

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

5 MAIN CAPITOL  
6 ROOM 140  
7 HARRISBURG, PENNSYLVANIA

8 BUDGET HEARING  
9 DEPARTMENT OF COMMUNITY AND  
10 ECONOMIC DEVELOPMENT

11 WEDNESDAY, FEBRUARY 19, 2014  
12 2:57 P.M.

13 BEFORE:

14 HONORABLE WILLIAM F. ADOLPH, JR.,  
15 Majority Chairman

16 HONORABLE KAREN BOBACK

17 HONORABLE JIM CHRISTIANA

18 HONORABLE GARY DAY

19 HONORABLE BRIAN ELLIS

20 HONORABLE GLEN GRELL

21 HONORABLE SETH GROVE

22 HONORABLE ADAM HARRIS

23 HONORABLE THOMAS KILLION

24 HONORABLE DAVID MILLARD

25 HONORABLE MARK MUSTIO

HONORABLE DONNA OBERLANDER

HONORABLE BERNIE O'NEILL

HONORABLE MICHAEL PEIFER

HONORABLE SCOTT PETRI

HONORABLE JEFFREY PYLE

HONORABLE CURT SONNEY

HONORABLE JOSEPH MARKOSEK, Minority Chairman

HONORABLE MATTHEW BRADFORD

HONORABLE MICHELLE BROWNLEE

HONORABLE MIKE CARROLL

HONORABLE H. SCOTT CONKLIN

HONORABLE MADELEINE DEAN

1 BEFORE: (cont'd)

2 HONORABLE DEBERAH KULA  
3 HONORABLE MICHAEL O'BRIEN  
4 HONORABLE JOHN SABATINA  
5 HONORABLE STEVEN SANTARSIERO  
6 HONORABLE JAKE WHEATLEY

7 ALSO PRESENT:

8 HONORABLE MARTY CAUSER  
9 HONORABLE SHERYL DELOZIER  
10 HONORABLE ROBERT GODSHALL  
11 HONORABLE DAVE MALONEY  
12 HONORABLE RON MILLER  
13 HONORABLE JERRY STERN  
14 HONORABLE J. P. MIRANDA  
15 HONORABLE GREG VITALI

16 DAVID DONLEY, MAJORITY EXECUTIVE DIRECTOR  
17 MIRIAM FOX, MINORITY EXECUTIVE DIRECTOR

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SUBMITTED WRITTEN QUESTIONS

\* \* \*

(See submitted letter with included questions  
online.)

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

2 MAJORITY CHAIRMAN ADOLPH: Good  
3 afternoon, everyone. I'd like to reconvene the  
4 House Appropriations Committee.

5 In front of us is now the secretary of  
6 DCED, C. Alan Walker.

7 Mr. Secretary, good afternoon.

8 SECRETARY WALKER: Thank you. Good to  
9 be here.

10 MAJORITY CHAIRMAN ADOLPH: Nice to have  
11 you here.

12 Just -- I know we just kind of changed  
13 a lot of folks here in the audience, and I just  
14 want to remind everyone, if you have a cell phone  
15 on you, if you have an iPhone or an iPad on you, if  
16 you would turn it off, put it on vibrate, it would  
17 be appreciative, because of the live coverage that  
18 we're having here by PCN.

19 And, Secretary Walker, if you would  
20 like a brief statement, opening remarks, and  
21 introduce your staff.

22 Thank you.

23 SECRETARY WALKER: Thank you very  
24 much. Thank you.

25 First, I would like to introduce to my

1 right, and your left, Fritz Smith, who is the  
2 deputy secretary for administration with our  
3 department; and on my left is Helen Hammerschmidt,  
4 who is our policy director at DCED.

5 Thank you very much.

6 Chairman Adolph and Chairman Markosek,  
7 I would like to start with a brief statement, and  
8 members of the committee, thank you for the  
9 opportunity to provide some testimony today. It  
10 has truly been an exciting journey at the  
11 Department of Community and Economic Development  
12 since 2011. And the department, like the  
13 commonwealth, has honed in on our core mission, and  
14 we are well positioned to capitalize on the  
15 opportunities that are in front of us.

16 Governor Corbett is building a stronger  
17 Pennsylvania centered on three core priorities:  
18 effective public schools to educate the next  
19 generation of thinkers and innovators, a private  
20 sector where businesses large and small can grow  
21 and hire, and a health care system where  
22 Pennsylvanians have choices.

23 At DCED, our mission is to foster  
24 opportunities for businesses to grow, help  
25 communities succeed and thrive in the global

1 economy, and improve the quality of life for  
2 Pennsylvania citizens, and assure transparency and  
3 accountability in the expenditure of public funds.

4 Under Governor Corbett's leadership, we  
5 have a renewed focus on our mission. We continue  
6 to cross train our employees for efficiency without  
7 sacrificing our reputation of providing excellent  
8 service to businesses and communities.

9 We've streamlined economic development  
10 programs to focus resources on initiatives, to  
11 provide the strongest return on investment both in  
12 private funds leveraged and jobs created and  
13 retained.

14 Our strong monitoring and  
15 accountability standards allow us to state with  
16 confidence that DCED, through its economic  
17 development initiatives, is helping to create and  
18 retain or pledge to create or retain more than a  
19 hundred fifty thousand jobs during the last fiscal  
20 year. Many of those jobs will be created over the  
21 next three years. However, if a company fails to  
22 meet this contractual obligation, the states  
23 reclaims those funds, whether they are grant moneys  
24 or tax credits.

25 We continue to improve our monitoring

1 and compliance of grant awards, restoring more than  
2 2.3 million in funds last fiscal year through  
3 monitoring.

4                   In 2012, Governor Corbett launched Jobs  
5 First PA as a comprehensive road map to economic  
6 recovery that harnessed the state's resources and  
7 talents to prioritize private-sector job creation  
8 and retention. The policies enacted by Governor  
9 Corbett have spurred investment in Pennsylvania's  
10 future.

11                   Fiscal stability and improved business  
12 climate and a growing abundance of low-cost,  
13 domestically produced energy has our economy  
14 growing.

15                   Pennsylvania is now a more than  
16 six-hundred-billion-dollar-a-year economy, and it's  
17 the sixth largest economy in the United States.

18                   Today, Pennsylvania's unemployment rate  
19 stands at a five-year low. And jobs have been  
20 growing on a consistent basis for nearly four  
21 years.

22                   As of December 2013, Pennsylvania has  
23 recovered 99.3 percent of its pre-recession jobs.  
24 The governor's action team is seeing its highest  
25 level of activity since before the recession, with

1 one hundred and two successful projects last year,  
2 up from seventy-nine successful projects the  
3 previous year.

4           Recently, the governor announced Bell  
5 and Evans will create more than three hundred and  
6 eighty jobs in Lebanon County; Nordstrom, Inc.,  
7 will establish the operations of its east coast  
8 online fulfillment center in Lancaster County,  
9 creating six hundred sixty-nine full-time jobs;  
10 Maple Donuts, Inc., has expanded operations in Erie  
11 County and will create sixty new jobs; Computer  
12 Sciences Corporation will establishing a new  
13 delivery center in the strip district in Pittsburgh  
14 that will create at least five hundred new  
15 technology jobs over the next three years.

16           And Comcast's new 1.2-billion-dollar,  
17 fifty-nine-story tower, to be named the Comcast  
18 Innovation and Technology Center -- excuse me --  
19 will generate 2.75 billion in total economic impact  
20 within Pennsylvania and support more than twenty  
21 thousand direct and indirect jobs during the  
22 construction phase. The direct and indirect  
23 ongoing impact is projected to create nearly  
24 thirty-four thousand permanent jobs in  
25 Pennsylvania.



1                   We are also growing in the  
2 international front. Pennsylvania exports grew by  
3 5.4 percent, from 37.8 billion in 2012 to 41  
4 billion in 2013.

5                   FDI Magazine reported that Pennsylvania  
6 was one of only three states in 2012 that had  
7 positive growth in foreign direct investment and  
8 ranked fourth among the fifty states for total  
9 number of in-sourced jobs.

10                  The governor's success of bringing jobs  
11 to Pennsylvania continues, with more announcements  
12 of projects that were a collaboration of the Office  
13 of International Business Development and the  
14 governor's action team in 2014.

15                  Australian-based Ecosave selected the  
16 Philadelphia Navy yard for the location of its U.S.  
17 headquarters and first location in North America,  
18 which will create a hundred twenty-five new jobs.

19                  PRA, one of the world's largest  
20 clinical trial organizations, will expand  
21 operations in Montgomery County, creating two  
22 hundred fifty full-time jobs.

23                  Noise Solutions, headquartered in  
24 Calgary, Alberta, has expanded to a new  
25 manufacturing site in Mercer County, creating a

1 hundred twenty-six new jobs over the next three  
2 years.

3                   And headquartered in Austria, Greiner  
4 Packaging Corporation, a manufacturer of packaging  
5 in the food and nonfood sectors, has established  
6 its U.S. headquarters in Luzerne County, creating a  
7 hundred and twenty-eight full-time jobs.

8                   Fibria Celulose S.A., of Brazil, the  
9 world's largest producer of Bleached Eucalyptus  
10 Kraft Pulp, will move its current shipping  
11 operations from the Port of Baltimore to the Port  
12 of Philadelphia. Additional tonnage will generate  
13 more than forty million in economic activity  
14 annually and result in two hundred twenty-eight  
15 direct jobs and more than three hundred eighty  
16 total jobs in Pennsylvania.

17                   Second only to agriculture in terms of  
18 economic impact and job creation, Pennsylvania's  
19 tourism industry continues to thrive and be a major  
20 employer across the commonwealth, supporting over  
21 four hundred seventy thousand jobs directly and  
22 indirectly.

23                   This budget directs additional funds to  
24 the state tourism office, to bolster travel,  
25 tourism, and film-related economic development

1 statewide and is an addition to the hotel room tax  
2 directed to support tourism promotion throughout  
3 the commonwealth.

4           The hotel room tax generated more than  
5 143.8 million dollars in 2012, of which an  
6 estimated 67.5 million went directly to tourism  
7 promotion agencies to attract domestic and  
8 international tourists to Pennsylvania.

9           This also does not include the  
10 governor's launch of Enhance Penn's Woods, a  
11 two-year, more than two hundred million effort via  
12 DCNR to repair and upgrade our natural treasures.

13           But it's not just strong economic  
14 development initiatives that support job creation.  
15 Economic progress requires strong communities, and  
16 nobody recognizes that more than Governor Corbett.  
17 The governor's budget continues to support funding  
18 increases in previous years to support communities  
19 and local governments.

20           As we move forward, the Department of  
21 Community and Economic Development will continue to  
22 support the governor's efforts to build a stronger  
23 Pennsylvania. With a strong leader paving the way,  
24 a clear mission of putting jobs first, and  
25 tremendous opportunities for growth in front of us,

1 I have no doubts that the best days for  
2 Pennsylvania are ahead of us.

3 Thank you. And I will be happy to take  
4 questions.

5 MAJORITY CHAIRMAN ADOLPH: Thank you,  
6 Mr. Secretary.

7 With us today, which is customary, is  
8 we invite the chairmen of the standing committee,  
9 and we are certainly privileged to have with us  
10 today Chairman Jerry Stern, House Tourism  
11 Committee.

12 Welcome, Chairman Stern.

13 I don't know if you left this out,  
14 Secretary, but I didn't hear any reference made to  
15 the refineries in your opening statement.

16 SECRETARY WALKER: You know, I should  
17 have brought that up just because I like seeing  
18 your expression.

19 MAJORITY CHAIRMAN ADOLPH: Well, I'm  
20 not going to let it go by without a mention. It  
21 was two years ago probably today, you know, at this  
22 Appropriations hearing, where things were pretty  
23 gloomy regarding three refineries in the  
24 southeast.

25 And I have said this publicly, and I

1 will continue to say this publicly, Secretary  
2 Walker, if there's a single person who, at the  
3 department, from Washington D.C. to Harrisburg, had  
4 more to do with saving those refineries, I don't  
5 know the person. And, you know, it's very  
6 difficult for me, as I was receiving phone calls  
7 from Secretary Walker about all this good news,  
8 that I wasn't even allowed to tell my wife that,  
9 you know, uncles and cousins will not be losing  
10 their jobs as a result of this.

11 I asked the secretary of Labor and  
12 Industry the other day about what type of revenue  
13 would have been lost and what was really saved, and  
14 you talk about our economy today, but just let me  
15 just run these figures by you. Two thousand direct  
16 jobs, thirty-six thousand indirect jobs or indirect  
17 businesses, five hundred sixty million dollars in  
18 lost state and local tax revenue, and over two  
19 billion dollars in lost wages. That's what was  
20 saved. And two hundred fifty million dollars in  
21 unemployment benefits alone.

22 I know this goes, whether it's -- it's  
23 not a Republican issue. It's not a Democrat  
24 issue. This is -- this was something that just  
25 saved our economy. And I don't think we'd have

1 ever recovered, to be honest with you, if those  
2 refineries were not saved.

3 And I want to thank you and your staff  
4 and all the people involved, from Governor Corbett  
5 all the way down, that, you know, took off the  
6 gloves and did everything possible to make that  
7 happen. And I know that people who are going to  
8 work down there every single day, and I think  
9 there's some big, big news coming again regarding a  
10 Delaware River port, and I want thank you  
11 personally and publicly for your help.

12 SECRETARY WALKER: I really appreciate  
13 that. And one of the happiest days of my life was  
14 whenever I was able to call you to tell you that we  
15 were saving the refineries.

16 And if I may add, a lot of people don't  
17 realize that 40 percent of the middle distillate  
18 for the middle Atlantic region and New England was  
19 made at those three refineries. Had they gone  
20 down -- and that's 20 percent of the home heating  
21 oil in the middle Atlantic and northeast was made  
22 at those three refineries. Can you imagine the  
23 crisis we would have had, in addition to the  
24 numbers you were talking about, had we not  
25 been able to make home heating oil at three

1 refineries this winter?

2 MAJORITY CHAIRMAN ADOLPH: I agree.

3 Chairman Markosek.

4 MINORITY CHAIRMAN MARKOSEK: Thank you,  
5 Chairman Adolph.

6 Secretary, any time you make Chairman  
7 Adolph happy, that makes me happy. It makes my job  
8 easier. And for very good reason, too, and I'm  
9 very happy for Pennsylvania, that we were able to  
10 have those things.

11 For the information of the members,  
12 Representative J. P. Miranda has joined us as a  
13 guest of the committee.

14 And, Mr. Secretary, Chairman Curtis  
15 Thomas, who is our Democratic chairman of the  
16 Commerce Committee, could not be here today, but he  
17 has sent along some questions for you and your  
18 staff to be entered into the record, and I've given  
19 a copy to the stenographer. So, when you can, if  
20 you and your staff could take a look at these and  
21 answer these questions and send Chairman Adolph and  
22 I a copy of your response to him, we would  
23 appreciate that, so we can distribute it to the  
24 rest of the committee.

25 SECRETARY WALKER: We'll be happy to do

1 that.

2 MINORITY CHAIRMAN MARKOSEK: Thank  
3 you.

4 Mr. Chairman, I don't have any  
5 questions. When the appropriate time does come, I  
6 would ask that you would recognize Representative  
7 Santarsiero, who has some travel issues this  
8 evening, and we want to make sure that he gets home  
9 safely. So at the appropriate time, if you would  
10 recognize Representative Santarsiero for  
11 questioning.

12 MAJORITY CHAIRMAN ADOLPH: Thank you.

13 Representative Santarsiero, since you  
14 have a time commitment, you can go first, not that  
15 I want you to leave here, by no means. But you  
16 certainly may go first.

17 REPRESENTATIVE SANTARSIERO: That would  
18 never occur to me, Mr. Chairman. But I will --  
19 although I appreciate the courtesy, I will defer to  
20 the chair of the standing committee first.

21 MAJORITY CHAIRMAN ADOLPH: Well, he --  
22 you can go first. He's waiting 'til last.

23 REPRESENTATIVE SANTARSIERO: That's  
24 great.

25 Mr. Secretary, I'd like to ask you



1 about an issue that we actually raised with PEMA  
2 last week. I understand this is really more in  
3 departments bailiwick, and that has to do with the  
4 Biggert-Waters Act.

5 SECRETARY WALKER: Pardon me?

6 REPRESENTATIVE SANTARSIERO: The  
7 Biggert-Waters Act, the federal law that will  
8 ultimately result in flood insurance premiums  
9 increasing fairly dramatically over the next few  
10 years.

11 As I'm sure you're aware, there is a  
12 bill that's currently on its way through congress  
13 that would at least delay the implementation of the  
14 act for a few years, and that's a help, but it's  
15 not a long-term solution.

16 We have many residents in my part of  
17 Bucks County, as well as other river areas  
18 throughout the commonwealth, that are being drawn  
19 into new FEMA floodplain maps, in many cases, many  
20 of us feel, unfairly, but nonetheless that's  
21 happening. And as a consequence of that, they and  
22 others who were already in the floodplain are  
23 looking at astronomical increases in their  
24 insurance premiums down the road. That, of course,  
25 is going to have an impact not only in their

1 ability to pay in the short term but, ultimately,  
2 the marketability of their homes.

3           And so, we could be faced, in some of  
4 our communities, with large neighborhoods where,  
5 you know, essentially, the neighborhoods would be  
6 devastated.

7           I can see, on a going-forward basis,  
8 with new construction, I get that. Where we have  
9 developments that were built many, many years ago,  
10 we have people who bought homes with one set of  
11 expectations. To change that set of expectations  
12 midstream is, I think, fundamentally unfair.

13           But, in any event, I'd like to know  
14 what your department's assessment of the situation  
15 is, and what actions, if any, the department plans  
16 to take.

17           SECRETARY WALKER: Yeah. We're very  
18 concerned about it. And although it's a federal  
19 issue, it probably affects Pennsylvania more than  
20 any other state, and we are working with the  
21 governor's office and the congressional delegation  
22 to try to get support for more reasonable  
23 legislation.

24           You're probably aware of this, but  
25 Pennsylvania has eighty-eight thousand miles of

1 inland waterways, which is second only to Alaska in  
2 number of streams. We have many, many homes that  
3 are built on the floodplain. And, you know, the  
4 comment you get, "Well, it only affects the wealthy  
5 people who have a second home at the shore," that's  
6 not true. And in Pennsylvania, it really affects  
7 people who have older homes, because most of our  
8 communities are built on the floodplain. In fact,  
9 I'm from a community that's built almost entirely  
10 on the floodplain.

11                   So, we are really concerned about it.  
12 We're going to do everything we can.

13                   In the end, it involves the federal  
14 government understanding the problem and maybe  
15 helping to come up with a better solution. And,  
16 ultimately, if they don't change course, then we're  
17 going to have to work with the insurance industry  
18 here, to make sure we have something that is  
19 palatable to the citizens of Pennsylvania.

20                   We can't accept things the way they're  
21 going to be imposed on us now, so we'll do  
22 everything we can to influence that.

23                   REPRESENTATIVE SANTARSIERO: I'm  
24 certainly happy to hear that response.

25                   May I ask, have you had any at least

1 preliminary discussions with the insurance industry  
2 about this?

3 SECRETARY WALKER: As of right now,  
4 we're still hoping that we can work through the --  
5 our two senators and our congressional delegation  
6 to come up with a more realistic solution. We have  
7 not had direct discussions with the insurance  
8 industry, although they're very aware of it.

9 REPRESENTATIVE SANTARSIERO: Thank you  
10 very much.

11 Mr. Chairman, thank you.

12 MAJORITY CHAIRMAN ADOLPH: Thank you,  
13 Representative.

14 At this time, I'd like to acknowledge  
15 the presence of Representative Maloney, who has  
16 joined us. Also like to acknowledge a constituent  
17 of mine, the Pennsylvania executive director of the  
18 Travel Tourism and Film Office, Diane McGraw.  
19 She's doing an outstanding job and nice to see her  
20 here.

21 Representative Mark Mustio.

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

24 And welcome, Mr. Secretary. I did note  
25 in your opening comments that you missed a lot of

1 the communities around the airport area in  
2 Pittsburgh, where we are seeing a significant  
3 amount of growth and new businesses come in. And I  
4 would say, I think that's directly related to  
5 Pennsylvania becoming an improved area on a lot of  
6 national site selectors' radar screens.

7           Prior to being elected, one of the  
8 complaints I got in my volunteer capacity in the  
9 Chamber of Commerce was, Pennsylvania just didn't  
10 have the infrastructure or the tax policy in place  
11 to attract businesses. I think, from an  
12 infrastructure standpoint in my district, some  
13 missing ramps to some interstates were put in,  
14 under the Rendell administration, which was a  
15 significant help, and I think this administration  
16 has really built upon those successes and really  
17 exceeded it. And I like to tell people that if  
18 they were selling stock in my district and in the  
19 region, which really includes Allegheny,  
20 Washington, Beaver, and Butler, and Westmoreland  
21 Counties, that we'd be selling a lot of stock and  
22 seeing some really great returns on those  
23 investments.

24           So, I have two budget questions. The  
25 first is of a very serious nature; the second

1 probably is not as serious. The first relates to  
2 the Base Relocation and Closure commission. The  
3 911th is in my legislative district, and the  
4 previous two BRACs have seen that being on the  
5 target list. Senator Smith and myself wrote  
6 letters to yourself, the governor, and through our  
7 respective Appropriation chairs, requesting, last  
8 budget, some funding to be proactively looking out  
9 for any changes that may be coming along those  
10 lines. And I notice there's a fifty-  
11 thousand-dollar increase in this budget. So, I  
12 just wanted to get your comments on the fifty  
13 thousand level and what flexibility may be there  
14 for all the other bases, should Pennsylvania be  
15 facing targeting in those areas.

16                   SECRETARY WALKER: Thank you. You  
17 know, as I've gotten to know the state, I used to  
18 say to my friends back home, Pennsylvania could  
19 probably make anything or do anything except  
20 support a military operation. However, since I  
21 visited Letterkenny and Tobyhanna and the 911th,  
22 I've changed my opinion on that. We could probably  
23 support a pretty good military operation if we  
24 wanted to, because, we -- 5 percent of our  
25 population is involved in defense employment.

1                   We are being very aggressive and  
2 proactive about BRAC because we know there's  
3 another round coming; we don't know exactly when.  
4 We have temporarily the 911, but just the fact that  
5 it's been on the list before, it's probably going  
6 to be on the list again. And we are asking for an  
7 increase from three hundred fifty thousand dollars  
8 to four hundred thousand dollars to support  
9 personnel in our department to -- we have to do  
10 some upgrading at the bases. For example,  
11 Letterkenny, there has to be an upgrade to the rail  
12 system. Tobyhanna, there has to be a little bit of  
13 an upgrade. So, we have to show the federal people  
14 that the state is willing to put money in to really  
15 upgrade these operations.

16                   And also organizing local communities  
17 to be able to react should there be any inkling of  
18 these bases being under scrutiny foreclosure, we  
19 have to be able to anticipate that. Because once  
20 the announcement's made, it's too late.

21                   I do know that the way we saved  
22 Tobyhanna the last time was through a local  
23 community effort and local involvement that showed  
24 how important that base was and what they do there  
25 and what they make there. So, it's extremely

1 important. Because we know, within the next couple  
2 of years, there will be another round of BRAC.

3 And I say this as a very proud  
4 Pennsylvanian, I want to keep a hundred percent of  
5 those operations here, but we know we're going to  
6 have very, very stiff competition from the southern  
7 states. They have great seniority in congress.  
8 They know how to play this game. So, we have to be  
9 ready. And in the end, unfortunately, it will  
10 probably be a political decision.

11 REPRESENTATIVE MUSTIO: I can tell you  
12 that the volunteer military affairs council in our  
13 area still meets. I mean, they don't stop, because  
14 they recognize this is a target area. And it's not  
15 just where the base is located.

16 Representative Christiana's district  
17 borders mine, and, you know, we have residents in  
18 our communities that we see at church and wherever  
19 that are employed there, whether they are  
20 servicemen or civilians. So, it's critical for  
21 us.

22 Now, back to your budget. I did notice  
23 one item that is missing. With all this good news  
24 that many of us have heard today and also spoken of  
25 ourselves, there's nothing in here about public



1 relations.

2 SECRETARY WALKER: Well, there's  
3 marketing to do business, where we are going to  
4 focus on marketing the new story about Pennsylvania  
5 to specific businesses, and we will target trade  
6 publications and things like that, people who read  
7 it.

8 We will have some money to support  
9 trade shows. I met with a group of business people  
10 and investors in New York in December to test out  
11 the idea of, hey, this is -- this is the new  
12 Pennsylvania. We're not a rust belt state anymore.  
13 It was received extremely well. So, we know we  
14 have a very good story to tell. So, we've asked  
15 for -- I think it's about a million and a half  
16 dollars for marketing to businesses to tell the  
17 Pennsylvania story.

18 REPRESENTATIVE MUSTIO: The site  
19 locators, I mean, that's a niche community, and to  
20 move from where we were to, what was it? Was it  
21 second or --

22 SECRETARY WALKER: Third.

23 REPRESENTATIVE MUSTIO: Third. That's  
24 incredible.

25 SECRETARY WALKER: Yeah.



1 number of 99 percent restoration of lost jobs. Can  
2 you tell us what was lost private sector and public  
3 sector and what has been regained in both of  
4 those?

5 SECRETARY WALKER: Actually, we've --  
6 we've regained more private-sector jobs than  
7 public-sector jobs, because a lot of the losses in  
8 the public sector were actually federal jobs. So,  
9 we are doing very well in the recovery of the  
10 private-sector jobs.

11 I think governments everywhere are  
12 cutting back. Local governments are cutting back,  
13 state has cut back some. But the federal  
14 government has had big cutbacks, too. So, that's  
15 where the biggest numbers are. But as a percent of  
16 our work force, that's not nearly as big of a  
17 percentage.

18 REPRESENTATIVE DEAN: And how many  
19 education jobs have been lost in Pennsylvania?

20 SECRETARY WALKER: You know, I can't  
21 specifically answer that because that doesn't come  
22 under my jurisdiction, so I really don't know. I  
23 do know that, under the new budget, the state of  
24 Pennsylvania will be spending more on education  
25 than they've ever spent before.

1                   REPRESENTATIVE DEAN: We've had lots of  
2 conversation about that, that's for sure.

3                    Could you give us an update on the  
4 Shell cracker plant? As you know, we passed a very  
5 large tax credit for the development of the  
6 Horsehead Corporation site that hasn't happened to  
7 date. I think in the budget now, it shows we're  
8 not going to be capturing any of either jobs or the  
9 giving away of 1.6 million dollars worth of tax  
10 credit, it looks like, for the foreseeable several  
11 years.

12                   So, what's the status of that agreement  
13 of sale and development?

14                   SECRETARY WALKER: Well, I hope before  
15 I leave office, whenever that is, I'm able to call  
16 Representative Adolph again and Representative Jim  
17 Christiana with some really good news. I would --  
18 I continue to be very optimistic about it.

19                   Royal Dutch Shell is a very  
20 deliberative company, and they are really studying  
21 this process, but all of the signs are very  
22 positive. They have extended the option on the  
23 property as of December 31st. They have contracted  
24 to move State Route 18 about a thousand feet, which  
25 will allow more site at the plant. They have

1     contracted with Horsehead for demolition of the  
2     smelter that's already there.  They're doing  
3     studies on workforce and labor in the area that's  
4     available.  They are signing contracts for natural  
5     gas and the raw materials they need.  They are  
6     working on the permits that they will need,  
7     although they have not submitted any permits yet.

8                 So, I hope -- and I'm going to say  
9     this -- this is the same answer I gave  
10    Representative Adolph two years ago -- I'm  
11    cautiously optimistic.  So far, all the news is  
12    good.  They have spent a lot of money doing their  
13    due diligence looking at that site.  To me, it  
14    looks very positive.

15                REPRESENTATIVE DEAN:  And what other  
16    sites are they comparing against the Pennsylvania  
17    site?

18                SECRETARY WALKER:  At this point in  
19    time, they're not comparing any.  I mean, if they  
20    do a site in Appalachia, this will be the site.

21                But we do know that Shell,  
22    internationally, has cut out one North American  
23    project, which would have been a chemical plant on  
24    the Gulf coast, which actually works in favor of  
25    this plant in Appalachia.  So, it's moved us up.

1                   But this is a multi billion dollar  
2 investment. It's -- even for a company like Royal  
3 Dutch Shell, it's a very large investment. And  
4 they want to make sure everything's in place.

5                   But, in all the meetings I've had with  
6 them, they are a very professional company. I --  
7 I'm impressed with the way they are approaching  
8 this. But all of the signs are very positive.

9                   REPRESENTATIVE DEAN: Do you have any  
10 sense of the timeline? I know you said during your  
11 tenure, but do you have any sense of the timeline  
12 when we might get that positive phone call?

13                   SECRETARY WALKER: They are very  
14 noncommittal about that because it's going to be on  
15 their timeline, not our timeline. But, again, if I  
16 had to guess, I would say it would be sooner rather  
17 than later. I don't think they want to drag it  
18 out.

19                   REPRESENTATIVE DEAN: And what's the  
20 estimate for direct and indirect jobs if they say  
21 yes to the development there?

22                   SECRETARY WALKER: The jobs during the  
23 construction phase would be a minimum of ten  
24 thousand. Once the plant is built, it would be, at  
25 the plant, between four and five hundred. But it's

1 not the plant itself that's the big job creator;  
2 it's the downstream companies, because they'll be  
3 making the pellets, the raw material and raws for  
4 plastics. So, we expect a very big plastics  
5 industry to develop -- to develop around that  
6 plant. We don't have a handle on that. But I can  
7 tell you it's going to be a significant number.

8 Representative Christiana, Beaver  
9 County will never look the same.

10 REPRESENTATIVE DEAN: And my final  
11 piece was really following up on the third leg of  
12 the stool, the health care choices, and this may  
13 not entirely be within your department. But I'm  
14 wondering if you have some opinion as to our  
15 failure to opt in to Medicaid expansion because,  
16 certainly, that would be a jobs engine. It's  
17 estimated that it would bring about thirty-five  
18 thousand jobs to Pennsylvania.

19 Of course, it would bring health care  
20 choices to half a million uninsured  
21 Pennsylvanians. We have forty-seven thousand  
22 uninsured veterans, and it would get insurance to  
23 half of those folks.

24 But the dollars that that would bring,  
25 the jobs that that would bring in, the revenues

1 that would bring in -- and we're not talking about  
2 tax credit. We're talking about the federal  
3 dollars that would be flowing in.

4 SECRETARY WALKER: Thank you. Well,  
5 I mean, our goal is to make sure we have the best  
6 system possible. I mean, a lot of things from the  
7 federal government were thrown on the states in  
8 pretty short order, and, you know, when the prime  
9 sponsors of the bill say they didn't even read the  
10 legislation, you worry a little bit.

11 But I think what we want to make sure  
12 of is that it's implemented in Pennsylvania so that  
13 we don't end up with a situation like Medicare or  
14 Social Security, where down the road, it's not  
15 sustainable, and that's why, I think, we're very  
16 deliberative in what we're doing in an approach to  
17 health care. But it's our goal to have the best  
18 health care system in the country for the state of  
19 Pennsylvania and for the citizens of Pennsylvania.

20 I just don't think people yet are  
21 exactly sure of the best way to do that, although  
22 it's being studied. And I know some alternative  
23 plans have been presented to the federal people,  
24 and we are waiting for a response back from the  
25 federal people.



1                   Now, again, that's my input. As you  
2 said, this doesn't fall under my jurisdiction.

3                   REPRESENTATIVE DEAN: Yeah. And, to be  
4 clear, we have not yet -- the governor's not yet  
5 submitted his proposal. I know it's probably  
6 within the next couple of weeks. And  
7 sustainability, I'm sure, is going to be important,  
8 but that hasn't kept us from being a part of the  
9 Social Security program or Medicare program.

10                   Thanks very much.

11                   SECRETARY WALKER: Thank you.

12                   MAJORITY CHAIRMAN ADOLPH: Thank you.

13                   Representative Scott Petri.

14                   REPRESENTATIVE PETRI: Thank you,  
15 Mr. Chairman.

16                   And thank you, Secretary, for being  
17 here today.

18                   I wanted to ask you about the tourism  
19 piece. I heard recently that -- let me back up.  
20 The last time we had the national biotechnical --  
21 or should say international show, we had learned  
22 that probably wouldn't come back until the  
23 convention center was expanded, and, of course, we  
24 know that's now complete. I heard recently that,  
25 in fact, the international expo for the bio

1 industry is, in fact, coming back to Philadelphia.

2 Can you tell me what the economic value  
3 of that is? And then is your department involved  
4 in assisting in any way, by way of dollars, in  
5 attracting the exhibitors and businesses?

6 SECRETARY WALKER: Yes, it will be in  
7 Philadelphia in June of 2015. My people went to  
8 the convention in Chicago this year just to see  
9 what it was all about and to make sure that we can  
10 make improvements on it. There'll be one in San  
11 Diego, early summer. We are extremely involved in  
12 that.

13 I can't tell you what the exact impact  
14 will be on Philadelphia, but it's major. It's  
15 probably -- it will probably be one of the biggest  
16 conventions that they can have down there. It will  
17 be well attended. We want to make sure it's done  
18 right because it will make the state of  
19 Pennsylvania and the city of Philadelphia look very  
20 good if it's done right. It's a well-attended  
21 convention.

22 REPRESENTATIVE PETRI: If you could try  
23 to obtain the estimated financial figures, I  
24 believe -- I heard some numbers floating around,  
25 but --

1                   SECRETARY WALKER: We know what the  
2 impact was in Chicago. We can at least get their  
3 number, and we think it's going to be bigger in  
4 Philadelphia, because Philadelphia is actually more  
5 convenient to get to than Chicago.

6                   REPRESENTATIVE PETRI: Well,  
7 congratulations on that good news. I know that  
8 will be a major influx of dollars for the  
9 southeast.

10                   With regard to the CFA, it's my  
11 understanding that the Commonwealth Finance Agency  
12 does have some -- a low interest loan program for  
13 renewable energies or alternative energies. And I  
14 know that the CFA payments are within your budget.  
15 Do they give you information on the number of loans  
16 they have outstanding, both residential and  
17 commercial, for alternative energies and how that  
18 program is going?

19                   SECRETARY WALKER: Yeah. I think we  
20 have that.

21                   We'll get you the exact number.

22                   REPRESENTATIVE PETRI: Yeah. If you  
23 could just identify how many residential loans are  
24 outstanding, what the commercial loans are  
25 outstanding, and what the general repayment terms.

1 I've heard that they're very low interest rate  
2 loans, somewhere around 1 percent, and I think it's  
3 an important program, but we want to make sure  
4 those dollars are revolving and coming back in.

5 SECRETARY WALKER: Right.

6 REPRESENTATIVE PETRI: Last question on  
7 this topic. Is it fair to say that you really  
8 don't have, as an agency, any authority over the  
9 CFA with regard to what they do or don't do? That  
10 they're following whatever parameters we created in  
11 a program, and you don't really -- you can't really  
12 change the program without some assistance from us,  
13 if necessary.

14 SECRETARY WALKER: Well, a lot of the  
15 applications come in to our department, and we have  
16 the storing mechanism, but we really don't control  
17 how the money goes out. It's a -- as you know,  
18 each of the caucuses have a vote, and it's -- it  
19 has to work its way through the system. So, we  
20 don't have total control.

21 REPRESENTATIVE PETRI: Generally, do  
22 you attempt to score or analyze how the CFA is  
23 doing in any economic sense?

24 SECRETARY WALKER: We certainly do.

25 REPRESENTATIVE PETRI: And what's the

1 department's scoring or position on how they're  
2 doing as far as stimulating the economy?

3 SECRETARY WALKER: Stimulating the  
4 economy and meeting the objectives of the CFA, I  
5 think we're doing very well.

6 REPRESENTATIVE PETRI: Very good.  
7 Thank you.

8 SECRETARY WALKER: Thank you.

9 MINORITY CHAIRMAN MARKOSEK: Thank you,  
10 Representative. Our next person is -- were you  
11 finished?

12 REPRESENTATIVE PETRI: I was going to  
13 go ahead and recognize Representative Wheatley.  
14 Were you, too?

15 MINORITY CHAIRMAN MARKOSEK: I'm the  
16 chairman; I thought I was.

17 But, anyway, Representative Wheatley,  
18 from Allegheny County.

19 REPRESENTATIVE WHEATLEY: Thank you,  
20 Mr. Chairman.

21 And good afternoon, Mr. Secretary.

22 I wanted to first start with the  
23 Municipal Financial Recovery Program, Act 47.

24 SECRETARY WALKER: Yes.

25 REPRESENTATIVE WHEATLEY: I noticed

1 that the last two years we've seen a drop in the  
2 amount of funds that have been going to that. Is  
3 that because -- what's the rationale? Are we  
4 seeing less municipalities in danger of financial  
5 distress, or is it the fact that this program, for  
6 whatever reason, is so great that municipalities  
7 and counties, boroughs don't need it anymore?

8           SECRETARY WALKER: We started an early  
9 intervention program a couple of years ago, so we  
10 have an early warning system that we know if a  
11 community is headed for Act 47. We've been able to  
12 keep several communities out of Act 47, because the  
13 last thing we want to do is to have a community go  
14 in, because it's very expensive for the state,  
15 because we have to come up with a lot of money to  
16 help them through the process.

17           Right now, we have twenty-one  
18 communities in Act 47. We expect, within the next  
19 several months, that number will be reduced a  
20 little. But our early intervention system and  
21 early warning system is working tremendously well.  
22 So, I don't think we will have as many communities  
23 going into Act 47 in the future as we've had in the  
24 past.

25           REPRESENTATIVE WHEATLEY: And out of

1 those twenty-one that're in the recovery program  
2 right now, five are from Allegheny County from what  
3 I'm counting on this. And the total, out of  
4 twenty-seven that have come in, I guess, from your  
5 chart, I think there were only, like, nine from  
6 Allegheny County, four that have come out.

7           Are you seeing something in Allegheny  
8 County municipalities and townships and boroughs  
9 that lends itself to this distress happening? Or  
10 is this just a -- an occurrence that this happens  
11 because of the climate that we're in, the economics  
12 that we're in, just so happens nine of these  
13 twenty-seven cities just tend to be lumped together  
14 in one county?

15           SECRETARY WALKER: No. I think the  
16 ground work for this started when the steel  
17 industry went down in Allegheny County. And, you  
18 know, it takes a while for it to really have  
19 impact. So, in a lot of those communities, you  
20 have out-migration of population. You have loss of  
21 jobs. You have an aging population, so it's very  
22 hard to raise property taxes. And then you have  
23 growing legacy costs through pension funds and  
24 pension obligations, and I think it just all came  
25 to a head.

1                   Unfortunately, Allegheny County,  
2 because of what happened to the steel industry,  
3 they were in a bad place. But they've done a good  
4 job trying to work out of it.

5                   REPRESENTATIVE WHEATLEY: So, that  
6 leads me to my next question, which is specific to  
7 Pittsburgh.

8                   SECRETARY WALKER: Yeah.

9                   REPRESENTATIVE WHEATLEY: Because  
10 Pittsburgh is one of those cities in Allegheny  
11 County that is currently in Act 47. I know that  
12 there are some on the side who believe we can come  
13 out of Act 47, and then the new administration  
14 there, of course, wants to keep us in Act 47.

15                   I'm wondering, from a department's  
16 perspective, do you actually have boots on the  
17 ground? Your funding, our intergovernmental  
18 cooperation authority. Where do you see us in this  
19 discussion? Do you think we are ready to come  
20 out? Or should we stay in based off of what you're  
21 seeing?

22                   SECRETARY WALKER: Well, I think the  
23 city of Pittsburgh has made good progress. There  
24 are concerns about the legacy cost. There's still  
25 a pretty big number of unfunded pension liability



1 out there, but they are making progress. So, it's  
2 a matter of what is the right timing to allow  
3 Pittsburgh to come out of Act 47. We're certainly  
4 studying it.

5 And the concern, if you let them out  
6 too early, there's a danger that they'll go back  
7 in. If you keep them in too long, there's expenses  
8 that you don't like to have. So, it's kind of a  
9 fine line and a balancing act. But, I mean, our  
10 goal is not to keep any community in Act 47 any  
11 longer than they have to be in, because it's --  
12 it's a success for us if they come out.

13 REPRESENTATIVE WHEATLEY: So, what  
14 indications would you look for internally that  
15 identifies if a city is ready to come out or not?

16 Quite frankly, we read, seems like  
17 every week, Pittsburgh is being highlighted as a  
18 city that's growing, that is one that is on the  
19 rise, that has been recognized as one of the best  
20 places for people to live, so on and so forth. So,  
21 what indications do you need to see in order for  
22 you to make that determination? Are there hard  
23 things that you look for that tells you when a city  
24 is ready to come out or not?

25 SECRETARY WALKER: Yeah. It's

1 sustainability. And, again, I'm a big fan of the  
2 city of Pittsburgh, and they've done a lot of  
3 things right, but they still have a huge unfunded  
4 pension liability that we have to make sure, moving  
5 forward, doesn't overwhelm the city. They're  
6 headed in a very positive direction.

7 REPRESENTATIVE WHEATLEY: Now, if I  
8 can, Mr. Chairman, just a couple of questions that  
9 in a different -- I want to -- last year, we kind  
10 of had a back and forth around Ben Franklin's  
11 Innovation Works and Discovered in PA, Developed in  
12 PA. And I was really interested in learning why we  
13 needed the new program and why we couldn't use our  
14 Ben Franklin Innovation Works to drive out what the  
15 governor was trying to achieve. And you talked a  
16 lot about the difference that the Innovation Works  
17 with Ben Franklin, they work directly with the  
18 universities to kind of bring innovation from  
19 creativity and thought, but that this program,  
20 Discovered in PA, was more a flexible program that  
21 will work right with businesses to take thoughts  
22 and concepts and really expand them.

23 So, can you tell me -- I mean, last  
24 year you talked about the success of the culinary  
25 program in Philadelphia. Are there other things

1 that you have done with that program? And how has  
2 that, you know, start-ups and bringing them to  
3 market, how has that been going?

4 SECRETARY WALKER: Well, yeah, there  
5 are a lot of good examples in there, and they are  
6 two very different programs.

7 For example, yesterday I was at York  
8 College in York to present a Discovered and  
9 Developed grant for investing in the region's  
10 knowledge resources. They have a very good lab  
11 there where they're developing some very creative,  
12 innovative solutions to problems, but their  
13 ultimate goal is to try to establish an industrial  
14 park around the campus of York College, which I  
15 think is a great concept, because our universities  
16 and colleges in Pennsylvania have tended to think  
17 in silos and not reach out to the surrounding  
18 community, where they could really have a huge  
19 impact. So, that's something Ben Franklin can't  
20 do.

21 Also, in western Pennsylvania, the Cray  
22 Youth and Family Services, Inc., which is a Bill  
23 Strickland project, has really helped to get people  
24 involved, to train them with skills that they  
25 wouldn't have otherwise to be prepared for the job

1 market.

2           A group from the eastern part of the  
3 state has come in to develop a search site for  
4 people who are laid off in the pharmaceutical  
5 industry, to try to get matched up with companies  
6 who are looking or companies who need highly  
7 trained people with Ph.D.s or whatever, to work in  
8 that area. It may not necessarily be in the  
9 pharmaceutical area. Ben Franklin doesn't have the  
10 flexibility to do that.

11           So, there is just a lot more  
12 flexibility in Discovered and Developed in  
13 Pennsylvania to do these programs that are  
14 outreach.

15           REPRESENTATIVE WHEATLEY: And, believe  
16 me, Mr. Secretary, I'll tell you, I'm not one who  
17 was fearful of the terminology of WAMs or anything  
18 like that. So, I'm all for new money and helping  
19 drive money into the economy and helping grow  
20 businesses and so on and so forth; I just wanted to  
21 make sure I'm getting my fair share of it.

22           With that being said, I'm glad you  
23 mentioned Bidwell, because one of the last  
24 questions that I had was really focused around job  
25 training or working with our job workforce

1 development centers that are doing great work and  
2 really training folks and attaching them to a job.  
3 And Bidwell, of course, is one of those centers  
4 that's been doing it for years. And there are  
5 others.

6 Are there programs in your department  
7 that -- centers who are doing great training and  
8 the ability to attach to a job, can look for for  
9 support, and where would they start? They might  
10 not be in the system now. Where would they enter  
11 into your system to try to get into your pipeline?

12 SECRETARY WALKER: We have a couple  
13 different programs. One would be Webnet, where the  
14 company actually approaches us and says, We need to  
15 training for X number of welders or whatever; how  
16 can you help us with the training? Well, we'll  
17 hook them up with an institution that can do the  
18 training, and then we will fund the individual.  
19 It's on an individual basis, to get that type of  
20 training.

21 Webnet, this year, has trained its one  
22 millionth employee since the system was put into  
23 place.

24 So, that's one route.

25 We also have programs that are done at

1 the local level through the technical schools and  
2 community colleges. The cleverest one I've seen  
3 was Mercer County, where they were having a hard  
4 time finding welders, and they actually went out  
5 into the community to help raise some money, and  
6 they ran a program during the summer, and they got  
7 enough money from the business community in Mercer  
8 County that they -- if a student had a hundred  
9 percent attendance and became a certified welder at  
10 the end of the six-week training program, they were  
11 given a thousand-dollar stipend for attending the  
12 program. The other thing is, they were guaranteed  
13 a job.

14                   So, lots of times, the local  
15 communities, themselves, are better at solving  
16 their problems than coming to the state and saying,  
17 Hey, give us some money to solve the problem. But  
18 that's a great model that can be duplicated  
19 elsewhere.

20                   I think you hit on a real good point.  
21 The key to the Pennsylvania economy moving forward  
22 isn't creating jobs, it's creating a workforce  
23 that's there for the jobs that are going to be  
24 available, because we're going to create a lot of  
25 jobs, moving forward.

1                   REPRESENTATIVE WHEATLEY: I appreciate  
2 that.

3                   And then, finally, I just want to --  
4 because if I'm a nonprofit that is doing workforce  
5 development and I'm connecting people to jobs, can  
6 I -- how will I access -- and maybe I can talk off  
7 line with some of your people, because there are  
8 some programs that are doing a wonderful job, but  
9 they come to me all the time and say, can you  
10 support me? And, quite frankly, we don't have the  
11 ability to support them. But I would like to turn  
12 them over to someone and say, Look, if you're doing  
13 a good job, here are the criteria, here's the  
14 pipeline on how you can get supported. So, I would  
15 love to find out more about that.

16                  SECRETARY WALKER: Yeah, and I think,  
17 probably, like you said, it's best to have a  
18 conversation off line, because there are a fair  
19 number of programs, and, look, our goal is to get a  
20 trained workforce.

21                  REPRESENTATIVE WHEATLEY: Thank you.

22                  SECRETARY WALKER: We want every  
23 Pennsylvanian to have a good job.

24                  REPRESENTATIVE WHEATLEY: Appreciate  
25 that.

1 Thank you, Mr. Chairman.

2 REPRESENTATIVE PETRI: Representative  
3 Christiana.

4 REPRESENTATIVE CHRISTIANA: Thank you,  
5 Mr. Chairman.

6 While the gentlelady from Montgomery  
7 County started the conversation about Beaver  
8 County, I'd like to continue it but in a different  
9 way. Many of us here in Harrisburg think of  
10 Representative Jim Marshall as the pride of Beaver  
11 County, but the real pride of Beaver County today  
12 is Lauryn Williams. Just for the committee's  
13 knowledge, Lauryn is a Beaver County resident, and  
14 she won a silver medal in the bobsled today. And  
15 she's only the fifth Olympian ever to win a medal  
16 in the summer Olympics as well as the winter  
17 Olympics. And Beaver County is pretty proud of her  
18 today.

19 Mr. Chairman, I just have two  
20 questions, if I may.

21 And, Mr. Secretary, I would like to  
22 talk about the line item World Trade PA. I heard  
23 from a Pennsylvania business that was at a  
24 international trade show not too long ago, and they  
25 mentioned that the presence of Pennsylvania at that



1 international trade show was the best  
2 representation of the United States out of all  
3 fifty states. Clearly, you are -- have created the  
4 standard bearer in these trade shows, and, clearly,  
5 you're an international leader with the presence of  
6 Pennsylvania as it relates to the other fifty  
7 states of these trade shows, but it does seem, by  
8 your proposed budget, that there's an 8.3 percent  
9 proposed increase. And if we're already the  
10 standard bearer, if you could just comment on what  
11 additional opportunities are out there and the need  
12 for almost a double digit increase.

13 SECRETARY WALKER: Well, the problem is  
14 that we were getting a very nice grant each year  
15 from the federal government, from the Small  
16 Business Administration, which was helping us to  
17 run our international trade program. That has been  
18 totally cut. So, the six-hundred-thousand-dollar  
19 increase will be used to help us add missions in  
20 three different markets: Indonesia,  
21 Czechoslovakia, and Russia, which are rapidly  
22 developing markets. It will also help us do a  
23 number of trade shows like you're referring to.

24 If we did not get that money, we would  
25 have to cut back, which would not be a good thing,

1 because of -- exports in Pennsylvania are on a very  
2 positive growth.

3           The other thing that's important that a  
4 lot of people don't realize, that our return on  
5 investment for our dollars that we spend on  
6 international trade is very high. It's a hundred  
7 and fifty-seven to one. Pretty good ratio.

8           REPRESENTATIVE CHRISTIANA: And also,  
9 just as a follow up to Representative Mustio's  
10 questions about the BRAC, because it is not only  
11 important to Beaver County but the surrounding  
12 counties, and as well as that line item is  
13 important to a lot of people in not just the  
14 western part of the state but all across  
15 Pennsylvania because of the number of jobs  
16 associated with the military presence here in  
17 Pennsylvania.

18           Is it -- do you believe that the fifty-  
19 thousand-dollar increase is adequate enough,  
20 considering how many jobs are impacted by the  
21 military presence in Pennsylvania?

22           SECRETARY WALKER: For this year, I  
23 would say yes. Moving forward, I would certainly  
24 hope we increase it. Because as time goes on, BRAC  
25 is going to get a lot more serious, and the longer

1 we postpone it, the bigger the hit is going to be.

2 Now, I think we're safe for next year,  
3 so the four hundred thousand dollars will take care  
4 of us, but moving forward, we're probably going to  
5 have to step that up.

6 REPRESENTATIVE CHRISTIANA: Appreciate  
7 your insight. And thank you for your work.

8 Thank you, Mr. Chairman.

9 SECRETARY WALKER: Thank you.

10 REPRESENTATIVE PETRI: Representative  
11 Bradford.

12 REPRESENTATIVE BRADFORD: Thank you,  
13 Chairman Petri.

14 Real quick, I just wanted to follow up  
15 on an issue we had talked about a little bit with  
16 the Labor secretary, talked about the interaction  
17 with the job market. There's a lot of talk in  
18 states, including Pennsylvania, about doing  
19 something about the minimum wage. Obviously, a lot  
20 of working people haven't gotten a raise in quite a  
21 bit of time, and the distance between haves and  
22 have-nots has expanded quite a bit in terms of  
23 income equality.

24 What is your opinion, from the business  
25 perspective, of getting to a 10.10 minimum wage,

1 either, you know, phased period -- or what would  
2 your thoughts be on that?

3 SECRETARY WALKER: I think that's  
4 something that has to be studied very carefully,  
5 because -- I don't know whether you've seen today's  
6 Wall Street Journal or not, but their projection  
7 from the Office of Budget is if we go up to 10.10,  
8 it would eliminate five hundred thousand jobs. So,  
9 it's a tough dilemma.

10 I mean, there's no doubt current  
11 minimum wage is not a family-sustaining wage. But,  
12 on the other hand, if you're going to eliminate  
13 jobs by raising the minimum wage, that's a  
14 difficult thing, too.

15 I think the problem is -- it's such a  
16 broad issue, that our economy is really absorbing  
17 what's happening in the international market. And  
18 as you know, a lot of good jobs have gone  
19 overseas. And, unfortunately, that leaves a lot of  
20 jobs that aren't so good. And I think we have to  
21 have a national strategy of how do we really revamp  
22 manufacturing here so that we can pay more wages  
23 for these good jobs, and then the minimum wage can  
24 follow that. But you have to make sure the jobs  
25 are there before you raise the minimum wage too

1 much.

2 REPRESENTATIVE BRADFORD: I  
3 actually agree with you about how we've lost so  
4 much of our manufacturing jobs. And, you know, I  
5 don't want to use the term "good" or "bad" jobs,  
6 but the jobs -- the family-sustaining jobs that we  
7 need, and we're left with the service economy for a  
8 lot of folks who, frankly, aren't making the wage  
9 anywhere near the poverty line. Minimum wage has  
10 been a way to push those folks, to give dignity to  
11 the work that they do. And I think that  
12 continually delaying this has only created probably  
13 the largest gap we've had in thirty years between  
14 what those who make the minimum wage can see in  
15 their paycheck as opposed to the middle class. And  
16 I think, as a country, that's very alarming.

17 I do think we need a national strategy,  
18 but I think at the state level, several states have  
19 taken the leadership in doing this. I don't see  
20 any reason why Pennsylvania, with our cost of  
21 living, shouldn't be doing the same. I think that  
22 may make sense for business as well.

23 And I know you mentioned the Wall  
24 Street Journal article, which I think cites,  
25 actually, the CPO report that came out yesterday,

1 while it does talk about that half a million job  
2 number, I think, as it is explained in quite depth,  
3 it actually pushes sixteen million folks out of --  
4 wages up and actually about a thirty-one-  
5 billion-dollar impact in terms of dealing with  
6 income equality in those, quote, unquote, lost jobs  
7 or some of those jobs that you talked about as not  
8 being the good jobs.

9           So, I think, you know, there is a  
10 balance that needs to be struck. And I think  
11 there's a time to do it, and I think now might be  
12 the time where we have a real hard look about  
13 getting something done.

14           One other thing. You mentioned, under  
15 the Affordable Care Act and the governor's proposal  
16 for Healthy PA, you mentioned about sustainability  
17 in term of jobs. Don't you think having the  
18 workers covered by insurance, especially, you know,  
19 some of those workers on those tough jobs that  
20 don't pay very well, getting them insured will  
21 create, frankly, a more stable force for a lot of  
22 your employers?

23           SECRETARY WALKER: I think the goal is  
24 to cover them. The issue is, what's the best way  
25 to do it.

1                   REPRESENTATIVE BRADFORD: Right. But  
2 you talked about the sustainability. I didn't know  
3 where you were going with that because you  
4 mentioned Social Security, Medicare, and a couple  
5 other things.

6                   SECRETARY WALKER: Well, I think we  
7 know that on the projection we're on right now,  
8 that, ultimately, the Social Security fund is not  
9 sustainable and the Medicare fund is not  
10 sustainable. And I think that's what we have to be  
11 very careful of at the state level, that we don't  
12 opt into a program that's not sustainable for the  
13 state of Pennsylvania.

14                  REPRESENTATIVE BRADFORD: I wouldn't  
15 want to quibble with what you're saying, but I  
16 think you're -- the idea that Social Security is  
17 not sustainable, Social Security's not sustainable  
18 because we raid the Social Security fund. It's not  
19 because we've -- Social Security's a good program.  
20 It's moved millions of American seniors out of  
21 poverty. I don't think anyone disagrees with  
22 that. Do you, Secretary?

23                  SECRETARY WALKER: No. I'm on Social  
24 Security, so I hope it last forever.

25                  REPRESENTATIVE BRADFORD: I hope, for

1 all of our sakes, it lasts forever.

2 Secretary, I appreciate your answer.  
3 Thank you so much.

4 REPRESENTATIVE PETRI: Before I  
5 recognize the next speaker, not to be totally  
6 outdone by my colleague from Beaver county, but  
7 Bucks County's own Jamie Greubel ended up with the  
8 bronze today in women's bobsled. She, like the  
9 Beaver County individual, is the pusher. And we  
10 know from basic physics that the maximum potential  
11 energy, under Newton's second law of physics,  
12 starts with the pusher.

13 So, let's hope -- let's hope that  
14 Pennsylvania ends up being the pusher of the rest  
15 of the country.

16 Representative Grove.

17 REPRESENTATIVE GROVE: Thank you.

18 Mr. Secretary, I just want to thank you  
19 for your recent visit to York College to announce  
20 their award for an entrepreneurship grant.

21 Just curious what you thought of the  
22 J.D. Brown Center for Entrepreneurship.

23 SECRETARY WALKER: Very, very  
24 impressive and a great model for other colleges.

25 REPRESENTATIVE GROVE: Did you get to



1 see the NASDAQ center while you were there?

2 SECRETARY WALKER: I saw everything  
3 there.

4 REPRESENTATIVE GROVE: It's  
5 impressive. Completely biased.

6 SECRETARY WALKER: And I also  
7 compliment you, because they have a very strong  
8 president there, very visionary leader.

9 REPRESENTATIVE GROVE: Yeah. She,  
10 hopefully, will be great. Completely biased on my  
11 part. I'm an alumni of York College. Obviously,  
12 they didn't have the NASDAQ training center stuff  
13 while I was there. But always impressive.

14 I want to hit on some local government  
15 aspects in Pennsylvania. One, the CRIZ program,  
16 which was just recently established. Your thoughts  
17 to date, and, obviously, there's been some movement  
18 to, I guess, speed up the process, and whether DCED  
19 has an opinion on whether authorizing the two new  
20 ones next -- or, I guess, this upcoming budget  
21 year, instead of waiting two years.

22 SECRETARY WALKER: I think the CRIZ  
23 program is a great program. I think the cities  
24 that are in it are going to see accelerated  
25 revitalization. I think it's up to the Budget

1 office to decide how many communities we can afford  
2 to bring in when, because it does have some impact  
3 on the budget. But it's a good enough program that  
4 I ultimately think, as it plays out, it will become  
5 the model for revitalization of core cities, moving  
6 forward.

7 REPRESENTATIVE GROVE: Since 1987,  
8 twenty-seven municipalities entered into the  
9 commonwealth's Act 47 status.

10 SECRETARY WALKER: Right.

11 REPRESENTATIVE GROVE: With only six  
12 designations being rescinded. Representative Ross  
13 has introduced House Bill 1773, to modernize and  
14 significantly enhance the law. What is your  
15 thoughts on the legislation, and will this ensure  
16 that municipalities have a path out of Act 47?

17 SECRETARY WALKER: Yes. I think the  
18 act does need to be opened. I think some changes  
19 need to be made. I hope our department will have  
20 input into the type of changes that need to be made  
21 to strengthen the act and to make it better.

22 I mean, Act 47, in itself, is a good  
23 act that protects communities from bankruptcy, but  
24 if it's tweaked a little bit, it will be even  
25 better.

1                   REPRESENTATIVE GROVE: Great.

2                   One final question. Municipal pension  
3 reform, obviously we're dealing with it at the  
4 state government level. A lot municipalities with  
5 legacy costs are the cost drivers locally.

6                   Does DCED administration have any  
7 stance on municipal pension reform, moving  
8 forward? Have you looked at legislation? Could  
9 you comment on that?

10                  SECRETARY WALKER: Well, one statistic  
11 I learned fairly early on in the job was whenever I  
12 met with the city officials at Lancaster, and  
13 they're pretty good at strategic planning and  
14 charting their future. And they said, under the  
15 current pension system in the state of  
16 Pennsylvania, not one class-three city in the state  
17 is sustainable, so there has to be pension reform.

18                  REPRESENTATIVE GROVE: I appreciate  
19 it. Look forward to working with you on that.

20                  SECRETARY WALKER: Thank you.

21                  REPRESENTATIVE GROVE: Thank you,  
22 Mr. Vice Chairman.

23                  REPRESENTATIVE PETRI: Representative  
24 Grove, you're getting enough bills, but,  
25 nonetheless, I can see you plugging for it.

1                   The next speaker will be Representative  
2 Peifer.

3                   REPRESENTATIVE PEIFER: Thank you,  
4 Mr. Chairman.

5                   Thank you, Secretary, for being here  
6 today.

7                   Mr. Secretary, I represent a portion of  
8 northeast Pike, Wayne, and Monroe Counties,  
9 beautiful areas in the northeast, a little bit  
10 under snow right now, but we need that in  
11 moderation. And this week, I attended a Pike  
12 County Economic Development banquet, where we  
13 discussed some of the pros and cons of marketing  
14 Pike County to outside businesses for growth and  
15 industries. And we talked about some of the  
16 challenges that we have, like in the competitive  
17 market that we have against, basically, New York  
18 and New Jersey, but I understand the world-wide  
19 market is out there. But, really, we are, you  
20 know, competitive against New York, New Jersey,  
21 and, again, there's pros and cons.

22                   But one of the issues was New Jersey,  
23 Stronger than the Storm. I mean, they came out and  
24 just barraged our area with the campaign. I see  
25 the ads in Harrisburg. I see them in the

1 northeast. New York, less touristy, but they have  
2 a very pro-business, pro-manufacturing ad, which,  
3 again, is very tastefully done. Some of our  
4 Appropriations staff said once you see that  
5 commercial, you want to go live in New York.  
6 There's people welding; there's people working.  
7 It's a good feeling commercial. It's done very  
8 well.

9                   And it just happens that four people  
10 looked at me across the aisle and said, Mike, you  
11 know, why are we not doing that in Pennsylvania?  
12 Why are we not, you know, promoting our energy  
13 resource? Why are we not promoting our quality  
14 schools? Why are we not promoting our low  
15 individual income tax rates so we can bring those  
16 pass-through businesses and small corporations to  
17 the Pocono region?

18                   I just want to, you now, kind of get  
19 your response to that and basically ask you if  
20 there's any money in that PA First, if there's any  
21 ad campaign such as that taking effect in the near  
22 future.

23                   SECRETARY WALKER: You know, when I  
24 first saw that New York ad, I thought they've  
25 copied our KOZ. My second reaction was the tax

1 climate is so bad in New York state that they have  
2 to do ads like that. They have to give a ten-year  
3 tax abatement to get anybody to even look at New  
4 York state.

5           And in my perspective in this job, if  
6 New York state and New Jersey are our competition,  
7 we're going to win every time, because the tax  
8 structure in those states is so bad. I'm surprised  
9 that New York would subsidize a campaign like that.  
10 I think their ad campaign is fifty million  
11 dollars. But it's targeted. And in Pennsylvania,  
12 we're trying to really target messages like you're  
13 talking about, the site-selection people and people  
14 who can really make a difference. Because, you can  
15 spend a pile of money on a TV campaign, and it's  
16 not targeted.

17           The interesting thing will be, what's  
18 their success rate going to be.

19           REPRESENTATIVE PEIFER: Right. And I  
20 think that's -- you were talking to Representative  
21 Mustio before about that this is the new  
22 Pennsylvania. We're no longer the old rust belt  
23 Pennsylvania. We're the new Pennsylvania.

24           I think we need to get that out there.  
25 But, again, it -- we don't know the outcomes. And

1 to hear you say that you're focusing on the  
2 industries which are, you know, favorable in our  
3 environment, I think that's important to us.

4           Along those lines, those ads will also  
5 promote tourism. I mean, another way of reaching  
6 people to say, Look, there's state parks in  
7 Pennsylvania. There's battlefields. There's  
8 beautiful cities. There's sports venues.

9           There's a really good, happy feeling  
10 from in that New York commercial, and maybe --  
11 again, maybe because their policies are so poor and  
12 they need to do that, but I'll tell you what, it  
13 makes people think pretty highly of New York, when  
14 you watch it.

15           SECRETARY WALKER: Well, if somebody  
16 would give me fifty million dollars to run a  
17 campaign like that, I could add an awful lot of  
18 jobs in Pennsylvania. I'm just not sure it's the  
19 best use of money.

20           But we are going to come up with a new  
21 slogan. Mine was, There's a New Energy in  
22 Pennsylvania, but nobody liked that. So, I think  
23 we're going to focus on Pennsylvania is Built to  
24 Advance, because we have an incredible  
25 infrastructure, and with our new energy, I mean,

1 we're really ready to move forward.

2                   And Pike County and Wayne County,  
3 Monroe County are beautiful counties. And they  
4 have to figure out how to, collectively, market  
5 that region.

6                   REPRESENTATIVE PEIFER: Well -- and  
7 that's some of the challenges we face. We face  
8 those challenges that we don't have the  
9 infrastructure in place. And a lot of that is  
10 local issues, I understand that. A lot of the  
11 infrastructure you're talking about, we don't  
12 have. And, you know, that's something that we have  
13 to work through.

14                   But, you know, again, competing against  
15 New York, New Jersey -- I mean, you watch that  
16 commercial and you think, wow, this is the place I  
17 want to be, this is the place where I want a raise  
18 my family, this is the place I want to grow and get  
19 a job. And I see Pennsylvania as that state. I  
20 mean, we are missing the boat here, because  
21 whatever they're promoting, I think we can promote  
22 it better. Part of that's also tourism. I know  
23 our local tourism dollars from the hotel tax go to  
24 promote tourism. And we do it on a regional  
25 basis. And we do it on more of a direct marketing



1 campaign. But, boy, I think you could put a  
2 commercial together in thirty seconds promoting  
3 Pennsylvania that would just be fantastic.

4 SECRETARY WALKER: If there were a  
5 painting done of Washington crossing the Delaware  
6 today, it would be him bringing jobs from New  
7 Jersey over into Pennsylvania, because we are  
8 really getting our share.

9 I would -- I would -- I guess, maybe  
10 the governor of Pennsylvania and Governor Christie  
11 are friends, but Governor Christie probably has  
12 reason to really dislike us because that giant  
13 sucking sound right now is Pennsylvania taking jobs  
14 out of New Jersey. We're doing very well against  
15 New Jersey, because, if you look at their tax rate,  
16 especially their property tax rate, it's just out  
17 of sight.

18 So, if that's our competition moving  
19 forward, we're going to do extremely well.

20 REPRESENTATIVE PEIFER: Well, we've got  
21 to work hard locally, too.

22 But, thank you, Mr. Secretary. Thank  
23 you.

24 REPRESENTATIVE PETRI: I'm just going  
25 to add, representing Washington Crossing, if you

1 want to deliver that painting, we'll hang it.

2 We'll hang it.

3 Representative Boback.

4 REPRESENTATIVE BOBACK: Thank you,  
5 Mr. Chair.

6 Hello, Mr. Secretary.

7 Frankly, my favorite was, Pennsylvania,  
8 America Starts Here. And I -- that's my favorite.  
9 That is my favorite.

10 Anyway, I serve on the Tourism  
11 Committee, and, of course, tourism is the second  
12 largest industry in the state. So, I will follow  
13 up to Representative Peifer.

14 When I went through your materials, I  
15 noticed, with much dismay, that we have fallen from  
16 number four to number seven in the nation over the  
17 past three years, and that's when we're celebrating  
18 Gettysburg and Gettysburg national heritage, of  
19 course, Philadelphia, et cetera.

20 Why do you think that's happening? And  
21 then, in the same question, I'm going to also  
22 mention -- and I hope my chairman gets into this,  
23 Chairman Stern -- there's legislation in the Senate  
24 that we thought, as the committee, would help  
25 rectify this.

1                   So, first, I'm going to pose the  
2 question to you, why do you think we fell like we  
3 did from number four to number seven?

4                   SECRETARY WALKER: Well, number one,  
5 the recession did hit tourism in this area pretty  
6 hard. And, I think -- here's the irony of it. We  
7 have the dollars to spend on tourism with the hotel  
8 tax. You know, they're collecting a hundred and  
9 forty-seven million dollars, and about half of that  
10 goes into tourism, tourist promotion.

11                   My concern is that it's not quite  
12 focused enough, and it really doesn't market  
13 Pennsylvania, and it doesn't say, Come here for  
14 three days or five days. And, again, I'm a very  
15 proud Pennsylvanian, born here, raised here.  
16 There's no more interesting state than  
17 Pennsylvania. We have a more interesting history  
18 than any other state. We have incredible  
19 geography. We have the Pennsylvania wilds. We  
20 have it all. But I don't think that we're really  
21 focused the way we need to be focused.

22                   Were I rewriting the legislation on the  
23 hotel tax, I would have taken a portion of that and  
24 set it aside for a state program, so it could  
25 really focus on the whole state.

1                   Now, I know Representative Stern has  
2                   some good ideas about ways to attack that, and I'm  
3                   sure you have a couple questions, but we are hoping  
4                   for a private-public partnership, which we will get  
5                   more private dollars involved, you know. The Pure  
6                   Michigan, a lot of private money involved in that.  
7                   And I think, if we can get some private money  
8                   involved from the people who will really benefit,  
9                   it will help us, because one thing about the  
10                  private sector, they know how to focus.

11                  So, I mean, we're hoping for some  
12                  really positive things, moving forward.

13                  REPRESENTATIVE BOBACK: Thank you,  
14                  Mr. Secretary.

15                  Any time left, I would give to my  
16                  chairman Stern.

17                  Thank you.

18                  Thank you, Mr. Chairman.

19                  REPRESENTATIVE PETRI: Representative  
20                  Millard.

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

23                  Secretary, welcome.

24                  My question for you is a follow up to  
25                  some of the talk on tourism. Act 55 of 2007

1 created the film production tax credit in  
2 Pennsylvania. Now has an annual cap assigned to it  
3 of sixty million dollars. The demand for these  
4 credits outweighs the availability at the current  
5 time. We know that it didn't -- the Act did not  
6 provide for a recapturing of the film credits for a  
7 prior year, and I understand there might be some  
8 money left over in this account.

9 Do you have an estimate of the amount  
10 of film tax credits that have not been recaptured  
11 at this point?

12 SECRETARY WALKER: You know, the sixty  
13 million dollars is fully subscribed almost  
14 immediately. And if the money is turned back  
15 within that year, we are able to turn around and  
16 use it again.

17 You want to know what hasn't been used  
18 from the past?

19 REPRESENTATIVE MILLARD: Right,  
20 exactly.

21 SECRETARY WALKER: Since 2007, it's  
22 twenty-two million dollars.

23 REPRESENTATIVE MILLARD: Twenty-two  
24 million.

25 Is there something legislatively or

1 anything that you would recommend that we would be  
2 able to make those dollars available? I mean if  
3 they're sitting there, they're not doing anyone any  
4 good. If we can capture those dollars and use  
5 them, then we'd get something positive.

6 SECRETARY WALKER: Yeah, we would  
7 certainly be supportive of that.

8 REPRESENTATIVE MILLARD: Okay. Thank  
9 you.

10 I will switch gears here and ask you  
11 one other thing. I notice that in the -- in your  
12 annual budget, that the Keystone Communities line  
13 item is shown as being proposed at a 4.4 percent  
14 decrease. Can you provide an update for this  
15 committee on the Pennsylvania accessible housing  
16 program that's contained within that line item? I  
17 mean, is there a waiting list? And how many might  
18 be on that waiting list?

19 SECRETARY WALKER: Yeah. It's  
20 definitely oversubscribed.

21 REPRESENTATIVE MILLARD: Do you have --  
22 does your department have a list that could be made  
23 available to this committee who is on a waiting  
24 list --

25 SECRETARY WALKER: Yes.

1                   REPRESENTATIVE MILLARD:  -- and perhaps  
2 what the wait time would be?

3                   SECRETARY WALKER:  Yes.

4                   REPRESENTATIVE MILLARD:  When you say  
5 that it's overprescribed, that's interesting to me,  
6 because the line item, itself, has been decreased.

7                   SECRETARY WALKER:  Yeah.  There are  
8 actually more applications than money to fund it.  
9 It has not been decreased.

10                  REPRESENTATIVE MILLARD:  Okay.  Because  
11 I'm showing 4.4 percent here.

12                  SECRETARY WALKER:  Oh.  There was a  
13 five-hundred-thousand-dollar grant -- one-time  
14 grant last year for a project in Centre County that  
15 is not in this year.  That's the change.

16                  REPRESENTATIVE MILLARD:  Okay.

17                  SECRETARY WALKER:  It's level funded.

18                  REPRESENTATIVE MILLARD:  Okay.  I'll  
19 look forward to that report.  Thank you.  If you  
20 share that with our chairmen.

21                  REPRESENTATIVE PETRI:  Chairman  
22 Markosek.

23                  SECRETARY WALKER:  Thank you, Mr. Vice  
24 Chairman.

25                  And, Mr. Secretary, my question about

1 promoting employment across Pennsylvania program,  
2 PEPP, I believe, is the acronym. That's a tax  
3 incentive program implemented a couple of years  
4 ago. I think there was a five million dollars --  
5 it shows anyway, from our research, that there's  
6 five million dollars this year in funding for it.  
7 And it looks like the request is five million for  
8 next year. But apparently, at least as far as we  
9 can see, it's gone unused. And I guess the  
10 question is, if we've had this program in place for  
11 several years, why has it gone unused?

12 SECRETARY WALKER: What happened is, it  
13 was legislated last year, and we are working with  
14 the Department of Revenue to develop the  
15 guidelines. The guidelines have not been posted  
16 yet, which is why it hasn't been used.

17 MINORITY CHAIRMAN MARKOSEK: Okay. So,  
18 the five million that was in for this year has not  
19 been touched.

20 SECRETARY WALKER: Apparently.

21 MINORITY CHAIRMAN MARKOSEK: And I see  
22 the ask is, if I interpret it correctly, for five  
23 million for next year. Is that the same five  
24 million, or is that an additional five million?

25 SECRETARY WALKER: Same.



1                   MINORITY CHAIRMAN MARKOSEK: So, it  
2 wouldn't be an accumulative number, then. It would  
3 just continue to be five million.

4                   So, any indication, if the Department  
5 of Revenue and your department are working together  
6 to get this going, any indication that it might be  
7 finished before the end of this fiscal year?

8                   SECRETARY WALKER: That's certainly our  
9 goal, yeah. Yes.

10                  MINORITY CHAIRMAN MARKOSEK: Well,  
11 we're already over halfway through the fiscal year,  
12 of course, and not a whole lot of fiscal year  
13 left. Would it be fair to say that it really looks  
14 like something that might be ready for the next  
15 fiscal year?

16                  SECRETARY WALKER: Oh, definitely.

17                  MINORITY CHAIRMAN MARKOSEK: Because it  
18 is five million for promoting jobs or job creation  
19 in Pennsylvania, which, of course, we are all in  
20 favor of, and it's money that's there.

21                  SECRETARY WALKER: Right.

22                  MINORITY CHAIRMAN MARKOSEK: And it  
23 should be spent if it's already there.

24                  So, I guess, my only message would be  
25 to encourage you -- now, we've already had the

1 secretary of Revenue in here, but we can also,  
2 through other means, try to encourage him, but I  
3 would also urge you, when you're speaking with  
4 him -- and I assume you talk occasionally.

5 SECRETARY WALKER: We do.

6 MINORITY CHAIRMAN MARKOSEK: That, you  
7 know, this was brought up. It's important to  
8 Pennsylvania. The money is there, and it should be  
9 spent, you know, in an expedited fashion.

10 SECRETARY WALKER: I agree.

11 MINORITY CHAIRMAN MARKOSEK: Okay.  
12 Thank you.

13 REPRESENTATIVE PETRI: We're going to  
14 go to Chairman Stern.

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

17 Secretary, welcome.

18 Been some discussion today about  
19 tourism, and I appreciate your testimony today,  
20 acknowledging tourism, number two industry in  
21 Pennsylvania, four hundred and seventy thousand  
22 jobs, and the importance it is to our economy,  
23 driving about thirty-nine billion dollars to our  
24 economy.

25 And I appreciate your comments, as

1 well, as far as the room tax and moneys that are  
2 available through that.

3           Had I had a chance to write that law,  
4 maybe it would have been rewritten in a different  
5 manner, but that was from back -- originally from  
6 '77, and I wasn't here then. Then it changed in  
7 the '90s. And, of course, then it transformed,  
8 once again, around year 2000. So, it has changed,  
9 over the years to, you know, basically create the  
10 system of tourism promotion agencies throughout the  
11 commonwealth and in one metropolitan planning area  
12 that Mr. Smith is aware of down in Philadelphia,  
13 that counts the five counties and the City of  
14 Brotherly Love.

15           And I appreciate, also, you agreeing to  
16 be supportive of using back film tax credit as  
17 well. I just so happen to have a bill that I'm  
18 going to be introducing to do that, so I was glad  
19 to hear you're supportive of that.

20           And I think the thing -- I appreciate,  
21 you know, the new moneys that the governor is  
22 proposing in the budget this year for tourism, the  
23 one million two hundred fifty thousand dollars, and  
24 I know that, you know, we're working, your  
25 department, your office, is working under Secretary

1 Newhouse's leadership under private-public  
2 partnership, you know, to promote those private-  
3 sector dollars that you mentioned.

4           And I think it's very important that  
5 that is the key component, moving forward, that we  
6 use those public -- or those private-sector dollars  
7 to contribute, to advertise for tourism. It's a  
8 win-win for business. It's a win-win for the  
9 tourism industry. And it's a win-win for the  
10 commonwealth of Pennsylvania and also for a  
11 recoupment of tax revenue. Because of our economy,  
12 our tax revenues are dependent upon that 3.2  
13 billion in the Commonwealth.

14           And so, I appreciate, you know, where  
15 you're moving with this.

16           And, you know, we've passed several  
17 pieces of legislation. We have a couple of them  
18 waiting in the Senate over there. One of them  
19 actually had a tax credit for just tourism  
20 promotion. And I still think it's the  
21 responsibility of the commonwealth to promote  
22 Pennsylvania.

23           It's one thing for, you know, the  
24 regional tourism groups to promote the Poconos, but  
25 when we have local regional promotional agencies

1 promoting or putting more money into advertising  
2 their area, not Pennsylvania, but the Poconos or  
3 Philly or Pittsburgh or Erie, I find that we're not  
4 on the same page. And I think the actual -- the  
5 public part of this partnership has to be  
6 commonwealth's investment as well.

7           And so, that's the idea that we're  
8 moving from on the Tourism Committee. And the  
9 members of my committee, along with Chairman  
10 Kirkland, have all been very supportive of this.

11           But there will be some legislation to  
12 free up those film tax credits, because I know,  
13 currently, there's more of a need than we have to  
14 give -- we know the importance of the film industry  
15 to Pennsylvania, not only in the southwest -- or  
16 southeast but also the southwest, the Pittsburgh  
17 office and the Philadelphia office. And these are  
18 all jobs in Pennsylvania.

19           I just noticed the other day,  
20 California is worried because they're losing the  
21 film industry.

22           SECRETARY WALKER: That's right.

23           REPRESENTATIVE STERN: And they're  
24 losing it to states like Pennsylvania, and  
25 rightfully so, because they've neglected it.

1                   And my whole thing isn't really a  
2 question today. I just wanted to thank you for  
3 that investment that you're adding to tourism this  
4 year, but also, as we move forward, to sometimes  
5 think outside our box and be thinking forward down  
6 the road.

7                   And so, that's what we try to do, and  
8 I've been doing this as long as you've been doing  
9 it. This is my first time, four years now, for  
10 tourism chairman, so -- but it's a very exciting  
11 industry, and I'll continue to promote it. And,  
12 please, forgive me if I'm out there advocating very  
13 loudly for tourism in Pennsylvania, because it is  
14 our second biggest industry, and I want it to grow.

15                   SECRETARY WALKER: I, personally,  
16 appreciate your expertise and your willingness to  
17 get involved. And we want to partner with you to  
18 come up with the best way to approach tourism,  
19 moving forward. It's a big industry, but it has  
20 the potential to be a much bigger industry. And I  
21 look back over what was spent in Pennsylvania for  
22 tourism ten years ago --

23                   REPRESENTATIVE STERN: Right.

24                   SECRETARY WALKER: And I'm envious,  
25 but, I guess, right now we have to deal with the

1 reality that is there. But we do have to find a  
2 better way to fund it in the future.

3 REPRESENTATIVE STERN: You could do  
4 your commercials, if you had the money that was  
5 here back in the previous budgets, couldn't you?

6 SECRETARY WALKER: Yes.

7 REPRESENTATIVE STERN: You would have a  
8 fun a commercial then, wouldn't you?

9 SECRETARY WALKER: We would.

10 REPRESENTATIVE STERN: That's what I  
11 thought.

12 Thank you, Mr. Chairman.

13 SECRETARY WALKER: Thank you.

14 REPRESENTATIVE PETRI: This committee  
15 will stand adjourned until 9:30 on February 20th,  
16 which is tomorrow, at which time we will reconvene,  
17 and we will hear from the State System of Higher  
18 Education.

19 Thank you all. Be safe.

20 (Whereupon, the hearing concluded at  
21 4:20 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.

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BRENDA J. PARDUN, RPR  
Court Reporter  
Notary Public