

1 HOUSE OF REPRESENTATIVES  
2 COMMONWEALTH OF PENNSYLVANIA

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4 DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT  
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6 House Appropriations Committee

7 Main Capitol Building  
8 Majority Caucus, Room 140  
9 Harrisburg, Pennsylvania

10 Thursday, March 2, 2017

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12 MAJORITY COMMITTEE MEMBERS PRESENT:

13 Honorable Stanley Saylor, Majority Chairman  
14 Honorable Karen Boback  
15 Honorable Jim Christiana  
16 Honorable Sheryl Delozier  
17 Honorable George Dunbar  
18 Honorable Garth Everett  
19 Honorable Keith Greiner  
20 Honorable Seth Grove  
21 Honorable Marcia Hahn  
22 Honorable Susan Helm  
23 Honorable Warren Kampf  
24 Honorable Jerry Knowles  
25 Honorable Nick Miccarelli  
Honorable Duane Milne  
Honorable Jason Ortitay  
Honorable Michael Peifer  
Honorable Jeffrey Pyle  
Honorable Brad Roae  
Honorable James Santora  
Honorable Curtis Sonney

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**Key Reporters**

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## 1 MINORITY COMMITTEE MEMBERS PRESENT:

2 Honorable Joseph Markosek, Minority Chairman  
3 Honorable Kevin Boyle  
4 Honorable Tim Briggs  
5 Honorable Donna Bullock  
6 Honorable Mary Jo Daley  
7 Honorable Madeleine Dean  
8 Honorable Maria Donatucci  
9 Honorable Marty Flynn  
10 Honorable Edward Gainey  
11 Honorable Patty Kim  
12 Honorable Stephen Kinsey  
13 Honorable Leanne Krueger-Braneky  
14 Honorable Peter Schweyer

## 15 NON-COMMITTEE MEMBERS:

16 Honorable Lynda Schlegel Culver  
17 Honorable Russ Diamond  
18 Honorable Brian Ellis  
19 Honorable Kate Harper  
20 Honorable Adam Harris  
21 Honorable David Millard  
22 Honorable Barry Jozwiak  
23 Honorable Chris Quinn  
24 Honorable Jack Rader  
25 Honorable Eric Roe  
Honorable Frank Ryan  
Honorable Tommy Sankey  
Honorable Jeff Wheeland  
Honorable Frank Burns  
Honorable Morgan Cephas  
Honorable Paul Costa  
Honorable Dom Costa  
Honorable Bob Freeman  
Honorable Bill Kortz  
Honorable Mark Longietti  
Honorable Chris Sainato

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1 STAFF MEMBERS PRESENT:

2 David Donley  
3 Majority Executive Director

4 Ritchie LaFaver  
5 Majority Deputy Executive Director

6 Miriam Fox  
7 Minority Executive Director

8 Tara Trees, Esquire  
9 Minority Chief Counsel

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DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

Dennis Davin  
Secretary

Scott Dunkelberger  
Deputy Secretary, Business Financing

Carol Kilko  
Deputy Secretary, Administration

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1 MAJORITY CHAIRMAN SAYLOR: To start off  
2 with, again, I want to remind everybody to please  
3 turn off their cell phones or put them on vibrate.  
4 And for the testifiers, if you would make sure that  
5 you speak into the mike, as close as possible due  
6 to the transcribing of the record.

7 I'll start off with introducing, we've  
8 been joined by several members who are not on our  
9 committee. We've been joined by Representative  
10 Freeman, Representative Longietti and  
11 Representative Cephas. We have also been joined by  
12 Representative Eric Roe, Representative Chris  
13 Quinn, Representative Russ Diamond, Representative  
14 Tom Sankey and Representative Ellis and  
15 Representative Millard.

16 Over there she is. I'm sorry. And Kate  
17 Harper as well, Representative Harper. Sorry,  
18 Kate.

19 At this point, if those who are going to  
20 be testifying at the hearing would rise and raise  
21 your right hand.

22 (All testifiers were sworn by the  
23 Majority Chairman).

24 MAJORITY CHAIRMAN SAYLOR: Thank you.

25 My first question for -- As we start off

1 here today, my question for you, Secretary, is, we  
2 had Secretary McNulty in here the other day, and  
3 she was really unable to answer our questions  
4 concerning the tax credits and exactly how that  
5 system is going to operate.

6           Would you mind explaining to the  
7 Appropriations Committee exactly how that process  
8 is going to work?

9           SECRETARY DAVIN: Yes. Thank you,  
10 Mr. Chairman.

11           We've actually been tasked by the  
12 Governor to look at the tax credit program, and our  
13 department, along with the Department of Revenue,  
14 Department of Budget and others, and we've been  
15 asked to look at each individual tax credit  
16 program; look at the initial legislation; look at  
17 what the legislation was initially designed to do  
18 with each of the tax credit programs within every  
19 -- all the, uh, departments, and then also look at  
20 the return to the taxpayers of Pennsylvania for  
21 those tax credits. We're in the process of doing  
22 that right now.

23           The idea then is to look at  
24 opportunities that we would have to devise a plan  
25 and a timeline to put those tax credits and the tax

1 credit programs back out in the public. Some  
2 actually -- Of the programs right now, there are  
3 applications that are out on our website, and  
4 application time frames are already set within  
5 legislation. But that's what we're working on  
6 right now with respect to these programs.

7 We welcome information. We've been  
8 getting a lot of information, a lot of requests, a  
9 lot of suggestions from some of our constituents.  
10 And, obviously, we welcome also some suggestions  
11 and thoughts and ideas from the General Assembly.

12 MAJORITY CHAIRMAN SAYLOR: The follow-up  
13 to that is, in talking about that Block Grant  
14 program is that, are you including in those tax  
15 credits the EITC program?

16 SECRETARY DAVIN: Yes, yes, yes. EITC  
17 is one of the programs that's included in there.  
18 And I believe Secretary McNulty may have submitted  
19 a list of tax credit programs to the committee  
20 previously. If she hadn't -- I believe it was  
21 within her submission. But if she hadn't, we'd be  
22 happy to do that.

23 MAJORITY CHAIRMAN SAYLOR: Okay. So  
24 it's a potential that you would reduce the EITC tax  
25 credit in the coming fiscal year if we keep it in

1 for the block grants?

2 SECRETARY DAVIN: We just don't know  
3 right now. We just don't know. We're going  
4 through that allo -- that analysis right now.

5 MAJORITY CHAIRMAN SAYLOR: All right.  
6 Thank you. Representative Markosek.

7 MINORITY CHAIRMAN MARKOSEK: Thank you,  
8 Chairman.

9 And anything you submit to the  
10 committee, if you can submit it to both Chairs and  
11 we'll distribute it --

12 SECRETARY DAVIN: Yes.

13 MINORITY CHAIRMAN MARKOSEK: -- amongst  
14 the members here.

15 It's just -- It's really just to welcome  
16 to the Secretary and the deputies who are here.  
17 We're looking forward to your testimony.

18 I believe it was yesterday the Majority  
19 Chairman had a big love fest with York countians  
20 who were testifying, and I'm happy to have an  
21 Allegheny person here in front of us. So, I worked  
22 with Dennis, the Secretary, for many years back  
23 home and did a lot of good things. So I'm glad  
24 you're in the position you are. You're doing a  
25 great job. And I will, perhaps, have a question

1 later, Mr. Chairman. But for now, I just wanted to  
2 welcome.

3 SECRETARY DAVIN: Thank you,  
4 Mr. Chairman.

5 MAJORITY CHAIRMAN SAYLOR:  
6 Representative Grove.

7 REPRESENTATIVE GROVE: Thank you,  
8 Mr. Chairman. Mr. Secretary. Good to see you this  
9 afternoon.

10 I actually just have some data requests.  
11 If you can answer it now, I'll be thoroughly  
12 impressed. Can I get a list by tax credit; the  
13 entity that was granted the tax credit; whether  
14 they're a Pennsylvania company or not; how much;  
15 and whether that original grant was transferred or  
16 sold to another corporation or entity?

17 SECRETARY DAVIN: Yes. We certainly  
18 would be able to provide that to you. I couldn't  
19 list those right now. They're in the thousands.

20 REPRESENTATIVE GROVE: I said I would be  
21 very, very impressed if you could actually do that.

22 SECRETARY DAVIN: I was hoping if I  
23 could list them, I could leave after that. But we  
24 can certainly get you that information.

25 REPRESENTATIVE GROVE: I appreciate

1 that. Thank you.

2 SECRETARY DAVIN: Yeah.

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

5 MAJORITY CHAIRMAN SAYLOR:  
6 Representative Krueger-Braneky.

7 REPRESENTATIVE KRUEGER-BRANEKY: Thank  
8 you, Mr. Chairman. Hi, folks. Thanks for joining  
9 us here today.

10 I want to talk about small businesses.  
11 Right now Pennsylvania has more than a million  
12 small businesses. They represent over 90 percent  
13 of the businesses here in Pennsylvania and almost  
14 half of the private workforce. And yet, when we  
15 look at the resources that are dedicated through  
16 the Department of Community and Economic  
17 Development, it seems to me that there is not  
18 enough dedicated to small businesses, particularly  
19 those that are headquartered right here in  
20 Pennsylvania.

21 So, can you talk a little bit -- The  
22 Pennsylvania Community Development Bank Program  
23 used to have both grants to community development  
24 financial institutions to make loans to businesses  
25 as well as technical assistance dollars. Why are

1 we no longer providing the technical support for  
2 small businesses?

3 SECRETARY DAVIN: We are, actually. And  
4 a lot of the technical support for small businesses  
5 is being provided through our Partners For Regional  
6 Economic Performance, or PREP, under our PREP line  
7 item for the last few years. A lot of those were  
8 combined under that, so the local development  
9 districts, the small business development centers  
10 and the industrial development organizations, along  
11 with the industrial resource centers, are all  
12 located -- were all located and included within  
13 that PREP line item, and they provide a lot of the  
14 resources for the small businesses that are out  
15 there right now.

16 And the good thing from that is the fact  
17 that, they're kind of our boots on the ground.  
18 They're kind of our eyes and ears out there in the  
19 community understanding what the true needs are.  
20 So they can appeal and work directly with the small  
21 businesses to provide them the assistance that they  
22 need.

23 In addition, one of the things in the  
24 Governor's proposal that he's mentioned, the budget  
25 that he's proposing, is the fact that we're looking

1 at making it much easier for small businesses, not  
2 only to start, but to -- but to succeed. And to  
3 that end, the Governor has proposed, and we're  
4 proposing, a, for want of a better term, a one-stop  
5 shop for small businesses to go to.

6 So, currently, what happens is, if you  
7 want to start a business, you have to go to a  
8 number of different departments. We have a small  
9 business assistant network that helps with that.  
10 But then there are forms and information that you  
11 need from the Department of State, from the  
12 Department of Revenue, Labor and Industry, and a  
13 variety of other places.

14 So we're working on doing, with those  
15 other departments, is having, again, a one-stop  
16 shop or one area that small businesses would go to  
17 get questions answered to start businesses. And  
18 then, we would have the opportunity to work within  
19 the different departments, so we're not just  
20 telling them small businesses to call another  
21 department or whatever.

22 REPRESENTATIVE KRUEGER-BRANEKY: Sure.  
23 We've got a tight time crunch. We've got five  
24 minutes each total with question responses. So I  
25 just want to follow up on that.

1           I understand the small business  
2           development centers exist. We've got the other  
3           entities as well. But I used to run a small  
4           business support organization and did that for  
5           eight years before I ran for office. And my  
6           experience was that, the small business development  
7           centers are great for some businesses, but they  
8           don't necessarily always reach into communities;  
9           so, in urban communities, along commercial  
10          corridors, targeting support for women-owned  
11          businesses or minority-owned businesses. The small  
12          business development centers can only serve part of  
13          the need.

14                 And so, my question, my understanding is  
15          that, at one point we were providing technical  
16          assistance funds for the lenders as well, the  
17          community development financial institutions,  
18          because you can have a business who goes in to  
19          receive a grant, or to receive a loan or to go  
20          after access for capital, but sometimes,  
21          particularly a new business owner, needs some hand  
22          holding --

23                         SECRETARY DAVIN: Right.

24                         REPRESENTATIVE KRUEGER-BRANEKY: -- and  
25          they support. Why aren't we investing in that

1 anymore?

2           SECRETARY DAVIN: I think some of  
3 this -- maybe not the small business development  
4 centers, but some of the other organizations can  
5 certainly do that, and we can look at that. We're  
6 working right now --

7           The Governor has developed an executive  
8 order previously, one of his first executive  
9 orders, on diversity and looking at all of our  
10 programs, all our tax credit programs, all of our  
11 loans, all of our grants, and providing those  
12 loans, grants and tax credits in a way that  
13 provides the maximum benefit to diverse  
14 organizations, also. So, we're working on that  
15 right now.

16           We're actually -- Deputy Secretary  
17 Dunkelberger, myself and other members of the staff  
18 are looking at opportunities to provide necessary  
19 funding to these organizations, like you mentioned;  
20 some of the really small organizations. You're  
21 right. I mean, a lot of the programs, because of  
22 the cuts in program development and the cuts in  
23 programs, and not only on the state level, but on  
24 the federal level too --

25           REPRESENTATIVE KRUEGER-BRANEKY: Right.

1           SECRETARY DARVIN:  -- in terms of  
2 technical assistance, that's one of the things we  
3 hear all the time.

4           REPRESENTATIVE KRUEGER-BRANEKY:  And I  
5 don't want to cut you off.  I know some of those  
6 cuts started in the last Administration, but  
7 they've continued, and I think investing in that  
8 technical assistance piece is really crucial.

9           I would love to see a breakdown--you  
10 don't need to give it to me now--but of the  
11 resources that we put into business development,  
12 economic development in Pennsylvania; what  
13 percentage goes to small businesses and what  
14 percentage goes to Pennsylvania-based businesses.

15           SECRETARY DAVIN:  Sure.

16           REPRESENTATIVE KRUEGER-BRANEKY:  I would  
17 love it if you could follow up with that.

18           SECRETARY DAVIN:  We can get that for  
19 you.

20           REPRESENTATIVE KRUEGER-BRANEKY:  Thank  
21 you.

22           Thank you, Mr. Chairman.

23           MAJORITY CHAIRMAN SAYLOR:  You're  
24 welcome.  I wanted to also announce we've been  
25 joined by Representative Rader.

1           With that, we'll go to Representative  
2 Helm.

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

5           Having been an employer for many years  
6 before this job, I'd just like to continue talking  
7 about jobs. Under the Governor's "Jobs That Pay"  
8 theme, DCED will create a new apprenticeship grant  
9 program to businesses that employ apprentices from  
10 revenue recovered by DCED from companies that fail  
11 to live up to previous commitments made when they  
12 receive state assistance.

13           How does the apprenticeship grant  
14 program work, and will there be a guarantee that  
15 funding can be called back and available to make  
16 these grants to employers?

17           SECRETARY DAVIN: Let me take your last  
18 question first. There's never a guarantee. The  
19 hope is that all the employers that make  
20 commitments to create jobs and retain jobs in the  
21 state that we work with will create and retain  
22 those jobs.

23           The bottom line is that sometimes they  
24 don't and for a variety of different reasons.  
25 Sometimes it's based upon what the company does and

1 where they are, and sometimes it's just based upon  
2 the economy and where the economy is. So we can't  
3 -- That can't be guaranteed.

4 Right now we have funding available from  
5 clawbacks. We call these clawbacks from companies  
6 that did not create and retain the jobs that they  
7 committed to create and retaining. What we have  
8 proposed is to develop a program working with the  
9 Department of Labor and Industry, but also the  
10 federal Department of Labor, that has an  
11 apprenticeship program, so we are putting together  
12 a competitive program.

13 The first year it will be funded most  
14 likely at about the 4-million-dollar range -- a  
15 three to 4-million-dollar range based upon the  
16 clawbacks we're going to get back this year, and  
17 that's what we anticipate receiving this year. And  
18 we would provide grants to those manufacturers to  
19 place apprenticeships within the manufacturing  
20 organizations.

21 It will be a competitive program, and  
22 we'll work with those. And we'll work with, as I  
23 mentioned previously, a lot of our partners on the  
24 ground: The Partners For the Regional Economic  
25 Performance, small business development centers,

1 industrial resource centers and others. And we  
2 very --

3 We've talked to a few people about this  
4 particular program in terms of the manufacturers  
5 that we visited over the course of the last year,  
6 and they're very excited about this. They think  
7 that this is something that's absolutely necessary  
8 to get people in manufacturing organizations and  
9 manufacturing operations.

10 REPRESENTATIVE HELM: I also have  
11 another question. The Governor proposes the  
12 transfer of the \$1.8 million Industry Partnership  
13 program to DCED from the Department of Labor and  
14 Industry in order to consolidate job training  
15 programs. And will this relocation of the program  
16 to DCED change the scope of the Industry  
17 Partnership program, and how will DCED coordinate  
18 the program with WEDnetPA's Guaranteed Free  
19 Training program?

20 SECRETARY DAVIN: That's a great  
21 question. And we think -- It's something that  
22 Secretary Manderino and I have talked about for a  
23 little over a year; that the Industry Partnership  
24 program most likely belongs in our department  
25 because we are very much in tune with -- because of

1 our partners and what we do on a daily basis, we're  
2 very much in tune with manufacturers and with  
3 organizations, and believe that, through our  
4 partnerships and others, that we're probably --  
5 it's probably best that the program belongs within  
6 our department.

7 We think that -- And not to say that the  
8 program wasn't run correctly or was run correctly,  
9 but we think that we can do a great, great job  
10 running the program working directly with these  
11 manufacturers and with -- with organizations.

12 REPRESENTATIVE HELM: All right. Thank  
13 you very much.

14 SECRETARY DAVIN: Thank you.

15 MAJORITY CHAIRMAN SAYLOR:  
16 Representative Gainey.

17 REPRESENTATIVE GAINEY: Good afternoon,  
18 Mr. Davin. Over this way. How are you? Always  
19 good to see Allegheny County; always good to see  
20 you. I just have a couple questions.

21 One is, SCI-Pittsburgh, would you be  
22 working with the local authorities, meaning, the  
23 mayor, county exec, as well as Representative  
24 Wheatley. I know that's his district. Would you  
25 be working with them to talk about what will happen

1 to the SCI-Pittsburgh facilities?

2 And secondly, I have a couple questions.  
3 I know you've been a major component on helping to  
4 eliminate blight. Can you talk about how blight  
5 has hindered local communities as well as  
6 throughout this Commonwealth? And can you tell me  
7 the importance, because I know you served in this  
8 position, of redevelopment authorities and their  
9 ability to remove blight from local communities; as  
10 well as, can you talk about from an MBE, WBE  
11 standpoint, particularly when it comes to  
12 African-American business from last year to this  
13 year, how much have we increased the state's -- the  
14 state's contracts with minority business?

15 SECRETARY DAVIN: Thank you,  
16 Representative. Those are all great questions.

17 First of all, the State Correctional  
18 Institute of Pittsburgh, we're working very closely  
19 with them to that end. Deputy Secretary  
20 Dunkelberger and I have a meeting, I think it's  
21 next Friday, with the mayor, the county executive,  
22 Senator Fontana, Representative Wheatley to talk  
23 about next steps.

24 We've been working very closely with the  
25 Department of General Services and Secretary Topper

1 regarding that, and we think that they're doing a  
2 great job of trying to move the process along, but  
3 in a very, you know, sensitive way since there are  
4 gonna be a number of people that are going to be  
5 relocated in terms of their job and also the  
6 inmates at the facility.

7 But, we want to be able to be ready to  
8 transfer the property for the appropriate use, and  
9 there are a lot of good ideas on what that  
10 appropriate use would be. But, our point of going  
11 next week is to talk directly with local elected  
12 officials to talk about the timing and next steps  
13 and when we can do -- or what we can do with that.

14 With respect to blight, that is one of  
15 the critical issues that we're seeing around, not  
16 only from my background but from around the state.  
17 Blight is -- You know, one of the things that we'll  
18 talk about a little bit more, because I'm sure it  
19 will come up, is the ability to market Pennsylvania  
20 in a much better way, and the ability to attract  
21 people, and especially young people in the  
22 communities within Pennsylvania, and blight gets in  
23 the way and opportunities. We need to be practical  
24 about that and working with communities to do that.

25 Working with the federal government, the

1 Community Development Block Grant program, the home  
2 program, and a variety of others, we get probably  
3 75 to \$80 million per year under those programs to  
4 distribute to communities, specifically to  
5 eradicate blight. It is absolutely critical we  
6 need to keep doing that and be aggressive about  
7 that.

8 In terms of redevelopment authorities--I  
9 ran a redevelopment authority--absolutely critical  
10 for redevelopment authorities to continue to do  
11 what they need to do, in particular, with some of  
12 the things that are happening in Pennsylvania. We  
13 have an abundance of low-cost energy in shale gas  
14 that can be utilized for a variety of different  
15 companies and businesses; not only that want to  
16 expand in Pennsylvania, but that want to come to  
17 Pennsylvania, and these redevelopment authorities  
18 are critical. And they're our -- kind of our boots  
19 on the ground for us to be able to fund and help  
20 them to prepare sites for development, and what  
21 they do is very important.

22 In terms of the -- our diversity  
23 initiatives, and I think -- I give a lot of credit  
24 to Deputy Secretary Kilko for some of the things  
25 that we've done in our department to really advance

1 our diversity initiatives. We started a diversity  
2 committee last year within our department and to  
3 look at a variety of ways to include diversity in  
4 our program development and keeping with the  
5 Governor's executive order, and then also looking  
6 at diversity within our department and promoting  
7 that.

8 One of the things that you'll probably  
9 see over the course of the next couple of months is  
10 us tweaking some of the programs -- existing  
11 programs that we have right now to be able to  
12 utilize those programs for minority women, veteran,  
13 diverse businesses and opportunities. So we're  
14 really trying to put a lot of attention to that and  
15 aggressively.

16 Thank you.

17 REPRESENTATIVE GAINEY: Do we have any  
18 -- Do we have any data that suggests here's where  
19 we were last year and here's where we are this year  
20 in terms of the percentage of contracts that's  
21 going to minority businesses?

22 SECRETARY DAVIN: We do. I think for  
23 our department we probably have that information.  
24 If we do, I'll certainly get to that to the  
25 Chairman.

1           REPRESENTATIVE GAINEY: I appreciate it.  
2 Thank you. And again, thank you, Devin (sic).

3           MAJORITY CHAIRMAN SAYLOR:  
4 Representative Ortitay.

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

7           Good afternoon. Good to see another  
8 Allegheny County guy. I figure I'd join in on the  
9 love fest with the rest of my colleagues here.

10          SECRETARY DAVIN: Thank you. I'm not  
11 sure it was as good as yesterday, but --

12          REPRESENTATIVE ORTITAY: I have a couple  
13 different questions. Can you describe a little bit  
14 what the international business development office  
15 does and what countries we're currently in? Are we  
16 looking to expand or are we looking to contract  
17 there?

18          SECRETARY DAVIN: So we have -- And I've  
19 known this just from my previous role, too. We  
20 have -- I had thought it was one of the best, but I  
21 can pretty much state, it is the best international  
22 business development program, bar none in the  
23 country right now. It's a very aggressive group of  
24 folks, great professionals.

25          We have offices in -- We have actually

1 21 different offices right now, both for investment  
2 and for trade throughout the world and constantly  
3 looking to make sure that the offices are in the  
4 right places. So, to that end, looking at  
5 opportunities in certain places that provide the  
6 state of Pennsylvania an opportunity to either  
7 export some of our materials from our businesses,  
8 or also to bring in foreign direct investment, and  
9 they do a great job.

10 They look at developing a number of  
11 trade missions, and work with trade missions.  
12 There are nine scheduled for this year. Those  
13 trade missions are to bring any business within  
14 Pennsylvania that wants to go to a certain place,  
15 whether it's India or China or South America or  
16 Europe; any particular business that wants to go to  
17 those areas, to be able to give them the  
18 opportunity to go to those areas.

19 The other thing that we do, which is  
20 great, and the Governor participated in this late  
21 last year, was bringing the world to PA. We bring  
22 all of those resources and all of those  
23 representatives into Harrisburg, and we have  
24 meetings in Harrisburg, and then we take them all  
25 around the state so they can sit down directly one

1 on one with businesses. And if a business is  
2 interested in doing business in Taiwan, these reps  
3 can sit across the table from them and find out  
4 what the issues are in Taiwan, and the reps can  
5 give them good ideas on how they can provide  
6 business in Taiwan, just as an example. They do a  
7 tremendous job. Joe Burke is here, our Deputy  
8 Secretary, and I can't say enough good things about  
9 he and his stuff and what they do.

10 REPRESENTATIVE ORTITAY: All right.  
11 Thank you for that.

12 In trying to pivot off of that, a few  
13 months ago, Braskem America, Philadelphia-based  
14 subsidiary of Brazilian petrochemical plant company  
15 sought to put a second plant in the United States.  
16 It already has one in Marcus Hook in Delaware  
17 County, but the company ultimately chose to take  
18 its half-a-billion-dollar investment to Texas  
19 because Pennsylvania wasn't equipped with the  
20 infrastructure. In my estimation, this was a huge  
21 loss for us, in part, due to DEP's inability to  
22 process permits in a timely fashion for the Mariner  
23 East Two project.

24 Now, flash forward to February, not even  
25 a month ago, DEP finally approved the permits for

1 Sunoco East needed to build out Mariner East Two.  
2 The company wants to attract a big petrochemical  
3 manufacturer, but at least one of those ships  
4 already sailed while DEP delayed. From what I've  
5 read so far, these permitting delays stalled  
6 manufacturer interest.

7 Did DCED play a role in any of this,  
8 with the major capital investment; bringing it to  
9 the southeastern part of the state?

10 SECRETARY DAVIN: Probably, I can say.

11 So, we work with a number of different  
12 companies that are looking for opportunities all  
13 throughout Pennsylvania in not only Marcus Hook,  
14 but in the Philadelphia area and also in the west  
15 and other areas.

16 I think part of what we've done, as  
17 you've seen in our last year's budget, we've worked  
18 -- and through the legislature, we appreciate the  
19 fact that you allowed us to transfer \$75 million  
20 from other funding sources to Business in Our  
21 Sites.

22 The biggest critical issue that we have  
23 in Pennsylvania right now is, we do not -- And you  
24 mentioned that, Representative. We don't have  
25 enough prepared sites for development, and there

1 are tremendous opportunities that are coming down  
2 the pike.

3 I think, you know, we -- To that end,  
4 we've commissioned, along with Team Pennsylvania  
5 Foundation, a study to look at the follow-on  
6 opportunities to Royal Dutch Shell's decision to  
7 build a cracker plant in Beaver County. And we  
8 think there are great opportunities around that, to  
9 build out that industry, but they're not gonna be  
10 there if we don't prepare sites for development; if  
11 we don't do what we need to do.

12 Deputy Secretary Dunkelberger and some  
13 others and I are going into the southwestern  
14 Pennsylvania, and also other parts of western  
15 Pennsylvania, to talk about that specifically with  
16 economic development organizations to make sure  
17 that they know we have the resources to help them  
18 provide those opportunities. I think, you know,  
19 there's a potential -- There's a cracker plant  
20 being built right now in Beaver County. There's a  
21 potential in west Virginia and also a potential in  
22 Ohio.

23 REPRESENTATIVE ORTITAY: I know one big  
24 one usually begets three or four --

25 SECRETARY DAVIN: Yes.

1                   REPRESENTATIVE ORTITAY:  -- other  
2 smaller ones.  And I just wanted to make sure -- or  
3 I just wanted to see if you guys would be active  
4 in --

5                   SECRETARY DAVIN:  Absolutely.

6                   REPRESENTATIVE ORTITAY:  Okay.

7                   Thank you, Mr. Chairman.  Thank you, Mr.  
8 Secretary.

9                   MAJORITY CHAIRMAN SAYLOR:  Mr.  
10 Secretary, I took notice you do move around the  
11 state you were talking about.  Just don't forget  
12 York County.

13                   SECRETARY DAVIN:  I always think about  
14 York County, right.

15                   MAJORITY CHAIRMAN SAYLOR:  I don't think  
16 the Governor would be happy with that.

17                   SECRETARY DAVIN:  No, he would not.  
18 Thanks for reminding me of that, right.

19                   MAJORITY CHAIRMAN SAYLOR:  Just kidding.  
20 Representative Kinsey.

21                   REPRESENTATIVE KINSEY:  Thank you, Mr.  
22 Chairman.  Good afternoon, Mr. Secretary, Deputy  
23 Secretaries.

24                   Yesterday during a hearing with a board  
25 member from PUC, I had asked about the growth of

1 solar energy, and particularly about it, it  
2 expanding to urban communities that normally don't  
3 have that type of energy there within the city  
4 limits.

5 I guess my question is -- And I have a  
6 few questions. But the first question is, how  
7 important is energy to our economy? And then, if  
8 you can talk about, has there been any investment  
9 in the use of solar energy?

10 SECRETARY DAVIN: Sure. In terms of how  
11 important energy is to our economy, it's critical  
12 to our economy, and I say that in a good way  
13 because, Pennsylvania is well-poised to be a leader  
14 in energy. We think we're a leader in energy right  
15 now in terms of what we have available.

16 I go -- I go throughout not only  
17 Pennsylvania, but we go on a number of different --  
18 meet with a number of different organizations.  
19 And, primarily, these organizations are site  
20 selectors that we work with in New York, in  
21 Houston, Dallas, Chicago; a variety of different  
22 areas, and the idea is that we go there and we sell  
23 Pennsylvania. And the one thing that gets them to  
24 perk their ears and really gets their attention is  
25 the fact that we can say, we have a low-cost energy

1 source in Marcellus Shale gas.

2 And to that end, we've commissioned and  
3 developed a program called the PIPE program which  
4 helps to bring natural gas to industrial centers,  
5 business centers and a variety of different  
6 manufacturers, and we're utilizing that right now.  
7 We actually made our first two allocations of that  
8 particular program.

9 REPRESENTATIVE KINSEY: Very good.

10 SECRETARY DAVIN: So, absolute -- Energy  
11 is absolutely critical, and we have a lot of  
12 opportunities with energy here in Pennsylvania.

13 In terms of the solar program, if you  
14 wouldn't mind, I'd like to turn that over to Deputy  
15 Secretary Dunkelberger. As the executive director  
16 of the Commonwealth Financing Authority, we have a  
17 solar program.

18 REPRESENTATIVE KINSEY: Okay.

19 DEPUTY SECRETARY DUNKELBERGER: The  
20 Commonwealth Financing Authority, in the end of  
21 last year, approved some program guideline changes  
22 that would allow us to deploy \$30 million for  
23 solar, for commercial-scale solar; not residential  
24 solar.

25 The product that we have right now are

1 in loans that are with a long pay-back period up to  
2 22 years, with the idea that we hope that will  
3 entice companies to undertake solar. So, we're  
4 just a few months into that. We're going to give  
5 that a try and, hopefully, we'll be able to deploy  
6 the money for more solar.

7 REPRESENTATIVE KINSEY: Great. Thank  
8 you very much for that. I have two quick questions  
9 I want to try to jump in. I know I think I have  
10 less than two minutes left, so I'll be very quick.

11 The first question is: How does DCED  
12 interconnect with local workforce development  
13 agencies? I ask that question because, just over  
14 the past year, I have an urban center a half block  
15 from my office. We interface with that urban  
16 center, and I believe that their dollars are  
17 connected with DHS, if I'm not mistaken. But, how  
18 does DCED interact with that?

19 And the second question is: I represent  
20 an area called Historic Germantown. Some folks  
21 might know it simply because of the Battle of  
22 Germantown. Yeah, it's not York, but it's  
23 Germantown. But, you know, the Battle of 1776 took  
24 place right down the street from where my office is  
25 located.

1           So the other question is: How does DCED  
2           tourism office coordinate with the local  
3           organizations? You know, we talk about trying to  
4           get -- to drum up, you know, support for all the  
5           historic portions of Germantown. Maybe I need to  
6           look in another direction. So, if you can help  
7           guide me with that.

8           SECRETARY DAVIN: Sure. Absolutely.  
9           I'll be quick.

10           But in terms of the workforce agencies,  
11           we work very closely with them, because a lot of  
12           times our Governor's Action Team will provide  
13           opportunities for funding for companies that are  
14           expanding or companies that are coming to  
15           Pennsylvania, and some of that assistance is in the  
16           form of workforce funding, so we work very closely  
17           with them. Because one of the things that  
18           companies look for when they're looking at those  
19           opportunities is, they want to make sure that they  
20           have a properly-trained workforce --

21           REPRESENTATIVE KINSEY: Right.

22           SECRETARY DAVIN: -- before they make  
23           the decision to go there. And that's probably the  
24           first thing that they look at when they're looking  
25           at opportunities to go different places.

1           In terms of tourism, absolutely, and our  
2 Deputy Secretary of Tourism, Carrie Fischer Lepore,  
3 does a great job, her and her staff. Michael  
4 Chapaloney do a great job working with all the  
5 local tourism agencies to make sure that they have  
6 opportunities and to make sure that their voices  
7 are heard in terms of what we're doing.

8           You know, you look at our particular  
9 budget, most everything is level-funded, except for  
10 what we're proposing in marketing to attract  
11 tourists. I think we're doing that because we need  
12 to get out there and tell Pennsylvania's story.  
13 People need to know about Germantown. They need to  
14 know that those places are -- those opportunities  
15 exist in Pennsylvania.

16           REPRESENTATIVE KINSEY: Great.  
17 Secretary Davin, my time is almost up. In closing,  
18 I'd like to welcome members from DCED to -- I know  
19 you've been in the northwest section of  
20 Philadelphia before, but I'd love to have you come  
21 back there and we do --

22           SECRETARY DAVIN: Sure.

23           REPRESENTATIVE KINSEY: -- a specific  
24 tour of the historic portions of Germantown.

25           SECRETARY DAVIN: Absolutely.

1 REPRESENTATIVE KINSEY: Thank you.

2 MAJORITY CHAIRMAN SAYLOR:

3 Representative Santora.

4 REPRESENTATIVE SANTORA: Thank you.

5 Mr. Secretary, the Governor's proposal  
6 on page A1-16 states that the amount of the tax  
7 credits will be reduced by a hundred million  
8 dollars, and it will convert, I would guess, the  
9 remaining 290 million into a block grant program.  
10 Is that your perception of it?

11 SECRETARY DAVIN: Yes, it's a perception  
12 of it. It's interesting because, when you look at  
13 the programs right now, there are forward  
14 commitments that have already been made, through  
15 our Film Tax Credit Program and through our  
16 Neighbor (sic) Assistance Program. There are other  
17 tax credits that are actually forward-funded.

18 So, in the first year, a couple of  
19 years, it may be actually more than a hundred  
20 million dollars. It would need to be reduced in  
21 order to hit with the Governor trying to --

22 REPRESENTATIVE SANTORA: Caps need to be  
23 reduced by more than a hundred million. I agree  
24 with that assessment.

25 SECRETARY DAVIN: And I think what's --

1 what we're looking at, again, is to look at each  
2 individual tax credit program and, again, look at  
3 the enabling legislation, how it was set up, what  
4 the original intent of it was, and then what is  
5 giving Pennsylvania the best rate of return, the  
6 Pennsylvania taxpayers.

7 REPRESENTATIVE SANTORA: Again, I  
8 apologize. I've got five minutes. I'm going to  
9 cut you off when I have to.

10 Secretary McNulty, her exact statement  
11 is, it might a little confusing if it's referred to  
12 as a block grant program. The objective is to save  
13 a hundred million dollars. It's not about making a  
14 block grant. There's confusion in this. We need  
15 answers on that. I don't know if you can deal with  
16 the other secretaries or not, but please, get us a  
17 clear and concise answer on what the intention of  
18 the Governor is on this program.

19 The program that I see that's gonna get  
20 hit the hardest is the EITC and OSTC. They're the  
21 ones where you realize that income in that year. I  
22 got to tell you, it's going to hurt our nonpublic  
23 schools and it's going to hurt our public schools.  
24 BLOCS in Philadelphia brought this up with the  
25 Revenue Secretary. Their average grant -- or their

1 average scholarship is \$1800.

2 If we cut that program itself -- Now it  
3 sounds like we'd actually have to cut that program  
4 more than 25 percent in order to be successful in  
5 that hundred million dollars in savings, what you  
6 realize is 23,000 families could be affected if  
7 that average of 1800 is correct across the  
8 Commonwealth.

9 If those families can't afford to send  
10 their children to a nonpublic school, they're going  
11 to land in a public school, which means there's  
12 going to be a negative economic impact at the local  
13 municipal level or at the local school board level  
14 right on up to the state for contributions, so it's  
15 something we need to look at clearly.

16 The last time this was done -- And I'm  
17 glad that you talked about the fact that the caps  
18 would have to go even higher than the hundred  
19 million because, in 2009 when they did it, I  
20 believe they only realized 39 million in savings.  
21 So, it sounds like it's gonna have to significantly  
22 go over that hundred million in caps unless we  
23 focus again on EITC and OSTC.

24 Any thoughts on that?

25 SECRETARY DAVIN: Yes.

1           First of all, you asked me the  
2 Governor's intent. The Governor's intent is to  
3 save \$100 million per year within the tax credit  
4 programs. That's the Governor's intent.

5           Our job is to look at each individual  
6 program; not just the EITC or OSTC; every single  
7 tax credit program. And again, I believe Secretary  
8 McNulty may have given you a list, but we can  
9 certainly provide that list.

10           REPRESENTATIVE SANTORA: I have the  
11 list.

12           SECRETARY DAVIN: Okay, you have the  
13 list. So the idea is to do that, and the idea is  
14 to save \$100 million. We're currently doing that  
15 right now. Our staff is doing that with staffs of  
16 other departments.

17           REPRESENTATIVE SANTORA: Okay. Do you  
18 see a major impact on EITC and OSTC?

19           SECRETARY DAVIN: I can't answer that  
20 question. I just don't know right now. We don't  
21 -- We don't -- We're going through that analysis  
22 right now.

23           REPRESENTATIVE SANTORA: Okay. Thank  
24 you.

25           SECRETARY DAVIN: Yes. Thank you.

1 MAJORITY CHAIRMAN SAYLOR:

2 Representative Kim.

3 REPRESENTATIVE KIM: Yes. Good  
4 afternoon, Secretary.

5 SECRETARY DAVIN: Hi, representative.

6 REPRESENTATIVE KIM: I was happy to see  
7 that the Governor is investing more in Early  
8 Intervention. I think it's a hundred million  
9 dollars towards that program. But I think we need  
10 to do more in terms of Act 47, the reform; how the  
11 City of Harrisburg, which will be exiting Act 47  
12 next year, so this is a critical issue for me as  
13 the city's representative. The irony is that the  
14 tools and flexibility Act 47 gives the municipality  
15 and when the municipality exits the program.

16 Many people don't realize that the  
17 Commonwealth sets strict limits on how a  
18 municipality raises its revenue. If Harrisburg has  
19 to go back under those limits, it looks like the  
20 city budget will go back into the red.

21 A Pennsylvania Economy League analysis  
22 that municipal revenue from 1970 to 2003 shows that  
23 fiscal distress is not just likely but often  
24 inevitable under existing state laws that govern  
25 municipalities. This situation makes little sense.

1           The one-size-fits-all legislation that  
2 gives limitations for municipalities, Act 511, was  
3 written back in 1965. It's time for an update.  
4 And I hope to work on legislation that will return  
5 the power to make decisions about how  
6 municipalities raise revenue back to the people  
7 that live there; in other words, restore local  
8 control.

9           Secretary, what are your thoughts on  
10 giving municipalities in distress more tools in  
11 their toolbox so that they can thrive on their own  
12 instead of depending on the state for direction?

13           SECRETARY DAVIN: Thank you,  
14 Representative. This is something that I didn't  
15 know enough about when I came to this position.  
16 But, it was kind of trial by fire in terms of  
17 learning what some of these communities and cities  
18 and municipalities are going through with Act 47  
19 and with being in distress status. I think it is a  
20 very tough thing, and it's a tough road for them to  
21 go through.

22           And, to that end, though, some have done  
23 it. Clairton has done it. Nanticoke has done it  
24 in the past year, and then, also, Plymouth Township  
25 has actually exited Act 47. The fear is always

1       them going back into Act 47 or the opportunity  
2       because they can't get their things together.

3                You said tools in the toolbox. One of  
4       the things that we are focused on with our  
5       department is, we've looked at, from day 1,  
6       combining community and economic development in  
7       ways that really haven't been done before, in terms  
8       of looking at opportunities and not just making a  
9       community development grant for this particular  
10      community and ignoring business development  
11      opportunities, but looking at them combined, so we  
12      make impactful investments in these communities. I  
13      think that's the one thing that we think can work  
14      to help strengthen communities.

15              But, with Act 47 communities, we put  
16      them on a different level, and especially  
17      communities that are coming out of Act 47.  
18      Clairton is a good example and Nanticoke is a good  
19      example. We've been to both places a number of  
20      times with our staff in order to work with the  
21      local officials on specific impact, projects and  
22      opportunities that they have there. Both community  
23      development projects and economic development  
24      projects, to put a lot more effort into them.

25              Our staff, we're out on the road all the

1 time. And the reason we're there is to try to find  
2 out what the needs are. But we recognize these  
3 distressed communities need a little bit more  
4 attention, and we're trying to provide that  
5 attention to them as much as we can.

6 So, we believe that we have a lot of the  
7 tools in our toolbox right now. Certainly, we  
8 would always like to have more but working within  
9 the parameters of a budget. But these Act 47  
10 communities, we're trying to put a little bit more  
11 attention to.

12 REPRESENTATIVE KIM: I appreciate that.  
13 And I enjoy getting to know you and your staff  
14 members as you visited a lot of my businesses in my  
15 district. And I appreciate the work that you're  
16 doing. Thank you.

17 SECRETARY DAVIN: Thank you.

18 MAJORITY CHAIRMAN SAYLOR:  
19 Representative Christiana.

20 REPRESENTATIVE CHRISTIANA: Thank you,  
21 Mr. Chairman. Good afternoon, Secretary.

22 I just want to clarify something that  
23 you had talked about with my colleague from -- the  
24 gentleman from Washington County. When talking  
25 about the lost Braskem opportunity, the

1 500-million-dollar investment, I just wanna  
2 clarify. They had a viable site. The Marcus Hook  
3 site is a prepared site. And the reason we lost  
4 that 500-million-dollar opportunity is not that the  
5 site was ill-prepared. It was the DEP permitting  
6 problem. So I just would like to clarify that;  
7 that we didn't lose that opportunity because of not  
8 having a prepared site.

9 I would like to ask a question about the  
10 Tax Credit Block program. I can understand why the  
11 Governor would like the full discretion on how to  
12 allocate and prioritize the distribution of tax  
13 credits. But what reassurances will the  
14 legislature have?

15 After hearing the secretaries thus far  
16 and even your testimony to the gentleman from  
17 Delaware County today, I don't have anymore  
18 reassurances that these decisions, this discretion  
19 will be used in a responsible manner to protect the  
20 high priority tax credits.

21 Do you have any additional reassurances  
22 of how this discretion will be used?

23 SECRETARY DAVIN: Well, it will be -- it  
24 will be done in the highest priority, and we're  
25 going through that right now. We're looking --

1 We're looking at opportunities right now, and --

2 REPRESENTATIVE CHRISTIANA: But you  
3 can't -- You can't define what high priority is  
4 today, correct? You're in the middle of that  
5 analysis, correct?

6 SECRETARY DAVIN: We're looking at the  
7 -- We're in the middle of the analysis, yes.

8 REPRESENTATIVE CHRISTIANA: Okay. Thank  
9 you.

10 I'd like to shift to page 31 of your  
11 summary. Under your Department's operating budget,  
12 typically, an operating budget are used for  
13 personnel and operating costs, but you have a  
14 3.25-million-dollar allocation for grants, which I  
15 would say is unique to the Department in many ways.  
16 What will these grants pay for?

17 SECRETARY DAVIN: Can you be more  
18 specific? I don't have the --

19 REPRESENTATIVE CHRISTIANA:  
20 \$3.25 million in your GGO are gonna be used for  
21 grants.

22 SECRETARY DAVIN: Within the GGO line  
23 item?

24 REPRESENTATIVE CHRISTIANA: Yes, sir.

25 SECRETARY DAVIN: I would have to get

1 back to you with that.

2 REPRESENTATIVE CHRISTIANA: That's fine.  
3 If you can get back to me, can you also get back to  
4 me with the application -- where the application is  
5 located for that grant program?

6 SECRETARY DAVIN: Yes, absolutely.

7 REPRESENTATIVE CHRISTIANA: As well as  
8 the application deadline, and any criteria that the  
9 Department will use for giving those grants, that  
10 would be helpful as well.

11 SECRETARY DAVIN: Yes.

12 REPRESENTATIVE CHRISTIANA: That would  
13 be helpful as well.

14 I would like, since I still have some  
15 time to go back to the Tax Credit Block Grant  
16 program. Did you say that the Neighborhood  
17 Assistance Program in their \$18 million allocation  
18 will be funded regardless?

19 SECRETARY DAVIN: No, I didn't say that.

20 REPRESENTATIVE CHRISTIANA: I thought  
21 you said there was a reassurance that is forward --  
22 forward-approved, correct, as opposed to  
23 retroactive.

24 SECRETARY DAVIN: I didn't say the  
25 Neighborhood Assistance Program was gonna be, you

1 know, in your words. I didn't say it that way.  
2 What I said was, there were forward commitments of  
3 some of the funds within the Neighborhood  
4 Assistance Program, and forward commitments to some  
5 of the funds within the Film Tax Credit Program.

6 REPRESENTATIVE CHRISTIANA: Okay. So  
7 there's forward commitments that are already made  
8 that will be funded in the next fiscal year  
9 regardless?

10 SECRETARY DAVIN: Some of the funding,  
11 yes.

12 REPRESENTATIVE CHRISTIANA: Okay. Do  
13 you have -- You don't have any idea of how much of  
14 the 18 million?

15 SECRETARY DAVIN: We can get that  
16 information to you.

17 REPRESENTATIVE CHRISTIANA: All right.  
18 Thank you.

19 Mr. Chairman, I thank you for the time  
20 and, gentlemen, and gentlelady, thank you for being  
21 here.

22 MAJORITY CHAIRMAN SAYLOR:  
23 Representative Bullock.

24 REPRESENTATIVE BULLOCK: Thank you,  
25 Chairman. Good afternoon, Secretary. I am sitting

1 here. How are you?

2 So, I wanted to echo some of the  
3 questions that my colleagues had already asked you  
4 and follow up on a few. Representative Gainey  
5 asked about diversity and contracting you shared  
6 that you would provide a report in that. Would  
7 that report also include, in addition to  
8 percentages, the amounts of those contracts as  
9 well?

10 SECRETARY DAVIN: I believe so, yes.  
11 We'll give you -- provide you all the information  
12 that we have.

13 REPRESENTATIVE BULLOCK: Great.

14 Following up on Representative Kim's  
15 question in regards to Act 47 communities, is there  
16 a listing of those communities, and do you know  
17 among those list of communities, how many of --  
18 what the percentage of minority populations are in  
19 those respective communities?

20 SECRETARY DAVIN: I don't have the list  
21 right now. I think there are 16 -- I'm sorry, 18  
22 Act 47 communities right now. And I'm sure that we  
23 would have the information about the demographic  
24 breakdown of those communities. We can provide  
25 that to you.

1 REPRESENTATIVE BULLOCK: Great.

2 And my last question is, the question I  
3 share with each agency in regards to your own  
4 employment amongst your staff and diversity within  
5 your staff.

6 SECRETARY DAVIN: Yes.

7 REPRESENTATIVE BULLOCK: And if you have  
8 those numbers, could you share them --

9 SECRETARY DAVIN: Sure.

10 REPRESENTATIVE BULLOCK: -- or pass them  
11 on?

12 SECRETARY DAVIN: Sure. We have -- We  
13 have those numbers. Out of the 285 employees we  
14 have right now, 50 percent -- 57 percent are female  
15 and 12 percent are minority.

16 REPRESENTATIVE BULLOCK: Thank you very  
17 much.

18 Chairman, I have no further questions.

19 MAJORITY CHAIRMAN SAYLOR: Thank you.

20 Mr. Secretary, I think we're going to  
21 ask you to come back to answer some of the  
22 questions that you were not --

23 SECRETARY DAVIN: Sure.

24 MAJORITY CHAIRMAN SAYLOR: -- able to  
25 answer so far.

1           So, with that, we'll move on to  
2 Representative Roae.

3           REPRESENTATIVE ROAE: Thank you,  
4 Mr. Chairman. And thank you, Mr. Secretary.

5           As you know, the Governor has proposed a  
6 minimum wage -- I'm over here -- a minimum wage  
7 increase to \$12 an hour, and I was wondering if you  
8 guys have had a chance to evaluate?

9           A couple years ago, the Pennsylvania  
10 Independent Fiscal Office projected that there  
11 would be 31,000 job losses in Pennsylvania if the  
12 minimum wage went up to \$10.10 an hour. The  
13 Congressional Budget Office projected there would  
14 be 500,000 jobs nationwide if the minimum wage went  
15 up to \$10.10. I was wondering, have you guys had a  
16 chance to evaluate what you think the impact would  
17 be in PA?

18           SECRETARY DAVIN: Yeah. I just don't  
19 believe the impact will be that at all. I don't  
20 think it will have much of an impact at all, except  
21 for having a much healthier workforce, more money  
22 into the economy, and that's based upon -- I'm not  
23 an economist, but it's based upon me going to a  
24 number of different companies all throughout  
25 Pennsylvania; talking to these companies; seeing

1 what some of these companies pay their employees  
2 already, and understand, that these companies want  
3 to pay their employees a good wage to have a  
4 properly- compensated and well-trained workforce.

5 REPRESENTATIVE ROAE: Now, recently,  
6 Wendy's announced that they're gonna put self-serve  
7 ordering kiosks in a thousand restaurants around  
8 the country. Would DCED anticipate that if the  
9 minimum wage was \$12 an hour rather than 7.25, that  
10 more fast-food restaurants might decide to go with  
11 the self-serve kiosk rather than having live  
12 employees take orders?

13 SECRETARY DAVIN: I can't answer that  
14 question, Representative. I just don't know.

15 REPRESENTATIVE ROAE: Okay. And then  
16 looking at minimum wage, I was looking at a report  
17 the state put out. About 2.4 percent of all  
18 employees in PA earn minimum wage. The number of  
19 minimum-wage earners has fallen by 49,000 since  
20 2011. 7 and 10 minimum-wage employees are part  
21 time. 51 percent are under 24 years old -- or  
22 excuse me, 24 or younger, and 85 percent have no  
23 kids. Most of the jobs are in, you know,  
24 restaurants, bars and retail stores.

25 Does DCED feel that minimum wage is an

1 entry-level kind of job and positions, or does DCED  
2 feel that minimum wage should be a family-  
3 sustaining wage type of a job?

4 SECRETARY DAVIN: That's a hard question  
5 to answer. I think there's so many different  
6 industries within Pennsylvania.

7 One of things that Pennsylvania has, and  
8 you've noticed that Pennsylvania has really  
9 weathered the great recession probably better than  
10 just about any other state, certainly in the  
11 northeast, because we have a diverse indus -- we  
12 have a number of diverse industries. So, every  
13 industry is different.

14 So, for example, if you go into the  
15 Lehigh Valley, and you look at some of the  
16 positions there that are -- that would probably be  
17 considered unskilled, they have to pay 14 or \$15 an  
18 hour to get people because there's such a  
19 competition for people to come in there.

20 The bottom line is, I think from our  
21 standpoint, we don't see that this is gonna have  
22 any effect at all on the competitiveness in  
23 Pennsylvania or really hurt small businesses. This  
24 is something -- It's about putting more money into  
25 the economy. It's about getting closer to what all

1 our neighboring states, which all have higher  
2 minimum wages than we have, getting closer to where  
3 they are and continuing to be competitive.

4 Again, I'm not an economist, but this is  
5 just from me going around the state and meeting  
6 with hundreds of companies throughout the course of  
7 my --

8 REPRESENTATIVE ROAE: I want to make  
9 sure. I apologize for interrupting, but with our  
10 time limit --

11 So, would DCED estimate, then, say  
12 there's some company and, you know, a small  
13 business owner, after they pay all their expenses,  
14 they make \$45,000-a-year profit for themselves. If  
15 they have five employees that make minimum wage,  
16 and they have to start paying each of them 9,000 a  
17 year each more, that would increase their costs  
18 45,000, so their pay would be zero is what they  
19 would have left. Would you anticipate they would  
20 keep their business open, or would they close it,  
21 or what would they do?

22 SECRETARY DAVIN: Well, that's one  
23 example, Representative, and I think there's a  
24 variety of other examples that you can take a look  
25 at where it would not have a detrimental effect to

1 businesses.

2 REPRESENTATIVE ROAE: I want to touch  
3 back on the kiosk again real quickly. In Sheetz in  
4 Pennsylvania, they have those self-serve kiosks.  
5 Like I said before, Wendy's is gonna have a  
6 thousand restaurants with them.

7 Usually, when something is more  
8 expensive, you get less of it the way the economy  
9 works. I just want to make sure I ask the question  
10 one more time. Do you anticipate that a higher  
11 minimum wage will result in fewer jobs or more  
12 jobs?

13 SECRETARY DAVIN: I don't think it will  
14 have a detrimental effect to jobs at all. I think,  
15 one of the things that we are really focused on and  
16 one of the things that companies are focused on  
17 when I go and meet with companies, hundreds of  
18 companies in the past couple of years, is the fact  
19 that they want a good, well-trained, a productive  
20 workforce. That is their number 1 goal; to get a  
21 good, well-trained, productive workforce. I don't  
22 think it will have a detrimental effect at all.

23 REPRESENTATIVE ROAE: Thank you so much.

24 MAJORITY CHAIRMAN SAYLOR:

25 Representative Briggs.

1                   REPRESENTATIVE BRIGGS: Thank you,  
2 Chairman. Thank you, Secretary.

3                   I want to acknowledge the great job that  
4 your staff does on issues that I'm deeply  
5 interested in on the tourism front and also the  
6 life sciences. You've always been very responsive  
7 to my -- to my requests.

8                   If you could just use -- I have five  
9 minutes or four minutes and less. If you could  
10 continue your story that you were just interrupted  
11 about when you traveled to some of the businesses  
12 and talked about what they're looking for in terms  
13 of workforce in your previous -- previous response.  
14 I don't know if you remember.

15                  SECRETARY DAVIN: Um, I mean, when I  
16 travel, the one -- the biggest critical issue that  
17 companies are looking for, and these are small,  
18 medium, large com -- every single company, they're  
19 looking for a well-trained workforce. And that's  
20 something that, if you look at our budget, that  
21 we're proposing and the Governor is suggesting that  
22 we include in our budget, training dollars for a  
23 variety of different types of positions; most  
24 importantly, manufacturing positions. And I think  
25 to that end, we are developing these programs to

1 look at giving the employers of Pennsylvania what  
2 they really need. Those are well-trained workers.

3 Also, again, as I mentioned to  
4 Representative Kim, making some of these  
5 communities more attractive to your younger  
6 population, and do what we can do to eradicate  
7 blight; do what we can do to bring younger people  
8 into these communities and helping these  
9 communities to continue to grow.

10 REPRESENTATIVE BRIGGS: Thank you for  
11 that. Can you talk a little bit about the proposal  
12 to expand the business retention program?

13 SECRETARY DAVIN: Sure. So this is a  
14 program that the Department used to have, and I  
15 think maybe with some of the budget cuts in maybe  
16 '08 or '09--I'm not sure exactly when--but it was  
17 eliminated from the Department. It's a program  
18 that we use in Allegheny County, in the City of  
19 Pittsburgh, to great degree.

20 It's a business-calling program, and  
21 it's a program that pays attention and goes out and  
22 calls on every business in Pennsylvania; small,  
23 medium and large businesses in Pennsylvania to  
24 determine what their needs are; what their issues  
25 are; if there's anything that they need help with;

1 but also, if there's anything that they need to  
2 communicate back to us in terms of policymakers,  
3 and then we can bring back to the legislature and  
4 give information to the legislature of what we're  
5 hearing from the community; again, from our boots  
6 on the ground, our partners.

7           So, we are -- we're proposing to utilize  
8 about 2 and a half million dollars for that program  
9 to help to enable our partners and other  
10 organizations to go out and call on these  
11 businesses to determine what exactly their needs  
12 are.

13           The other thing that will happen as a  
14 result of that is, there are a number of businesses  
15 that don't take advantage of the programs that we  
16 have, and -- and I think that's -- that's  
17 unfortunate. We would like to do is, we'd like to  
18 be able to provide services we have to all  
19 businesses. So through this business-calling  
20 program, we think that that will give them the  
21 opportunity to be able to -- other businesses that  
22 don't utilize our programs, other opportunities.

23           REPRESENTATIVE BRIGGS: Terrific. I  
24 always -- I said I have a hard time seeing the  
25 clock, so, Chairman, just let me know.

1           Through the conversation with the tax  
2 credits and the overview that's going to be done, I  
3 understand the tax credit is essentially money out  
4 of the budget. Will there be an opportunity for us  
5 to advocate for tax credits that we believe work  
6 and have advocated over the years to get into the  
7 legislation as this review happens?

8           I'm not sure the mechanism that you all,  
9 the Secretary of Revenue, are doing. But there's  
10 some that I definitely have great cooperation with  
11 my local businesses that I've advocated for, and I  
12 just didn't want that opportunity to go away.

13           SECRETARY DAVIN: Absolutely. As I  
14 mentioned before, Representative, we want to take a  
15 look at and take input and information from  
16 everybody, including the General Assembly.  
17 Obviously, you know, the General Assembly would  
18 have to approve a lot of what we're proposing.  
19 But, we would -- we would want to hear from  
20 everybody.

21           I have personally heard from a number of  
22 different constituents on the different tax credit  
23 programs, and they made their thoughts known to me  
24 and to us. We would love to be able to continue to  
25 hear and take information from everybody.

1           REPRESENTATIVE BRIGGS: Terrific. Thank  
2 you. Thank you, Chairman.

3           MAJORITY CHAIRMAN SAYLOR:  
4 Representative Kampf.

5           REPRESENTATIVE KAMPF: Mr. Secretary,  
6 first a question on a program that was already  
7 implemented, I think. This is the Innovate in  
8 Pennsylvania program where insurance companies paid  
9 in money all at once, I think something in the  
10 order of a hundred million dollars, and they were  
11 given tax credits, which I believe they are now  
12 redeeming --

13          SECRETARY DAVIN: Right.

14          REPRESENTATIVE KAMPF: -- on a schedule.  
15 Has the money that was paid in been deployed? Can  
16 you give us some sense of the --

17          SECRETARY DAVIN: Sure.

18          REPRESENTATIVE KAMPF: -- progress  
19 there?

20          SECRETARY DAVIN: Yes. Thank you,  
21 Representative.

22                 We have in the Innovate in PA line item  
23 raised a total of about \$85 million, and the  
24 \$85 million was going to be distributed to the Ben  
25 Franklin Partners at 50 percent, 45 percent for the

1 Venture Capital Fund and 5 percent for Life Science  
2 Greenhouses. That's in the process of being done  
3 right now.

4           There's typically about two tranches per  
5 year that are -- that are distributed, and there  
6 are two tranches left; one that will be distributed  
7 in July of this year, and then one will be  
8 distributed in January of next year, of 2018. A  
9 total of \$56 million has been distributed to those  
10 entities, and we have probably about 10 to 12  
11 different venture capital funds that have been --  
12 that have been funded through the program.

13           REPRESENTATIVE KAMPF: Okay. Thank you  
14 for that.

15           The other question is, really, just a  
16 broader question. Mr. Knittel from the IFO came in  
17 and talked to us again about a persistent problem  
18 in Pennsylvania. Maybe there are some other states  
19 that have it, too. We have a demographic future  
20 that he predicts could shrink our workforce by a  
21 couple hundred thousand over the next decade and,  
22 certainly, increase the much older demographic band  
23 of citizens.

24           Have you given any thought to what the  
25 private sector, the public sector ought to be doing

1 about that? What impact that might have on our  
2 economic growth for the state?

3 SECRETARY DAVIN: Absolutely,  
4 Representative. And I come from Allegheny County,  
5 if I can mention that one more time, which was a  
6 couple years ago.

7 REPRESENTATIVE KAMPF: That is not for  
8 my time. Eight more seconds.

9 SECRETARY DAVIN: Right. Which was the  
10 second oldest community, oldest county in the  
11 United States behind Orange County in Florida and,  
12 personally, understand what the issues are.

13 We have an older workforce. I don't  
14 want to say -- We have an older workforce that we  
15 need to deal with.

16 They're absolutely right. Part of what  
17 we need to do is, we need to bring more people into  
18 Pennsylvania. We need to make sure people that are  
19 in Pennsylvania are properly trained.

20 You see one of our increases that we're  
21 proposing within our budget is an increase in  
22 marketing to attract tourists. Part of that will  
23 also be marketing -- to market Pennsylvania. We  
24 need to market Pennsylvania in a much better way  
25 than we've done.

1           There are states around us that are  
2 really giving it to us because the amount of money  
3 they're putting into their -- their tourism funding  
4 and their marketing funding. Ohio is at about  
5 \$10 million. Maryland is at about \$12 million. We  
6 were at \$3.9 million last year. That is terrible.

7           So the Governor, to his credit, has  
8 proposed to increase that to \$10 million, so we can  
9 start to tell the story of Pennsylvania; to have a  
10 consistent marketing message for tourism,  
11 obviously, but also to start to tell the story of  
12 Pennsylvania and to get people interested in  
13 Pennsylvania.

14           But it's not -- doesn't just stop there.  
15 It is also working with our communities, as we  
16 mentioned with Representative Kim, to make them  
17 more attractive, and do what we can do on our side  
18 to make impactful investments in these communities  
19 so people want to go to areas, and --

20           You know, we tell the story and use the  
21 example of Saint Marys, which is an enclave of  
22 powder metals. There are powder metals  
23 manufacturers all throughout Saint Marys. They  
24 have a number of the manufacturing jobs paying good  
25 wages. They can't get people to come to Saint

1 Marys.

2 Part of what we think our responsibility  
3 is, is to help work with folks like -- and  
4 communities like Saint Marys to make them more  
5 attractive for people so they'll be able to attract  
6 younger people, too.

7 MAJORITY CHAIRMAN SAYLOR: Mr. Secretary  
8 made the mistake of not mentioning Chester County.

9 SECRETARY DAVIN: I'm sorry. Chester  
10 County is my second favorite.

11 MAJORITY CHAIRMAN SAYLOR: I don't know  
12 about that.

13 SECRETARY DAVIN: Third favorite.  
14 Sorry. I like everybody.

15 (Laughter in the room).

16 MAJORITY CHAIRMAN SAYLOR: You might  
17 want to add another county now. Representative  
18 Schweyer.

19 REPRESENTATIVE SCHWEYER: Yes. You  
20 know, it's funny you mentioned that, because you  
21 already gave the Lehigh Valley a shout-out for  
22 being wonderful. So Representative Freeman and I,  
23 Representative Hahn--if she's over there--we agree  
24 you already hit the nail on the head by saying how  
25 great the Lehigh Valley was earlier. So thank you

1 for that.

2 SECRETARY DAVIN: You're welcome.

3 REPRESENTATIVE SCHWEYER: I would like  
4 to just kind of go back a little bit to the tax  
5 credit program, because one concern that we hear  
6 all the time from on the Floor and from our  
7 colleagues is that, most of these tax credit  
8 programs are very popular. In my district I have  
9 NEP programs, I have MPP programs. I think I have  
10 three active MPP programs in my district that are  
11 doing incredible work for community development in  
12 some of our really poor districts and communities.

13 So, it appears that there is a quite  
14 bit of demand not only from the corporate side who  
15 are funding these programs or helping to fund these  
16 programs, but also from the community side. So  
17 there's a value and a reason to keep the tax credit  
18 programs.

19 But I would also argue, there's also a  
20 clear demand for other programs that aren't  
21 necessarily getting the same amount of attention in  
22 the budget or from the legislature. And the one  
23 that immediately comes to mind, again, representing  
24 the City of Allentown--I see Representative Freeman  
25 looking over his shoulder--the Keystone Community

1 Programs, or just the Elm Street Program, the Main  
2 Street Program and others.

3 So, I guess my question to you very  
4 simply, Mr. Secretary, is, do believe that we are  
5 adequately funding those? Is there more demand  
6 than what we're meeting right now from a financial  
7 standpoint? And, frankly, could those programs use  
8 more funding to meet -- more adequately meet the  
9 needs of our communities?

10 SECRETARY DAVIN: Representative, the  
11 short answer to that is that, we would always  
12 welcome more funding for programs, and certainly,  
13 we would love to be able to have more funding for  
14 programs, not only at the state level, but even the  
15 federal programs which have been cut pretty  
16 dramatically -- much more dramatically than some of  
17 the state programs have.

18 But, we're working within a budget, and  
19 within this climate and within the budget process,  
20 and we're trying to be responsible with that. So,  
21 to that end, what we're trying to do is, we're  
22 trying to make good impactful investments and smart  
23 investments with the funding that we have right  
24 now. And that's really what we are -- we are  
25 working very, very hard to do.

1           My staff, I can't say enough about the  
2 great work that they've done, not only to go out  
3 into the field and understand what the needs are  
4 but to work together. Again, the business  
5 financing folks working with the community  
6 development folks to look at making impactful  
7 investments in these communities.

8           Again, we'd love to have more money, but  
9 we also understand that we have to work within the  
10 parameters of the budget, so we're trying to be as  
11 smart as we can about it and make the right types  
12 of investments.

13           REPRESENTATIVE SCHWEYER: Okay. But I  
14 wanna just be clear that there is a demand, an  
15 increased demand for communities for some of these  
16 programs. And if you had the opportunity investing  
17 in them would be helpful to these communities.

18           SECRETARY DAVIN: Yes. But, again, I  
19 want to be clear, it's state money and federal  
20 money.

21           REPRESENTATIVE SCHWEYER: Duly noted.

22           SECRETARY DAVIN: Yeah.

23           REPRESENTATIVE SCHWEYER: Duly noted.  
24 But money, in general, would be helpful because  
25 these communities are still looking for some more

1 of these community and economic development.

2 SECRETARY DAVIN: And just to -- If I  
3 can just touch on that.

4 The one thing that we're seeing also is  
5 that, when we make some of these smart impactful  
6 investments, we're generating interest from other  
7 organizations. In particular, you look at Erie and  
8 you look at Johnstown -- Again, I'm not just  
9 focused on those. I'm very sensitive about that  
10 now, Mr. Chairman.

11 But Erie and Johnstown, where you're  
12 getting the attention of the private sector that  
13 are making investments in there, they're not  
14 necessarily just through the tax credits, but also  
15 the foundation community that are making  
16 investments in these areas because we are paying  
17 attention and we're investing, and we're continuing  
18 to pay attention to these communities. So, that's  
19 a critical part of it, too.

20 REPRESENTATIVE SCHWEYER: That's an  
21 excellent point.

22 Thank you, Mr. Secretary. Thank you,  
23 Mr. Chairman.

24 MAJORITY CHAIRMAN SAYLOR:

25 Representative Dunbar.

1                   REPRESENTATIVE DUNBAR: Thank you,  
2 Mr. Chairman. And if anybody's keeping score,  
3 originally born and raised in Allegheny County and  
4 found that --

5                   SECRETARY DAVIN: That makes no  
6 difference to me at all.

7                   REPRESENTATIVE DUNBAR: I know. And I  
8 traveled a little bit east to the aptly named  
9 Westmoreland County. So, put that on your list  
10 there as well.

11                   As I'm going through your budget book,  
12 I'm looking at page 14, Budget Secretary's approval  
13 of your agency request for Act 146 waivers. For  
14 everybody's edification, Act 146 waivers is  
15 allowing you to continue to spend unspent part of  
16 your funds to renew them for future years.

17                   As I look at the list, it's relatively  
18 extensive, and it seems like it's pretty much been  
19 happening year after year after year, and some of  
20 these funds date back to programs and line items,  
21 some, of which, we no longer appropriate dollars  
22 to; some of them which go all the way back to the  
23 Corbett and Rendell Administration. In total --  
24 Last I saw in total, approximately \$70 million  
25 sitting there.

1           So my questions are in relation to that.  
2           Are any of those funds earmarked for certain  
3           projects, or have they all been repurposed, or what  
4           is exactly the plan?

5           SECRETARY DAVIN: In a lot of cases,  
6           those funds are already committed and are already  
7           earmarked for projects. For example, the ethane  
8           cracker plant in Beaver County, a lot of times what  
9           happens there is, we'll make a forward commitment  
10          to programs, and then we will pay that out of maybe  
11          a couple of years' program funding accounts. But  
12          also, we pay those once they're applied for. So  
13          there's always a lag within our program that always  
14          happens.

15          In addition to that, we do have the  
16          clawbacks that I mentioned before that come back  
17          into the department that act as -- or show up on  
18          that particular list, too.

19          REPRESENTATIVE DUNBAR: So you did not  
20          tell me of repurposing any of them, then? They're  
21          all for their original purpose, then?

22          SECRETARY DAVIN: They had to be for the  
23          original. Yeah, I believe so.

24          REPRESENTATIVE DUNBAR: And some of them  
25          are relatively old, so I'm just not sure -- Do you

1 review this annually, monthly? How often do you  
2 review the whole process?

3 SECRETARY DAVIN: Yes. Our financial  
4 folks, our folks in -- our chief financial officer  
5 and others do look at that on a consistent basis.

6 The clawbacks that were mentioned --  
7 that I mentioned previously, may be clawed back  
8 from funding that was originally distributed four  
9 or five or six years ago. So, if we're clawing  
10 that back, it goes back into that account, so that  
11 may be the reason for some of the older accounts.

12 REPRESENTATIVE DUNBAR: And I can  
13 appreciate that. With that being said, then, do we  
14 anticipate that, at some point in time, as opposed  
15 to these annually being just renewed? And Act 146  
16 waivers granted on all of them, that at some point  
17 in time we will be returning some of these funds to  
18 the General Fund?

19 SECRETARY DAVIN: Probably not. I don't  
20 believe any of those funds are. And again -- So  
21 we're in the business, we made commitments, and  
22 sometimes the commitments and the accounting don't  
23 line up. So we'll make commitments to companies,  
24 and fairly significant commitments to companies,  
25 that the companies then have to go through an

1 application process, or have to --

2 For example, we may make commitments of  
3 funds under land development programs. So we're  
4 preparing land for development through an economic  
5 development agency, and that economic development  
6 agency may be drawing those funds down over the  
7 course of a year or two years, depending upon when  
8 they actually do the work. So, in a lot of cases,  
9 that's why those waivers are like that.

10 REPRESENTATIVE DUNBAR: And again, at  
11 the same time you just told me about clawbacks. If  
12 it's being clawed back because they haven't met  
13 certain requirements of the --

14 SECRETARY DAVIN: Yes.

15 REPRESENTATIVE DUNBAR: -- grant to  
16 begin with; so therefore, that money then would be  
17 not committed to anything, would it not, and then  
18 could be returned to the General Fund? I'm asking.

19 SECRETARY DAVIN: It always could be,  
20 but I think that funding goes right back into the  
21 original program, and then we utilize that  
22 program -- we utilize those funds again for that  
23 particular program.

24 REPRESENTATIVE DUNBAR: But if the  
25 program has been dormant for years?

1           SECRETARY DAVIN:  These programs haven't  
2   been dormant.  So, that was -- That program was  
3   called the Opportunity Grant program.

4           REPRESENTATIVE DUNBAR:  Yeah.  That's  
5   the one line I was actually looking at.

6           SECRETARY DAVIN:  Exactly, yes.  That  
7   was -- That was a clawback, so that was combined, I  
8   believe in the last Administration into the  
9   Pennsylvania First program.  So, Opportunity Grant  
10  program is now part of the Pennsylvania First  
11  Program.  So what --

12          REPRESENTATIVE DUNBAR:  The clawback on  
13  the Opportunity Grant, you would reissue it under  
14  the new program?

15          SECRETARY DAVIN:  Yes, yes, yes.  So  
16  what the Governor is proposing --

17          REPRESENTATIVE DUNBAR:  I don't know if  
18  that's repurposing or not, but renaming, I guess,  
19  would be a better term.

20          SECRETARY DAVIN:  Yeah.  It was renamed  
21  under the previous Administration, and I think for  
22  some good reasons.

23                 But I think that the Governor proposal  
24  -- I just want to be clear.  The Governor is  
25  proposing to take those claw -- the funds that are

1 being clawed back right now and put them into an  
2 apprenticeship program, and utilize those  
3 specifically for an apprenticeship program.

4 So, while the -- what our department has  
5 done is utilize those program before -- for the  
6 original intent of the program, the Governor's  
7 proposing for us to utilize those programs now for  
8 that apprenticeship program that I mentioned  
9 previously.

10 REPRESENTATIVE DUNBAR: Okay. I'll be  
11 looking to make sure that the funds do ex --

12 SECRETARY DAVIN: Yes.

13 REPRESENTATIVE DUNBAR: -- actually get  
14 out there at some point in time. Thank you.

15 MAJORITY CHAIRMAN SAYLOR:  
16 Representative Donatucci.

17 REPRESENTATIVE DONATUCCI: Thank you,  
18 Mr. Chairman. Thank you today for being here.

19 What educational or job-training  
20 benefits are anticipated from the partnerships  
21 between state research universities and the Network  
22 of Industrial Resource Centers under the  
23 Manufacturing PA Initiative?

24 SECRETARY DAVIN: So, we've been working  
25 very closely with the research universities and

1 work very closely with the Industrial Resource  
2 Centers, too, on exactly -- And not only just those  
3 two organizations, but community colleges,  
4 technical schools and a variety of others, to  
5 provide these training dollars to individuals for  
6 manufacturing and to get the appropriate training  
7 to these -- to these folks.

8           And to that end, we think that we're  
9 going to be in a position to provide training  
10 dollars directly to all these organizations; and,  
11 you know, specifically because the need is  
12 absolutely there. So, we -- That's something we  
13 have been working on, we've been working hard  
14 towards, and we'll probably roll out in the next --  
15 We would like to roll out as soon as the budget's  
16 completed.

17           REPRESENTATIVE DONATUCCI: Also, the  
18 Marketing to Attract Business appropriation  
19 receives a modest increase to, I believe it's a  
20 little over \$2 million. How does Pennsylvania  
21 compare to neighboring states in this area?

22           SECRETARY DAVIN: It's probably a little  
23 bit lower than some of the neighboring states, but  
24 we're smarter than all of our neighboring states in  
25 how we utilize those program funds. All kidding

1     aside.  I mean, we really go out and utilize those  
2     funds for a variety of business activities that can  
3     -- it can include a number of different things, all  
4     in the spirit of marketing Pennsylvania for  
5     businesses.  So, there are a variety --

6             We work very closely to try to leverage  
7     those funds.  We work closely with Team  
8     Pennsylvania Foundation, who is just a great  
9     partner of ours, and utilize our program funds;  
10    they utilize some of their funds to do these  
11    business roundtables; to do activities as I  
12    mentioned before.  We're going out and we're  
13    meeting with site selection companies, not only  
14    Pennsylvania, but all through the country with Team  
15    PA Foundation to market Pennsylvania for  
16    businesses, and we've been very successful doing  
17    that.

18            I think we're much more aggressive.  You  
19    know we work with these site selection consultants  
20    and they work all throughout the country.  What  
21    they've told us in the past couple of years, that  
22    they think that we are pretty much as aggressive or  
23    more aggressive than any state that they've seen,  
24    even including some of the big states and a big one  
25    down south that puts a lot of money towards these

1 activities.

2 So, we think it's been spent very  
3 wisely. We'll continue to do that, and we'll  
4 continue to have an aggressive program.

5 REPRESENTATIVE DONATUCCI: Thank you.  
6 And keep attracting businesses to Pennsylvania.

7 SECRETARY DAVIN: Thank you.

8 MAJORITY CHAIRMAN SAYLOR:  
9 Representative Longietti.

10 REPRESENTATIVE LONGIETTI: Thank you,  
11 Mr. Chairman. I want to thank you for your  
12 appearance and your testimony today and the  
13 opportunity to ask questions.

14 What I'd like to do is focus on the  
15 Marketing to Attract Tourists line item in the  
16 Governor's proposed budget. I came to the  
17 legislature 10 years ago, and the various line  
18 items at that time dedicated to tourism and  
19 marketing added up to over \$30 million. Today  
20 we're a little bit over \$10 million.

21 The old adage is that you have to spend  
22 money to make money, and it's true. If we look  
23 between 2009 and 2014, the collective cuts to  
24 tourism/promotion funding cost us \$324 million in  
25 state tax revenue, because every dollar we invest

1       there produces about \$5 in state tax revenue.

2                   Tourism is our number 2 industry in the  
3       state, but if we neglect it, it could sink. So I'm  
4       glad to see that the Governor's proposal to  
5       dedicate an additional \$6.1 million specifically to  
6       promoting tourism and attracting tourists.

7                   Could you please explain the  
8       Department's plans to use that level of funding to  
9       maximize technology to attract both domestic and  
10      international travelers?

11                   SECRETARY DAVIN: Absolutely. Thank  
12      you, Representative.

13                   We are planning a very aggressive agenda  
14      and an aggressive marketing plan for the use of  
15      those dollars. It's a lot different now even than  
16      what it was five years ago and 10 years ago, as you  
17      well know. And I think to that end, part of the  
18      big -- funding in the big amounts of money will be  
19      paid for digital media and advertising through  
20      social media and digital media, and again, not only  
21      in the United States, but also overseas.

22                   We think we have a great opportunity and  
23      a great story to tell. Again, a lot of this is  
24      telling Pennsylvania's story to get more people  
25      over here to see Pennsylvania; see everything

1 Pennsylvania has to offer, throughout all the  
2 counties, including York; especially York.

3 But, we -- A lot of what we've been able  
4 to do, frankly, in the last few years, since even  
5 the last Administration, it's been capped at less  
6 than \$4 million, specifically for that line --  
7 specifically for marketing tourism. So, the  
8 Governor proposing an additional \$6 million is  
9 great. With \$10 million, we think we'll be able to  
10 get the message out in the right way, in the right  
11 venues.

12 The other thing about that is, and, you  
13 know, I think -- One of the things is that we're  
14 always -- we're asking for funding to spend within  
15 certain line items from the legislature, and we try  
16 to provide metrics for determining how we spent  
17 that money; you know, whether jobs created,  
18 investment created and things like that. This is  
19 one that we can actually -- especially through  
20 digital media efforts, you can determine exactly  
21 how many hits; how many people have responded to  
22 that.

23 It takes a little bit longer, I guess,  
24 to get the actual tax revenue from tourism, but  
25 every report that we've seen has suggested exactly

1 what you said, Representative. There's a 4 or 5 to  
2 1 return just on the tax revenue that we spend.  
3 The taxes, for every dollar we spend, we get 4 or  
4 \$5 back, and not even counting the amount of  
5 tourism funding that comes in there. It's a  
6 39-billion-dollar industry right now for  
7 Pennsylvania. That is huge, and we want to  
8 continue to increase that. We think we have a  
9 great opportunity to do that.

10 There's no state like Pennsylvania.  
11 There's no state in the country like Pennsylvania.  
12 We have a great story to tell. We just have to  
13 have the funding and to do it the right way.

14 REPRESENTATIVE LONGIETTI: I'm certainly  
15 encouraged about that. The other side of the coin  
16 is the private sector, right? It's imperative that  
17 we engage them in this effort, and I wanted to see  
18 if you could provide us with an update on the  
19 department's decision to move forward with the  
20 Governor's tourism partnership.

21 SECRETARY DAVIN: Well, I think the  
22 Governor's tourism partnership, we've been working  
23 with the Governor's office on establishing that;  
24 reestablishing that, I guess. It kind of went  
25 dormant the last four or five years, whatever,

1 since it was first established. And we've been  
2 working very closely with the Governor's office and  
3 think we have a number of people that would be on  
4 the tourism partnership committee, and we're  
5 excited to get moving with that, too.

6 But, while that's been happening, our  
7 folks in our tourism shop, Carrie Fischer Lepore,  
8 who's our Deputy Director of Tourism, is probably  
9 smiling really happily behind me because we're  
10 talking about this, and Michael Chapaloney do a  
11 great job of getting around the whole state and  
12 meeting with everybody and understanding what the  
13 issues are.

14 In the big cities, in the medium-size  
15 cities, and all the different areas, from the  
16 Pennsylvania Wilds to the Poconos; to the -- I'm  
17 going to miss somebody, so I'll just stop right  
18 there.

19 REPRESENTATIVE LONGIETTI: I know that  
20 Carrie's been to my area, the Sharon-Hermitage area  
21 --

22 SECRETARY DAVIN: Yeah.

23 REPRESENTATIVE LONGIETTI: -- and  
24 certainly appreciate that.

25 Well, thank you very much, and we need

1 to continue to focus on tourism because it's such a  
2 big industry for Pennsylvania.

3 MAJORITY CHAIRMAN SAYLOR: Chairman  
4 Millard.

5 REPRESENTATIVE MILLARD: Mr. Secretary,  
6 before I start my line of questions, I want you to  
7 know that I've worked with a number of members of  
8 your staff in the 14 years I've been in the  
9 legislature on, really, a variety of programs and  
10 appreciate all the efforts on behalf of your  
11 Department with those individuals: Scott  
12 Dunkelberger, Barry Wickes. I mean, they're really  
13 the go-to people for a lot of programs that are so  
14 vital in my community. So, I do want to thank you  
15 for that.

16 You know, you realize the breadth and  
17 the depth of what your office does across this  
18 Commonwealth. Literally, if you sneeze, everybody  
19 gets a cold. It's just very profound what you do.  
20 So, thank you to those individuals I've had an  
21 opportunity to work with.

22 As the chairman of the Tourism  
23 Committee, and you touched on some of these items,  
24 but last year I received a copy of the tourism  
25 economics. It was titled, The Competitive Analysis

1 of Pennsylvania's Tourism Budget, which showed that  
2 a 36-million-dollar average annual investment in  
3 tourism that you alluded to yields about a  
4 3.1 return on investment from a state tax revenue  
5 standpoint, and that's over a four-year period.

6 Do you, having alluded to that earlier  
7 in your testimony, do you think that economic model  
8 is accurate, and can we assume a significant return  
9 on investment, if General Fund dollars are  
10 appropriated for tourism?

11 SECRETARY DAVIN: I believe so, yes.  
12 And that's one study that's been done. All the  
13 studies that have been done are suggesting just  
14 about the same thing. And they're anywhere from  
15 3 to 4 to \$5, as Representative Longietti had said  
16 previously.

17 We truly believe that there's a return  
18 that we're going to get on any dollar, anything  
19 that we spend for tourism if we do it the right  
20 way, and we think we're going to do it the right  
21 way.

22 The bottom line is that, like some of  
23 the business development programs that I talked  
24 about, we want to get ahead of the games before  
25 these other states around us take our businesses

1 and things like that, so that's why we're  
2 aggressively going out and meeting with them.

3 Same thing with tourism. If we don't do  
4 it, somebody else is going to do it. We've got to  
5 tell the story.

6 You know, you mentioned \$36 million. I  
7 think we're trying to be responsible about this.  
8 And the Governor, to his credit, has really agreed,  
9 I think that we need to provide more funding for  
10 this really critical industry for Pennsylvania and  
11 see where we go. If there's a model out there that  
12 maybe can start to raise revenues to help us with  
13 this, we think that we're in much better shape.

14 And, again, there's a real clear metric  
15 from this that's generated. We know from when we  
16 do things and put things on social media -- or, I'm  
17 sorry, digital media -- that we know when the  
18 clicks are being made. We know where they're being  
19 made. We can get information right away and then  
20 pivot to other modes of advertising if we need to.

21 It is a great, great opportunity for us  
22 right now, and we think -- that's why we proposed  
23 that, and that's why the Governor, again, to his  
24 credit, has agreed to increase them.

25 REPRESENTATIVE MILLARD: Within your

1 budget materials, I noticed that Pennsylvania had  
2 what's expected to be the best year ever in terms  
3 of hotel rooms sold during 2016. I think you  
4 referenced 31 million rooms. However, the material  
5 also notes that despite this, we continue to lag  
6 the U.S. in hotel room revenues. We're at least  
7 2 percent below the U.S. average.

8           You mentioned the digital outreach that  
9 you're going to do. Why do you think we're still  
10 behind? Do you think that your digital outreach is  
11 going to enhance this figure?

12           SECRETARY DAVIN: I think so. I think  
13 so. There's probably a lot in that report that  
14 you're reading. One of the things is that -- And  
15 I'll give you the example, Pittsburgh, because I'm  
16 so familiar with Pittsburgh. A lot of hotels have  
17 been built in Pittsburgh. Very few full-service  
18 hotels have been built in Pittsburgh because of the  
19 cost to build them.

20           And I think a lot of the attention gets  
21 paid to the fact that some of the hotel developers  
22 want to come to us for funding, to support and  
23 subsidize some of this hotel development. And the  
24 reason really is, is the fact that these areas are  
25 very affordable. When you look at Pittsburgh and

1 you look at Philadelphia, you can't generate these  
2 high-room rates that you can in New York City and  
3 other places. So that makes it a little more  
4 difficult to build full-service hotels and things  
5 like that. So that's part -- part of in that  
6 metric, too.

7 REPRESENTATIVE MILLARD: Well, working  
8 with you, Chairman Longietti and I are going to,  
9 with our respective members, travel and find out  
10 what the successes and the failures are, and we can  
11 share that information.

12 SECRETARY DAVIN: That would be great.  
13 Thank you so much.

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

16 MAJORITY CHAIRMAN SAYLOR: You're  
17 welcome. Representative Freeman.

18 REPRESENTATIVE FREEMAN: Thank you,  
19 Mr. Chairman.

20 And, Mr. Secretary, thank you for being  
21 here this afternoon to answer our questions and  
22 give testimony, and thank you for your service to  
23 the Commonwealth. I also want to thank your staff.  
24 My office has had great opportunities working with  
25 them. We appreciate their help and support. And,

1 particularly, Barry Wickes has been a fixture in  
2 our office, and we appreciate his time and effort.  
3 He's always available. Much appreciated.

4 SECRETARY DAVIN: Thank you.

5 REPRESENTATIVE FREEMAN: I'd like to  
6 shift the focus to the Keystone Communities line  
7 item of your budget. As you know, that program  
8 funds our Main Street and our Elm Street programs  
9 here in Pennsylvania; two very effective programs  
10 that have proven to get a good bang for the buck.  
11 Where they've been applied appropriately, they help  
12 to enhance the quality of life in our communities,  
13 both in terms of traditional, commercial downtowns  
14 but also in our older urban neighborhoods that  
15 exist in many of our small towns and smaller cities  
16 across the Commonwealth.

17 Those programs have also been effective  
18 at improving economic development opportunities by  
19 touching on some of the issues you've mentioned  
20 this afternoon; attracting investment into our  
21 older communities; attracting younger people back  
22 to the urban core; making our communities more  
23 attractive, both in a physical sense, but also in  
24 terms of activities; generating a sense of  
25 community -- a connection with the residents who

1 live in those communities. And I know you have  
2 been supportive of those programs, Main Street and  
3 Elm Street, as has the Governor.

4 However, I have been very disappointed  
5 in the Governor's proposed budget. Of all the line  
6 items in DCED, Keystone Communities takes one of  
7 the biggest hits in the Governor's proposed budget.  
8 It's a funding cut of 50 percent, roughly  
9 6 million, from its current 12 million funding.

10 Again, it's a great program. It's been  
11 proven effective. It gets a good bang for the  
12 buck, and it's one deserving our support and our  
13 financial priorities. So my questions really deal  
14 with, one, the appropriation. I think there's a  
15 need to bring that back up.

16 At one time there was \$18 million for  
17 Main Street and Elm Street. Then it slid to 12,  
18 slid dramatically under the Corbett Administration,  
19 but then it went to 12 under Governor's Wolf  
20 Administration. Now he's proposing to cut it to  
21 six. That barely puts it on life support in terms  
22 of the feasibility of those programs.

23 I also want to touch on some aspects of  
24 it. Initially, with both Main Street and Elm  
25 Street, the administrative cost. The cost of

1 having that Main Street manager on the ground or  
2 the Elm Street manager on the ground was a shared  
3 cost. The community and the state shared the cost  
4 of their salary and the other administrative costs  
5 associated with the manager's position.

6 About the start of the Corbett  
7 Administration, they decided to drop that. They  
8 decided to leave that totally to the community to  
9 fund, which, in poor communities can be very  
10 difficult. Those that need the Main Street program  
11 and the Elm Street program the most, sometimes  
12 don't have the resources to afford those managers,  
13 and the manager is the linchpin in those programs  
14 in those communities.

15 But the idea, starting under Corbett,  
16 was to shift away from an administrative commitment  
17 and put more into project dollars, Facade Grants,  
18 things of that nature. However, we are seeing a  
19 trend with both programs. We're even -- Facade  
20 money is receding. Last year there were 170  
21 applications for facade and other project grant  
22 dollars. Of those 170 applications, only nine  
23 grants were given.

24 In January, there were 60 applications  
25 for those kind of facade and project dollars. Only

1 about half a dozen were actually funded. And it's  
2 my understanding that there's no intended round for  
3 such facade grants and project dollars to be  
4 expected for the rest of the year.

5 So, I really think we have to get back  
6 to the state sharing in the administrative costs to  
7 make sure you can hold on to good Main Street and  
8 Elm Street managers.

9 There is a tendency, because of the  
10 short length of the program -- That's something  
11 else that has to be addressed. You can't turn a  
12 community around in need in five years. Sometimes  
13 it takes longer. Our Main Street manager, thanks  
14 to local funding, has been with us for 11 years,  
15 and it's made a difference to have that kind of  
16 expertise, that kind of continuity and that kind of  
17 point person on the ground to work with businesses  
18 and residents to make it a successful program, and  
19 ours is very successful.

20 So I guess my question to you is: How  
21 can we get the Department and the Administration to  
22 make funding of Main Street and Elm Street more of  
23 a priority; to beef up the amount of funding as  
24 opposed to cutting those programs? How can we get  
25 back to having the state share in the costs of the

1 administration of those programs on the ground  
2 level through the Main Street and Elm Street  
3 managers?

4           How can we get more monies back into  
5 facades because, again, as you mentioned in your  
6 comments, if we want to attract investment to these  
7 older communities; if we want to attract young  
8 people; if we want to turn them around; if we want  
9 to address the issues that Representative Kim  
10 brought up with distressed communities under Act  
11 47, and Representative Gainey brought up with the  
12 need to address blight. Main Street and Elm Street  
13 are two very valuable tools to address those kind  
14 of problems in those communities and to turn those  
15 communities around.

16           So, how do we get more administrative  
17 money? How do we get more facade money, and how do  
18 we help to lengthen the stay of good managers in  
19 those communities?

20           SECRETARY DAVIN: I can't answer.

21           MAJORITY CHAIRMAN SAYLOR: Times up.

22           REPRESENTATIVE FREEMAN: Well, you've  
23 heard my message. I hope you'll --

24           SECRETARY DAVIN: And I had a great  
25 answer, too.

1 MAJORITY CHAIRMAN SAYLOR: If you can  
2 keep it at 30 seconds, I'll let you answer it.

3 SECRETARY DAVIN: I will real quick,  
4 real quick.

5 So where we are is that, just to be  
6 clear, this is actually an increase from last year.

7 REPRESENTATIVE FREEMAN: Not according  
8 to our printouts.

9 SECRETARY DAVIN: I know, I know.  
10 There was a \$12.2 million line item last year which  
11 included a number of legislative initiatives;  
12 specific amounts that the legislative initiatives  
13 were put in there. The Governor proposed either  
14 \$20 million or \$15 million. \$20 million last year,  
15 the first year, of an increase just for Keystone  
16 Communities for the Elm Street and Main Street  
17 programs, and we weren't successful in getting  
18 that.

19 So, right at -- what we had last year  
20 for the programs was \$6.1 million, so we're  
21 actually right now at about \$6.357 million. It's a  
22 small increase. We'd love to have more, and I  
23 agree with you. We'll look at the shared services  
24 -- or the administrative cost share, because I hear  
25 that a number of times.

1           REPRESENTATIVE FREEMAN: It's an ongoing  
2 problem. Thank you.

3           SECRETARY DAVIN: Yeah.

4           MAJORITY CHAIRMAN SAYLOR:  
5 Representative Harper.

6           REPRESENTATIVE HARPER: Over here. I'm  
7 not from Pittsburgh.

8           Notwithstanding that, I chair the House  
9 Local Government Committee with my colleague across  
10 the aisle and across the room. I think you have a  
11 passion for economic development, Mr. Secretary,  
12 and I appreciate that. But your department also  
13 handles communities, and that's what I'm here to  
14 ask about.

15           I notice that the Governor has proposed  
16 getting rid of a lot of program funding as my  
17 colleague just pointed out. There's a small  
18 increase in the Center For Local Government  
19 Services, which is under your department, as a  
20 result of a budget some years ago when it came  
21 under that wing.

22           I don't like to see program funding cut  
23 and administrative or general government-type line  
24 items go on, so that the people are still here but  
25 what they used to do is no longer here. So, I'd

1 like some reassurance from you that the Center For  
2 Local Government Services is working, will work,  
3 and has work to do that justifies the expense.

4           SECRETARY DAVIN: There's no doubt, they  
5 do a great job. We have our Deputy Secretary right  
6 here, Rick Vilello. They do a tremendous job. And  
7 I can't say enough about what they do related to  
8 Act 47, early intervention, a variety other things  
9 that they themselves are involved in, and really  
10 work hard to make sure that we provide the services  
11 that we need to to the residents of Pennsylvania  
12 and the communities in Pennsylvania.

13           Again, I want to be very, very clear.  
14 Last year, the Keystone Communities line item, the  
15 Community's Fund line item was at \$6.1 million that  
16 we had to run those communities. Now we're asking  
17 for \$6.3 million to fund that particular program;  
18 so we're actually asking for an increase in that  
19 particular program. It is near and dear to my  
20 heart.

21           I mean, economic development was my last  
22 position. The position before that was Director of  
23 Housing for the City of Pittsburgh. So, it is  
24 very, very near and dear to my heart. To that end,  
25 we put a lot of attention to it.

1           I strongly -- I feel very strongly about  
2 the fact that it is not just either/or. It is not  
3 just bring jobs to communities, but it's helping  
4 communities to pick themselves up and make sure we  
5 have strong communities in order to attract the  
6 jobs, and then we bring the jobs there also to help  
7 the communities stay strong.

8           REPRESENTATIVE HARPER: Okay, good.

9           Now, I'm also, along with my colleague  
10 over there, on the bipartisan, bicameral Local  
11 Government Commission. Are you familiar with it?

12          SECRETARY DAVIN: I'm not.

13          REPRESENTATIVE HARPER: Okay. So, in  
14 the event that funding for that entity is cut,  
15 you're not sure your department could pick up the  
16 slack of what the Local Government Commission does;  
17 am I right?

18          SECRETARY DAVIN: I just don't know  
19 enough about it right now.

20          REPRESENTATIVE HARPER: Thank you very  
21 much.

22          SECRETARY DAVIN: We can certainly give  
23 that a go.

24          MAJORITY CHAIRMAN SAYLOR:

25          Representative Ellis.

1                   REPRESENTATIVE ELLIS: Thank you,  
2 Chairman.

3                   MAJORITY CHAIRMAN SAYLOR:  
4 Representative Ellis, I apologize. I'm gonna  
5 interrupt you just a second to introduce a couple  
6 members. We've been joined by Representative Lynda  
7 Schlegel Culver, Representative Mark Gillen,  
8 Representative Ryan and Representative Jozwiak.

9                   Thank you.

10                  REPRESENTATIVE ELLIS: Thank you,  
11 Chairman Saylor. Mr. Secretary, thank you for  
12 coming today.

13                  A lot of what I came here to discuss  
14 today has already been brought up. But I do want  
15 to go back to a couple different areas that you  
16 touched on, but I just need a little bit more  
17 clarification.

18                  Obviously, everybody up here is excited  
19 about opportunities to create good jobs and get the  
20 skills, so the apprentice program is something that  
21 caught my eye and it makes sense to me. But I have  
22 a question. You said you have three or \$4 million  
23 already set aside for that?

24                  SECRETARY DAVIN: Yes.

25                  REPRESENTATIVE ELLIS: Okay. Which is

1 it?

2 SECRETARY DAVIN: Oh, I'm sorry?

3 REPRESENTATIVE ELLIS: Is it three or is  
4 it four?

5 SECRETARY DAVIN: We anticipate having  
6 -- by the end of this fiscal year having \$4 million  
7 that we'll be able to utilize for that because the  
8 money is from clawbacks, and we're actually -- Some  
9 of the clawbacks we're actually negotiating with  
10 companies right now to get money back into the  
11 program. So we're not asking for any additional  
12 money. We want to utilize those clawback funds to  
13 run the program.

14 REPRESENTATIVE ELLIS: And is the four  
15 -- And I get that concept. But is the \$4 million a  
16 typical number that we would get every year going  
17 forward, or are we creating a 4-million-dollar  
18 program that next year we won't have clawback money  
19 to fund, and we're going to have to fund it with  
20 General Fund appropriation?

21 SECRETARY DAVIN: That's a great  
22 question. And we're looking at what we have  
23 typically received over the course of the past few  
24 years. It's been three or \$4 million each year.  
25 So we feel pretty comfortable that it will be in

1 that range going forward.

2 REPRESENTATIVE ELLIS: Okay. And so --  
3 Moving on. You said you were now in the process of  
4 evaluating all the tax credit programs --

5 SECRETARY DAVIN: Yeah.

6 REPRESENTATIVE ELLIS: -- and the grants  
7 and everything like that. Can you, whenever you  
8 get an opportunity--You don't have to go through it  
9 today--but give us a list of how you're judging it,  
10 the criteria you're using, to base this program,  
11 got this many jobs or created this much economic  
12 activity? Can you tell us the actual criteria that  
13 you used?

14 And then, moving on; just go back to the  
15 IRCs for a little bit, \$12 million going in with  
16 the universities. Which universities? How is the  
17 money being distributed across Pennsylvania? I  
18 guess also, with the apprentice program, how -- how  
19 are those grants going to be distributed?

20 SECRETARY DAVIN: So, we've been working  
21 with the seven research universities throughout  
22 Pennsylvania: Temple, Drexel, Penn, Penn State,  
23 Lehigh, Carnegie Mellon and University of  
24 Pittsburgh, right? And then, we anticipate also  
25 utilizing and working with some of the other

1 colleges and community colleges throughout  
2 Pennsylvania.

3 We don't want to just limit it to them,  
4 but they're the ones that have come to us with the  
5 Industrial Research Centers and said that they want  
6 to work on this with us, so we want to take them up  
7 on that.

8 In terms of the apprenticeship dollars,  
9 we're working closely with not only the Department  
10 of Labor and Industry, but also the U.S. Department  
11 of Labor because they have an apprenticeship  
12 program. And the manufacturers, is my  
13 understanding, they have to be qualified under this  
14 apprenticeship program to be able to take  
15 apprentices.

16 So the idea that we've had is to have a  
17 competitive program and be able to market it to all  
18 manufacturers throughout Pennsylvania so that they  
19 will be able to utilize those funds.

20 REPRESENTATIVE ELLIS: Okay. I just  
21 wanted to -- Like, how much would each company get?  
22 Like, how are you going to determine that?

23 SECRETARY DAVIN: I think the proposal  
24 right now is about \$2,000 per apprentice. So if  
25 they're there for a few months to get --

1           I mean, the big issue for us, and we've  
2 heard from manufacturers and also from some of our  
3 partners is, we need to get these people in the  
4 manufacturing establishments. Get them in there so  
5 they can see what these manufacturing  
6 establishments are like.

7           REPRESENTATIVE ELLIS: Okay. And then  
8 just final clarification on the \$12 million. So  
9 you have seven universities, some community  
10 colleges. Is it basically gonna just be like,  
11 okay, we have 12 people applied; it's \$12 million;  
12 everybody gets a million?

13           SECRETARY DAVIN: No, we don't want to  
14 do that. We really -- We don't think that that's  
15 appropriate.

16           One of the proposals that we have is to  
17 take funding for the Industrial Resource Centers  
18 that's right now in that prep line item. And  
19 because we want to pay for the Business Protection  
20 Expansion Program out of that, Partners in Regional  
21 Economic Performance line item, we want to fund the  
22 Industrial Resource Centers out of that, the  
23 manufacturing PA line item. We think it -- It more  
24 belongs in that line item, anyway. And if we fund  
25 those in that line item and then utilize that

1 program in that line item, that that's a much more  
2 appropriate way to fund that.

3 REPRESENTATIVE ELLIS: Okay. Thank you  
4 very much.

5 SECRETARY DAVIN: Yes. Thank you.

6 MAJORITY CHAIRMAN SAYLOR:  
7 Mr. Secretary--I'm gonna ask you to come back next  
8 Thursday, the Budget Secretary is gonna be here--to  
9 answer those questions on the issue of the tax  
10 credits.

11 I've got to be honest. I've received  
12 legislation for the entire spending package from  
13 the Governor, but I have -- This is an issue that I  
14 asked Secretary McNulty about it, as did other  
15 members. And to not have an explanation right  
16 now -- She kind of put it on you, and I'm not  
17 blaming you. I don't know who it is to blame.

18 SECRETARY DAVIN: Well, she went first.

19 MAJORITY CHAIRMAN SAYLOR: But I can't  
20 believe we initiated a tax proposal without knowing  
21 the consequences. I mean, I don't care if you're  
22 Republican or Democrat here. Any numbers you heard  
23 from both sides of the aisle today, these different  
24 tax proposals are important to certain members.  
25 That doesn't mean the General Assembly won't

1 eliminate them or add to them.

2 But, I think it's important that this  
3 Appropriations Committee knows the impacts as we  
4 continue working on this budget, and the hearings  
5 come to an end next Thursday, basically. And, at  
6 that point, it's my job to get a budget to the  
7 Floor of the House and over to the Senate. And we  
8 will be doing that within a week or two after these  
9 hearings end.

10 So, it is critical for the members of  
11 this Appropriations Committee, but even members of  
12 the General Assembly on both sides of the aisle to  
13 actually know how these programs are being proposed  
14 to be impacted.

15 So I'm asking you at this point, if the  
16 Budget Secretary next Thursday is able to answer  
17 these questions -- And him and I have talked about  
18 this, a number of issues that we still have  
19 questions on, then I won't be calling you back to  
20 testify. I'm expecting you here at this point.  
21 But if that day he testifies, I will say, okay,  
22 it's no use for you to come up because he's  
23 answered the questions. But I do think it's very  
24 critical, like I said, for both sides of the aisle  
25 here to have answers on what programs and how this

1 proposal is going to impact those proposals.

2 So, I thank you. I want to thank Carol  
3 and also Scott for your hard work. I know I've  
4 worked with Scott over the years, and the  
5 department does a very good job. But, this is an  
6 issue that I think is very critical to all members  
7 of the General Assembly.

8 With that, I'll turn it over to Chairman  
9 Markosek.

10 MINORITY CHAIRMAN MARKOSEK: Thank you,  
11 Chairman.

12 I know the Chairman is very interested  
13 in transparency, as I am, and every member on this  
14 committee. And I think you've answered the  
15 questions that were asked of you to the best of  
16 your ability at this point in time.

17 One of the reasons we have the Secretary  
18 of the Budget on last is because there's often  
19 items that come up during our hearings that  
20 sometimes only he can answer.

21 I don't -- In all the seven years that  
22 I've been Chairman, I've never really seen a  
23 Secretary be invited back. Again, I think it's --

24 These hearings are about 90 hours of  
25 information and hearings and a zillion questions.

1 And, you know, some of the members--And our side is  
2 the same as the other side--don't always like the  
3 answers that they hear. But, in many ways, they  
4 are the answers.

5 I know in the past, and, of course,  
6 being in the Minority those whole seven years,  
7 there was plenty of stuff, particularly with the  
8 last Administration, that we certainly didn't like,  
9 that we didn't know, we didn't find out. No matter  
10 how much we asked, we didn't get what we thought  
11 were proper answers. But, that is the process.  
12 You know, we live with that.

13 So I just, in all due respect, Mr.  
14 Chairman, want to go on record of being opposed to  
15 bringing these secretaries back. They're busy  
16 folks. They do a good job. I think that everybody  
17 in the room would suggest that Secretary Davin has  
18 done a very good job in the job that he does, as  
19 well as answering our questions today.

20 So, I want to go on the record as saying  
21 that I and the Democratic caucus is opposed to  
22 bringing these secretaries back. I think, you  
23 know, eventually, that we'll get the answers that  
24 we want. Perhaps, they're not the ones we want to  
25 hear, but we will get the answers that we want.

1           Nothing's perfect. It's an imperfect  
2 world. We have a very, very difficult budget, and  
3 I don't want to get into a whole bunch of things I  
4 could say about that and how we got here, but we're  
5 here and we have to deal with it.

6           I think the Governor has offered a  
7 budget that is, I think, very acceptable to members  
8 on both sides of the aisle.

9           So, I'll end by saying that. And I look  
10 forward to working with you and your staff on many  
11 of the economic development issues that are facing  
12 Pennsylvania.

13           Thank you.

14           MAJORITY CHAIRMAN SAYLOR: Well, in  
15 response to Chairman Markosek, the bottom line is,  
16 there's a new chairman of the committee, and it's a  
17 new day in Harrisburg.

18           The public desires answers to their  
19 questions and to know how state government is  
20 running. I am not going to tolerate -- And this  
21 has nothing to do with this Administration. It  
22 goes for Republican and Democratic administrations  
23 over the years have not always been forthright and  
24 straightforward about how things work.

25           We are going to be that way in

1 Harrisburg now as long as I'm Chairman of this  
2 committee. We're gonna know how things are  
3 functioning; we're gonna find out what's working.  
4 That's why I've been a big pusher of performance  
5 budgeting. We need to know what programs are  
6 working for the taxpayers of Pennsylvania; not just  
7 that they're continuing, just simply because  
8 they've been there for 20 or 30 years.

9           And I think that it doesn't matter what  
10 party you're in. We all deserve, as members of the  
11 General Assembly or elected officials, have a  
12 fiduciary responsibility to know how government's  
13 working and what's not working. As long as I am  
14 Chairman of this committee, we're going to have  
15 answers.

16           And, Mr. Secretary, that's not an  
17 indictment of you or Governor Wolf. It's simply  
18 important for us to make those evaluations of what  
19 programs do we, in the General Assembly, want to  
20 change. I think the public needs to hear your  
21 testimony or that of the Budget Secretary on this  
22 particular issue from the point that they know it.

23           So often, as I've said this publicly, we  
24 get many answers that we've asked in writing. The  
25 problem is, these TV cameras that are here are

1 listening. These are taxpayers who want to hear  
2 the answers to the questions that members of the  
3 General Assembly ask. They are a part of the  
4 budget process as well. And so, it is critical  
5 that the public gets to hear the answers you give  
6 the members of the General Assembly.

7 And again, that's not a condemning of  
8 you or Secretary McNulty or the Governor or the  
9 even Budget Secretary. It's simply that we -- or  
10 the way I run this committee is the fact that I  
11 want the public to know and be open and  
12 transparent, which I believe the Governor does as  
13 well. I think the Governor has no problems with me  
14 calling somebody back. And I've had that  
15 discussion with Secretary Albright.

16 So, that is why I want you to come back  
17 here. He may answer that question, as I've said.  
18 And then, if he does, we won't need you to testify  
19 that day. And I appreciate your cooperation, and  
20 thank you very much.

21 And we will have a 5-minute recess.

22 (Whereupon, the budget hearing  
23 concluded).

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C E R T I F I C A T E

I, Karen J. Meister, Reporter, Notary Public, duly commissioned and qualified in and for the County of York, Commonwealth of Pennsylvania, hereby certify that the foregoing is a true and accurate transcript, to the best of my ability, of a public hearing taken from a videotape recording and reduced to computer printout under my supervision.

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