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COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE

MAIN CAPITOL
ROOM 140
HARRISBURG, PENNSYLVANIA

BUDGET HEARING
DEPARTMENT OF GENERAL SERVICES

WEDNESDAY, FEBRUARY 26, 2014
4:01 P.M.

BEFORE :

HONORABLE WILLIAM F. ADOLPH, JR.,
Majority Chairman
HONORABLE KAREN BOBACK
HONORABLE JIM CHRISTIANA
HONORABLE GARY DAY
HONORABLE GORDON DENLINGER
HONORABLE BRIAN ELLIS
HONORABLE GARTH EVERETT
HONORABLE GLEN GRELL
HONORABLE SETH GROVE
HONORABLE ADAM HARRIS
HONORABLE THOMAS KILLION
HONORABLE DAVID MILLARD
HONORABLE MARK MUSTIO
HONORABLE DONNA OBERLANDER
HONORABLE BERNIE O'NEILL
HONORABLE MICHAEL PEIFER
HONORABLE SCOTT PETRI
HONORABLE JEFF PYLE
HONORABLE CURT SONNEY
HONORABLE JOSEPH MARKOSEK, Minority Chairman
HONORABLE MATTHEW BRADFORD
HONORABLE MICHELLE BROWNLEE
HONORABLE MIKE CARROLL
HONORABLE H. SCOTT CONKLIN

1 BEFORE: (cont'd)

2 HONORABLE MADELEINE DEAN
3 HONORABLE DEBERAH KULA
4 HONORABLE TIM MAHONEY
5 HONORABLE MICHAEL O'BRIEN
6 HONORABLE CHERELLE PARKER
7 HONORABLE JOHN SABATINA
8 HONORABLE STEVEN SANTARSIERO
9 HONORABLE JAKE WHEATLEY

10 ALSO PRESENT:

11 HONORABLE MATT BAKER
12 HONORABLE PAUL CLYMER
13 HONORABLE GENE DIGIROLAMO
14 HONORABLE MATT GABLER
15 HONORABLE MARK KELLER
16 HONORABLE STEVE MENTZER
17 HONORABLE DARYL METCALFE
18 HONORABLE NICK MICOZZIE
19 HONORABLE MARGUERITE QUINN
20 HONORABLE MIKE REGAN
21 HONORABLE DOM COSTA
22 HONORABLE PAM DELISSIO
23 HONORABLE WILLIAM KORTZ
24 HONORABLE MARK LONGIETTE
25 HONORABLE DAN MILLER
HONORABLE MIKE SCHLOSSBERG
HONORABLE KEVIN SCHREIBER

DAVID DONLEY, MAJORITY EXECUTIVE DIRECTOR
DAN CLARK, MAJORITY CHIEF COUNSEL
MIRIAM FOX, MINORITY EXECUTIVE DIRECTOR

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

2 MAJORITY CHAIRMAN ADOLPH: Thank you.
3 Good afternoon. I'd like to reconvene the House
4 Appropriations Committee budget hearings.

5 Our next hearing is the secretary of
6 the Department of General Services.

7 Good afternoon, Madam Secretary.

8 SECRETARY PHILLIPS: Good afternoon.

9 MAJORITY CHAIRMAN ADOLPH: Nice to see
10 you.

11 SECRETARY PHILLIPS: Good to see you,
12 too.

13 MAJORITY CHAIRMAN ADOLPH: I hope we
14 did not keep you waiting too long.

15 SECRETARY PHILLIPS: It's worth the
16 wait.

17 MAJORITY CHAIRMAN ADOLPH: Worth the
18 wait. I'm glad to hear that.

19 SECRETARY PHILLIPS: Hopefully, you'll
20 say the same.

21 MAJORITY CHAIRMAN ADOLPH: Secretary
22 Phillips, would you like to make a brief opening
23 statement and introduce to the committee the
24 gentleman at the table with you?

25 SECRETARY PHILLIPS: I will do that.

1 And if you would like, I can just enter my
2 statement into the record, if you would prefer.

3 MAJORITY CHAIRMAN ADOLPH: Whatever you
4 prefer.

5 SECRETARY PHILLIPS: Okay. I'm Sheri
6 Phillips, the secretary of General Services, and I
7 have James Henning with me, our deputy secretary
8 for admin.

9 Can you hear me?

10 MAJORITY CHAIRMAN ADOLPH: Yes.

11 SECRETARY PHILLIPS: Closer.

12 So, if you would like to -- I
13 appreciate you having me here today. And, as I
14 said, I have remarks, but if you would prefer just
15 to enter them, I'd be fine with that.

16 MAJORITY CHAIRMAN ADOLPH: Okay. Thank
17 you.

18 As is the custom of Chairman Markosek
19 and I, we also invite the chairmen of the standing
20 committee, and with us today is Chairman Daryl
21 Metcalfe, of the State Government Committee.

22 Good afternoon, chairman.

23 REPRESENTATIVE METCALFE: Good
24 afternoon.

25 MAJORITY CHAIRMAN ADOLPH: Thank you.

1 Chairman Markosek.

2 MINORITY CHAIRMAN MARKOSEK: Thank you,
3 Chairman Adolph.

4 Welcome, Secretary.

5 SECRETARY PHILLIPS: Thank you.

6 MINORITY CHAIRMAN MARKOSEK:
7 Mr. Henning, thanks for being here today.

8 We were thinking we might have to get
9 extra chairs in here for the -- we had to do that
10 for the last group, but, thank you. Thanks for
11 being here.

12 I do not have any questions at this
13 time, Mr. Chairman. And I'll just save my time;
14 the other members can use my time for questions.

15 Thank you.

16 MAJORITY CHAIRMAN ADOLPH: Okay. I
17 just have a quick question that came up with some
18 other hearings. I know the general assembly is
19 giving the authorization to the Department of
20 General Services to sell some surplus properties.

21 SECRETARY PHILLIPS: Yes.

22 MAJORITY CHAIRMAN ADOLPH: Could you
23 give us an update on how that is going and what
24 you feel the future is?

25 SECRETARY PHILLIPS: Again, we

1 currently have fifty surplus properties listed on
2 our list that we have that we're looking at
3 selling. Nine of them are under agreements of
4 sale. There's another -- of the other properties,
5 there's seven that are very close to coming -- that
6 are getting finalized. And the other properties
7 are in various aspects of the process, getting
8 surveys or appraisals, some may be waiting for some
9 special legislation. So, they're moving along very
10 well.

11 We have taken great steps, I think, to
12 try and push these properties through to reduce the
13 carrying costs for the agencies as well as get the
14 income into the budget.

15 MAJORITY CHAIRMAN ADOLPH: Okay. A
16 brief description, what type of properties are
17 they?

18 SECRETARY PHILLIPS: We have a lot of
19 armories. We have the one omnibus bill that had a
20 lot of armories approved on there, so we've been
21 working through those properties. We have two
22 prison projects -- or two properties. We have a
23 multitude of other buildings. I can go through a
24 list if you want more specifics.

25 MAJORITY CHAIRMAN ADOLPH: No. That's

1 fine. Thank you.

2 Chairman Metcalfe.

3 REPRESENTATIVE METCALFE: Thank you,
4 Chairman Adolph.

5 And good afternoon.

6 SECRETARY PHILLIPS: Good afternoon.

7 REPRESENTATIVE METCALFE: My question's
8 similar to what Chairman Adolph had asked. A
9 little more specific related to the Act 56, which
10 we passed in 2013. And we had given permission to
11 DGS to sell twelve armories.

12 Can you tell me the status of those
13 twelve armories and what's been sold or what's
14 still -- where we're at with those?

15 SECRETARY PHILLIPS: I can. I can.
16 They're in various stages. We have one, two,
17 three, four, five, six, seven of those -- we have
18 seven armories. I don't know if they were all part
19 of that act, actually. One, two, three, four --
20 five of the seven that we have under agreement of
21 sale already of those twelve.

22 In addition, we have some other
23 properties that -- and pretty much the rest of
24 them, I think, are out for bid. Yes. The
25 majority of them are out for bid. So, they're

1 either under agreement of sale or out for bid, for
2 the most part.

3 REPRESENTATIVE METCALFE: And related
4 to the same type of question, can you tell me, of
5 the properties that have been sold in 2013, what
6 has -- what has the state realized in financial
7 gain from those properties being sold during 2013?
8 Do you have a number for us?

9 SECRETARY PHILLIPS: We do. We
10 actually -- I had a total number on the properties
11 sold since we've been in here completely, but in
12 2013, we were just under seven million dollars in
13 sales, and since 2011, our properties are just over
14 thirty-four million dollars.

15 REPRESENTATIVE METCALFE: Thank you.
16 Thank you.

17 The last question, Mr. Chairman, my
18 final question, related to some properties up in
19 Erie, there's several properties there that a
20 community group has had an interest in. The
21 representatives from that area have had an interest
22 in it. Senators, over time, have had an interest
23 in those properties. In fact, in October I went
24 and visited the properties and met with some of the
25 community folks there related to those properties

1 and had a couple of my colleagues joining me
2 there. Representative Sonney and Representative
3 Roae, I think Representative Bizzarro had all met
4 me there; we toured those properties.

5 I was told, and we've had meetings with
6 your staff and other staff, other state employees
7 that were involved in the meetings. We were told
8 that they were going to be developing RFIs on those
9 three properties, and that, originally, we were
10 given a time frame of September of last year that
11 those RFIs would be available to put out and see
12 what type of interest was there in the community in
13 actually purchasing those properties with the
14 various restrictions that might be on each of those
15 properties.

16 September came and went, and we had no
17 RFIs. Continued to work with your staff, and we
18 were told November. November should be the month
19 that the RFIs would be released. November came and
20 went; no RFIs.

21 Of course, we come into the new year.
22 January, I'm being questioned by members of my
23 committee. We have a specific senator that's very
24 interested in these properties being dealt with,
25 and I have no answers for them other than, you

1 know, the commitments that have been made by your
2 department have not been fulfilled. September,
3 November, now we're end of February, looking at
4 March.

5 Today, we finally get some information
6 from your department that gives us a template for
7 an RFI, but still no RFIs for these three specific
8 properties.

9 So, almost half a year passing since
10 we've been discussing this. And, actually, we got
11 together last summer and talked about this, because
12 this was an issue that came up amongst the
13 membership back before the last budget was
14 complete. So, we're now approaching this year's
15 budget, and we still have no progress on this.

16 And it was conveyed to me that part of
17 the sentiment that was shared from staff at some
18 point was that this was kind of a low priority and
19 other things had taken a priority. I have an issue
20 with that because commitments were made to the
21 members of this general assembly -- myself and
22 others -- on dealing with this, and we have no
23 progress from our perspective.

24 Can you tell me what your thoughts are
25 on that, what your response is? Or if you don't

1 have any knowledge of this and the problems we've
2 been having, then maybe you could follow up with us
3 at a later time to help us get some resolution
4 there.

5 SECRETARY PHILLIPS: We have made
6 progress on it. I apologize if it's not to the
7 timing that you had been told in the past. But we
8 have developed the RFI, and it's going to be going
9 out, at the latest, by March 15th. We're including
10 the properties that are on there that PHMC
11 currently has leases on those properties, so the
12 costs that they're incurring are lower.

13 We have some other large properties
14 that we have agreements of sale on, as we've said,
15 which were trying to push through the -- we're
16 trying to get the biggest bang for the buck, so a
17 commitment shouldn't have been made to you, that
18 I'm not aware of, as far as actual dates being
19 given to you. But -- we have a limited staff as
20 far as our sales people, but they've been working
21 on it. And like I said, the RFI has been
22 completed. And I know they wanted to take the time
23 to give the general assembly a chance to review it
24 and discuss it with the other agencies involved.
25 So, that could have been some of the reasons why it

1 was wasn't issued yet, but it is ready to go out
2 and should be out by March 15th, at the latest.

3 REPRESENTATIVE METCALFE: So, March
4 15th, we have a commitment from you that we will
5 have the RFIs in hand.

6 SECRETARY PHILLIPS: Yes.

7 REPRESENTATIVE METCALFE: Great.
8 Thanks.

9 SECRETARY PHILLIPS: Yes.

10 REPRESENTATIVE METCALFE: Thank you,
11 Mr. Chairman.

12 MAJORITY CHAIRMAN ADOLPH: Thank you,
13 Chairman Metcalfe.

14 The chair was remiss in acknowledging
15 the presence of Representative Gabler.

16 Representative Mike O'Brien.

17 REPRESENTATIVE O'BRIEN: Thank you,
18 Mr. Chairman,

19 And I'm over here, Madam Secretary.

20 SECRETARY PHILLIPS: Thank you.

21 REPRESENTATIVE O'BRIEN: And welcome
22 today.

23 SECRETARY PHILLIPS: Thank you.

24 REPRESENTATIVE O'BRIEN: I also serve
25 on the State Government Committee. And we had a

1 matter that came before us that wasn't dealt with
2 because of peripheral issues, but, nonetheless, I
3 think it raised a series of interesting questions.
4 It was the matter of the Temple Ambler campus.

5 Now, the land that state-related
6 universities sit on, Commonwealth own it?

7 SECRETARY PHILLIPS: It can vary.
8 Sometimes the state-related universities use their
9 own money to buy property. So, if they use their
10 own money, it could be under their name, if they
11 use their own raised money. If the Commonwealth of
12 PA puts money into a project, then it is under our
13 name. We delegate those projects to larger
14 universities to build or buy. So, it could be
15 both.

16 REPRESENTATIVE O'BRIEN: So, in this
17 case, we would venture to guess that, because a
18 piece of legislation needed to be done to convey
19 this, that it was, in fact, owned by the
20 Commonwealth.

21 SECRETARY PHILLIPS: The property at
22 Temple?

23 REPRESENTATIVE O'BRIEN: Yes.

24 SECRETARY PHILLIPS: Just to clarify,
25 which property are you referring to? I think I

1 know but --

2 REPRESENTATIVE O'BRIEN: Temple Ambler.
3 Sorry I don't have the metes and bounds.

4 SECRETARY PHILLIPS: Okay. Yeah, I --
5 I'd say yes, that was a property that had a clause
6 in it that said if they wanted to buy out the
7 restriction on that property, that they could pay
8 us the fair market value for it and then they would
9 have the ability to sell that property.

10 REPRESENTATIVE O'BRIEN: Now, on fair
11 market value, how do we come up with this? Do we
12 come up with this as an existing use, an
13 educational institution? Or do we come up -- or do
14 we come up with that amount for the perspective
15 use, the highest and best use? What's the criteria
16 that's used?

17 SECRETARY PHILLIPS: We get an
18 appraisal done based on -- well, the appraiser can
19 look at it. Sometimes he gives various options
20 within the appraisal, so we can get it broken down
21 different ways. Depending on the property or what
22 it is, sometimes we may not look at a proposed use
23 unless there is a definitive -- if we know we have
24 a definite buyer for a proposed use, then we may
25 actually ask them to do that in the appraisal. So,

1 it can be done a variety of ways.

2 REPRESENTATIVE O'BRIEN: So, in
3 essence, it becomes the discretion of the
4 department.

5 SECRETARY PHILLIPS: Well, it's still
6 based on an outside appraisal. But, as far as how
7 the appraisal's done, we talk to the appraiser
8 about that and then they give their feedback on it
9 and that's how it's determined.

10 REPRESENTATIVE O'BRIEN: So, if we're
11 looking at an appraisal for a continuation of an
12 educational process, if we're looking at a township
13 wants to take that for park land or if we're
14 thinking that a developer wants to take that for
15 housing units, so now you have three appraisals in
16 front of you.

17 SECRETARY PHILLIPS: No, we don't pay
18 for -- we don't ask for three different appraisals.
19 It's an appraisal and then, like I said, within
20 there, they can sometimes do different -- as in
21 many appraisals, they can look at various aspects,
22 and they can come up with an average. I mean, it
23 can be spelled out either way. But when we look at
24 it, if we're asking for how it's done, we're
25 obviously looking at it in what is the best respect

1 for the commonwealth and what's going to bring the
2 most money for the taxpayers.

3 REPRESENTATIVE O'BRIEN: Let's move on,
4 if we can, with land owned by education
5 institutions or Commonwealth. Under Act 147 of
6 2012, the Indigenous Mineral Resource Development,
7 it authorizes DGS to sell or lease oil, gas,
8 mineral rights held by Commonwealth in the State
9 System of Higher Education.

10 Has there been any interest in that?
11 Has any of the companies come forth and said, We'd
12 like to do this?

13 SECRETARY PHILLIPS: Yes, there has.

14 REPRESENTATIVE O'BRIEN: Could you
15 share with the committee?

16 SECRETARY PHILLIPS: Well, what we did,
17 initially, when the act was passed, we sat down and
18 developed procedures with DCNR. We talked to them
19 and went through the process as far as how would we
20 look at each of these properties, how would we go
21 through and determine which had OGM rights
22 underneath it. And what process would we use to
23 determine the value and things like that.

24 Obviously, DCNR has done this in the
25 past with land that they have owned. We have never

1 done that, so we met with DCNR, and we came up with
2 a MOU to determine what DGS would do and what DCNR
3 would do, as was in the legislation. It said that
4 we can work them.

5 So, we determined that first. And then
6 what we did is an outreach to all the agencies that
7 it could affect that have buildings that may have
8 OGM rights related to them as well as the State
9 System of Higher Education. We met with them. And
10 we also met with the operators that already have
11 wells or things with coal or whatever in the area.

12 One of the issues and one of things
13 that we came up with in our procedures to help move
14 things along, the research on whether we own the
15 OGM rights or any of them can be very costly, and
16 it can be very time consuming. So, what we looked
17 at with the operators, if they have something
18 that's right close by where they could actually
19 benefit from Act 147 and using that, they've come
20 forward to say, Okay, this is what we would like to
21 talk to you about. And here's the research we've
22 already done, and then we can verify that.

23 We've had one property -- we have
24 almost -- we've been in negotiations with right
25 now, that's -- and it's actually, ironically -- our

1 first deal was actually for coal, not gas, which
2 was surprising, but that one is under discussion
3 now. And we also have another one under --
4 Torrance State Hospital, that we are looking
5 working with them also. So, we've had at least two
6 come forward. Some others have expressed interest,
7 but they haven't pursued it at this point.

8 REPRESENTATIVE O'BRIEN: Do you have a
9 sense of the percentage of land that is under the
10 control of DGS that is a prospective development
11 site?

12 SECRETARY PHILLIPS: We do not. Part
13 of the issue -- and that's why we developed the
14 procedures with DCNR that we did. We know where
15 there may be -- because of the maps that DCNR, that
16 they have, we know where there may be a possibility
17 that there's something under the ground there. The
18 problem is, some of our properties that we own were
19 bought back in the 1800s. There were various deals
20 made that could have excluded or included the OGM
21 rights.

22 So, to actually figure that out, like I
23 said, for each piece of property -- in certain
24 ones, like if you look at the state hospital
25 properties, some of them were bought under various

1 parts and parcels as they have grown over the
2 years, so each one of those has to have separate
3 research done on their titles and the agreement
4 from when it was bought to research to deeds to see
5 who actually owns it. So, it's a long, drawn-out
6 process, which is why we decided to look at the
7 low-hanging fruit first, to say, okay, if there's
8 somebody that has one nearby, come forward and talk
9 to us about it, show us what information you have,
10 and then we'll verify that and work through it with
11 them.

12 REPRESENTATIVE O'BRIEN: And my final.

13 SECRETARY PHILLIPS: Okay.

14 REPRESENTATIVE O'BRIEN: So, as the
15 department prepares a Rule 32 -- which, by the way,
16 as an aside, we'd greatly appreciate if we got that
17 a little bit sooner than we have -- but, as the
18 department is doing that, do they take into
19 consideration in the sale price if there's mineral,
20 gas, coal rights involved with this?

21 SECRETARY PHILLIPS: We do.

22 REPRESENTATIVE O'BRIEN: In short, are
23 you giving up a source of revenue?

24 SECRETARY PHILLIPS: We, normally, if
25 we -- we usually condition it on the fact that we

1 would retain those rights.

2 REPRESENTATIVE O'BRIEN: Thank you,
3 Madam Secretary. Appreciate it.

4 Thank you, Mr. Chairman.

5 SECRETARY PHILLIPS: You're welcome.

6 MAJORITY CHAIRMAN ADOLPH: Thank you,
7 Representative.

8 Representative Glen Grell.

9 REPRESENTATIVE GRELL: Thank you very
10 much, Mr. Chairman.

11 Thank you, Madam Secretary.

12 I wanted to ask you a couple questions
13 about emergency medical services within the capitol
14 complex. I'm looking for some education on how
15 those services are provided to the commonwealth. I
16 understand there was a situation a couple months
17 ago that sort of called into question how that's
18 done and you have made some changes, I want to hear
19 about those. But I'm bringing it up in the context
20 of the line item in your budget, and I think also
21 DCED, to provide for some reimbursement to the city
22 of Harrisburg for the value of fire and police
23 services that are provided to the capitol complex.
24 And I don't want to lose sight of emergency medical
25 services if that's something we should also be

1 taking into consideration.

2 So, I guess the first question is, how
3 are emergency medical services provided to the
4 capitol complex?

5 SECRETARY PHILLIPS: When there is a
6 call to 911, when there is something serious where
7 a call is made to 911, those calls go to the
8 county, so Dauphin County would actually respond to
9 them. They turn around and call the capitol police
10 and inform them also. So, they're responding as
11 quickly as possible. And by their phone calls to
12 the capitol police, the capitol police work with
13 them, as a result of one of these where there was
14 an issue where they had an ambulance come to the
15 wrong place and there was a delay. They've changed
16 the procedures to say, okay, when you make that
17 call to the capitol police, they walk them through
18 it and say, "Okay, here's where you should come,
19 and here's where we'll meet you," and make it more
20 specific so that Dauphin county knows where to come
21 to respond. And that was in the example of an
22 ambulance that was coming for someone.

23 REPRESENTATIVE GRELL: Okay. But where
24 are the ambulances coming from? My understanding
25 is that the city of Harrisburg doesn't have an

1 ambulance service, so these are private providers
2 or other providers that are actually sending the
3 ambulances.

4 SECRETARY PHILLIPS: Dauphin County
5 would make that determination when 911 is called.

6 REPRESENTATIVE GRELL: Okay. The
7 reason I'm asking, you know, there is this line
8 item for fire and police service reimbursement, and
9 I'm fully supportive of providing the city with a
10 reasonable reimbursement for the actual costs of
11 those services. I'm not sure I agree with just
12 pulling a number out of the air and sticking it in
13 the budget, but whatever those costs are, I think
14 that's appropriate and the state should be
15 including that in our general fund budget, whether
16 it's in your line item or somebody else's line
17 item, as long as it gets there.

18 But I would ask you to give some
19 thought to whether we should also be providing some
20 sort of payment to these emergency medical service
21 providers that also have the same sort of standby
22 costs and things like that, to provide services to
23 the capitol complex. It would certainly be a
24 benefit to the employees here at the capitol
25 complex, because, I assume that if an ambulance

1 call comes to the capitol complex, the person
2 receiving the services is responsible for a co-pay
3 or some charge that their insurance may not cover.
4 So, I just don't want that issue to be lost as
5 we're discussing what the reasonable value of those
6 services are to our host community here.

7 SECRETARY PHILLIPS: Okay.

8 REPRESENTATIVE GRELL: Thank you,
9 Mr. Chairman.

10 MAJORITY CHAIRMAN ADOLPH: Thank you,
11 Representative.

12 Representative Deb Kula.

13 REPRESENTATIVE KULA: Thank you,
14 Mr. Chairman.

15 Good afternoon.

16 SECRETARY PHILLIPS: Good afternoon.

17 REPRESENTATIVE KULA: You had
18 mentioned, I believe, when you were talking about
19 the armories, you had mentioned, also, two prisons.

20 SECRETARY PHILLIPS: Yes.

21 REPRESENTATIVE KULA: Now, those
22 prisons, would that be SCI Cresson and SCI
23 Greensburg?

24 SECRETARY PHILLIPS: That's correct.

25 REPRESENTATIVE KULA: Okay. And you

1 have the -- I mean, they are listed for sale now?
2 Is that what you're doing? Or trying to sell them?

3 SECRETARY PHILLIPS: We received
4 approval to be able to sell them.

5 REPRESENTATIVE KULA: Okay?

6 SECRETARY PHILLIPS: There's a lot of
7 steps that go in front of actually putting it out
8 for bid or whatever's going to happen with the
9 property.

10 What we did, when we got the approval
11 on that is, we started the work for appraisals and
12 surveys, which can take months on larger
13 properties. So, we have that in process and are
14 getting close to finalizing those.

15 And then, we've also been working
16 with -- on this property specifically, we've met
17 with the local officials that are near each prison
18 to try and get their feedback, to encourage them to
19 let us know of any points of interest. And we've
20 also met with the general assembly to try and find
21 the people in the area to say the same things: If
22 there's anybody you know, if there's any interest
23 in something, here's what we've -- you know, please
24 let us know.

25 We've actually gotten some in interest

1 in both of those properties, and we've talked to
2 the people in their districts to say, hey, here's
3 the interest of somebody, and is this something
4 that you're excited or -- because we want to try
5 and work with the communities, because on
6 properties especially that large, anything we can
7 do for job creation in the communities is extremely
8 important. So, we've been doing that up-front work
9 first, and we've followed up on any and all leads
10 that we've gotten so far. And we do have some
11 viable leads that we are following up on and
12 working through some details on currently.

13 REPRESENTATIVE KULA: And are you
14 permitted to indicate, like, what type of people or
15 what type of a business is looking to purchase a
16 prison?

17 SECRETARY PHILLIPS: I would be glad to
18 talk to you about that off line.

19 REPRESENTATIVE KULA: Okay. That would
20 be great.

21 And you don't have the appraisals as
22 yet, but would you be able to provide us with those
23 appraisals on each of those institutions?

24 SECRETARY PHILLIPS: We are looking at
25 how we handle the appraisals in a way that we don't

1 want it to affect a sales price of what happens
2 going forward. So, we have -- so, as we get them,
3 we may not share them right away, but we would be
4 glad to talk to you about them and what our thought
5 process is as far as -- prisons are very different.
6 It's not like they have a whole lot of comps out
7 there because they don't sell every day, so, we
8 don't want it to affect our final deal with someone
9 going forward.

10 REPRESENTATIVE KULA: I wasn't
11 interested in trying to find or use that appraisal
12 for anything. I'm just interested in what those
13 properties, what they are appraised at, what they
14 are worth.

15 And even going it one step further --

16 SECRETARY PHILLIPS: And if I can just
17 add to that from what you're saying from what
18 they're worth, I don't know that the appraisal is
19 the bottom line --

20 REPRESENTATIVE KULA: I understand. I
21 know. And maybe it was a poor choice of words.

22 But, also, can you -- what does it cost
23 to maintain those properties? I assume DGS must
24 maintain them.

25 SECRETARY PHILLIPS: Actually, the

1 Department of Correction pays the maintenance costs
2 on those. And the two of them are close to five
3 million dollars a year, so --

4 REPRESENTATIVE KULA: Five million?

5 SECRETARY PHILLIPS: Yes. It's just
6 over two million, I think, for each one of them,
7 give or take on the two. But it's about, in total,
8 about five million.

9 REPRESENTATIVE KULA: And what is your
10 responsibility for those buildings?

11 SECRETARY PHILLIPS: We -- Department
12 of Corrections actually takes care of maintaining
13 them, but our responsibility's related to the sales
14 process, to talk to the people locally, and to talk
15 to anybody that has leads, and to market them and
16 go forward, and whatever we can do to try and sell
17 those properties.

18 REPRESENTATIVE KULA: And when you're
19 talking -- and I don't know if you know, but the
20 Department of Corrections, you're saying five
21 million dollars a year to maintain that property, I
22 mean, that is everything, structurally? I'm sure
23 they have to have someone on site to protect the
24 property. Is that everything? Do you know?

25 SECRETARY PHILLIPS: That includes any

1 maintenance, security, taking care of the lawns,
2 you know, mothballing the buildings and still
3 providing some minimal heat to make sure they're
4 not destroyed because of freezing in the winter.
5 And so it includes everything related to keeping
6 the property at the lowest level but still keeping
7 it from being destroyed because of heat issues if
8 it gets too cold.

9 REPRESENTATIVE KULA: I believe at the
10 one there was some talk initially about a water
11 tank type of system that was just recently
12 purchased before they were closed. Now, that is
13 also part of the Department of Corrections.

14 SECRETARY PHILLIPS: The issue -- any
15 costs or anything related to that, that is part of
16 Department of Corrections.

17 REPRESENTATIVE KULA: Okay. Because it
18 seemed to me that, when I asked the question to
19 Secretary Wetzel, it was indicated that that was
20 DGS's problem, not the Department of Corrections.

21 SECRETARY PHILLIPS: If there's
22 anything that would be impacting the sale --

23 REPRESENTATIVE KULA: I meant the whole
24 thing. The maintenance and everything.

25 I believe Secretary Wetzel indicated --

1 and I will look back -- but I thought that he
2 indicated that, when I asked the question of what
3 it would cost to maintain, he indicated to me that
4 it was DGS's.

5 SECRETARY PHILLIPS: There may have
6 been some confusion there, I'm not sure, but I
7 think he knows that because it's in his budget. He
8 knows the costs of carrying them.

9 REPRESENTATIVE KULA: Okay. We'll be
10 checking on that.

11 Thank you so much.

12 SECRETARY PHILLIPS: Thank you.

13 REPRESENTATIVE KULA: Thank you,
14 Mr. Chairman.

15 MAJORITY CHAIRMAN ADOLPH: Thank you,
16 Representative.

17 Representative Seth Grove.

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

20 Secretary, good to see you again.

21 SECRETARY PHILLIPS: Good to see you,
22 too.

23 REPRESENTATIVE GROVE: Thank you.

24 DGS has recently begun managing the
25 bidding negotiation and valuation of the

1 Pennsylvania Liquor Control Board leases.

2 Are there terms in the new leases that
3 would allow for the possibility of liquor
4 privatization in the future?

5 SECRETARY PHILLIPS: There are terms
6 that we could cancel those leases, yes. It's
7 different, depending on the year the lease was
8 done, yes, there are terms in there.

9 REPRESENTATIVE GROVE: Okay. And a
10 colleague of mine wanted to follow up with a
11 question. Is DGS looking at putting liquor stores
12 within or next to grocery stores to increase their
13 profitability?

14 SECRETARY PHILLIPS: That's still
15 handled by the LCB.

16 REPRESENTATIVE GROVE: Okay.

17 SECRETARY PHILLIPS: They are still --
18 we handle the actual process, but LCB still
19 handles, like, where they're going to put a store
20 and look at the market research and where the value
21 is to them. So, that would still be handled by
22 LCB.

23 REPRESENTATIVE GROVE: Okay. Thank
24 you.

25 Thank you, Mr. Chairman.

1 SECRETARY PHILLIPS: And if I can just
2 add one thing. As my deputy secretary pointed out
3 here, on that water tower, what he may have been
4 referring to is a request to our Public Works
5 department to take down the tower. So, if you were
6 referring to that instead of any cost to maintain,
7 that might have been where he was saying DGS was --
8 I was looking at it as far as the cost to
9 maintain. But if he was talking about a project to
10 actually take it down, that would fall under our
11 Department of Public Works.

12 REPRESENTATIVE KULA: Thank you. Can I
13 ask --

14 MAJORITY CHAIRMAN ADOLPH: Yes, go
15 ahead, Representative.

16 REPRESENTATIVE KULA: So, I mean, has
17 that tower been removed, and was that your
18 responsibility?

19 SECRETARY PHILLIPS: It's not yet, I
20 don't believe. It's under contract, but it's not
21 taken down yet.

22 REPRESENTATIVE KULA: And would you be
23 able -- and that is your cost, correct, to tear it
24 down, to take it down?

25 SECRETARY PHILLIPS: That's part of our

1 capital plan, so that would be public improvement
2 project, PIP project.

3 REPRESENTATIVE KULA: Okay. And there
4 would be costs involved, though; correct?

5 SECRETARY PHILLIPS: Yes.

6 REPRESENTATIVE KULA: And could you
7 provide us with that amount?

8 SECRETARY PHILLIPS: We could provide
9 that to you.

10 REPRESENTATIVE KULA: Thank you.

11 MAJORITY CHAIRMAN ADOLPH: Thank you.
12 Representative Santarsiero.

13 REPRESENTATIVE SANTARSIERO: Thank you,
14 Mr. Chairman.

15 Over here. Madam Secretary, welcome.

16 I want to follow up on the discussion
17 about the potential leasing of state system lands
18 for nature gas drilling, because, forgive me, I
19 didn't quite understand your testimony previously.

20 Did you say that there are actually
21 companies with which you are having discussions now
22 about potential leases?

23 SECRETARY PHILLIPS: Yes.

24 REPRESENTATIVE SANTARSIERO: Okay.

25 SECRETARY PHILLIPS: We have two that

1 are out there right now. Well, actually, I take
2 that back. You said regarding State System of
3 Higher Education. The two that we were looking at
4 right now currently were not on State System of
5 Higher Education properties.

6 REPRESENTATIVE SANTARSIERO: Where were
7 they?

8 SECRETARY PHILLIPS: One was a Torrance
9 State Hospital, and one was in Armstrong County.

10 REPRESENTATIVE SANTARSIERO: Any state
11 system lands you're looking at right now?

12 SECRETARY PHILLIPS: Nothing at this
13 time.

14 REPRESENTATIVE SANTARSIERO: Nothing at
15 this time. Okay.

16 Have you had any inquiries at all about
17 the state system lands?

18 SECRETARY PHILLIPS: No.

19 REPRESENTATIVE SANTARSIERO: None.
20 Okay.

21 Great. Thank you.

22 SECRETARY PHILLIPS: Thank you.

23 MAJORITY CHAIRMAN ADOLPH: Thank you,
24 Representative.

25 Representative Bradford.

1 REPRESENTATIVE BRADFORD: Thank you,
2 Chairman Adolph.

3 Real quick, Secretary, I just wanted to
4 ask you about the Phoenix project, the building
5 project in Montgomery County. We've gotten some --
6 people have said things on both sides about how
7 that bidding process has played out, going back, I
8 guess, to the Rendell administration.

9 Can you kind of explain to me kind of
10 the choreography of how that's played out so far
11 and why it's morphed so many times?

12 SECRETARY PHILLIPS: Well, I can tell
13 you, since I've been here, it had been bid out --
14 actually, it's been bid four times, three of them
15 were -- or two of them before me and one was kind
16 of right as I was starting. But when this
17 administration came in, they wanted to make some
18 changes in the project, to improve it. They wanted
19 to add a female housing transition -- housing unit
20 for transitioning females to get back into the
21 nonprison life, as they were moving out of prison.
22 They wanted to change the layout of the prototype
23 that they use, which has been extremely successful
24 because it takes an area of kind of blind sights
25 and changed that. So, they've changed the

1 prototype of how it would be laid out, and they
2 made some other changes in it to improve it and
3 show -- make it better -- I guess, a better
4 facility for the actual Department of Corrections.

5 So, once those changes were made, we
6 put it out for the final bid, which is what we had
7 followed, and that's what we're operating under
8 now.

9 The legislation for that project
10 specified that it would be a design/build project,
11 and that's how it was bid.

12 REPRESENTATIVE BRADFORD: Final bid was
13 design/build? Wasn't there an issue with project
14 labor agreement at some point?

15 SECRETARY PHILLIPS: In the past, there
16 had been a project labor agreement in the bids, but
17 in the final bid, there was no project labor
18 agreement.

19 REPRESENTATIVE BRADFORD: There was
20 not.

21 SECRETARY PHILLIPS: There was none.

22 REPRESENTATIVE BRADFORD: One of the --
23 one of those companies that, I think, bid on the
24 project had mentioned an inspector general report
25 or an investigation. Are you aware of that?

1 SECRETARY PHILLIPS: I am not.

2 REPRESENTATIVE BRADFORD: All right.

3 Thank you, Secretary.

4 SECRETARY PHILLIPS: Thank you.

5 MAJORITY CHAIRMAN ADOLPH: Thank you,
6 Representative.

7 Just a couple quick questions regarding
8 some of the sidewalks on the capitol complex. I
9 know it's been a tough winter.

10 Can you give us an explanation why the
11 center sidewalk that leads to the bridge over
12 Market Street into the Strawberry Square area, for
13 some reason, isn't shoveled? And what you have to
14 do for all the state employees, you have to go down
15 one of the other sidewalk in order to cross Market
16 Street.

17 SECRETARY PHILLIPS: The bridge over
18 Market Street isn't our responsibility.

19 MAJORITY CHAIRMAN ADOLPH: I'm not
20 talking about the bridge. I'm talking about the
21 sidewalk that starts right outside the Ryan
22 building. There's three sidewalks that take you
23 down to, you know, Market Street. I guess, it's
24 Market Street, okay, or Walnut Street. Okay,
25 Walnut, I think it is, Walnut Street.

1 SECRETARY PHILLIPS: On the capitol
2 grounds there.

3 MAJORITY CHAIRMAN ADOLPH: Yes. Yes.
4 And they have been doing a fantastic job with the
5 two sidewalks. Okay. But if you're heading over
6 into the Strawberry Square area, where the bridge
7 is, okay, they don't -- they don't do that middle
8 sidewalk. And, you know, there's a barricade there,
9 and there's cones there, and it says Department of
10 General Services.

11 Is there any reason why that center
12 sidewalk doesn't get shoveled? If you don't have
13 the answer, you can get back to me.

14 SECRETARY PHILLIPS: I'm not sure that
15 I can give you that answer to that. I do know
16 there are --

17 MAJORITY CHAIRMAN ADOLPH: You know,
18 it's probably melted now, but I'm just telling you,
19 as of last night, it wasn't. And I'm just going to
20 tell you why. I'm going to tell you why. Because,
21 when you get down to the bottom of the sidewalk
22 down there, okay, there's a traffic signal that has
23 been knocked down for about two years now. Okay.
24 And there's a base of that traffic signal down
25 there that many state employees and many

1 pedestrians have tripped on. Okay.

2 And I've put in requests in the past
3 that someone should take care of that, because, I
4 bet you, on a daily basis, someone trips. Okay.
5 Thank God they haven't tripped into ongoing
6 traffic. Okay. It's a very serious condition.
7 And I've tried, in the past, to see if we could get
8 it fixed.

9 I don't know if that's our department
10 or not, as far as the traffic signal that was
11 knocked over. But it's been down there for at
12 least two years. Okay.

13 You avoid that whole problem by going
14 over in the middle sidewalk and go over into the
15 Strawberry Square area. Just something I'd like
16 you to look into, have somebody look into for us,
17 because I think it is a safety problem around the
18 capitol complex.

19 SECRETARY PHILLIPS: I'll be glad to
20 look into that.

21 MAJORITY CHAIRMAN ADOLPH: I'm sure it
22 won't affect your budget that much.

23 SECRETARY PHILLIPS: The traffic signal
24 is not ours, but I will look into that as far as
25 the sidewalk.

1 And just as an aside to that, and I
2 appreciate your comment about them doing a great
3 job, that was in my comments that I put into the
4 record here, and I didn't say --

5 MAJORITY CHAIRMAN ADOLPH: Fantastic.

6 SECRETARY PHILLIPS: I need to thank
7 them, because they have --

8 MAJORITY CHAIRMAN ADOLPH: They're
9 really working hard, and, you know, no matter what
10 time it starts snowing, they're out there.

11 I'm just curious why that middle
12 sidewalk doesn't get taken care of, because it
13 leads to the bridge. And maybe -- you know, maybe
14 that's the reason, okay, because there's a --
15 because they don't want you crossing the bridge
16 because it's slippery.

17 SECRETARY PHILLIPS: I was going to
18 say, maybe it's a safety issue.

19 MAJORITY CHAIRMAN ADOLPH: But there is
20 a problem I'd like you to look into. I hope it's
21 not our responsibility is that base of this traffic
22 signal that's been out there for about two years.
23 And I know many, many folks that work here that
24 have tripped over it, and, fortunately, there
25 hasn't been a serious injury. But I think it's an

1 injury waiting to happen there.

2 SECRETARY PHILLIPS: We'll be glad to
3 follow up on that with you.

4 MAJORITY CHAIRMAN ADOLPH: Chairman
5 Markosek.

6 MINORITY CHAIRMAN MARKOSEK: Just a
7 final comment, maybe. That's the toughest question
8 we have had this entire budget season. I want to
9 congratulate the chairman for -- but it's an
10 important thing. I don't mean to make light of it.

11 MAJORITY CHAIRMAN ADOLPH: I think
12 Medicaid expansion will take care of that.

13 I hope I get a smile. I hope I get a
14 smile from folks.

15 Madam Secretary, thank you so much.
16 I'm looking forward to working with you and your
17 staff as we work on your budget request between now
18 and June 30th.

19 Thank you very much.

20 SECRETARY PHILLIPS: Thank you very
21 much.

22 MAJORITY CHAIRMAN ADOLPH: Members,
23 before you leave, I'd like to let you know that
24 we will reconvene tomorrow morning at 9:30, and we
25 will have the budget secretary here at 9:30.

1 Thank you very much for your
2 cooperation. Thank you.

3 (Whereupon, the hearing concluded at
4 4:41 p.m.)

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REPORTER'S CERTIFICATE

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

BRENDA J. PARDUN, RPR
Court Reporter
Notary Public