understand our
15 concern, where you're talking about a billion
16 dollars in backlog, and that you're transferring --
17 transferring this money out, 38 million out, you
18 understand our concern there.

19 I'm going to move on. The second play
20 I'd like to make is in regard to state forest
21 leasing. And certainly we're happy that there was
22 none -- appeared to be none leased last year, but
23 there was a troubling statement in the Pittsburgh
24 Trib Review on Sunday where it says, Tom Corbett's
25 administration is considering lifting the

1 moratorium, according to Eric Shirk.

2 Could you tell me what you know about
3 any plans to lift the moratorium on state forest
4 leasing for gas drilling?

5 SECRETARY ALLAN: To my knowledge, that
6 statement is incorrect. I had inquired about
7 that. But my personal knowledge is that we are --
8 is that we are not discussing additional leasing in
9 state forests.

10 REP. VITALI: Great.

11 Let me just -- in that same article,
12 let me just read you a couple more statements.
13 Tell me if you agree with them. And this if from
14 your predecessor, John Quigley.

15 (Reading) The state forest is being
16 disturbed in a very significant way right now.
17 There's no justification to rush out and do more
18 leasing before we know the impact of what's already
19 been done.

20 Do you tend to agree with that
21 statement?

22 SECRETARY ALLAN: I -- I wouldn't
23 comment on my predecessor's opinions. I believe
24 that we're managing the state forests and our
25 leases extremely well with our very tight lease

1 agreements, our surface-use agreements, our
2 guidelines, our best management practices.

3 Our foresters are out there doing an
4 excellent monitoring program. We just initiated a
5 new one. I believe we're doing an excellent job.

6 REP. VITALI: I can understand why you
7 wouldn't comment on a predecessor. But here's a --
8 here's the director of the Nature Conservancy, Nels
9 Johnson.

10 (Reading) We think the state has gone
11 as far as it can go without starting significant --
12 without starting real significant concerns.

13 He's talking about leasing state parks
14 and forests -- state forests.

15 Do you agree with that, that statement,
16 that we think the state has gone as far as it can
17 go without starting real significant conservation
18 concerns?

19 SECRETARY ALLAN: I can only comment on
20 what I'm aware of, and as far as what our agency is
21 doing to monitor and review as we're going forward
22 with constant discussions and oversight of the
23 development that we have in our current leases
24 right now.

25 REP. VITALI: If I could just move on

1 to the oil and gas lease fund. And I'm looking at
2 a part of the governor's budget, page forty-eight,
3 which you don't need -- but it describes the
4 balance, ending balance of the oil and gas lease
5 fund for '10-'11 to '11-'12, and then estimated for
6 2012-'13. And every year it's going down, 46
7 million, 27 million, and 15 million estimated for
8 2012-2013.

9 Could you tell me what the projected
10 balance of that will be going into the future
11 beyond 2012-2013? Do you know that?

12 SECRETARY ALLAN: Well, our best
13 estimate, and that's based on a lot of discussions
14 and review of a lot of information with the actual
15 lease holders that we are doing business with, and
16 following the gas prices as they've been developing
17 over the last several months. Our projection in
18 the '12-'13 budget should be around \$56 million as
19 a revenue to the oil and gas.

20 REP. VITALI: I'm sorry. What year was
21 that?

22 SECRETARY ALLAN: '12-'13 budget cycle.

23 REP. VITALI: So -- now, they estimate
24 15.

25 SECRETARY ALLAN: That's the balance at

1 the end.

2 REP. VITALI: Gotcha.

3 Okay. Thank you. That concludes my
4 questions.

5 SECRETARY ALLAN: Thank you.

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

8 The next question is by Rep. Mauree
9 Gingrich.

10 REP. GINGRICH: Thank you,
11 Mr. Chairman.

12 Welcome, Mr. Secretary and your able
13 team.

14 SECRETARY ALLAN: Good morning.

15 REP. GINGRICH: We're happy to have you
16 here.

17 Obviously it's another beautiful day in
18 PA. The weather's nice. We're having a very well-
19 deserved, mild winter, although it's getting in the
20 way with our cross-country skiing in our state
21 parks a little bit.

22 The past year, Mother Nature hasn't
23 been quite so gentle with us, and with a lot of --
24 the two tropical storms that we had and actually an
25 earthquake that came up through PA, we also

1 experienced and witnessed a lot of damage done as a
2 result.

3 How did we fair in our state parks?
4 How much damage was done? I know, personally, from
5 one that I use regularly, there was some
6 significant damage. But how did it go throughout
7 our state parks, and then tell me what role you did
8 play, and if you have any cost factors there and
9 actually a timeline for recovery on that, I'd
10 appreciate that.

11 SECRETARY ALLAN: Sure. We -- we
12 sustained quite a bit of damage out in our park and
13 forests systems. To date, our estimate is around
14 \$6 million. And we've submitted this to FEMA for
15 reimbursement, and they're actually out on the
16 ground now, doing assessments to review all of this
17 damage. The damage, of course, was to roads,
18 bridges, structures, trails, every single type of
19 facility that we have in our parks and forests.

20 But we came back immediately to address
21 the safety and health issues, to get what we needed
22 up and running right away. The staff from DCNR
23 were quite involved during the storms. We had
24 personnel 24 hours at FEMA headquarters. But the
25 staff out in the park and forest areas were

1 tremendous in regards to assisting the visitors to
2 the centers.

3 Some -- one story I remember was
4 someone had walked in almost a mile to help someone
5 get out of one of the parks and helped the flooding
6 by providing pumps. And our topographic -- topo
7 and geographic office provided pre- and post-
8 satellite photos of damage not only to help the
9 department but also the Commonwealth in regards to
10 assessing the damage and trying to recover funds to
11 do the repairs.

12 The topographic also was one of the
13 first to record that earthquake and report it to
14 authorities.

15 REP. GINGRICH: And we've recovered
16 from that damage? Everything's as functional in
17 parks as it was?

18 SECRETARY ALLAN: Pretty good amount of
19 it. We're still going through and addressing where
20 we feel that the immediate needs are as far as the
21 reconstruction.

22 REP. GINGRICH: I ask that because of
23 the season ahead and probably the usage level
24 increasing.

25 We have a hundred and seventeen state

1 parks that we can really be proud of, and I hear
2 people talking about using them all the time and I
3 use one regularly myself.

4 What would you say when people ask you
5 about any economic impact as a result of the usage
6 and, you know, that available resource for people?

7 SECRETARY ALLAN: We're very proud of a
8 recent update of a study done for our parks and
9 what we -- we were stating was that for every
10 dollar invested into state parks, there was over a
11 \$9 return. Well, that's been updated now to be
12 over \$12. Over \$12 returned to the local
13 communities, where the value of about 938 million
14 is now over \$1 billion to those communities. And
15 where it's supported roughly 10,000 jobs, it's now
16 supporting approximately 13,000 jobs.

17 REP. GINGRICH: Do you have any data on
18 usage, any increase? It seems to me the ones that
19 I am in and out of, I see a high level of usage.
20 Do you have data on any increases and especially in
21 this economy, when it's an affordable recreation
22 opportunity for folks. I'm curious to know what
23 your statistics say.

24 SECRETARY ALLAN: It's been averaging
25 about 38 million visitors over the last couple of

1 years. We believe that not only because of what we
2 provide as far as an affordable type of recreation
3 to our citizens and visitors from out of state,
4 that it's due also to the national economy. People
5 aren't traveling far. They want to use the
6 recreation facilities that are close to home.

7 REP. GINGRICH: And we are blessed with
8 our state parks, unquestionably.

9 With regard to your infrastructure
10 needs and the projects and plans in place, we're
11 looking at a challenged budget, you know, at every
12 different level. So how are you doing with that as
13 far as infrastructure improvements go? Because I
14 can tell you, I watched what was done closely at
15 one in particular, Pine Grove Furnace State Park.
16 And a marvelous job was done there. And it makes
17 usage just so much easier and better for folks.

18 Are you on target? Behind? What's
19 your plan in that area?

20 SECRETARY ALLAN: Well, after doing a
21 very thorough review, we are prioritizing the funds
22 that we do have available. And that's what we'll
23 have to do as we're going forward. Some of the
24 maintenance that is not necessary, that doesn't
25 deal with the value for use or public safety,

1 health concerns, we'll have to defer that to
2 another time.

3 REP. GINGRICH: Well, I trust your able
4 staff to do that.

5 Thank you, Mr. Secretary.

6 Thank you, Mr. Chairman.

7 CHAIRMAN ADOLPH: Thank you.

8 Rep. Deb Kula.

9 REP. KULA: Thank you, Mr. Chairman.
10 I'm over here, Mr. Secretary.

11 SECRETARY ALLAN: Okay.

12 REP. KULA: I am here.

13 Last year at these budget hearings, I
14 asked the question about the heritage programs.
15 And I was directed that this program could be
16 funded through grants through the Keystone
17 program. Well, let's rewind to this year -- fast
18 forward to this year. I'm asking about the
19 heritage programs, that now that we have no
20 Keystone program, what is the -- where is the
21 funding coming from for the heritage area
22 programs? Where will that funding come from?

23 Because I think you, yourself, have
24 witnessed many of the benefits that have come about
25 because of the stimulation of these heritage are

1 programs in jobs and economic development. So, I
2 was wondering if you could tell me, where do we go
3 now?

4 SECRETARY ALLAN: Well, the heritage
5 programs still qualify to apply for our C2P2
6 grants, as all other organizations do. This past
7 session, we provided two and a half million -- 2.4
8 million in grants to all heritage groups. They
9 also -- again, they will be able to qualify for the
10 type of grants that we still have available, but we
11 will be prioritizing the funds that we have and
12 looking more to the environmental stewardship fund
13 and oil and gas fund to provide that type of
14 funding.

15 REP. KULA: And so, this just will add
16 another program that has to vie for those C2P2
17 funds?

18 SECRETARY ALLAN: Every one will be
19 looked at equally.

20 REP. KULA: And what about project --
21 ongoing projects that are funded now, and the
22 heritage areas have been involved, will that affect
23 the continuation of these projects that are
24 ongoing?

25 SECRETARY ALLAN: Any of the grants

1 that have been authorized, money is put aside for
2 that and is there for them.

3 REP. KULA: It will continue.

4 SECRETARY ALLAN: Yes.

5 REP. KULA: I thank you.

6 Thank you, Mr. Chairman.

7 CHAIRMAN ADOLPH: Thank you,
8 Representative.

9 Next question will be by Rep. Mario
10 Scavello.

11 REP. SCAVELLO: Thank you,
12 Mr. Chairman.

13 And good afternoon, Mr. Secretary. I
14 want to thank you and your staff for coming down.

15 Many of my questions were asked
16 already, but I need to just rehash, because this is
17 very important to my community.

18 The Keystone Fund, I just printed a few
19 of the e-mails that I've received from
20 constituents. And I just, personally, want to read
21 two of them briefly.

22 It's significant stable source of state
23 taxing dollars for county, municipal, and land
24 trust conservation recreation initiatives. Every
25 township in my county has benefited from these

1 Keystone dollars, from the acquisition of wildlife
2 habitat, stream corridors, to planning and
3 development of parks and playgrounds, state
4 conservation funding that's helped the Pocono Land
5 Trust in my area save -- protect at least 1,000
6 acres.

7 The Keystone Funds preserve the quality
8 of life in our local communities. And that's from
9 Dave Gorman (phonetic), the executive -- Dawn
10 Gorman, the executive director.

11 Another one: Parks, open space, and
12 opportunity for recreation has been an historical
13 background in our region, from Samantha Holbert
14 (phonetic).

15 It's -- one of the -- one of things
16 about these programs, the matching dollars that --
17 we have, in our area, we match. We went -- just
18 like the chairman said earlier, we floated a bond,
19 an open-space bond. I believe Pike County's
20 floated an open-space bond. Many other counties.
21 And those dollars, that matching of dollars, we're
22 able to do so much.

23 What can you tell me? Because I can
24 see that you've got the two chairman, Rep. Vitali.
25 I'm sure you're going to see others that are going

1 to be surely talking about this, that it's an
2 important issue to all of us.

3 SECRETARY ALLAN: Well, we do recognize
4 that. And we -- again, we have to -- we will only
5 be able to work with the funds that we have
6 available, so we will be prioritizing those funds.
7 But I can assure you that our staff will still
8 provide the technical support that those
9 communities that we've worked with for so many
10 years on all the different type of projects will
11 still be available.

12 REP. SCAVELLO: I, for one, will be
13 fighting to keep that just the way it is, and maybe
14 put some more money in. We'll see what we can do.

15 My next -- and we're going to go back
16 to -- DCNR's directed to prepare three different
17 natural gas leases under the Rendell
18 administration. And you spoke about that there
19 were no new leases under Governor Corbett's
20 administration. And there was -- the executive
21 order, the moratorium is still in place.

22 There is no -- because I've received
23 just as many e-mails telling me that this
24 moratorium is gone. We're going to be building,
25 getting more leases and all that of that, has that

1 happened.

2 So there's a lot of bad information out
3 there that in the last year or so, we've just kept
4 getting slammed with e-mails, telling us that this
5 going -- this has happened, and it hasn't
6 happened.

7 And, obviously, the revenues derived
8 from the leases have been deposited into the oil
9 and lease fund utilized by the agency.

10 How -- can you explain how the shale
11 impact legislation, Act 13 of 2012, will affect
12 your agency and the revenues to the oil and gas
13 lease fund? Because I think that's very
14 important. That might answer some of the other
15 questions that you might have later on.

16 SECRETARY ALLAN: Sure. From our
17 knowledge of the impact fee legislation, 40 percent
18 of the fee will go to state-wide initiatives. Of
19 that, 10 percent goes into the environmental
20 stewardship fund. That, again, as one of the
21 funding sources we'd traditionally use, we receive
22 24 percent of funds out of the environmental
23 stewardship fund.

24 REP. SCAVELLO: Thank you. Do you have
25 any idea what that number might be? I know they're

1 estimates and it's a guess, but do you have an
2 idea?

3 SECRETARY ALLAN: Well, a rough number,
4 based on what we looked at as an estimate for a
5 revenue this year of the impact fee, we would get
6 approximately 1 percent of that revenue, which
7 would be, maybe, 1.8 million.

8 REP. SCAVELLO: Thank you very much.
9 Thank you, Mr. Chairman.

10 CHAIRMAN ADOLPH: Thank you.

11 Rep. Mike O'Brien.

12 REP. O'BRIEN: Thank you,
13 Mr. Chairman.

14 Mr. Secretary, good to see you again.

15 As we were talking today about this
16 challenged budget, repairing infrastructure,
17 improving infrastructure, it put me to mind that
18 the last time that we had an opportunity to visit
19 together, up in Bald Eagle State Park, one of the
20 areas that we spoke about was the parks living in
21 some sort of harmony with the Marcellus Shale
22 industry.

23 Now, I've also had the opportunity to
24 visit some drilling sites around the state, and
25 I've seen how the industry can chew up the

1 roadways, getting the trucks in and out to the
2 rig.

3 What's going on in the state parks?
4 Are these trucks to the leased areas using the same
5 roads as the visitors to the park are? Have they
6 built their own separate infrastructure to get to
7 the drilling site? How's this working out?

8 SECRETARY ALLAN: As of now, there are
9 no leasing sites in state parks. But you have to
10 recognize that the Commonwealth only owns 20
11 percent of the subsurface mineral rights, so when
12 there might be some drilling in state parks at some
13 point for the resources that are not owned by the
14 Commonwealth, the companies will have to adhere to
15 our surface-usage agreements, our best management
16 practices, our guidelines and so forth.

17 REP. O'BRIEN: Make that plain English
18 for me.

19 SECRETARY ALLAN: Well, there is no
20 drilling --

21 REP. O'BRIEN: In the case that there
22 were, will they be using the same roadways as
23 visitors to the park?

24 SECRETARY ALLAN: I couldn't comment on
25 that until I see where they're actually going to be

1 using.

2 CHAIRMAN ADOLPH: Mr. Secretary, we --
3 did you mean state forests, Representative?

4 REP. O'BRIEN: I'm sorry. Yes, I did.

5 SECRETARY ALLAN: He meant state
6 forests, not state parks.

7 REP. O'BRIEN: Excuse me for
8 misspeaking.

9 SECRETARY ALLAN: Okay. That, I can
10 address.

11 They definitely are using the roads
12 within our state forests, but there is -- there
13 is -- they have to sign an agreement for the use.
14 They have to maintain the roads, any damage to the
15 roads. And we're seeing that they're adhering to
16 that very well.

17 There are -- I will admit, there are
18 problems from time to time, and a lot of it has to
19 do with weather and the use, but they are doing a
20 very good job of maintaining roads.

21 REP. O'BRIEN: Thank you for bailing me
22 out, Mr. Chairman.

23 Thank you, Mr. Secretary.

24 CHAIRMAN ADOLPH: Thank you.

25 Rep. Scott Petri.

1 REP. PETRI: I'm going to start with
2 the positive, then we will move into the not so
3 positive.

4 I have to absolutely compliment the
5 secretary and deputies for two areas that I've
6 seen. One, the visit to the state forest, I think,
7 was phenomenal, to see what our state workers are
8 doing to enforce laws and regulations and staying
9 on top of things. It gave me great comfort, and I
10 share that message in my town hall meeting all the
11 time, that we should be very, very proud of our
12 state workers that are under your guidance.

13 The second piece, though, locally, I've
14 just got to plug my local DCNR employees that
15 maintain the canal. With the flooding, the storm
16 water management, risk their lives to try and save
17 as much of that structure as they can, and the
18 willingness to come out at meetings.

19 Rep. O'Neill and I and Senator
20 McIlhinney just had a meeting and instantly made
21 New Hope Borough feel very good about steps that
22 you're undertaking through a very difficult process
23 to restore water to the canal. And that's an
24 important tourism feature in Bucks County. So just
25 want to start by acknowledging in a very public

1 sense and on the record, your great work.

2 SECRETARY ALLAN: Thank you.

3 REP. PETRI: Okay. I'm not going to
4 get into the issues on the Key 93 moneys as far as
5 the transfer. My colleagues have said what I
6 wanted to say and more will continue. I know that
7 Rep. Peifer is also concerned and he's going to
8 follow me.

9 What I'd rather move into is how is --
10 how does your department handle maintenance? Do
11 you have a maintenance budget where you budget a
12 certain amount each year for ongoing maintenance?

13 SECRETARY ALLAN: No. We look at the
14 needs on an ongoing basis across all bureaus, so --
15 both bureaus of forestry and parks, and assess what
16 is the need as to the, first of all, health and
17 safety issues, and have also to provide the
18 adequate and affordable use of our parks and forest
19 systems.

20 REP. PETRI: I guess what I'm asking,
21 the sense I get from being a commissioner on the PA
22 Historic Museum Commission is that the way
23 maintenance is handled, there's a list. You hope
24 to get to it, and then you wait to see what kind of
25 moneys are available in the Key 93, and then you

1 spend what you can. As opposed to, what I think
2 should be happening, is that you have a capital and
3 you know that there is a certain annual maintenance
4 that needs to take place, just like every
5 homeowner, and then you program a dollar amount,
6 and then you go try to capture the funds. Which
7 way do we do it? Do we do it the first way in DCNR
8 or the second way, where we know what it is but we
9 never get there because there's not enough money,
10 so maintenance becomes deferred maintenance, which
11 becomes long-term maintenance.

12 SECRETARY ALLAN: Well, we do look at
13 it, as I said, on an ongoing basis and try to
14 allocate certain funds targeted for the need, as
15 the needs, the important needs first, and then
16 address the second tier after that.

17 REP. PETRI: Yeah. And I know it's
18 difficult and you're only given what you're dealt
19 as far as a hand to deal with, and I think you
20 do -- your agency does what you can.

21 Again, going back to the PA Historic
22 Museum Commission as an example. We build a new
23 visitors center at a site, it was William Penn's
24 home, probably one of the most significant sites in
25 PA as far as our history and our founding. And to

1 my knowledge, we virtually have spent no money on
2 maintenance since it's been built, and now it needs
3 major, major work, and we don't have -- there's not
4 money. So, I echo the frustration of the process
5 of using transfer tax money, which I also believe
6 is not very reliable, particularly in this
7 economy, that transfer tax value is way down, just
8 ask any of our municipalities.

9 And so I really think we need, quite
10 frankly, a new funding course. I mean, in some
11 ways, I agree with the governor's proposal, that
12 transfer tax money should be, in my opinion, in the
13 general fund. But that having been said, I think
14 that DCNR and PHMC need dedicated funding at least
15 for the ongoing maintenance that -- in other words,
16 you'd have a budget and that money ought to be
17 critical every year so that we can maintain our
18 facilities. These facilities are in every one of
19 our districts. They're treasures to the local
20 community. And we are not being good stewards.

21 Let me move to the second point that
22 really has been a major rub and see if you think
23 there's any solutions.

24 I have a lot of organizations in my
25 community that would like to make in-kind donations

1 of services, but we run up against the bump of DGS
2 and some of their rules and then some of the agency
3 rules about what they can accept, and then I guess
4 you also probably also have union concerns and
5 contracts you have to deal with.

6 But when you look at the big picture,
7 you just told me there's a billion dollars worth of
8 work. I don't think any union employee should ever
9 be worried about not having enough work to do.
10 Work is not the problem. Money and sources of
11 money are the problem.

12 But what I find are, my community's
13 getting really disenchanted because they can't even
14 make simple donations of in-kind services, fixing a
15 bathroom at a park, at a local park, or at a state-
16 owned facility.

17 Do you have any thoughts about how we
18 work through this so that we can accept and capture
19 more private moneys?

20 SECRETARY ALLAN: Sure. There are some
21 restrictions as to what we can accept, but there
22 are a lot of groups out there, we call them our
23 "friends." The friends groups can accept this type
24 of donation and use some in-kind services for help
25 at certain parks and forest areas.

1 REP. PETRI: Okay. Last thing I'm
2 going to ask is -- and I hate to even do this, but
3 I need to have a sit-down meeting with you and PHMC
4 about some Memorandums of Understand and how the
5 two agencies can maybe work a little better
6 together on Washington Crossing Historic Park. And
7 I know your resources are challenged but maybe
8 we'll figure out a solution together.

9 So thank you.

10 SECRETARY ALLAN: Be glad to.

11 CHAIRMAN ADOLPH: Thank you.

12 Rep. Matt Smith.

13 Rep. Matt Bradford.

14 REP. BRADFORD: Thank you, Chairman.

15 Thank you, Secretary.

16 I just had a quick follow-up question.
17 I know everyone has kind of stated kind of
18 universal concern about the proposed transfer of
19 the 30 million from the Key 93 funds. My question
20 is, and I notice in your written testimony, you
21 follow up and say the Marcellus Shale impact fee
22 legislation will provide some additional moneys to
23 the environmental stewardship fund for grants and
24 infrastructure as well as dollars directly to
25 counties.

1 How much money do you think the
2 Marcellus Shale impact fee, recently signed by the
3 governor, will provide in terms of absorbing the
4 30-million hit from the Key 3?

5 SECRETARY ALLAN: Some of the estimates
6 that we've seen are projecting roughly 7 million
7 going into the fund.

8 REP. BRADFORD: Seven million down from
9 30, so, I mean, that's still a \$23-million hit.
10 It's a sizable cut.

11 SECRETARY ALLAN: Yes.

12 REP. BRADFORD: Okay.

13 I guess the other question I had is, in
14 the southeast, obviously the issue of preservation,
15 farm land preservation, green space preservation is
16 very important. And Growing Greener, one of the
17 many concerns was how 1950 proposed to fund Growing
18 Greener.

19 Can you kind of talk me through your
20 understanding of how Growing Greener gets funded
21 under the new legislation?

22 SECRETARY ALLAN: We're not involved in
23 that, at this point. I couldn't comment because
24 I'm not a hundred percent familiar with the
25 language in the impact fee legislation. But we're

1 not involved in any of that.

2 REP. BRADFORD: Which agency will
3 oversee?

4 SECRETARY ALLAN: I don't know.

5 REP. BRADFORD: Okay. Because one of
6 the concerns that a lot of us have who were
7 opposed, again, to 1950 on so many levels, but one
8 of the concerns is 1950 creates kind of a false
9 incentive in a lot of our opinion by using revenue
10 generated from leasing or drilling on state forest
11 lands to then fund Growing Greener. It is kind of
12 this perverse logic that only by additional
13 drilling or by maximizing the drilling on leases
14 that were already let out, will Growing Greener be
15 funded in the future.

16 SECRETARY ALLAN: Well, my
17 understanding is there are different percentages
18 going out to different areas, to counties, to
19 communities, and it's all different percentages of
20 the estimated revenue from the impact fee.

21 REP. BRADFORD: Um-hum. Has the
22 administration provided the department with any of
23 those estimates yet about what will be going where?

24 SECRETARY ALLAN: Just some rough
25 numbers that we've seen that came from the

1 legislature but not from the administration.

2 REP. BRADFORD: Do you have any
3 timeline as to what this will look like? And also
4 just, you know, everyone's talking about the price
5 of natural gas having dropped. What will that do
6 to the numbers, what we can anticipate for revenues
7 to support some of these line items?

8 SECRETARY ALLAN: I'm not quite clear
9 of your question about the timeline.

10 REP. BRADFORD: The timeline from the
11 administration about giving you some kind of advice
12 as to revenues will be generated.

13 SECRETARY ALLAN: Again, we won't be
14 involved with those revenues because they're going
15 out directly to the counties and the communities.
16 What we do receive, the only involvement we have
17 will be revenue going into the environmental
18 stewardship fund.

19 REP. BRADFORD: And when will you get
20 some idea of what will go into the environmental
21 stewardship fund and driven out from there?

22 SECRETARY ALLAN: Well, I guess it's
23 when they will -- when they start seeing the
24 numbers come in from the revenue. Again, right
25 now, there's just estimates, and as I mentioned

1 earlier, that we -- just looking at the estimates
2 that was produced recently, that we would receive
3 approximately 1 percent of the estimated revenue
4 of -- which would be about 1.8 million.

5 REP. BRADFORD: Just common sense
6 thought, and maybe I'm missing it, why isn't DCNR
7 the repository for these funds?

8 SECRETARY ALLAN: It's based on what
9 legislature passed.

10 REP. BRADFORD: Right. But -- and I
11 understand. And, obviously, the legislation was a
12 little contorted in lot of ways.

13 Would DCNR have been a logical place
14 for those revenues to have gone?

15 SECRETARY ALLAN: We weren't involved
16 in the discussions on the legislation.

17 REP. BRADFORD: Understood.

18 Thank you, Secretary.

19 CHAIRMAN ADOLPH: Thank you,
20 Representative.

21 And for the committee's information,
22 yesterday, the PUC testified in front of us, and
23 they were selected as the -- the agency that's
24 going to be collecting this, and some of those
25 questions were asked of the chairman of the PUC to

1 look into his tea leaves, so to speak. And no one
2 really knows the amount of dollars that's going to
3 be deriven from the drilling.

4 And the representative's statement
5 that, with the price of natural gas -- I know when
6 we were negotiating and working out the bill, you
7 know, natural gas prices weren't dropping. It
8 certainly affected some of our estimates as well.

9 So it's -- it's a wait and see as far
10 as knowing exactly how much is going to be derived
11 from this fee.

12 The next is going to be Rep. Peifer.

13 REP. PEIFER: Thank you, Mr. Chairman.

14 Thank you, Secretary, for being here
15 today.

16 I think the reason why we're all
17 concerned about funding to our state parks is
18 because we all hear from our constituents the
19 importance of our parks. They're wonderful.
20 They're award-winning. They enable young families
21 the opportunity to go recreate throughout the
22 state. It lets them vacation. It lets them get
23 away from their daily grind at a very reasonable
24 cost, a cost that they can all fit in their budget,
25 and we hear that all the time from our

1 constituents.

2 I'm also concerned about the aging
3 infrastructure, especially in northeast, where --
4 the region that I represent. Many of the parks
5 were built by the CCC boys back during the great
6 depression, and their work is wonderful. The
7 beautiful stone bridges that are there, the stone
8 dams, and many of the roads that were built were
9 built by the CCC boys. And they still have an
10 annual celebration picnic for those efforts.

11 But over that time -- and we talked
12 about the weather situation as far as the concerns
13 that we've had with the weather during that time
14 and the usage, we realize that you've got this
15 aging infrastructure problem. When we look at many
16 of these funds, we're trying to get our arms around
17 what you need to operate your park as far as short-
18 term goals, but we also understand that you really
19 operate communities. And when you have communities
20 with a large number of people, you've got roads.
21 You've got high-hazard dams, because typically many
22 of your parks have a lake or ponds or streams.
23 You're building sewer lines. You're building water
24 lines. You're building sewer systems.

25 Is there any way that you can, one,

1 tell us some of your short-term challenges as well
2 as your long-term challenges and goals that you
3 have as well as where do you think that we need to
4 give you the money to do this effectively?

5 In other words, I'm looking here at the
6 oil and gas lease fund. The royalties from the oil
7 and gas lease fund can be used for conservation,
8 recreation, dams, and flood-control purposes.
9 We're trying to work with moneys in Growing
10 Greener. Are we using Growing Greener?

11 We talked about the Keystone fund today
12 ad nauseam.

13 I actually was hunting this year and
14 talked to a forester and saw a new trail that was
15 being built, and he mentioned it was a -- moneys
16 from snowmobile registration. So there's a --
17 there are pools here, and I appreciate the
18 challenges that you have. I mean, I think you've
19 said that here today, and I think we understand the
20 constraints you're under.

21 But where can we help you as far as
22 defined funding sources that really are helpful for
23 you to manage DCNR?

24 SECRETARY ALLAN: Well, Rep. Peifer,
25 we -- I guarantee that we will be maintaining the

1 parks as best possible. Our staff had been doing
2 that. And as you've seen over the last several
3 years, there has been a reduction in funding, but
4 we've made do with what we have available as far as
5 our funding.

6 We prioritize. We look at what needs
7 to be done. But above all, the health and safety
8 of the visitors to parks and forest systems comes
9 first. So we will constantly look at what the need
10 is and address the need in any way we need to.

11 We will definitely put funds where we
12 have to and we will look at our fund that we do
13 have available. That's as best as we can do.

14 REP. PEIFER: But as far as long-term,
15 large projects -- dam maintenance, bridges -- we're
16 talking million-dollar projects. I mean, where do
17 you fund those projects? I mean, is there a source
18 that you have used extensively since you've been
19 here to fund these -- to fund this infrastructure
20 need?

21 SECRETARY ALLAN: In the past and
22 currently, we currently have a list of projects
23 that we do -- we have received funding from -- as
24 capital projects.

25 REP. PEIFER: Correct.

1 SECRETARY ALLAN: And we'll be looking
2 to do that in the future, also, for those large
3 type of projects, dams, so forth.

4 REP. PEIFER: But where does that come
5 from? Does that come from the Keystone fund? Does
6 it come from Growing Greener? Does it come from
7 the oil and gas lease fund?

8 SECRETARY ALLAN: The capital budget.

9 REP. PEIFER: Capital budget.

10 Could you tell me about -- again, when
11 we originally leased out the oil and gas, that came
12 to our general fund, but my understanding, the
13 royalties from these leases do come to the oil and
14 gas fund. I mean, do you have the ability to
15 access those funds?

16 SECRETARY ALLAN: We are authorized as
17 to the amount that we can access from that fund on
18 a year-to-year basis.

19 REP. PEIFER: But with the leasing of
20 state forests, isn't there a revenue stream there
21 that you can use for these projects?

22 SECRETARY ALLAN: The revenue goes into
23 the oil and gas lease fund.

24 REP. PEIFER: Can that help your
25 infrastructure needs, I guess, is what I am

1 saying? I mean, if you had a wish-list today,
2 and -- a wish list of projects that you needed
3 completed, where would you take the money? Would
4 you -- do you have the access to Growing Greener?
5 I mean, do you have the access to the Keystone
6 moneys? And do you have the access to the oil and
7 gas lease funds?

8 SECRETARY ALLAN: There are line items
9 and transfers from the oil and gas lease fund to
10 augment several of our bureaus and work we do.

11 REP. PEIFER: So you are being funded
12 by these funds.

13 SECRETARY ALLAN: Correct.

14 REP. PEIFER: Thank you, Mr. Chairman.

15 CHAIRMAN ADOLPH: Thank you,
16 Representative.

17 Rep. Matt Smith.

18 REP. SMITH: Thank you, Mr. Chairman.

19 Thank you, Mr. Secretary, for your
20 testimony.

21 Just a few follow-up questions on the
22 Key 93 fund and the transfer to the general fund
23 instead of DCNR of the 38 million and change, if
24 you will. And as you can see, I think it has -- I
25 think there's tremendous bipartisan concern. I

1 know Chairman Adolph has worked in the past on
2 making sure that investment is there, particularly
3 as it relates to open space. And I think not only
4 open space but also, you know, throughout the state
5 with grants for local recreation.

6 I guess my question -- a lot of the
7 questions I had have been asked and answered,
8 and -- but my specific question is: Is that
9 something that will sort of be the model moving
10 forward, that this money is transferred from the
11 Key 93 fund to the general fund instead of DCNR, or
12 is this a one-time, one year, stop-gap funding for
13 the general fund that we don't have to worry about
14 next year? Because I think it sort of goes to Rep.
15 Peifer's question of, you know, what can we do to
16 ensure that there's dedicated funding for these
17 important programs.

18 So is this something that's just a
19 one-year shot, if you will, or is this something
20 that we're going to have to address over the long
21 term?

22 SECRETARY ALLAN: It's proposed in the
23 budget that this would be a transfer to the general
24 fund, not -- from this year forward.

25 REP. SMITH: Okay. So it is

1 anticipated that this would be a recurring
2 transfer, and that we would -- I guess the onus
3 would be on the governor and the legislature to
4 find some source of funding to backfill the 38
5 million that isn't going to DCNR, that is going to
6 be prospectively going to the general fund.

7 SECRETARY ALLAN: Correct.

8 REP. SMITH: And -- and I -- this is
9 something that Rep. Peifer raised as well. Does
10 that -- does that elimination of funding going to
11 DCNR and going into the general fund, 38 million,
12 is that going to put additional pressure on DCNR in
13 terms of your infrastructure needs?

14 SECRETARY ALLAN: It will -- it will
15 challenge us to look to other funds that we do have
16 available. And, again, we will be prioritizing
17 those funds for the needs that do come up.

18 REP. SMITH: And those needs notes
19 would possibly take the form, in terms of funding,
20 would, I think you said, primarily the capital
21 budget would fund a lot of those infrastructure
22 needs.

23 SECRETARY ALLAN: The major
24 infrastructure needs, such as dam, dam repairs.
25 But, again, we'd been looking at the environmental

1 stewardship fund and the oil and gas lease fund to
2 provide additional funding for us to address the
3 grants and the park and forest maintenance
4 infrastructure.

5 REP. SMITH: And are there any dam
6 projects in the pipeline right now?

7 SECRETARY ALLAN: Yes, sir.

8 REP. SMITH: Do you know how many, off
9 the top of your head, or can you get that to us?

10 SECRETARY ALLAN: We'll provide that to
11 you.

12 REP. SMITH: Okay. And if you can get
13 that to the chairman, I'd appreciate it.

14 Thank you, Mr. Secretary.

15 Thank you, Mr. Chairman.

16 CHAIRMAN ADOLPH: Thank you,
17 Representative.

18 Rep. Tina Pickett.

19 REP. PICKETT: Thank you, Mr. Chairman.

20 Hi, Mr. Secretary. I moved.

21 First thought, we all do, of course,
22 get a lot of questions about the Marcellus drilling
23 activity in the forests, and we've talked about
24 roads and some of the standards that you have a
25 little bit here today.

1 But another issue, of course, that is
2 becoming quite prevalent wherever there is a need
3 to draw for the gas is pipelines. And I know we've
4 also had a chance to see the job that's being done
5 in the forest on the pipeline work.

6 I had a chance recently to see a piece
7 of equipment in Bradford County that -- they were
8 calling it a trencher. I'm sure it has a more
9 sophisticated name than that. But some of your
10 people were there, and they were quite impressed
11 with it. And I just wanted to mention it, because
12 it trenched a very narrow opening, however deep it
13 needed to be, took all of that material from
14 trench, rocks, whatever, pulverized them, put them
15 on the size of the trench for use in refilling the
16 trench. Frankly, it was very much smaller impact
17 as it made that pathway up through for the
18 pipeline.

19 I am just wondering if the discussion
20 of that has reached your level or if you're aware
21 of that as possible use in our state forests?

22 SECRETARY ALLAN: Oh, sure. That's one
23 of the most modern types of equipment that's out
24 there that's just been coming out within the last
25 year. Does an excellent job.

1 We are -- we are addressing the
2 interstate pipeline, the gathering system pipeline
3 through our forest system, and we are requiring the
4 companies to lay these through existing -- near
5 existing right-of-ways, near -- closer to the
6 roads. And they are following our requirements and
7 our surface agreements very diligently.

8 REP. PICKETT: One of the beauties of
9 that piece of equipment was that no trucks in, no
10 trucks out. Just that piece of equipment making
11 the trench and then able to reuse the material. So
12 I thought it looked like something really good for
13 our forests.

14 To move to another subject, I thought I
15 would just also ask your thoughts and opinions on
16 some suggestions that are being made to close the
17 Penn nursery on the grounds that it's operating at
18 a loss and on the grounds that it's competing with
19 private business for the bidding of some those
20 trees that are used in reclamation projects.

21 Could you comment on where the agency
22 stands on that at this point?

23 SECRETARY ALLAN: Sure. I do have to
24 take exception that we do not feel we are competing
25 with the private sector. The main purpose of the

1 nursery is to produce a varied type of system for
2 our trees. We -- obviously, we're providing trees
3 to our park and forests and all of our DCNR
4 facilities. The purpose there is to produce a
5 ecological strain of trees from all regions of the
6 state, so that's the purpose of growing them
7 there.

8 As far as the concerns from the
9 private sector, what little that we do have in
10 surplus from year to year are used primarily for
11 large reforestation areas, preparing -- reparation
12 areas, mine reclamation. As an example, this past
13 year, this was probably a \$10,000 return from what
14 we did the year before, zero. We don't see that
15 there's a -- that there's a direct involvement --
16 problem with the private sector.

17 And in regards to that, we've provided
18 over a million dollars in the last five years to
19 communities to use that money to purchase trees
20 from the private sector for the tree vitalize
21 program that we've been supporting.

22 REP. PICKETT: Is it possible the
23 private sector could produce those trees for you
24 and you wouldn't run your own nursery?

25 SECRETARY ALLAN: I'm not sure they

1 could because of the type of research that's done
2 in order to produce the type of trees to have that
3 balance so that we do have the type of trees from
4 all areas of the state on an ongoing basis.

5 REP. PICKETT: Thank you for your
6 thoughts on that. I'm sure it will be an ongoing
7 discussion.

8 Thank you.

9 CHAIRMAN ADOLPH: Thank you,
10 Representative.

11 Rep. Martin Causer.

12 REP. CAUSER: Thank you, Mr. Chairman.
13 Welcome, Mr. Secretary. It's great to
14 see you.

15 Much of the questions about drilling
16 have been answered. I want to ask a question about
17 timber sales in the forest management program on
18 state forest land.

19 Can you tell me how much you expect to
20 bring in this year through timber sales on state
21 forests?

22 SECRETARY ALLAN: In this next budget
23 cycle, we're anticipating about 27 million, which
24 is down a little bit, due to the housing, new
25 construction for the housing industry.

1 REP. CAUSER: And the revenue from the
2 timber sales is going where? What fund does --

3 SECRETARY ALLAN: It's supporting our
4 forests, forestry operations.

5 REP. CAUSER: So it is coming back to
6 DCNR itself.

7 SECRETARY ALLAN: Yes.

8 REP. CAUSER: Timber sales certainly,
9 you know, in an area like mine, are very important
10 to supporting local forestry industry, and, you
11 know, it's vitally important for us to continue
12 harvesting forest products from the state forest
13 land. I'm someone who follows that very closely,
14 and I appreciate the response to your -- to my
15 question.

16 I also wanted to ask you about ATV
17 trails on state forest land. That's something that
18 I get questioned from my constituents often about,
19 and I'm interested if the department has any plans
20 to expand any ATV trails. I'm interested in how
21 much funding is coming to the department, how much
22 funding is in the ATV fund, and, you know, what
23 might be going on in that area.

24 SECRETARY ALLAN: Well, we do have to
25 maintain our forest system, so we do restrict the

1 amount of ATV use within the forest system. We
2 have completed some and are still in the midst of
3 five connector trails to the existing trails that
4 are out there. So we are trying to provide
5 additional areas for them, for the ATV use. I
6 believe there's approximately 4 million in the --
7 that we use from that fund.

8 REP. CAUSER: Do you know what's in the
9 fund right now, the balance?

10 SECRETARY ALLAN: I'd have to get back
11 to you on that.

12 REP. CAUSER: I'd be interested in what
13 that dollar amount is. This is something that I've
14 brought up repeatedly, actually, over the last ten
15 years. I come from an area with significant
16 amounts of state forest land, and I certainly
17 recognize the issue that's out there of illegal
18 riding on property, illegal riding on state land.
19 But I'm specifically referencing designated ATV
20 trails.

21 And I know, in Potter County, we have
22 one designated trail. Cameron County, we have no
23 trails. And it really rubs my constituents the
24 wrong way when we're paying, you know, ATV fee to
25 DCNR but have no place to ride the ATVs, when we

1 have very significant amounts of state land.

2 In Cameron County, for example, 50
3 percent of the county is state forest land or state
4 park land, and yet there are absolutely no trails
5 to be able to ride those ATVs. And we've been
6 asking for years to have even a connector trail
7 that would be able to, you know, to connect to
8 other trails. And, you know, the answer from DCNR
9 is, repeatedly, no, no and no. So it's something
10 that I think needs to be pursued.

11 SECRETARY ALLAN: I would tell you, we
12 are looking at additional connector trails, and we
13 do have a major ATV park, and we are going to be --
14 we started to look at a second one also.

15 REP. CAUSER: It's definitely something
16 we need to work on. If we're going to collect fees
17 from these people, let's provide trails for them to
18 be able to legally ride and maybe we'd be able to
19 cut down on some of the illegal private property
20 issues.

21 Thank you, Mr. Secretary.

22 Thank you, Mr. Chairman.

23 CHAIRMAN ADOLPH: Thank you.

24 Rep. Gordon Denlinger.

25 REP. DENLINGER: Thank you,

1 Mr. Chairman.

2 Good afternoon. I will begin, I guess,
3 by adding my voice to the chorus of concerns over
4 the Keystone funds. Enough has been said.
5 Obviously the two chairmen expressing concern
6 there, and I will join that, with particular focus
7 on the heritage area program. Hopefully, as we go
8 through this process coming up, we can revisit some
9 of the direction there. But I did want to express
10 that to you in the form of a statement.

11 Beyond that, obviously, in a time of
12 budget constraints, just some broad general
13 questions I'd like to ask, if I may.

14 We have a hundred seventeen state
15 parks. With limited funding, do you see any
16 potential for park closures, rolling service
17 blackouts, reductions in hours of operations, and
18 also, I guess, you'd say part-time hiring
19 limitations? Could you address those?

20 SECRETARY ALLAN: We are not
21 anticipating any park closures. And one of the
22 means that we could watch our spending and see that
23 the dollars are spent more wisely is that we
24 believe that looking at seasonal day use, so where
25 we see very, very slow or minimal use, we may start

1 a little later, close a little earlier. Whatever
2 we need to do to make some adjustments in order,
3 but we will be looking at each one individually to
4 see how we need to address.

5 REP. DENLINGER: One issue that drew
6 some amount of notice a few years ago was lifeguard
7 services at our parks. I know I got a number of
8 letters, which was somewhat of a surprise to me,
9 but, all of same, the removal of life guarding
10 services obviously is a public safety issue.

11 Can you give us an update on the status
12 of life guarding in the system?

13 SECRETARY ALLAN: Sure. The "open
14 swim" policy is in effect, and we will be
15 maintaining that. The overwhelming response from
16 the general public is that they enjoy a longer swim
17 day and a longer swim season, based on that open
18 policy.

19 REP. DENLINGER: Any concerns over
20 incidents that have happened from a safety
21 standpoint?

22 SECRETARY ALLAN: Not that we're aware
23 of.

24 REP. DENLINGER: Okay. Very good.

25 And beyond that, I want to follow up on

1 a question that was asked earlier about the friends
2 groups that exist in conjunction with the various
3 parks. You did not elaborate on what kinds of
4 things those friends groups can contribute, and so
5 I will just ask you a few: mowing, trimming
6 services, light maintenance activities. What are
7 the kinds of things that concerned citizens can
8 contribute to our parks?

9 SECRETARY ALLAN: Well, that's
10 something I'd have to get back to you on as far as
11 the specifics, but I have to say that we're very
12 fortunate to have the friends groups out there
13 assisting us in our parks and forests. The type of
14 work that they do is tremendous, and it's a big
15 asset to us.

16 The donations to them that can then be
17 used for different purposes, but I'd have to get
18 back to you on the specific things.

19 REP. DENLINGER: That would be
20 appreciated, I think. In a time of budget
21 constraints, anything we can do to help spread the
22 word on that would be very much worth the effort.
23 So thank you. Appreciate that.

24 Thank you.

25 CHAIRMAN ADOLPH: Thank you. Thank

1 you, Representative.

2 Rep. Paul Costa.

3 REP. COSTA: Thank you, Mr. Chairman.
4 Secretary and staff, thank you for
5 being here.

6 Over the years, Rep. Gary Haluska has
7 always tried to push the idea about putting or
8 leasing out parts of our state parks to private
9 enterprise for, like, hotels, restaurants, golf
10 courses, things like that. And the Tourism
11 Committee, over the years, has also went to --
12 there's a place in Maryland, right across the PA
13 line, and then there's another place in West
14 Virginia we visited, and both of them seem to be
15 very successful.

16 Are you guys looking at that at all for
17 our state parks?

18 SECRETARY ALLAN: We look at all kinds
19 of opportunities to improve the revenue and the
20 services at the parks. We currently have a hundred
21 and forty-five concession contracts, which, over
22 the last few years, have increased our revenue
23 approximately 30 percent, so we look to any
24 opportunities out there where we see that the
25 private sector can do something better than us and

1 provide that type of service.

2 REP. COSTA: What I'm talking about,
3 though, is -- for instance, Rocky Gap, I believe is
4 the name of it. It's right across the PA state
5 line. As a matter of fact, when we were there,
6 there's a lake, and they said the other side of the
7 lake was PA. I mean, this was a full-service
8 hotel. As I said, it had a restaurant. It had
9 exercise facilities. It had a conference center.
10 They had a golf course. They had a place where you
11 could rent boats. So -- and I guess the idea was
12 that there are people that want to enjoy the
13 outdoors, but at the end of the day, they want a
14 good meal, and they want a comfortable bed to sleep
15 in, not necessarily a cabin or a sleeping bag. And
16 I don't think we have anything close to that in
17 PA.

18 SECRETARY ALLAN: Yes, sir, we do. The
19 inn at Bald Eagle, and the -- and some of you have
20 been there, and you see what a wonderful place it
21 is. It's -- I don't want to say it's an
22 experiment, but it's a beginning to look at that
23 type of facility that's at the very high end of the
24 camping experience.

25 It's -- it's probably running around a

1 50 percent. It's much higher than what was
2 originally anticipated, in the low 40s, mid 40s, so
3 I think it's doing very well. But, again, it's
4 depending on the funding and the type of facilities
5 that are in demand, and we will be looking at that
6 constantly as we go forward and what the citizens
7 want from our parks.

8 REP. COSTA: I appreciate that.

9 Thank you very much.

10 CHAIRMAN ADOLPH: Thank you.

11 I believe that's all the questions that
12 the committee has on first round. However, there
13 will be a second round.

14 And Rep. Vitali.

15 REP. VITALI: Okay. Thank you,
16 Mr. Chairman.

17 I'm going to struggle a little bit with
18 this. Let me just follow up where I ended up last
19 time. Receipts for the oil and gas lease fund, can
20 you project them out? You started to, but tell me
21 for the years you can project those receipts for
22 the oil and gas lease. I think you have them.
23 Tell me for -- like, for example, '12-13, '13-'14,
24 '14-'15.

25 SECRETARY ALLAN: Well, we -- we feel

1 confident in our projections going out in the next
2 year. If we're estimating going out farther than
3 the '12-'13 budget cycle, we would only be
4 guessing.

5 REP. VITALI: Okay. So for '12-'13,
6 it's what?

7 SECRETARY ALLAN: Fifty-six million.

8 REP. VITALI: Fifty-six. And --

9 SECRETARY ALLAN: That's due to the
10 current gas prices. And our gas pricing has --
11 what we do, we receive these numbers from a variety
12 of sources. We don't simply use or look at the
13 spot market, the NAICS spot market or the Henry Hub
14 pricing. We look at a lot of different pricing
15 indexes. And ours is mostly based on the
16 Appalachian index.

17 And when we look at this indexing, we
18 look at the pricing and where the prices have gone
19 as an estimate of what this coming year, using
20 three dollars, I think we're being very
21 conservative, but we're anticipating, even if it
22 was to remain on an even keel with the pricing, as
23 more wells come online to producing -- we have a
24 hundred fifty-two wells that are producing out of
25 four hundred forty-two that have been drilled.

1 More wells will becoming online, more wells will be
2 producing. And we're expecting anywhere between
3 fifty and a hundred new wells coming online,
4 producing this coming next -- this next budget
5 cycle, '12-'13.

6 So looking at the numbers today and
7 looking at the production today, as we see it
8 increasing, that's the number that we can put out
9 there.

10 REP. VITALI: So 56 million for 2013.

11 Now, do you have a conservative
12 estimate for '13-'14?

13 SECRETARY ALLAN: I would only be
14 guessing.

15 REP. VITALI: Anything in-house that
16 you guys have --

17 SECRETARY ALLAN: We've done all
18 different numbers at all different pricing, as the
19 market's gone up and down.

20 REP. VITALI: Let me express my
21 concern, and maybe you can kind of help me out
22 here. I mean, I'm just -- I've got papers all over
23 the place, but -- but, for this year's budget, I
24 think there's going to be a 50 million -- 2013, a
25 \$50-million disbursement from the oil and gas lease

1 fund for your operations, and then a 19.5-million
2 disbursement for state parks.

3 And then there's another 20 million
4 disbursement for 2013 in that bill we just passed,
5 1950. So that's -- and that's sort of like mixing
6 years, that third figure. But if you add them all
7 up, that's -- that's almost \$90 million out, if I'm
8 doing this right, and then 56 in. So the 90 out is
9 the 50 million for DCNR, 19.5 million for state
10 parks. And then, with House Bill 1950 conference
11 committee, another, for calendar year 2013, 20
12 million. So you add them all up, you're at 90
13 million. And the revenues in are 56 million.

14 And it just gets worse, because as
15 we -- for example, you get out to year '16, that
16 bill spent 35 million for the environmental
17 stewardship fund, 15 million for HASKA, plus
18 whatever -- whatever we're spending on DCNR.

19 So my real concern is, where's the
20 money coming from? I mean, those of us who don't
21 want to see state forest leasing, where's the money
22 coming from this year? Where's the money coming
23 from next year?

24 SECRETARY ALLAN: Rep. Vitali, with the
25 anticipated revenue of 56 million, we're doing that

1 projection at today's production. We're estimating
2 at today's production that we would have a balance
3 of 15 million outside of whatever else occurs
4 regarding the impact fee. But, we do know that
5 there will be increased production from this day
6 forward, which would mean additional revenue. But
7 we can only give you a number based on today's
8 production.

9 REP. VITALI: But you see my concern.
10 It seems like you got more going out than you have
11 coming in, which is going to put a lot more
12 pressure on stuff to get more in, which --

13 SECRETARY ALLAN: Well, it's not that
14 there's more pressure. We're saying that there
15 will be fifty to a hundred new wells producing in
16 the next year. Of the wells we have right now,
17 which are a hundred fifty-two producing wells,
18 there are four hundred forty-two drilled. As those
19 wells that have drilled -- been drilled, they will
20 begin producing.

21 REP. VITALI: And do you have any
22 estimate as to what the revenue's going to be in
23 '13-'14?

24 SECRETARY ALLAN: At least 56 million.

25 REP. VITALI: But that's not enough.

1 You see where my concern is?

2 SECRETARY ALLAN: I can only go by
3 what the revenue based on production is today.

4 CHAIRMAN ADOLPH: Representative, I
5 believe the secretary is trying to be as
6 conservative as possible with estimates, but if you
7 times the number of wells that have been drilled,
8 you know, the last couple years, you know, they are
9 drilling, and there's going to be more revenues.
10 So -- they just have not calculated it. But the
11 revenue will be increasing.

12 REP. VITALI: But you understand my
13 concern. It just seems like we're spending more
14 than we have so where are we going to get it?

15 CHAIRMAN ADOLPH: What we can do is --
16 not today, but possibly the secretary can go back
17 and your comptroller can give us a better estimate
18 than just the number of wells.

19 SECRETARY ALLAN: Sure.

20 CHAIRMAN ADOLPH: And we'll be able to
21 work with that.

22 REP. VITALI: Thank you.

23 CHAIRMAN ADOLPH: Thank you.

24 SECRETARY ALLAN: And that gets
25 adjusted constantly.

1 REP. VITALI: Okay. Thank you.

2 CHAIRMAN ADOLPH: Okay. That's great.

3 Okay. That's all the questions that we
4 have for you, Mr. Secretary. I want to thank you
5 very much for your outstanding testimony. And I
6 want to thank your staff for being available with
7 all that information. And, you know, keep up the
8 good work. It's an asset that all Pennsylvanians
9 are proud of.

10 SECRETARY ALLAN: Thank you, Chairman.

11 CHAIRMAN ADOLPH: And looking forward
12 to working with you over the next few months.

13 SECRETARY ALLAN: Pleasure.

14 CHAIRMAN ADOLPH: Thank you.

15 For the members' information, the next
16 hearing will be at 2 o'clock.

17 Thank you.

18 (Whereupon, the hearing concluded
19 at 12:49 p.m.)

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REPORTER'S CERTIFICATE

I HEREBY CERTIFY that I was present upon the hearing of the above-entitled matter and there reported stenographically the proceedings had and the testimony produced; and I further certify that the foregoing is a true and correct transcript of my said stenographic notes.

BRENDA J. PARDUN, RPR
Court Reporter
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