

1
2 COMMONWEALTH OF PENNSYLVANIA
3 HOUSE OF REPRESENTATIVES
4 HOUSE APPROPRIATIONS COMMITTEE

5
6 THE MAIN CAPITOL
7 ROOM 140
8 HARRISBURG, PENNSYLVANIA

9
10 WEDNESDAY, FEBRUARY 29, 2012
11 4:11 P.M.

12
13 PUBLIC HEARING
14 DEPARTMENT OF GENERAL SERVICES

15
16 BEFORE:

17 HONORABLE WILLIAM F. ADOLPH, JR., CHAIRMAN
18 HONORABLE JOSEPH F. MARKOSEK
19 HONORABLE JOHN BEAR
20 HONORABLE MARTIN T. CAUSER
21 HONORABLE GARY DAY
22 HONORABLE GORDON DENLINGER
23 HONORABLE BRIAN L. ELLIS
24 HONORABLE MAUREE GINGRICH
25 HONORABLE GLEN R. GRELL
HONORABLE DAVID R. MILLARD
HONORABLE T. MARK MUSTIO
HONORABLE BERNIE O'NEILL
HONORABLE MIKE PEIFER
HONORABLE SCOTT A. PETRI
HONORABLE TINA PICKETT

1 CONTINUED:

2 HONORABLE JEFFREY P. PYLE
3 HONORABLE THOMAS QUIGLEY
4 HONORABLE MARIO M. SCAVELLO
5 HONORABLE CURTIS G. SONNEY
6 HONORABLE MATTHEW D. BRADFORD
7 HONORABLE MICHELLE F. BROWNLEE
8 HONORABLE H. SCOTT CONKLIN
9 HONORABLE PAUL COSTA
10 HONORABLE DEBERAH KULA
11 HONORABLE TIM MAHONEY
12 HONORABLE MICHAEL H. O'BRIEN
13 HONORABLE CHERELLE L. PARKER
14 HONORABLE JOHN P. SABATINA, JR.
15 HONORABLE STEVE SAMUELSON
16 HONORABLE MATTHEW SMITH
17 HONORABLE GREG VITALI
18 HONORABLE RONALD G. WATERS

19 ALSO PRESENT:

20 HONORABLE KERRY A. BENNINGHOFF
21 HONORABLE MATTHEW E. BAKER
22 HONORABLE MARK M. GILLEN
23 HONORABLE PAUL I. CLYMER
24 HONORABLE MATT GABLER
25 HONORABLE DICK L. HESS
HONORABLE GENE DIGIROLAMO
HONORABLE MARK K. KELLER
HONORABLE JERRY STERN
HONORABLE ELI EVANKOVICH
HONORABLE DOYLE HEFFLEY
HONORABLE RICHARD A. GEIST
HONORABLE KATHARINE WATSON
HONORABLE WILLIAM C. KORTZ, II
HONORABLE JOHN MYERS
HONORABLE PAMELA A. DeLISSIO
HONORABLE BABETTE JOSEPHS
HONORABLE JAKE WHEATLEY
HONORABLE MARK LONGIETTI

EDWARD NOLAN, MAJORITY EXECUTIVE DIRECTOR
MIRIAM FOX, MINORITY EXECUTIVE DIRECTOR

BRENDA S. HAMILTON, RPR
REPORTER - NOTARY PUBLIC

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P R O C E E D I N G S

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CHAIRMAN ADOLPH: I'd like to call to order the House Appropriations Committee budget hearing. This budget hearing is on the Department of General Services.

I would like to first apologize to the Secretary for running a little late, but that's par for the course it seems anymore.

I told the Auditor General yesterday afternoon sometimes it's good to be late. You know, sometimes committee members are a little tired. Okay. The questions aren't as difficult sometimes at four o'clock in the afternoon as they are at ten o'clock in the morning. So I apologize.

I'm looking forward to hearing you testify. Mr. James Henning, okay, Deputy Secretary. Welcome.

DEPUTY SEC. HENNING: Okay.

CHAIRMAN ADOLPH: If you would, Madam Secretary, if you would like to make some brief comments and then we'll get into the question-and-answer period.

SECRETARY PHILLIPS: Certainly. Good afternoon. Thank you for having me here. As you

1 said, I'm Sheri Phillips, the Secretary of the
2 Department of General Services, and this is James
3 Henning, Deputy, the deputy for admin for General
4 Services.

5 Thank you for having me here today and I
6 would be brief. But as Governor Corbett illustrated
7 in his budget address this budget proposal is
8 grounded in difficult realities and it's framed --
9 but it's framed in the optimism that we're solving
10 our problems.

11 General Services' budget is also lean
12 and demanding. I'm incredibly lucky, though, to work
13 with a great team at General Services, and I have to
14 thank all of them because they have given me a lot of
15 dedication and hard work and they're doing a
16 incredible job of finding creative solutions for
17 difficult problems in this tough economy.

18 REP. GRELL: Move it closer.

19 SECRETARY PHILLIPS: Can you hear me?
20 Okay.

21 While these continue to be difficult
22 times, we've been able to deliver high quality
23 services and innovative solutions to support cost
24 effective operations and sensible, sustainable, and
25 transparent government.

1 Reforming the state's vehicle policies
2 has been Governor Corbett's priority since day one.
3 We've made great progress, but we still have further
4 to go. To date there's over 1,200 state-owned
5 passenger vehicles which have been cut.

6 We've adopted the practice of real
7 estate portfolio management to better utilize our own
8 facilities, reduce leased space, and sell excess
9 property.

10 The department has 29 properties with an
11 estimated value of over \$29 million declared a
12 surplus by state agencies and waiting to be sold.
13 Carrying these properties is costly, and selling them
14 can take years.

15 However, the General Assembly --
16 Assembly is our partner in this process. You can
17 save the Commonwealth millions of dollars in
18 maintenance costs if you approve the annual surplus
19 property disposition plans in a timely fashion.

20 Your support of our surplus plan will
21 ensure that properties are sold at the best value to
22 the Commonwealth -- in the Commonwealth through open
23 and competitive bidding -- bidding process.

24 As Governor Corbett said, this budget is
25 built on the decisions of last year and it lays the

1 groundwork for the prosperity of tomorrow. It forces
2 us to change the way we look at the functions in
3 state government and how we can best serve the
4 citizens of the Commonwealth.

5 General Services is well aware of the
6 difficult road ahead but we're excited about the
7 opportunities awaiting us as well.

8 So thank you very much, and I will take
9 any of your questions.

10 CHAIRMAN ADOLPH: Thank you, Madam
11 Secretary. There was a brilliant piece of
12 legislation that was introduced about a decade ago
13 called the Guaranteed Energy Savings Act.

14 I'm -- I'm not sure who sponsored it,
15 but it was the Republican Chair of then the
16 Environmental Committee, and the purpose of this
17 brilliant piece of legislation was to save energy and
18 also bring in alternative uses of energy. And I
19 think on -- on -- on paper guaranteed no added cost,
20 whether it was the school district, a municipality,
21 state government, whatever it may have been.

22 Recently, I've been receiving phone
23 calls from folks that are concerned that your
24 department is changing policy regarding the
25 Guaranteed Energy Savings Act, and I'd like to ask

1 you was it the legislation or was it the
2 administration of this piece of legislation?

3 SECRETARY PHILLIPS: The legislation is
4 brilliant. It was not the legislation.

5 What we are doing with this program --
6 we did put a hold on it, but we think it is a great
7 program. Obviously, it can save money.

8 It's supposed to be guaranteed savings
9 that cover the cost of the program, and we can use
10 those energy savings, not only to pay that back, but
11 it will continue hopefully into the future.

12 We are excited about the program and
13 want to have it up and running hopefully again by
14 this summer. We are looking at the way we do the
15 procurement originally with the program, the
16 construction of the -- the projects, when they're
17 decided upon, and we are extremely concerned about
18 the savings, to make sure that there are enough
19 guaranteed savings to actually pay the payments.
20 Because that's what the program was designed to do.
21 That's what the legislation says it should do. But
22 we had some concerns because of some of the things we
23 were seeing.

24 So we are looking at making changes in
25 that. We have put information out on our website and

1 we've gotten feedback, really good comments. So
2 we're making changes as a result of some of the
3 feedback we got.

4 But, like I said, at this point we're
5 hoping by this summer we can have it up and running
6 again in a better way that will really help us and
7 municipalities.

8 CHAIRMAN ADOLPH: I'm glad to hear
9 that. Because, you know, I was informed that the
10 department was thinking about repealing the Act or --
11 and you know -- you know how rumors start out there.

12 I'm sure that those folks that contacted
13 my office will be happy to hear that it was just as a
14 result of reviewing it that the guaranteed savings
15 wasn't really happening. Is that correct?

16 SECRETARY PHILLIPS: That's correct.

17 CHAIRMAN ADOLPH: That's correct. In
18 your opening remarks you mentioned about the -- the
19 savings that this department is doing with the real
20 estate transactions.

21 Can you further elaborate a little bit
22 on that?

23 SECRETARY PHILLIPS: I can. We have
24 already in the first year saved over 200,000 square
25 feet of leased property space, which is going to save

1 us over \$3 million for the year.

2 We've identified additional space that's
3 over 500,000 square feet, but it obviously ties in to
4 leases that are expiring at the same time. So we can
5 roll them into condensed space in cases where we have
6 that option to do that.

7 And some of those savings, we're looking
8 at almost \$7 million worth of savings based on some
9 of the -- some that we're going to continue to do.

10 We have -- unfortunately with this
11 economy, we've seen a lot of people have -- or a lot
12 of agencies have had their complement reduced and
13 they're not filling a lot of positions, which means
14 we have a lot of space for employees that we didn't
15 need in the past and some of the programs, changes,
16 and things like that have resulted in extra space.

17 So we are taking a very close look at
18 that and have even more ideas for some things, as
19 some of these leases expire, for ways that we can
20 condense that and really save more money.

21 CHAIRMAN ADOLPH: Okay. Thank you.

22 The next question will be by Chairman
23 Markosek.

24 REP. MARKOSEK: Thank you, Chairman
25 Adolph. I think I cosponsored that bill years ago.

1 It was such a great piece of legislation. I --

2 SECRETARY PHILLIPS: Brilliant.

3 REP. MARKOSEK: Welcome, Madam
4 Secretary, and your staff.

5 It's interesting that today you're --
6 you're here, and maybe there's a little serendipity
7 in the air. Earlier today I -- when we took a break,
8 I walked down to the end of the hall and -- to get to
9 my office, and there was a phalanx of Capitol Police
10 there.

11 The elevators were blocked off. The
12 steps had a sign on them. Some of my own staff was
13 required to show their IDs just to get up one flight
14 of steps.

15 Is this some sort of a new policy? And
16 I'm -- I'm told -- and we were told by the guards
17 that this whole effort was because you had a lot of
18 handicapped people here in the Capitol and you were
19 somehow guarding the Governor's office from them
20 being able to get up there and either see the
21 Governor or have access to even outside of the
22 Governor's office.

23 Is this a -- now a new policy of DGS?
24 My understanding is DGS has control over Capitol
25 Police and these kinds of things. And if so, can we

1 get a copy of it?

2 And also is there a cost involved to
3 this policy that we should know about?

4 SECRETARY PHILLIPS: First off, the one
5 thing that you had said that was incorrect is that it
6 was because of the handicapped people. This policy
7 had nothing to do with the handicapped.

8 It just so happened they were here since
9 the policy was enact -- enacted. But we had concerns
10 with some of the larger rallies and protests from
11 groups in the past because of safety concerns.

12 We had so many people -- and -- and
13 usually they go to the second floor, we had so many
14 people there that we had serious concerns that if
15 there was a fire or an emergency that we had to
16 evacuate people we couldn't have gotten them out.

17 We had people on that floor that
18 literally couldn't get to the restrooms because they
19 couldn't get through the crowds.

20 So what we did is look at policies
21 around the state and the U.S. Capitol and we -- the
22 U.S. Capitol has -- what we did was really
23 build based on what they had done. The U.S. Capitol
24 has the same type of policy and many other capital --
25 capitals do the same thing. And there's safety and

1 legal reasons for doing it.

2 And we have no problem with people
3 having their rallies, their protests, or whatever
4 within the Capitol, but we still are responsible for
5 the safety of the people that come into the Capitol
6 and work here. And we just wanted to make sure that
7 we are as safe as possible.

8 And the policy was just with these large
9 groups, that we can't have them in one area, a small
10 area like that. It's just not a big enough area.

11 REP. MARKOSEK: Thank you. We -- I've
12 been a legislator here now for 30 years, and I've
13 seen just innumerable groups, large groups, and not
14 just handicapped, plenty of school kids here.

15 Does this now mean that every time we
16 have any kind of large groups, whether it's a
17 handicapped group or just any other kind of group, is
18 there a cutoff as to what you consider to be a large
19 group, number one?

20 Number two, is this going to be -- are
21 we going to start restricting other areas? You know,
22 the cafeteria, for example, we get a bunch of kids in
23 here. I mean we've all experienced that. We try to
24 fight for a place in line at the cafeteria and you
25 could have a fire there just as well.

1 Are we going to start doing that? Is
2 that going to be part of the policy?

3 SECRETARY PHILLIPS: From what I've seen
4 in -- by the cafeteria, it has gotten crowded with
5 kids, but it's never been that you couldn't actually
6 move through there. And getting out of that area,
7 it's a great area actually for large groups because
8 you can -- you have a lot of space and you can move
9 through that area.

10 If -- if something happened, you are
11 close to exits that you can get people out of the
12 building.

13 The area on the second floor and some of
14 the other areas, it's -- it's very tight up there
15 when you have a really large group.

16 So if it's controlled, if you have
17 people that are just standing there. If you have
18 people, like you said, with kids going through tours
19 or whatever, where they're spread out, as long as you
20 can have safe access, egress, ingress and you can get
21 people out in case of an emergency, that's fine.

22 But as I said we -- we looked at what
23 they did at the U.S. Capitol and -- and this is the
24 way they handled it and other states, too. So that's
25 how we used --

1 REP. MARKOSEK: Okay.

2 SECRETARY PHILLIPS: -- our judgment to
3 come up with the policy.

4 REP. MARKOSEK: All right. So today,
5 you were going to do this anyway today, and you
6 didn't even know that the -- the handicapped people
7 were going to be here?

8 SECRETARY PHILLIPS: It actually had
9 just started. We just talked about the policy and
10 approved it about a week or two ago. So it just so
11 happened that they were the first group to come in.

12 There was another group here, but they
13 didn't try to come in as a big group in a small area.

14 REP. MARKOSEK: Did you have the same
15 kind of restrictions on the opposite end of the
16 Capitol on the Senate side, which those -- you know,
17 we've all been over there. As you move upstairs
18 there, the elevators are the same size, the same
19 restrictions out in the hallways.

20 Was that blocked off today as well or
21 just the area below the Governor's office?

22 SECRETARY PHILLIPS: It will be
23 wherever. If we have a safety concern, if it were
24 there or anywhere else where we don't have enough
25 room to get people safely out of the building in the case

1 of an emergency, we would have to do the same thing.

2 REP. MARKOSEK: Well, is it --

3 SECRETARY PHILLIPS: Sometimes these
4 groups say in advance what they want to do, too,
5 so --

6 REP. MARKOSEK: It's just

7 SECRETARY PHILLIPS: -- we know that
8 ahead of time.

9 REP. MARKOSEK: It's looking like
10 because -- and I'll take your word for it. But it's
11 looking like because the handicapped folks were here
12 you blocked off the area to the Governor's office.
13 That's what it appears like.

14 And I guess that's just -- you know,
15 I'll conclude and see what some of the other members
16 may want to say about this.

17 But I'll conclude by asking you to do us
18 all a favor here today and I said the same thing to
19 the Secretary of Transportation here this morning,
20 since he has the Governor's ear, I asked him to give
21 a message to the Governor relative to transportation,
22 and I'll ask you to do the same thing.

23 You could give a message to the Governor
24 that I think many of us here, in this room certainly,
25 and I think both sides of aisle, do not want to see

1 access, particularly to the handicapped, blocked in
2 any way, and that we think this is not a good idea.
3 It's not a good policy.

4 Not only because of restricting their
5 rights, but I think it makes the Governor look bad
6 and I think it looks -- makes DGS and the Capitol
7 Police look bad when they try to restrict the rights
8 of people that have every right to be here in this
9 meeting place and that's essentially what a lot of
10 the Capitol is all about.

11 It's a -- it's a grand meeting place of
12 Pennsylvania and I think we -- we should do all we
13 can to make it accessible to all Pennsylvanians.

14 Thank you, Mr. Chairman.

15 SECRETARY PHILLIPS: And I -- and I will
16 respond to you in that I agree with what you're
17 saying exactly, that there should be accessibility,
18 but, on the same hand, if there's a fire and any
19 people burn or get hurt severely or die, we're
20 responsible for that.

21 And we take that responsibility
22 seriously. The Capitol Police are responsible for
23 that, too. So that's -- that's important.

24 REP. MARKOSEK: Well, we -- well, we all
25 understand that. But I think that could happen in

1 the cafeteria, for example, and we let -- we let
2 people go up to the Supreme Court, you know, on tours
3 and the days that we're not in session they're up in
4 the galleries.

5 So I think, you know, I understand what
6 you're saying. Of course, we want to protect
7 people. But today it really looked like you were --
8 you and the department and the Governor's office were
9 restricting the rights of people, handicapped people
10 in wheelchairs.

11 Thank you, Mr. Chairman.

12 CHAIRMAN ADOLPH: Thank you.

13 Representative Scott Petri.

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

15 And thank you, Secretary Phillips.

16 Being a member of the Pennsylvania
17 Historic Museum Commission I've been somewhat
18 mystified at understanding what the process is
19 between our various agencies that operate on a --
20 day-to-day particular sites and particularly with
21 regard to the maintenance aspects.

22 So I want to ask you a couple questions
23 so I get a better understanding. Obviously, the
24 Commonwealth owns a number of properties, and they
25 could be state parks. They could be historical

1 sites. And there are agencies in there day to day
2 that operate those.

3 With regard to customary and ordinary
4 maintenance, how does that work between your
5 department and the particular agency?

6 Who is supposed to come up with the
7 list, like you would for a homeowner, I need, you
8 know, to repair the roof every 20 years, I need to
9 service the HVAC system, those maintenance items?

10 Is it your department that is supposed
11 to come up with that list or is it the particular
12 agency?

13 SECRETARY PHILLIPS: Depends who the --
14 which building -- building you're referring to.
15 There are agencies that have buildings that they're
16 responsible for, such as welfare's, hospitals, PHMC's,
17 their buildings.

18 If it's in the Capitol complex, then DGS
19 would be responsible for it.

20 REP. PETRI: Okay. So let's use --

21 SECRETARY PHILLIPS: Or if it's the
22 state owned, DGS manages that.

23 REP. PETRI: Okay. And that was my --
24 that was my assumption.

25 So tell me if I'm correct. Let's say

1 it's a state park and they have buildings and they
2 have natural resources. Are they supposed to have a
3 maintenance schedule and a maintenance budget for the
4 buildings that the Commonwealth owns?

5 SECRETARY PHILLIPS: If it's at a state
6 park, it would -- I'm assuming it's probably DCNR
7 that would have to ask the question to as far as how
8 they maintain their properties and buildings.

9 REP. PETRI: Well, and I did and I got a
10 really -- what I would consider middle-of-the-road,
11 nondescript answer.

12 Let's -- let's say -- let me give you a
13 real good example. Let's say when -- when the new
14 visitor center in Washington Crossing opens up, would
15 you believe that it would be PHMC's -- PHMC's
16 responsibility to life-out the various fixtures that
17 were -- and -- and improvements we're making and then
18 come up with a maintenance schedule and make that
19 part of their budget?

20 SECRETARY PHILLIPS: Yeah. And as I
21 said, you'd have to speak to them, because that would
22 be something they would be doing that we're not able
23 to determine.

24 REP. PETRI: Okay. But it's clearly not
25 something that is within your bailiwick and

1 responsibility to make sure that they have a budget
2 and that they stick to it?

3 And the reason I'm asking you this, and
4 I'm not trying to be funny, I really think we have a
5 problem with the way we've handled our properties
6 traditionally.

7 And the problem comes in in this budget
8 in part because the Key 93 monies, it just happens to
9 further amplify it with respect to parks and PHMC
10 assets.

11 What happens is we build a new
12 building -- and I'll give you a primary example.
13 In -- in Bristol there is the Homestead. We did a
14 new visitor's center a couple years ago at the
15 Homestead for the founder of the Commonwealth,
16 William Penn.

17 And basically PHMC has done virtually no
18 maintenance to that property of any major kind other
19 than normal lawn maintenance and the like, and so
20 after ten years the building is already beginning to
21 look a little tired and sooner or later it will need
22 a major renovation.

23 The same could be said of the visitor's
24 center in Washington Crossing. Improvements were
25 made for the bicentennial, and, in my opinion, then

1 nobody took care of the building for 30-plus years.
2 And then we shouldn't be surprised that you've got to
3 remake the whole visitors center and it costs \$4.2
4 million 30 or 40 years later.

5 And I'm not blaming DGS, but I think
6 that there's a lack of coordination and, of course,
7 there's also a desperate lack of funding for these
8 items.

9 We had a hearing the other day, and DCNR
10 indicated they had a \$1 billion, what they call, wish
11 list for improvements to our state park system.

12 And I guess the question is, do we need
13 a new system of responsibility in checks and balances
14 to make sure we're -- we're taking care of our -- our
15 resources?

16 SECRETARY PHILLIPS: Well, I understand
17 what you're saying as far as we had the same issues
18 through buildings in the Capitol complex. Because
19 obviously the economy has changed and money is very
20 tight.

21 But we also have buildings here that do
22 need to be maintained, which is what we're
23 responsible for. Some of the things that haven't
24 been done have caused some bigger problems that are
25 now causing us to have to do renovations that are

1 much more expensive.

2 So I know we're looking at it and going
3 through all our projects, all our buildings now, and
4 saying, okay, what are the key areas, what are the
5 biggest priorities that need to be done?

6 We can make a priority list for each
7 year going into the future. That doesn't mean that
8 the funding will be there to do that, to cover those
9 kind of things that need to be done.

10 But we are prioritizing what we feel are
11 the most important things to protect these
12 buildings.

13 REP. PETRI: Yeah. And -- and
14 understand I -- I know that you've only -- the
15 administration has just begun and this is -- this is
16 over 30 years of different administrations and
17 governors.

18 I want to turn to a topic that kind of
19 surprised me that I saw in the budget, and that was
20 the funding of the Philadelphia Family Court
21 building, and I read a couple articles that seemed to
22 indicate that the project was at one time in -- quite
23 controversial and somewhat in disarray.

24 Maybe you can tell us how is it that DGS
25 is involved in that particular project and, you know,

1 what -- what has your department done to try to
2 remedy the problems that that project was mired in?

3 SECRETARY PHILLIPS: Well, the family
4 court project, I mean DGS is overseeing the building
5 of that project.

6 And the project is now moving along.
7 It's about ten percent complete at this point. It
8 will soon be coming out of the hole in the ground
9 that is there to start a foundation.

10 So I -- I -- I guess at this point the
11 project is moving along very well, and we are making
12 progress.

13 And I'm not sure if you had something
14 specific you wanted to know.

15 REP. PETRI: Okay. Let me -- let me
16 just follow up with a couple follow-ups. For -- in
17 -- in Bucks County, for instance, we're building a
18 new courthouse and, you know, DGS is not involved.
19 The county is involved.

20 Are we involved in this project as a
21 state because of an RCAP appropriation or something,
22 or were we asked to participate because of certain
23 expertise that was lacking within the city
24 procurement process?

25 SECRETARY PHILLIPS: And this was a

1 courthouse you said?

2 REP. PETRI: Well, no. I'm talking
3 about the Bucks County Courthouse. In that case the
4 court -- the county is -- is rebuilding that
5 facility. There's no state money involved. There's
6 no federal money and so they're proceeding.

7 Why are we involved in the Family Court
8 building in Philadelphia is the --

9 SECRETARY PHILLIPS: The appropriation
10 that was given for that project was appropriated
11 through state money to the Department of General
12 Services. So that's why we're involved in the
13 building.

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

15 CHAIRMAN ADOLPH: Thank you,
16 representative.

17 Representative Parker.

18 REP. PARKER: Thank you, Mr. Chair.

19 And welcome, Madam Secretary, again.

20 SECRETARY PHILLIPS: Thank you.

21 REP. PARKER: Let me just state for the
22 record, you know, one of my first observations when I
23 arrived here in 2005, was that the Pennsylvania
24 General Assembly was a tad bit testosterone heavy.

25 So it gives me a great deal of pleasure

1 to say hello, Madam Secretary, to you today.
2 Hopefully it's a sign we'll see more women soon.

3 Let me start, Madam Secretary, by
4 sort of reflecting back on when Governor Rendell took
5 office. Only approximately two percent of the
6 state's government purchases of supplies and services
7 and construction involved disadvantaged businesses.

8 As you know, I've mentioned to you, I
9 think during a hearing before, in 2009 minority- and
10 women-owned businesses successfully competed for --
11 we went from 2 percent to 14 percent of state
12 government purchasing.

13 And Governor Rendell, prior to leaving,
14 updated Executive Order 2004-6 on January the 17th
15 sort of further strongly encouraging the Department
16 of General Services to continue on the track.

17 So, first, you know, what do your
18 numbers look like for minority, women, and
19 disadvantaged businesses now? And if we were at 14
20 percent in 2009, where do you foresee us being in
21 2012?

22 SECRETARY PHILLIPS: We are now at over
23 17 percent of minority-owned business participation.
24 So it has increased again.

25 We've obviously had some very large

1 projects, too, that they've been a part of, which is
2 great. And one of the things that I had expressed a
3 concern for previously was that these are commitments
4 to minority- and women-owned businesses.

5 What I would like to see is the
6 opportunity for the businesses to be prime
7 contractors and -- and show the actual payments to
8 contractors.

9 One of the things that we are doing to
10 get to that point now is the Governor passed an
11 executive order for veterans, as well as small
12 business reserves.

13 So we are in the process of setting up a
14 program right now where we would have a small
15 business reserve for -- for instance, in our
16 construction, \$300,000 and less projects, that we
17 would make that available through the small business
18 reserve for small businesses, including minority and
19 women businesses, to do the work as prime
20 contractors.

21 REP. PARKER: Uh-huh.

22 SECRETARY PHILLIPS: And we would put
23 tiers in it so that new businesses would have an
24 opportunity to do some of this work as well as
25 growing the businesses and continuing it until they

1 became eligible to and experienced enough to be able
2 to go into larger projects.

3 That's really something that I'd wanted
4 to see happen. So that's what we're working on now
5 and looking at that small business reserve.

6 I think as part of that we're also
7 looking at doing training programs to train people
8 how to be able to bid on state work. It's very
9 complicated as far as, you know, we have the
10 Separations Act. When you get over \$25,000, we have
11 the Steel Products Act. We have the prevailing
12 wage. We have -- so there's a lot of paperwork and a
13 lot of things involved.

14 So we're also looking at setting up
15 training programs to be able to help some of these
16 businesses learn how to do work as a prime
17 contractor.

18 REP. PARKER: So I just want to know for
19 the record when, in fact -- because we know that
20 there were what some -- certified minority- and
21 women-owned businesses would often tell us that they
22 felt a little discouraged, because you mentioned, all
23 of the steps that you have to go through in the
24 process.

25 But in your department, if we were to

1 direct a business to you, we have, you know, someone
2 or a -- or a section in your -- in your department, a
3 division that's required to make sure it walks the
4 veterans, when there's minority-owned businesses,
5 through this process to ensure -- and I don't have to
6 mention all of them today -- some of -- of what were
7 considered to be road blocks for these businesses, to
8 make sure that they understand the process and they
9 can get through it. We can sort of get them through
10 that process when they contact you?

11 SECRETARY PHILLIPS: Yes. And through
12 the certification process. And we do have over 2,700
13 businesses that are certified.

14 Unfortunately there's only about eight
15 percent of them that actually have work -- done work
16 with the Commonwealth, which is where we're trying to
17 say let's make it easier and let's help them try and
18 get that number up.

19 REP. PARKER: I'm glad to hear your --
20 your last response, because it brings me to my -- to
21 my next question.

22 So obviously it's a strong passion to
23 ensure that people doing business with the
24 Commonwealth reflect the population of the
25 Commonwealth.

1 But as it relates to, for example, our
2 construction at our state-related institutions or our
3 state system institutions, I constantly get calls and
4 complaints in my office that there are challenges
5 with some of the companies that have presented
6 themselves as being disadvantaged companies and they
7 say that they are minority or women or veterans'
8 owned, whatever they need to say in order to sort of
9 get the -- the preferential designation, when, in
10 fact, the company is not really what it's proffering
11 itself to be.

12 It could be -- and this is an example
13 for some actual contractors that I received in my
14 office. A contractor's wife could be listed as the
15 business owner and she may handle a very small part
16 of the company's financials, but it's really the
17 husband who owns and runs the business.

18 So, in -- in my mind, while you're
19 helping people get through the process, what are we
20 doing to ensure that they, one, are truly who they
21 say they are? Are we auditing the companies? Are we
22 actually even visiting the site?

23 And I've been in contact with your
24 office, and we sort of have a request, I know, that's
25 on the books now so that we can meet and talk about

1 some specific issues.

2 But is DGS visiting these sites to make
3 sure that there is some compliance? Do you interview
4 the -- the minority, women, and disadvantaged
5 businesses to find out if they've really given out
6 real work?

7 We know that we have, for example, the
8 payment of prevailing wage, like as a requirement.
9 How are we making sure? Do they -- and I'll isolate
10 one industry tomorrow. Are they submitting the
11 certified payrolls over to Labor and Industry and
12 Labor and Industry is communicating with DGS to say
13 this company is in compliance?

14 I mean how is that process working that
15 they make sure these companies are who they say they
16 are?

17 SECRETARY PHILLIPS: Well, there's a
18 couple ways actually. But, first off, with -- in
19 regards to the program, we do have a compliance
20 section that if we get any complaints that people are
21 operating as a business and they say they don't think
22 that they're a minority- or women-owned business, we
23 will follow up on those complaints. We do some site
24 visits.

25 One of the things we're looking at doing

1 is to try to put more emphasis on the compliance and
2 -- and have the certification process be a little
3 easier. We're trying to automate some of that to
4 make it go easier so we can put less staff on the
5 certification process -- because we obviously have a
6 lot of businesses that aren't getting work -- and put
7 more people really on the compliance part of it.

8 REP. PARKER: Uh-huh.

9 SECRETARY PHILLIPS: And in regards to
10 the certified payrolls, we require on our projects
11 all the -- all the certified payrolls, that they
12 turned in to us. And if we get any complaints on any
13 of those, we would turn them over to the -- Labor and
14 Industry to follow up on.

15 REP. PARKER: Okay. Again, Madam
16 Secretary, I look forward to meeting with you so that
17 we can in -- you know, in person sort of sit down and
18 discuss some specific issues that we have.

19 But that's a -- a grave importance. We
20 do think that the people who live in the Commonwealth
21 of Pennsylvania should reflect the people doing
22 business in our Commonwealth.

23 And while we are working very hard to
24 ensure that -- that inclusion is a part of what we
25 do, we want to make sure that we're not having people

1 who are taking advantage of ultimately what we want
2 our real goals to be.

3 So thank you very much.

4 SECRETARY PHILLIPS: Thank you.

5 REP. PARKER: Thank you, Mr. Chair.

6 CHAIRMAN ADOLPH: Thank you,
7 representative.

8 Representative Glen Grell.

9 REP. GRELL: Thank you, Mr. Chairman.
10 Thank you, Madam Secretary. Welcome.

11 It's always a pleasure to talk to you about
12 procurement matters and real estate. Two of my
13 favorite subjects.

14 First, the -- a couple days ago the
15 Liquor Control Board was in here and they expressed
16 some concern about the cumbersome procurement
17 procedures that they have to go through and
18 especially with respect to real estate leasing.

19 I'm wondering -- and I asked them to be
20 specific and let me know what kind of changes they
21 believe need to be made to address that.

22 But I'm wondering if they've talked to
23 you about those or your senior staff about those
24 concerns and issues? And, if so, is there something
25 that we can be doing better to -- to help them make

1 more money for the Commonwealth?

2 SECRETARY PHILLIPS: Well, in regard to
3 leasing, we've actually met with them to talk about
4 some of the issues related --

5 REP. GRELL: Okay.

6 SECRETARY PHILLIPS: -- to leasing. And
7 we've been trying to work with them to make that
8 process smoother.

9 In addition to that, we're trying to
10 make changes in real estate that will benefit
11 everybody, that is, any agency that's doing a lease,
12 with more standardization than we've had in the
13 past. If we could do standard -- some of the things
14 that are attached to a lease, if we can standardize
15 them, it can make the approval process faster.

16 Right now we have our committee, the
17 Buildings and Grounds Committee, that has to review
18 them and approve them. We are looking at trying to
19 maybe automate that process in the future to help
20 that go faster.

21 So we are looking at things that we can
22 do to make the process faster. But we have met with
23 LCB and --

24 REP. GRELL: Okay.

25 SECRETARY PHILLIPS: -- talked to them

1 about some of the issues with their leases.

2 REP. GRELL: Okay. Well, I'll extend
3 the same offer. If there's -- if there's some
4 legislative changes that need to be made, I'd be more
5 than happy to help both agencies champion those
6 changes if they're positive changes.

7 Second, the -- the Chairman mentioned a
8 piece of legislation. I have a piece of legislation
9 that got passed about a year ago dealing with
10 procurement and sole source contracts. And it moved
11 pretty quickly through the House and it seems to be
12 sitting in the Senate.

13 What it would do, I'm sure you know,
14 would require the justification for sole source
15 contracts to be posted and would give the public
16 notice of sole source contract awards and contract
17 extensions in a timely fashion so that if somebody
18 believes that the sole source was not justified they
19 would have time to respond or react.

20 I guess -- I mean the question is, do
21 you know whether the administration has taken a
22 position on the bill and supports it? And, if so,
23 maybe we could get together and walk over to the
24 other side of the building and try to encourage
25 that.

1 SECRETARY PHILLIPS: We definitely
2 support the bill. This administration, the Governor
3 has said before, one of the things that he thinks is
4 extremely important is transparency, and we've been
5 trying to do more of that.

6 In General Services, we have a dashboard
7 and we have access on our website that will show the
8 sole sources and things like that. So we have
9 information on our website already.

10 But I know with your legislation we
11 increase it so all agencies would be doing the same
12 thing. So I think transparency has been a big plus
13 and -- and it's excellent, your -- your legislation
14 there.

15 So we definitely support it and we'd
16 be --

17 REP. GRELL: Great.

18 SECRETARY PHILLIPS: -- glad to talk
19 about it.

20 REP. GRELL: Well, the bill moved
21 through, I think, last February. So you were pretty
22 new on the job. So --

23 SECRETARY PHILLIPS: Uh-huh.

24 REP. GRELL: And I don't think the
25 department had taken a position on it when it passed

1 the House unanimously. So maybe we can work together
2 on that.

3 The -- the last question, with the
4 Chairman's indulgence, could you give us some detail,
5 either today or through a follow-up, regarding your
6 business case justification for the purpose of The
7 Forum Place building here in Harrisburg?

8 Major office building, major expenditure
9 of dollars, and there's some question about, you
10 know, what was the department's thinking and what
11 numbers did you crunch in order to make a decision
12 that it made sense for the Commonwealth to purchase
13 that asset?

14 SECRETARY PHILLIPS: I can. Actually
15 it's not a major expenditure of dollars.

16 REP. GRELL: Okay. That's good.

17 SECRETARY PHILLIPS: Yes. Actually our
18 lease payments -- there was a lease in The Forum
19 Place long before my arrival, but it's -- it's a
20 lease that was committed to from the Commonwealth
21 that went through 2034.

22 Our lease payments now are the same as
23 they were. Before you may have seen that article in
24 the paper. Our lease payments have not changed
25 related to what we're paying for the building.

1 What changed on it is the lessor did
2 want to do some refinancing on the building. They
3 had come to us, because they want -- in order to get
4 some of the benefits that they said they needed they
5 needed to add a dollar buy-out. At the end of the
6 2034 term, if we wanted to buy the building for a
7 dollar, we could do that.

8 So we talked to them and said, well, you
9 know what? In order for us to do that, we would want
10 to have more than just the building. Right now the
11 parking -- we lease parking spaces there separately
12 from the -- from our -- what was separate from our
13 building lease, and there's over 1,400 spaces in that
14 building. And I said if we had a dollar buy-out I'd
15 want all the parking spaces as well as the leased
16 space and also the air rights.

17 And that is what we had agreed to do.
18 So as a result of our change that adds that dollar
19 buy-out at the end, not only did we save --
20 originally we -- we also locked in our -- our price
21 increases on our parking so that they wouldn't be
22 more than one percent increase a year, which means
23 that by 2034 our rental on our parking spaces, which
24 are always in great demand in Harrisburg, are less
25 than \$175 dollars a month. We have already seen the

1 other parking spaces, having just had an increase,
2 increase to \$155 a month.

3 So by locking that in, we've already --
4 just using the 55-- \$155, if we use that out through
5 2034, we've already saved over \$17 million in
6 parking -- in parking costs to the Commonwealth.

7 So for us it saved us all the money in
8 parking and like I said we're locked in. So the more
9 the increase the more the savings are to the
10 Commonwealth because we need parking.

11 We've had the air rights. We don't
12 have --

13 REP. GRELL: Let me ask you about the
14 air rights. I have a vague recollection that that
15 building was originally approved for a much larger
16 building than is currently there.

17 Is there -- is -- does the air rights
18 have to do with the possible future expansion upward
19 of the building?

20 SECRETARY PHILLIPS: That was what they
21 were originally designed for. Whether they were
22 going to do that at some point, obviously the air
23 rights, I would guess that they were. I wasn't
24 involved at the time. That's not our intention.

25 But, yes, that was --

1 REP. GRELL: Did they pay separately for
2 the air rights?

3 SECRETARY PHILLIPS: There's a --
4 there's a value. Yes, the value -- the air rights
5 were handled separately and there was a value to
6 them.

7 It's my understanding that they may have
8 been sold after the building was actually purchased
9 by our lessor.

10 REP. GRELL: Okay.

11 SECRETARY PHILLIPS: So -- but we just
12 had that put in just because we wanted to have it.

13 REP. GRELL: So you bought that back
14 to --

15 SECRETARY PHILLIPS: If you buy the
16 building --

17 REP. GRELL: -- unify the whole
18 building?

19 SECRETARY PHILLIPS: Yes. So if we get
20 it for a dollar at the end of our term, we want to
21 make sure that we have the whole building so that
22 we'd have parking, we'd have the air rights, and we'd
23 have the building that we're already paying for.

24 So, like I said, our lease payments for
25 the space we're renting has not changed.

1 REP. GRELL: So just give me bottom
2 line. The short term it's a neutral? Or is it an
3 immediate savings? And the long time upside by being
4 able to eventually own the building for a dollar?

5 SECRETARY PHILLIPS: The savings to us
6 comes in the parking.

7 REP. GRELL: Okay.

8 SECRETARY PHILLIPS: There's no change
9 from what we had in the original lease for the amount
10 of space that we had. We already had that locked in
11 and that had a quarter increase per square foot over
12 the years. But that -- that has not changed at all.

13 REP. GRELL: Okay.

14 SECRETARY PHILLIPS: On the parking,
15 what has changed is we did not have any set increase
16 or whatever. They could have increased it to
17 anything we could have paid, I guess for that matter,
18 that we could have borne the rates of.

19 But we locked it in so it can't increase
20 more than one percent per year. So the more that
21 parking goes up in the city the bigger our savings
22 will be because it can't go up for us.

23 And like I said, when we're looking at
24 the city right now and what they're looking at about
25 -- what they're thinking about doing with parking,

1 from what I've read in the newspapers, I would not be
2 surprised if that number of \$175 that we're maxed out
3 in 2034 shows up within the next year or two. So --

4 REP. GRELL: Okay. Just -- just one
5 more follow-up on that subject. The occupancy of the
6 building currently, is it completely occupied by
7 state tenants or is there -- are there private
8 tenants in there?

9 SECRETARY PHILLIPS: We have the
10 majority of the building. Social Security has some
11 space in there, but the majority of it is ours. It's
12 90-some percent of it is ours. So we have the
13 majority of it --

14 REP. GRELL: And it's --

15 SECRETARY PHILLIPS: -- at this point.

16 REP. GRELL: Sorry. It's fully being
17 utilized? Not a lot of vacant space within the
18 building?

19 SECRETARY PHILLIPS: Actually for the
20 first time, I think, since the building -- as far as
21 I've been told, for the first time since we've owned
22 the building it's fully utilized.

23 REP. GRELL: Good.

24 SECRETARY PHILLIPS: Which was part of
25 our plan with what I was talking about with the real

1 estate, to be able to use space that we already had
2 to pay for. So --

3 REP. GRELL: Okay. Do you have all of
4 this maybe in a one-page business case summary that
5 you can share with us, that I can share with
6 constituents that have asked me about it?

7 SECRETARY PHILLIPS: We could do that,
8 yes.

9 REP. GRELL: Okay. Thank you very
10 much.

11 And thank you, Mr. Chairman, for your
12 indulgence.

13 SECRETARY PHILLIPS: Thank you.

14 CHAIRMAN ADOLPH: Thank you.

15 Representative Steve Samuelson.

16 REP. SAMUELSON: Yes. Thank you,
17 Mr. Chairman.

18 Just -- I have a couple questions. My
19 questions are about utility costs and Capitol fire
20 protection. But I wanted to follow up on
21 Representative Grell's question. Because there have
22 been some articles about this purchase of the
23 building, and the articles say it cost \$107 million,
24 which is almost the annual budget of the Department
25 of the General Services.

1 So I'm wondering, are you saying that
2 the current lease payments that the state is locked
3 into over the next few years are going to add up to
4 the \$107 million and you're not going to be asking
5 for any increase in those lease payments?

6 SECRETARY PHILLIPS: I don't know where
7 the newspaper got their numbers. I can't --

8 REP. SAMUELSON: Okay.

9 SECRETARY PHILLIPS: -- see what's in
10 their mind.

11 REP. SAMUELSON: What was --

12 SECRETARY PHILLIPS: But our lease
13 payments that we had committed -- that were committed
14 to previously years ago when the lease was done with
15 the Commonwealth have not changed.

16 REP. SAMUELSON: Okay.

17 SECRETARY PHILLIPS: So there is a --
18 there is an increase in the lease that was done for
19 -- you know, over the period through 2034, but that
20 was not changed.

21 REP. SAMUELSON: There's an annual
22 increase built into that lease that goes through
23 2034?

24 SECRETARY PHILLIPS: Yes.

25 REP. SAMUELSON: Okay. What was --

1 SECRETARY PHILLIPS: But that has not
2 changed. That was there before this happened with
3 the parking and that will be there afterwards.

4 REP. SAMUELSON: And who borrowed the
5 money to do -- to do this transaction? The state?

6 SECRETARY PHILLIPS: We dealt with the
7 lessor, so the lessor handled the financing on the
8 other end of it.

9 REP. SAMUELSON: Did the state back
10 these bonds to -- for this purchase in February of
11 2012?

12 SECRETARY PHILLIPS: It's my
13 understanding that there's a group called PEDFA that
14 they had gone through for the financing. So you have
15 to talk to them as far as how they handled it on that
16 side.

17 What we did when we dealt with the
18 lessor is said, how do we look at this and how does
19 it help the Commonwealth by doing this agreement?

20 And we have a dollar buy-out at the end
21 which it will be our intent to come to the General
22 Assembly to get approval to do that dollar buy-out --

23 REP. SAMUELSON: So this --

24 SECRETARY PHILLIPS: -- because it will
25 be in our best interest.

1 REP. SAMUELSON: -- was a large number
2 which caught our attention, which is why you're
3 getting a lot of questions about it.

4 SECRETARY PHILLIPS: I understand.

5 REP. SAMUELSON: My question -- my other
6 questions are on the utility costs which are going
7 down by five percent, and I know that's something you
8 identified last year as something you wanted to
9 tackle.

10 Do you see further savings in the years
11 to come as the state continues to try to save energy
12 or are the -- is the five percent the goal you're
13 trying to reach here?

14 SECRETARY PHILLIPS: We're looking at
15 that as far as -- there's a couple things. One, we
16 have had savings as a result of some of the
17 Guaranteed Energy Savings Act projects that were
18 done, we have had reductions in our utility costs.

19 So that's a -- that's a significant part
20 of that. And we hope that's going to continue into
21 the future.

22 In addition to that, we've had
23 contract -- the contracts for our electricity,
24 natural gas, when -- when they were done through our
25 procurement office, we received rates that were lower

1 than PUC default rates. So that has also saved us
2 money.

3 So we will continue to look at all the
4 opportunities that we can to continue to keep those
5 numbers as low as possible.

6 REP. SAMUELSON: And when I look at
7 this \$24 million utility number, is that for the
8 Capitol complex or for other state utilities across
9 the state?

10 SECRETARY PHILLIPS: That's for the
11 DGS-managed facilities and Harristown and
12 Strawberry Square -- or -- Strawberry Square,
13 Harristown, and 333 Market. So that's the
14 DGS-managed facilities. Only the managed facilities
15 in Harris -- in this city.

16 REP. SAMUELSON: Quick question about
17 the fire protection --

18 SECRETARY PHILLIPS: Uh-huh.

19 REP. SAMUELSON: -- going up to
20 two-and-a-half million. Is that all money that's
21 going to be transferred from Pennsylvania to the city
22 of Harrisburg?

23 SECRETARY PHILLIPS: Yes. The city of
24 Harrisburg provides fire protection for the Capitol
25 complex. In the past that amount has been decreasing

1 over the years, and this year we looked at it and --
2 and said, what is the most accurate cost that we
3 would probably use for estimating the fire
4 protection, the building inspections, the fire
5 alarms, the training, the things like that that go
6 with it. So that's --

7 REP. SAMUELSON: We go back 17 years,
8 and the highest it's ever been is 1.27 million. And
9 this budget has two-and-a-half million. So it's
10 about twice as high as it's ever been before.

11 Why? How was that number,
12 two-and-a-half million, picked?

13 SECRETARY PHILLIPS: Well, if you
14 compare it going back -- and as I said, it's been
15 decreasing over time. But when you compare it in
16 time, costs have risen over that time. Labor costs
17 have increased, too.

18 REP. SAMUELSON: Okay.

19 SECRETARY PHILLIPS: So it's --

20 REP. SAMUELSON: And my --

21 SECRETARY PHILLIPS: It's proportional.

22 REP. SAMUELSON: Do we pay for fire
23 protection in any other part of the state where we
24 have state facilities or state buildings? Do we pay
25 the local community for fire protection?

1 SECRETARY PHILLIPS: Not through General
2 Services. We do not.

3 REP. SAMUELSON: Okay.

4 SECRETARY PHILLIPS: But we have a
5 Capitol complex here where we -- they provide all the
6 fire protection for all of our buildings here and --
7 and -- as well as the inspections of the buildings
8 and the fire -- fire alarms. When we do that, they
9 show up for them. So --

10 REP. SAMUELSON: Okay.

11 SECRETARY PHILLIPS: And the Capitol
12 complex is where we quite -- we have quite a few
13 buildings here that benefit from that fire
14 protection.

15 REP. SAMUELSON: All right. Thank you.

16 And I know -- Chairman Markosek earlier
17 touched on the issue about the Capitol Police in the
18 hallway blocking off access to public -- what I
19 thought were public hallways.

20 I have a similar concern. I know a lot
21 of people are going to be visiting the Capitol over
22 the coming weeks.

23 Last year we had one day there were a
24 thousand college students here protesting Governor
25 Corbett's cuts to higher education. I would expect

1 many of those students will come back because there's
2 a similar proposal this year.

3 So I always viewed the Capitol as public
4 buildings and the hallways as -- as a public -- part
5 of this public building. So I hope we don't have a
6 new policy where we're going to restrict the hallways
7 in the Capitol from members of the public who are the
8 ones who own the building.

9 Thank you, Mr. Chair.

10 SECRETARY PHILLIPS: Thank you.

11 CHAIRMAN ADOLPH: Thank you,
12 representative.

13 We are often engaged with constituents
14 telling us what we should be doing and not doing.
15 So, as you can see, everybody's putting some input
16 into this recent decision.

17 Just an idea. You know, I think access
18 to the Capitol building is -- is essential for the
19 public. But, however, overcrowding is not a good
20 safety issue.

21 So possibly -- I've been in -- in some
22 areas in Washington, D.C. where they only allow X
23 amount of folks in a room at a time, and I know
24 there's fire numbers in each room. So maybe you want
25 to consider that. Because if the public does travel

1 a long way throughout the Commonwealth, they will
2 understand that their safety is -- is important. And
3 they could understand that.

4 And then maybe let -- you know, let 25
5 people up at one time and then when they leave the
6 next 25 people up. That may be some way to soften
7 the blow so they will not be so insulted. You know,
8 you travel hundreds of miles to come here and not be
9 able to see certain areas of the Capitol.

10 Just -- just a thought, Miss -- Madam
11 Secretary.

12 SECRETARY PHILLIPS: It's a good
13 thought. Thank you.

14 CHAIRMAN ADOLPH: Okay. Thank you.
15 Representative Gary Day.

16 REP. DAY: Thank you, Mr. Chairman.

17 Thank you for your answers to your --
18 these questions today, and I appreciate your being
19 here.

20 Just have a couple quick questions.
21 What would you -- what is your complement for your
22 department? What is the number of employees budgeted
23 in the proposed budget?

24 SECRETARY PHILLIPS: It's 1,106, I
25 believe. I'm sorry. 1,061. We have 1,061 and 1,011

1 of those are filled at the current time.

2 REP. DAY: In -- in my research I was a
3 little confused with different numbers that I was
4 finding in -- in our documentation and yours.

5 It appeared to me that it was actually a
6 thousand -- 999, down?

7 SECRETARY PHILLIPS: You're talking
8 about the General Fund?

9 REP. DAY: Yeah.

10 SECRETARY PHILLIPS: That's it.

11 REP. DAY: Is that right?

12 SECRETARY PHILLIPS: Yes.

13 REP. DAY: Okay.

14 SECRETARY PHILLIPS: I was including the
15 purchasing fund. General Services has employees in
16 the purchasing fund as well as the General Fund.

17 REP. DAY: Well, what would you say --
18 do you have an idea about how many are not filled of
19 that thousand or thousand sixty-one? Is there an
20 open --

21 SECRETARY PHILLIPS: I was going to say
22 the current complement that I was showing was the
23 thousand sixty-one and filled of that was a thousand
24 six -- or a thousand eleven.

25 If you take out the purchasing fund, it

1 was 928 just in general government operations and 888
2 that are actually filled.

3 REP. DAY: 888.

4 SECRETARY PHILLIPS: So I think the
5 confusion is because we have more than just the
6 General Fund that --

7 REP. DAY: It's been ten -- it's about
8 ten percent unfilled right now? That's a usual,
9 normal figure I believe.

10 Another question I had was about -- I
11 guess DGS completed the sales of state office
12 buildings in Pittsburgh and Philadelphia. Can you
13 explain a little bit about how -- did we save --
14 obviously we did that probably to save dollars. Did
15 we bring people back to the Capitol?

16 Or could you explain exactly why we did
17 that in both of those cities and -- and what -- was
18 there any savings?

19 SECRETARY PHILLIPS: Actually the sale
20 of those buildings was -- for the Pittsburgh state
21 office building that was done prior to my starting,
22 and the Philadelphia state office was -- the
23 commitment was done prior to my starting. So it
24 actually -- when it got finalized I was already
25 here.

1 And the Pittsburgh state office
2 building, we sold that building for just over \$4.6
3 million. Our lease payments in Pittsburgh for those
4 tenants for the year after or the current year is
5 \$5.8 million.

6 So did we save money? No, we did not.

7 REP. DAY: So hindsight being 20/20
8 maybe we shouldn't have done that or was there any
9 type of examination of that?

10 SECRETARY PHILLIPS: Well, as I said,
11 that was done in the prior administration.
12 Personally I would love to have the Pittsburgh state
13 office building, and I know the Philadelphia state
14 office building had -- needed a lot of work in it.

15 But I would love to have the Pittsburgh
16 state office building right now.

17 REP. DAY: Thank you. I -- I appreciate
18 your attempting to answer this even though it was
19 begun and -- and almost completed before you were on
20 board.

21 But I was trying to understand about
22 disposition of properties, how we make that decision,
23 how are you going to be making that decision?

24 And that's my next question, is, can you
25 explain what will be your system for disposition of

1 surplus properties? And do you have already idea --
2 you know, things in the works where we -- we made
3 policy decisions to dispose of state-owned properties
4 and whether that disposition will have an impact on
5 the budget that you're anticipating -- I don't want
6 to say windfalls, but dollars coming into budget in
7 -- in out years?

8 So I'll reiterate my question. What is
9 your system for disposition for surplus properties?
10 And what impact do you foresee happening in this
11 budget year or future budget years?

12 SECRETARY PHILLIPS: What we do is --
13 and I think this has been pretty consistent as far as
14 initially getting surplus properties from agencies.
15 We talk to the other agencies and request them to
16 provide us what their buildings are within their
17 agencies.

18 And then we put that on the surplus
19 property plan that we need to get approved through
20 the General Assembly. As I said in my opening
21 remarks, that can be a big savings for the
22 Commonwealth because when we have surplus property,
23 especially if it's been mothballed, it's still very
24 expensive to maintain those properties.

25 We have over \$29 million worth of

1 properties right now to be sold. Some have been
2 officially approved through the General Assembly as
3 surplus. Some have not.

4 We have an example of the Scotland
5 School where we had put that on the surplus plan
6 three years in a row. That property has cost us well
7 over \$3 million since it's been vacated. And we
8 can't -- we can't spend the funds to go and market
9 it, do the appraisals, do environmental studies or
10 things like that until we actually have it surplused,
11 because there's costs involved and those costs need
12 to be reimbursed through the sale of the property.

13 So it's extremely important to, not only
14 General Services, but just to the Commonwealth in
15 general because these other agencies are actually
16 responsible for the carrying costs on it.

17 So as far as putting them on there, we
18 get the feedback from the other agencies. If it was
19 a building that we had through the Commonwealth, such
20 as the Philadelphia or Pittsburgh state office
21 buildings, I would do a detailed analysis up-front to
22 say, okay, what is it repair-wise that needs to be
23 done in those buildings and what will be the cost to
24 go out and move those people into another building
25 and -- and is -- and over the life of it is worth the

1 savings or is it -- is it a good deal or not?

2 Like I said, I struggle with Pittsburgh
3 with seeing that one as a good deal, but we would
4 definitely make those kind of studies before we would
5 actually sell something. But -- but, as I said, we
6 also have a lot of buildings through other agencies
7 that they surplus and -- and -- and budgets are
8 tight. So if they're not being used, they definitely
9 need to be sold.

10 REP. DAY: Is there anything the
11 legislature can do to help you in disposition of
12 surplus properties?

13 SECRETARY PHILLIPS: Giving us the
14 approvals to be able to sell it through either
15 approving a surplus property plan or doing it through
16 specific conveyances.

17 REP. DAY: Will you please make a list
18 available through our Chairman of the properties you
19 believe should receive that designation?

20 SECRETARY PHILLIPS: We'll be glad to.

21 REP. DAY: Thank you for your answers.
22 I appreciate your time today.

23 And thank you, Mr. Chairman.

24 SECRETARY PHILLIPS: Thank you.

25 CHAIRMAN ADOLPH: Thank you,

1 representative.

2 I've been remiss to acknowledge the
3 presence of Representative Matt Gabler, who has been
4 here for the afternoon hearings.

5 It's now my pleasure to introduce the
6 Democratic Chair of the State Government Committee,
7 Representative Babette Josephs of Philadelphia.

8 REP. JOSEPHS: Thank you very much,
9 Mr. Chairman. Thank you for letting me ask
10 questions.

11 Thank you, Madam Secretary, for being
12 here. Appreciate your putting yourself out to answer
13 questions.

14 I want to draw your attention to the
15 last land conveyance that we dealt with in State
16 Government Committee, which was House Bill 2101.

17 It is part -- it conveyed land from the
18 state to a private charity, part of huge swaths of
19 land really that the state owns in Pennsylvania.

20 I wrote you a letter on February 13,
21 because when we looked at the Rule 32 -- for people
22 who aren't familiar with this procedure, I think of
23 the Rule 32 as the same thing as quieting title.

24 You know, they -- it -- it attempts to
25 tell us can we really sell this land and what is it

1 worth, or can we convey it and what is it worth, and
2 are the taxpayers getting what they deserve, you
3 know, from -- for this land?

4 With House Bill 2101, which is in the
5 midst of Marcellus shale country, my committee -- I
6 was very much interested in what were the mineral
7 rights. Were there minerals below this property that
8 we were going to convey? If so, what were they? And
9 what were they worth? And when we're conveying this
10 land, is the taxpayer of Pennsylvania getting his or
11 her money's worth if -- if we don't know what the
12 minerals under the land, or any land, might be?

13 Your department, or whoever, which one
14 it is, somebody in your department told us if we
15 wanted to find out about the mineral rights we could
16 drive up there and ask them ourselves. Or some such
17 not very helpful response.

18 And I wrote you a letter February 13th
19 complaining about the fact that we could not get any
20 information from DGS about how much was this land
21 really worth. Because we didn't know what was
22 sitting under it, because DGS didn't seem to think
23 that we needed to know that.

24 Now, you just talked about DGS being
25 able to value some way, evaluate, put assigned value

1 to air rights. I don't really see much difference
2 conceptually between rights that are above the
3 building perhaps, you know, property that is owned
4 above the building, and minerals below the building.

5 February 13th is only two weeks back,
6 but I'm still waiting from an answer -- for an answer
7 from you.

8 You talked about the Pittsburgh office
9 building. I can tell you something. I did actually,
10 because you came to see me, which I appreciated the
11 fact that you did that, but let me tell everybody
12 else.

13 The Pittsburgh office building, we did
14 not vet it in the House State Government Committee in
15 the fashion that we should have because it came from
16 the Senate in a whole package of -- of -- and I was
17 very alarmed about it because we didn't have a chance
18 to look at it, and my thoughts were exactly what you
19 just expressed. The taxpayer did not get the full
20 value of that property when it was conveyed.

21 I am like very concerned, especially
22 when land conveyances are made in the Marcellus --
23 Marcellus shale area, if we do not know what's below
24 the land that is being conveyed.

25 I talked about that in the committee. I

1 talked about that on the Floor. And we had as a
2 result a completely partisan vote in -- both in
3 committee on the -- and the floor.

4 I'm -- maybe not a hundred percent, but
5 it was very much the Democrats thinking, oh, my, is
6 this a problem? Are my fingerprints going to be on
7 something that we don't have information that's
8 full? And the Republicans, not thinking that for
9 some reason that's beyond me.

10 How can you help us --

11 CHAIRMAN ADOLPH: Chairman -- Chairman,
12 is there a question?

13 REP. JOSEPHS: I'm sorry.

14 CHAIRMAN ADOLPH: Is there a question in
15 here?

16 REP. JOSEPHS: I'm sorry. I do
17 apologize. My question is how -- how can we work
18 together better so we know about the land and what's
19 under it or what's above it and we help the taxpayer
20 get back what the property is worth? Because the
21 taxpayer owns it.

22 I'm sorry, Mr. Chairman. That was my
23 question.

24 SECRETARY PHILLIPS: I did receive your
25 letter and I did send a response. You may not have

1 received it yet, but I did send a response to it.

2 We take those issues related to real
3 estate, and everything for that matter, on cost
4 consciousness very seriously in General Services.

5 And our real estate folks have done a
6 fantastic job with that. As far as this property
7 goes, with the Polk Center there, the property that
8 you were looking at is -- and I'll go back only
9 because the fair market value, when we look at sales,
10 and we have been asked many times to convey something
11 for a dollar instead of the fair market value, and we
12 have really pushed because of the economy and the
13 budget the way it is, to make sure we get fair market
14 value.

15 And on that property there was an
16 appraisal done. It showed the value of it at
17 \$12,000. The appraisal, when they are done, take
18 into account the oil, gas and mineral rights.

19 With Senate Bill 367, one of the things
20 that that talks about is, because of the Marcellus
21 shale and all the discussions related to it, there
22 are -- DGS has not ever had the right to sell a
23 property with the -- I'll say OGM, oil, gas and
24 mineral rights, just for short -- OGM rights.

25 Currently DCNR, the Fish and Boat and

1 Game Commission are the only agencies that can
2 actually lease those off of their properties.

3 In Senate Bill 367 one of the things
4 they're looking at is giving us the right, as well as
5 the State System of Higher Education, to be able to
6 lease those rights.

7 When we sell a property, unless we have
8 specific conveyances from the General Assembly, we
9 are not allowed to sell those OGM rights.

10 In this instance, if we were given,
11 again, this property, it's a -- it was an eight-acre
12 piece of land. The appraisal did show that it was
13 worth \$12,000. It has a barn on it that's --
14 probably may end up being demoed because it's very --
15 demolished because it's in bad shape.

16 It's in Venango County. It's in an area
17 where the land values are -- actually that's what
18 they are and that's what it was in the appraisal.

19 This property is one of those properties
20 we had through the state for -- probably over a
21 century ago. It's -- we had it back in the 1800s.

22 To actually do title searches, for us to
23 say, okay, to go back and see how title was done, one
24 of the things that we looked at with this Senate Bill
25 367, which is really why it came to our attention, is

1 we have worked -- we have talked to DCNR. We have
2 talked to them about maybe doing an MOU because they
3 have done this in the past. General Services has
4 not.

5 If that would pass and we would have
6 that right, we would make sure that we learn that
7 understanding and gain that experience that DCNR
8 already has.

9 In addition to that, we've talked to
10 title companies to have a search done on the title
11 just to see whether the OGM rights were conveyed at
12 that time when we got it back in the 1800s or not.
13 It would have probably -- but the average cost is
14 \$12,000.

15 So on a piece of property that's worth
16 \$12,000, to go back and spend \$12,000 just to find
17 out where the title is when that's what they were
18 paying for with the appraisal, it just wasn't
19 practical to do that, because that eight acres is
20 actually by a highway and it's -- you couldn't -- it
21 would be very hard to put a pad on there for drilling
22 for Marcellus shale anyway, just because it's a small
23 area.

24 But it just would -- it would not have
25 been -- it would not have been cost effective for DGS

1 to spend \$12,000 on a property that was only going to
2 be sold for a fair market of \$12,000 when that's what
3 their appraisal did.

4 So -- so I do think it was a fair price.

5 CHAIRMAN ADOLPH: Final question.

6 REP. JOSEPHS: When we got the Rule 32
7 in House Bill 2101, it did not say fair market
8 value. It said market value.

9 I'd be interested in knowing what is the
10 difference between fair market value and market
11 value. And I also reiterate I'd like to see the
12 policy, the safety policy in writing that you talked
13 about instituting today, keeping handicap citizens
14 who own this building from accessing the people in
15 it. I'd like to see that policy in writing, please.

16 But, please, tell us --

17 SECRETARY PHILLIPS: But it was not
18 just --

19 REP. JOSEPHS: -- when it was completed.

20 SECRETARY PHILLIPS: It was not just --
21 that's not for handicapped people. It was just in
22 general for the safety.

23 REP. JOSEPHS: The general policy to
24 keep citizens who own this building from visiting
25 people in the building. I would like to see that

1 policy in writing.

2 But before -- before that, what's the
3 difference between fair market value and market
4 value?

5 Our Rule 32 for this bill in Venango
6 County -- and, by the way, we had nothing against
7 making the transfer; we just didn't know what we were
8 dealing with -- did not say fair market value. It
9 said market value. So what's the difference?

10 SECRETARY PHILLIPS: To me they're the
11 same. To me they're the same. It was based on an
12 appraisal so that was market value.

13 REP. JOSEPHS: That's very interesting.

14 CHAIRMAN ADOLPH: Thank you, Chairman.

15 REP. JOSEPHS: Thank you, Mr. Chairman.

16 I appreciate it.

17 CHAIRMAN ADOLPH: Thank you.

18 Madam Secretary, thank you for coming
19 before the committee to testify. I'm looking forward
20 to working with you over the next several months to
21 get this budget passed on time. And thank you for
22 your cooperation.

23 SECRETARY PHILLIPS: Thank you.

24 CHAIRMAN ADOLPH: Thank you.

25 For the members, tomorrow morning the

1 public hearings will start at ten o'clock sharp.

2 Thank you.

3 (The proceedings were adjourned at
4 5:20 p.m.)

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

Brenda S. Hamilton, RPR
Reporter - Notary Public