

**Department of General Services
Opening Statement
House Appropriations Hearing
February 26, 2014**

Good afternoon Chairman Adolph, Chairman Markosek and members of the House Appropriations Committee. I am Sheri Phillips, Secretary for the Department of General Services. Beside me is James Henning, Deputy Secretary for Administration.

Thank you for the honor of appearing before you today to discuss the Department's proposed 2014-2015 Budget, which is helping to build a stronger Pennsylvania.

DGS's budget submission reflects the need to focus funding on two core missions: delivering high-quality, value-added services and creating savings opportunities for state agencies and local governments. The expertise of our talented staff led to two programs being recognized with First and Second Place awards in the 2013 Governor's Innovation of the Year competition. Vehicle fleet reduction efforts coupled with reforming state travel regulations garnered the top honor. I am proud to say that we have reduced the fleet by over 2,000 passenger vehicles and saved \$50 million since 2011. The second award recognized our work to reduce office leases. Working closely with other state agencies, space consolidations have shed over 526,000 square feet and eliminated \$9 million a year in rental expenses to agencies. To give you some perspective, that much space is roughly equivalent to the Irvis, North and Forum Buildings combined or the entire Keystone Building.

The Department played a key role in creating a path toward fiscal stability for the City of Harrisburg. DGS negotiated an agreement to purchase electricity from the Harrisburg incinerator thereby helping to secure the sale of the facility and insulate the Commonwealth from market fluctuations. Further, the Department assisted the City Receiver to negotiate a long-term parking lease on behalf of the Commonwealth, thus completing one of the other major financial components of the Harrisburg Strong Plan. These agreements not only save the Commonwealth an estimated \$20 million, but equally as important, they allow Harrisburg to move out from under crushing debt and focus on revitalizing its economy, attracting

much needed jobs and business investment and rebuilding an aging infrastructure.

When I sat before you last year, I told you that DGS was planning an aggressive surplus real estate initiative. We knew agencies were spending their limited funds to maintain empty, unneeded facilities instead of critical programs. We met with many members of the General Assembly to express our concerns and hear yours. You heard us loud and clear. Thank you! With your help, thirty-five properties were surplus by June 30th – a record. To date, eight of them are under sales agreements; seven are currently out for bid; and the rest are in varying stages of surveys and appraisals.

As you may be aware, House Bill 1945 is now before the Senate that would permit DGS to sell the former Harrisburg State Hospital, now known as the DGS Annex. The legislation represents a fundamental shift in how the Department intends to sell similar properties in the future. While the Annex is still used by over 1,000 employees and contracted staff, changes in key programs over the next two years such as transitioning to cloud data and networking services, eliminate the need to maintain costly operations at the site. Passage of HB 1945 gives DGS the ability to conduct surveys, environmental assessments and property appraisals well in advance of a sale and develop a timely and coordinated relocation plan for staff and operations.

Perhaps most exciting of all, is the transformative potential to the Harrisburg economy that the sale of the former State Hospital can bring. The property is located next to major highways and adjacent to the Farm Show Complex. It presents tremendous opportunities for near and long-term job creation through redevelopment of the site in addition to putting valuable land back on the tax rolls.

The Department is embarking on a pair of technology initiatives to improve efficiency, modernize operations and track the cost of doing business. DGS is implementing a mobile facilities and maintenance work order system that dispatches work orders to staff in the field and analyzes total project time and cost. Public Works is restructuring its organization and modernizing its construction management software to automate workflow, administer electronic bidding and integrate existing disparate software applications.

The Department's Bureau of Small Business Opportunities is committed to assist small and small diverse companies in contracting with the Commonwealth. Last fiscal year, the Bureau implemented two programs: the Small Business Procurement Initiative and the Small Diverse Business, or SDB program. The Small Business Procurement Initiative creates new prime contracting opportunities for small businesses by designating certain contract awards for just small businesses. The SDB program, which assists Minority and Women Business Enterprises for subcontracts, has been expanded to include Veteran Business Enterprises and Service-Disabled Business Enterprises under Act 185 of 2012. A new "proactive" compliance process reviews SDB Utilization reports while contracts are still in the performance phase to enforce commitments between primes and SDBs.

Finally, I would like to take a moment to thank two groups of DGS employees that you see every day working in and around the Capitol. This has been an especially challenging winter. DGS facilities crews have done an outstanding job keeping our streets and sidewalks clear of the seemingly unending snow and ice. Many times, these employees need to come to work in the early hours of the morning so that we can get to our workplaces. Please join me in expressing heartfelt gratitude for their dedication and hard work.

We are also fortunate to have a highly skilled police force protecting employees, legislators and visitors coming to the Capitol Complex. The Capitol Police Department has received international accreditation from the Commission on Accreditation for Law Enforcement Agencies as well as from the Pennsylvania Law Enforcement Accreditation Commission. Only four percent of law enforcement agencies share this distinction. As the news seems to report on an ever increasing number of shootings in public locations, the Capitol Police have begun to offer training to state employees and legislators to prepare for and respond to acts of workplace violence or active shooter situations.

DGS continues to be careful stewards of taxpayer dollars and always looks for new and innovative ways to help build a stronger Pennsylvania. Thank you. I will now take any questions.