

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE HEARING

STATE CAPITOL
MAIN BUILDING
ROOM 140
HARRISBURG, PENNSYLVANIA

WEDNESDAY, FEBRUARY 21, 2018

PRESENTATION FROM
DEPARTMENT OF LABOR AND INDUSTRY
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
AND PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY
IN RE: JOB CREATION IN PENNSYLVANIA

BEFORE:

HONORABLE STANLEY SAYLOR, MAJORITY CHAIRMAN
HONORABLE JOSEPH MARKOSEK, MINORITY CHAIRMAN
HONORABLE KAREN BOBACK
HONORABLE SHERYL DELOZIER
HONORABLE GEORGE DUNBAR
HONORABLE GARTH EVERETT
HONORABLE KEITH GREINER
HONORABLE SETH GROVE
HONORABLE DOYLE HEFFLEY
HONORABLE SUE HELM
HONORABLE LEE JAMES
HONORABLE WARREN KAMPF
HONORABLE FRED KELLER
HONORABLE JASON ORTITAY
HONORABLE MICHAEL PEIFER
HONORABLE MARGUERITE QUINN
HONORABLE BRAD ROAE
HONORABLE JAMIE SANTORA
HONORABLE CURT SONNEY

JEAN DAVIS REPORTING
POST OFFICE BOX 125 • HERSHEY, PA 17033
Phone (717) 503-6568

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BEFORE (cont.'d) :

- HONORABLE KEVIN BOYLE
- HONORABLE TIM BRIGGS
- HONORABLE DONNA BULLOCK
- HONORABLE MARY JO DALEY
- HONORABLE MADELEINE DEAN
- HONORABLE MARIA DONATUCCI
- HONORABLE MARTY FLYNN
- HONORABLE PATTY KIM
- HONORABLE STEPHEN KINSEY
- HONORABLE LEANNA KRUEGER-BRANEKY
- HONORABLE MICHAEL H. O'BRIEN
- HONORABLE PETER SCHWEYER

ALSO IN ATTENDANCE :

- DAVID DONLEY, REPUBLICAN EXECUTIVE DIRECTOR
- RITCHIE LaFAVER, REPUBLICAN EXECUTIVE DIRECTOR
- MIRIAM FOX, DEMOCRATIC EXECUTIVE DIRECTOR
- TARA TREES, DEMOCRATIC CHIEF COUNSEL
- HONORABLE CRIS DUSH
- HONORABLE BRIAN ELLIS
- HONORABLE JONATHAN FRITZ
- HONORABLE ROB KAUFFMAN
- HONORABLE FRANK RYAN
- HONORABLE MARK LONGIETTI
- HONORABLE ED NELSON
- HONORABLE CURTIS THOMAS

**JEAN M. DAVIS, REPORTER
NOTARY PUBLIC**

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

2 * * *

3 MAJORITY CHAIRMAN SAYLOR: It's nice to see a
4 full house this morning compared to yesterday, Joe.

5 MINORITY CHAIRMAN MARKOSEK: Popular.

6 MAJORITY CHAIRMAN SAYLOR: Popular hearing today.
7 Anyway, I want to call the hearing to order.
8 This morning we are going to be doing things a little
9 differently. Instead of focusing on a particular agency,
10 we're going to focus on a particular topic, job creation.

11 And it's been and will continue to be the central
12 focus of our Caucus. And we need to figure out ways to get
13 Pennsylvania growing in a more robust manner.

14 During the hearing, we want to talk about how we
15 can improve Pennsylvania's business climate and what tools
16 State Government can deploy to help grow the economy. We
17 want to take a deep dive into the effectiveness of our
18 current programs related to job creation.

19 The General Fund Budget is full of job programs
20 and tax credits that have been enacted on the premise that
21 Pennsylvania will see more jobs. The Appropriations
22 Committee needs to look at the appropriations we've enacted
23 and examine if these dollars are really getting the return
24 on the investment.

25 We need to eliminate programs that aren't working

1 and bolster those programs that are. Since this topic spans
2 many areas of State Government, we have a panel before us
3 today, the Department of Community and Economic Development,
4 the Department of Labor and Industry, and the Pennsylvania
5 Higher Education Assistance Agency.

6 I'm asking members to tailor their questions
7 today to job creation and delving into the programs that
8 each of these are involved in. We'll try and get to the
9 bottom of those kinds of things.

10 With that, if I may ask the Secretaries and the
11 President and CEO of PHEAA to please rise and raise your
12 right hand.

13 Do you swear and affirm that the testimony you
14 are about to give is true to the best of your knowledge and
15 information and belief? If so, say I do.

16 PRESIDENT PRESTON: I do.

17 SECRETARY DAVIN: I do.

18 SECRETARY OLEKSIK: I do.

19 MAJORITY CHAIRMAN SAYLOR: Thank you.

20 Chairman Markosek, any comments?

21 MINORITY CHAIRMAN MARKOSEK: Thank you, Chairman.

22 Boy, we have a nice crowd here today. We must
23 have had free tickets for the event here today. But
24 nevertheless, I'm glad everybody is here.

25 You know, I look in front of me here and I see

1 three friends, three folks that I've worked with quite a bit
2 over the years. And it's been a very, very good and
3 productive acquaintance with all three. I look forward to
4 the testimony today.

5 As we know, the Governor, this is his fourth
6 budget. He has had education and job creation as the
7 cornerstone of all of his budgets. And today we have the
8 three organizations here that will lead the charge for
9 education and job creation in the Commonwealth.

10 It's very important. This is a very important
11 day for all of us. Education and job creation might be the
12 most important things we do as a Commonwealth here certainly
13 for this next fiscal year. I look forward to the testimony.

14 Again, welcome. And I'm sure we'll have some
15 very, very good questions. I look forward to hearing what
16 everybody has to say.

17 Thank you, Chairman.

18 MAJORITY CHAIRMAN SAYLOR: I wanted to announce
19 that we have the following members here who are not members
20 of the Appropriations Committee but are sitting in today.

21 We have Representative Ryan, Representative Dush,
22 and Representative Fritz. And we'll announce anybody else
23 who come s in that are joining us to hear the testimony
24 today.

25 Chairman Markosek.

1 MINORITY CHAIRMAN MARKOSEK: I see we have
2 Representative Curtis Thomas from Philadelphia has joined as
3 well as Representative Mark Longietti from Mercer County.

4 MAJORITY CHAIRMAN SAYLOR: I was just ready to
5 introduce Representative Longietti, who is the Democratic
6 Chairman of the Tourism and Recreational Committee.

7 We also have Chairman Brian Ellis of the Commerce
8 Committee and Chairman Rob Kauffman of the Labor and
9 Industry Committee.

10 Also, we will be missing today Chairman Dave
11 Millard who is on the Tourism and Recreation Committee. He
12 was already committed to a Transportation hearing, public
13 hearing elsewhere in his district so he will not be here
14 today.

15 I wanted to make those announcements. And we
16 will announce any other members that come in.

17 Chairman Markosek.

18 MINORITY CHAIRMAN MARKOSEK: Thank you, Chairman.

19 I think you'll agree that we can't overlook
20 Representative Ed Neilson from Philadelphia or else we're
21 all in trouble. He's here as well.

22 MAJORITY CHAIRMAN SAYLOR: I just reminded him to
23 behave himself. Great guy from Philadelphia. Chairman
24 Markosek and I will expect rewards of some kind for making
25 sure you're introduced. Anyway, we're moving on. I

1 apologize.

2 But anyway, Representative Delozier will start
3 our questioning.

4 Representative Delozier.

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

7 Thank you all for being here. I appreciate the
8 information that will be shared. I know there's a lot of
9 questions for Labor and Industry as well. But I have a
10 focus on PHEAA. I'd like to ask Jim some questions to lay
11 out.

12 In full disclosure, I am a member of the PHEAA
13 Board as a legislative appointment. But I think that PHEAA
14 has such a huge basis in our job creation allowing students
15 to pay for school, to pay for training, to pay for getting
16 the education that they need, whether it be technical
17 education, whether it be through our community colleges,
18 whether it be -- you know, there's so many avenues that
19 students can go.

20 PHEAA provides many loans to many of our State
21 institutions and the schools in Pennsylvania.

22 Jim, I'd really like to just ask you if you could
23 please -- there's so many lines of business that PHEAA has.
24 There's -- it's extremely competitive at this particular
25 point in our history. I think you had said that this is one

1 of the most competitive times you've ever seen in your many
2 years with PHEAA.

3 Can you lay out a little bit -- because PHEAA is
4 facing some tough times ahead. We're competing for a
5 Federal contract. Can you lay that out for people as to
6 where you see PHEAA going and the competitiveness and what
7 PHEAA needs to do in the future to be competitive for
8 Pennsylvania?

9 PRESIDENT PRESTON: PHEAA, for those that don't
10 know us, is not a monopoly. All our business earnings are
11 competitive in the nature that we either earn the respect of
12 our customers or they go away. So we are competing with
13 large entities, generally for-profit entities, in order to
14 sustain servicing contracts as well as other contracts.

15 Just yesterday the Federal Government submitted
16 another solicitation for a system and for servicing. I
17 haven't had a chance to review it all, but it's a big
18 contract. Just to give you an idea, there's three servicers
19 with systems now in the United States. We're one of them.

20 There's about 40 million borrowers under the
21 Federal program in the United States. Medicaid and Social
22 Security are probably 55 million. So it's a large
23 government program.

24 And what we're going to have a chance to do is
25 realign our technical capabilities to what the Federal

1 Government wants and allow and bring forth better customer
2 service as well as compete for various profitable segments
3 of that contract. That will play out over the next couple
4 of months. And we will use all our resources to make sure
5 that we can handle that.

6 Even at this point we plan for 56 million in the
7 budget for '18-'19. Over and above that is going to be the
8 decision that we'll have to talk to the Board in June before
9 we can make that decision.

10 But we've had a fantastic track record over the
11 last 12 years. We've probably contributed something like
12 867 million to supplement some of the programs, State Grant
13 particularly, but other programs as well.

14 You know, our mission is to support
15 post-secondary education. And we will continue to do that.
16 We live in a very challenging environment with heavy IT
17 restrictions and security. We have to spend some money
18 sometimes in order to do that.

19 So can I continue 108 million for the foreseeable
20 future? I'm not sure. I will try to do as much as I can
21 and make suggestions to the Board as we go.

22 REPRESENTATIVE DELOZIER: And can I just also
23 clarify one of the biggest questions that I get in my office
24 with PHEAA is people will call because all of a sudden a
25 grant has been reverted to a loan due to their

1 non-compliance with the requirement for the grant money.
2 Many times they blame PHEAA because we are the servicer; the
3 entity in and of itself is the severer.

4 But can you go into, you know, the guidelines
5 that PHEAA has to abide by, that we are literally the middle
6 individual here and we get paid. That's why we earn money
7 and have the ability to give money to the General Fund. But
8 that differentiation, because a lot of times people are very
9 frustrated and they think it's PHEAA making the decision
10 when in reality it was the issues with the grant itself.

11 PRESIDENT PRESTON: One of the positive things
12 about the solicitation will be the Federal Government will
13 take ownership of these programs and brand as a Federal
14 Government program. Before it's the servicers that had a
15 branding. People would call and they would have
16 representation because of the Federal Government not
17 assuming the branding and the ownership of the program.

18 In this program they will assume. That means
19 that we'll be able to be a vendor for the government. But
20 the question will go to the government as to why they
21 structure a program a certain way; for example, how the
22 payments are met, what allowable employers are available for
23 the Public Service Loan Forgiveness Program.

24 Those are the types of things. We've made many
25 recommendations to the Department. And hopefully we'll see

1 those changes made as we go.

2 But, yes, we do suffer reputation risk when it's
3 really the Federal Government and we're a vendor for the
4 Federal Government.

5 REPRESENTATIVE DELOZIER: Thank you.

6 And I see I'm on red. But I would just say that
7 many times PHEAA's hands are tied as to what it is they are
8 allowed to do and not allowed to do. And I think that we're
9 providing a wonderful service for our students in
10 Pennsylvania.

11 Thank you.

12 MAJORITY CHAIRMAN SAYLOR: Representative Dean.

13 REPRESENTATIVE DEAN: Thank you, Mr. Chairman.

14 Over here. Welcome, President Preston, Secretary
15 Davin, Secretary Oleksiak. I'm particularly happy to see
16 Secretary Oleksiak in the role he's in. Full disclosure, he
17 is a constituent and so the 153rd is quite proud.

18 I wanted to focus on the OVR, Vocational
19 Rehabilitation Fund. And particularly I want to talk about
20 two things. Obviously, the funding of it. As I understand,
21 it's not an entitlement. It is an appropriation that
22 transfers from the General Fund. I see a proposed slight
23 increase in it.

24 So I wanted to get a chance to talk about what
25 OVR does. And specifically I'd like to talk about the

1 pre-employment opportunities that there are. I take it kind
2 of personally because anecdotally in our community, in the
3 Abington community, for example, I've had interns in my
4 office each semester over the course of the last three
5 semesters.

6 They're students with disabilities. They are 18,
7 19, 20 years of age and are coming into our office and
8 they're going into CVS and they're going to different places
9 to get pre-employment training. And the research shows that
10 that pre-employment training transfers well, increases their
11 success rate by two and a half times as they go into the
12 workforce.

13 So, Secretary of Labor, I guess we would begin
14 with you. Tell us about OVR and specifically, are we
15 meeting the demand?

16 SECRETARY OLEKSIAK: Thank you, Representative
17 Dean. I appreciate the question. And I appreciate your
18 kind words.

19 OVR is one of the real gems I believe, that Labor
20 and Industry, the Office of Vocational Rehabilitation, is
21 there to help our fellow citizens with disabilities find
22 employment.

23 I'll start with you mentioned folks going into
24 CVS. One of the places related to pre-employment that we're
25 very proud of is the Hiram G. Andrews Center where

1 post-secondary students can go and learn skills. The two
2 newest programs at the center are a welding program and a
3 CVS program. There's actually a model of a CVS store in the
4 center where students are able to learn the pharmacy tech
5 world. So we're very excited about that.

6 In the past year, OVR has helped about 9,300 of
7 our fellow citizens to find employment. And we worked with
8 about 6,000 employers to help those people find employment.
9 We've engaged students in our pre-employment transition
10 services, almost 14,000 students in that.

11 We have about 578 folks in on-the-job training
12 opportunities that are available. This summer we're
13 instituting a paid internship program here in the Capitol
14 for students with disabilities, college students. We have
15 summer camps for college students with disabilities and high
16 school students.

17 So there's a lot of really good things that are
18 happening with OVR. As some of you know, in my previous
19 life I was a Special Education teacher. So these are things
20 that are very important to me. These issues are very
21 important to me. I appreciate the question.

22 REPRESENTATIVE DEAN: Can you give us a sense of
23 the funding that is proposed? And I see maybe a 1.6 percent
24 increase. And do we have a sense of the numbers? How many
25 of our students are in need? And how many are we able to

1 meet?

2 SECRETARY OLEKSIAK: Well, we certainly are not
3 meeting the needs of all our students. There is a greater
4 need than we have. Most of the money that we work with is
5 Federal dollars. You know, the Federal budget is also an
6 interesting animal. We're never quite sure what the
7 allocations will be.

8 We actually had some issues. We got less money
9 in OVR this year because some of the money that would have
10 normally come to us was used for hurricane relief. So it's
11 never a clear dollar figure that we have.

12 REPRESENTATIVE DEAN: So the bulk of it is
13 Federal. And then we from the State move some money into
14 the program as well?

15 SECRETARY OLEKSIAK: Yes. We have about \$40
16 million that is State funds, 45 million. The good thing
17 with the State funds is that that's matched by the Federal
18 Government. There's a fourth one. So the more that we can
19 get into the budget for that particular program, the more
20 money that will attract.

21 REPRESENTATIVE DEAN: Thank you.

22 Thanks, Mr. Chairman.

23 MAJORITY CHAIRMAN SAYLOR: Thank you.

24 Very good. Representative Roae.

25 REPRESENTATIVE ROAE: Thank you, Mr. Chairman.

1 This question is for the Secretary of DCED. It's
2 going to be about minimum wage. As a lot of people know,
3 there's about 25 percent fewer minimum wage employees in
4 Pennsylvania now than there was back in 2011.

5 About 2.4 percent of all jobs in Pennsylvania pay
6 minimum wage. About 85 percent of minimum wage earners
7 don't have any kids. And about 50 percent of minimum wage
8 earners are 24 years old or younger. Most of these jobs are
9 in restaurants and bars and retail stores and things like
10 that.

11 So all that being said, sometimes -- well, the
12 Governor has proposed again to increase minimum wage to \$12
13 an hour. About a year ago the Independent Fiscal Office
14 projected that there would be about 54,000 fewer jobs in
15 Pennsylvania if we increase minimum wage to \$12 an hour.

16 Do you think the Governor took that study
17 seriously? And do you think that if we did increase minimum
18 wage to \$12 an hour that it would result in fewer jobs?

19 SECRETARY DAVIN: Thanks for the question.

20 The Governor takes everything seriously
21 obviously. And, you know, the idea of increasing the
22 minimum wage to something that is more acceptable, more
23 necessary, more needed for a lot of the folks that are out
24 there that are on minimum wage, I don't know about your
25 statistics specifically.

1 REPRESENTATIVE ROAE: Those statistics are from a
2 report done by the Commonwealth of Pennsylvania.

3 SECRETARY DAVIN: Okay.

4 REPRESENTATIVE ROAE: Every year. Maybe even
5 your Agency does that. I'm not sure. But every year the
6 Commonwealth of Pennsylvania puts out a statistical report
7 about minimum wage in Pennsylvania.

8 SECRETARY DAVIN: Thank you very much. As I
9 said, I'm not familiar with those specific statistics within
10 that report.

11 We don't think -- and we looked at this. I spend
12 the majority of my time. Along with the Deputy Secretaries,
13 traveling throughout the Commonwealth, meeting with
14 businesses, meeting with small businesses, medium-sized
15 businesses, and large businesses.

16 And in a lot of cases these businesses, some are
17 paying minimum wage, some are not paying minimum wage. We
18 don't believe -- I don't believe after talking to these
19 folks directly that it would have any effect at all,
20 notwithstanding the statistics that you discussed, in
21 talking directly with the businesses that are here.

22 The businesses that are in Pennsylvania --

23 REPRESENTATIVE ROAE: Mr. Secretary, have you
24 talked with small business owners, like a small restaurant
25 where the owner might make \$50,000 a year for himself after

1 he pays all the expenses? They have five employees that are
2 high-school, college-aged kids, getting minimum wage working
3 full time. If he has to pay each of them \$10,000 a year
4 more, that's \$50,000 a year more his expenses are. If he's
5 only making \$50,000 a year after he pays all his other
6 expenses, he would be making zero.

7 Do you think he would leave his restaurant open
8 if his salary was zero dollars a year?

9 SECRETARY DAVIN: Thank you for that specific
10 example. I do meet with -- as I mentioned just previously,
11 I do meet with individuals. I meet with small businesses, a
12 number of small businesses, in addition to medium-sized and
13 large businesses to talk directly about a number of issues
14 that they have.

15 And I can tell you the ones that I meet with and
16 the ones that I talk to, small restaurants, small
17 businesses, Mom and Pop shops, we do not believe that this
18 would have any effect at all --

19 REPRESENTATIVE ROAE: Have they told you that?
20 Did they --

21 SECRETARY DAVIN: We do not believe that we would
22 have --

23 REPRESENTATIVE ROAE: Did the restaurant owner --
24 have restaurants told you, Mr. Secretary, please raise the
25 minimum wage to \$12 an hour? It will have zero impact on

1 our business. If they felt that way, wouldn't they just
2 raise it on their own?

3 SECRETARY DAVIN: Yes. And a number of them
4 have.

5 REPRESENTATIVE ROAE: Right.

6 SECRETARY DAVIN: A number of them have.

7 REPRESENTATIVE ROAE: But the --

8 SECRETARY DAVIN: The answer -- let me just be
9 very, very clear.

10 REPRESENTATIVE ROAE: Okay.

11 SECRETARY DAVIN: You asked me a question.

12 REPRESENTATIVE ROAE: Right.

13 SECRETARY DAVIN: And the answer is, no, I have
14 not asked that question. I would never ask a question like
15 that. I would not ask a question to a small business owner
16 like that. You asked me that question. And the answer is
17 no.

18 REPRESENTATIVE ROAE: Okay. So, Mr. Secretary,
19 the way the economy works -- and you probably know this --
20 if something costs more, you generally get less of it. If a
21 product sells for \$10, people buy less of that product if
22 the price goes up to \$11. Everything works that way.

23 So you think that if entry-level high school
24 student wage levels earn \$7 an hour, you think that there
25 would be the exact same amount of those jobs and those hours

1 available at \$12 an hour?

2 SECRETARY DAVIN: Representative, what I do is I
3 take a look at the people that I meet with, the individuals
4 that I --

5 REPRESENTATIVE ROAE: Well, that's a yes-or-no
6 question. Do you think there would be the exact amount of
7 hours and jobs available at \$12 an hour for high school kids
8 as there are at \$7.25 an hour?

9 SECRETARY DAVIN: I don't know the answer to that
10 question. I meet with people all the time. And I look at
11 -- in my business, I look at what our neighboring states are
12 doing.

13 And I look -- if you permit me to answer the
14 question, I look at that as a way to gauge where
15 Pennsylvania stands in terms of Pennsylvania's opportunities
16 and Pennsylvania's competitiveness. All of the states
17 around us have higher minimum wages than Pennsylvania does.

18 I don't know what the number is. The Governor is
19 proposing a \$12 per hour minimum wage. And that's something
20 that we're focused on right now. We do not think that would
21 have a major effect on jobs in Pennsylvania.

22 REPRESENTATIVE ROAE: Well, before you said no --

23 MAJORITY CHAIRMAN SAYLOR: Let me stop this right
24 here. I'm going to stop this right here. Time has run out.

25 But, Mr. Secretary, I think one of the things I

1 want to direct everybody -- and I will do this with all
2 Secretaries and everyone else -- is please answer the
3 question and keep them short. I'm not going to -- I just
4 don't think you gave him the answer at the beginning and
5 that created a crisis here as far as battling back and
6 forth.

7 Let's keep things -- answer the questions.
8 Members don't have to like the answers. But I think that's
9 the important thing here.

10 I made it very clear throughout these hearings
11 since I've been Chairman that I expect both sides to be
12 respectful. But I do allow members on both sides of the
13 aisle to interrupt testifiers if they don't get directly to
14 the question since we have a five-minute time limit. So I
15 want to make that clear. Just answer the question.

16 I understand everybody wants to campaign for
17 whatever side of the issue they're on. But the answers need
18 to be direct. And I will remind both sides to try and be
19 respectful.

20 MINORITY CHAIRMAN MARKOSEK: Mr. Chairman, let me
21 just, if you don't mind.

22 The Secretary did answer the question. I think
23 it's more a case he didn't give the Representative the
24 answer that he wanted. I think that's really what it was
25 here.

1 And again, we can go on and on and on. The
2 Representative, you know, made a lot of statements, you
3 know, asked one or two questions. The Secretary answered
4 them. Didn't give him perhaps the answer he was looking
5 for. So time is up now.

6 MAJORITY CHAIRMAN SAYLOR: Well, with all due
7 respect, I don't agree the Secretary answered the question.
8 He asked you aspecifically if you talked to the business and
9 asked them that question and you did not answer the
10 question.

11 SECRETARY DAVIN: I answered no.

12 MAJORITY CHAIRMAN SAYLOR: You kind of went
13 around.

14 SECRETARY DAVIN: I answered the question no.

15 MAJORITY CHAIRMAN SAYLOR: You did not answer the
16 question.

17 MINORITY CHAIRMAN MARKOSEK: Yes, he did.

18 MAJORITY CHAIRMAN SAYLOR: No, you didn't. You
19 said later on after he redirected the question, you later on
20 went back and answered it. I'm just saying at the
21 beginning. I'm not chastising you or anybody else here.
22 I'm trying to make it clear to everybody here. Get to the
23 answer.

24 Like I said, nobody has to like the answer. And
25 I'm going to correct members if they also get rude or

1 Secretaries or anybody who gets rude. But at the same time,
2 because of the five-minute time limit, members on both sides
3 of the aisle are expecting quick answers so they can get as
4 many questions in as possible.

5 I was hoping we wouldn't get to that point but we
6 have. So I guess this will help set the precedence for the
7 future as we go on. But get to the answer of the question
8 so that the members can ask as many questions as they want.

9 With that, we'll move on to Representative Daley.

10 REPRESENTATIVE DALEY: Thank you, Mr. Chairman.

11 Thank you all for being here today. I wanted to
12 ask a question about business climate in Pennsylvania
13 because I hear very often that taxes are an impediment to
14 job growth in Pennsylvania.

15 I wanted to ask you specifically about some of
16 the programs that were implemented in this year's budget.
17 If you could comment on each of the programs, the \$12
18 million Manufacturing PA, the Pennsylvania Business One-Stop
19 Shop, the Training to Career Grants, and the Innovation
20 Program in collaboration with the research universities.

21 I'm very interested in hearing what you have to
22 say about how those programs have been doing.

23 Thank you.

24 SECRETARY DAVIN: Absolutely. Thank you very
25 much. And these programs have all been implemented. We are

1 starting to see some results of what's been happening.

2 You named a number of them. One is the One-Stop
3 Shop Program, which is under www.business.pa.gov. And as
4 you might recall, a couple weeks ago in the Governor's
5 Budget address he announced that it was actually opening.

6 The portal was up and running. We've gotten some
7 very good responses to that portal. It's not complete.
8 It's going to take probably a couple years before everything
9 can be included in there and the bugs can all be worked out.

10 But we actually had -- the day after the budget
11 address, we had an event in Carlisle with small business
12 owners, very small business owners, some technology
13 companies, and talked about that and talked about what the
14 needs are and specifically to get feedback on whether they
15 thought that this was going to work. They thought it was a
16 great idea.

17 In a lot of cases what happens when you're
18 opening a business, you will hire a lawyer or you'll hire a
19 CPA, no offense to any lawyers or CPAs. But you'll hire
20 somebody to do all that work for you. Now this work and the
21 information is in one website that spans a number of
22 different agencies.

23 It needs to be continued to be ungraded and
24 that's what we're going to be doing. So that's working, we
25 think, pretty well.

1 The Manufacturing Training to Career Grant was a
2 big one for us. When you look at the job numbers in
3 Pennsylvania, we're doing good, 78,000 new jobs in 2017
4 alone and over 370,000 new jobs over the course of the last
5 three years. We're doing better than any of our surrounding
6 states in those numbers. And when you look at that, that's
7 good. But it's not good enough.

8 When you look at some of the other numbers in
9 terms of people in the workforce, that's what the concern
10 is. And that's what we try to address with these programs.
11 We try to address job creation, job retention in making
12 people ready for their jobs that are coming out.

13 The manufacturing, we focused on that. The
14 Governor wanted a very big focus on manufacturing because of
15 the amount of wages under manufacturing. We currently have
16 a number of applications in. And we received about \$1.3
17 million worth of applications from a variety of different
18 organizations and agencies throughout the State. And we
19 think that we have a number of other applications that we're
20 expecting in the course of the next month.

21 This is really based upon not so much the
22 existing training programs but programs that aren't there
23 now and specific unique programs.

24 REPRESENTATIVE DALEY: So that is also -- the
25 other part of that question actually is, I know that a lot

1 of the workforce development programs are funded by the
2 Federal Government. So are these programs that you're doing
3 now interacting or intersecting with those or how do they
4 work together?

5 SECRETARY DAVIN: In some cases, yes. So in some
6 cases we work very closely with the Department of Labor and
7 Industry. Our folks go out with Department of Labor and
8 Industry folks to talk about the apprenticeship programs and
9 some of the training programs.

10 In that specific one, we're looking for -- and
11 again, we've gone out over the course of the past three
12 years and we've met with a number of small, medium, and
13 large manufacturers and large businesses.

14 And we found that a lot of the programs that we
15 have, they help. But they are unique things that need to
16 happen and unique opportunities that certain manufacturers
17 have. And they believe that they had opportunities to
18 provide training to certain constituencies that they
19 couldn't get to.

20 That's what these funds are. So these funds are
21 designed to supplement what's already available.

22 REPRESENTATIVE DALEY: Let me ask you one quick
23 question and maybe you can give a yes or no.

24 Are taxes the only issue that's important to
25 business in Pennsylvania?

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SECRETARY DAVIN: No, not at all.

REPRESENTATIVE DALEY: Thanks.

MAJORITY CHAIRMAN SAYLOR: Representative Jamie Santora.

REPRESENTATIVE SANTORA: Thank you.

Secretary Davin, what I'm seeing is the potential of losing small businesses to New Jersey and Delaware. Are we seeing this at the other borders as well? What are we doing to be able to attract new businesses out of those states and into ours?

I'll give you an example in mind. I have two small food production companies. They started their business in the town that they're in now. We're fully developed in the southeast for the most part. And for them to move somewhere with better road infrastructure, easier for trucks and everything else, it's too cost prohibitive for their business.

They're getting incentivized by New Jersey and Delaware, these two businesses, to potentially move there. They do very well. They have an overseas component, the one. The other does not. And they have gotten out of the -- I'll call it retail business and into the middle man business and selling their products in grocery stores.

They can't get any bigger because there's no ability for their growth. They want to stay in the location

1 where they both started. They want to keep the local
2 employees. But in a sense, they feel like they're being
3 pushed to go out of state.

4 What are we doing to attract -- keep these
5 businesses and attract businesses from other states?

6 SECRETARY DAVIN: Well, Representative, I think
7 the first goal in economic development is to retain our
8 existing businesses and help them to do everything they can
9 to grow here. And you do that through tax policy. You do
10 that through infrastructure. You do that through training
11 and appropriate tax -- or I'm sorry -- training an
12 appropriate workforce. That's the key to a lot of these
13 companies.

14 In terms of the infrastructure, we work very,
15 very closely. We have a number of projects that we've
16 worked with through our Governor's Action Team. But we've
17 worked very, very closely with PennDOT to look at
18 infrastructure and permits that are necessary.

19 When you talk to Secretary Richards about what
20 they look at at PennDOT, a lot of it is based upon, not so
21 much just, you know, doing these projects, but really
22 planning them out. Where is the need? Where are the
23 existing businesses that are in Pennsylvania right now and
24 where are the transportation advancements that need to be
25 made in these places? We work with them. And we work with

1 the local officials, too, to make sure that we can do that.

2 You know, you mention New Jersey. And they have
3 a program called New Jersey Grow that they make commitments
4 of a lot of money to these businesses. Whether the
5 businesses see those funds and see those credits is a whole
6 other thing.

7 When you talk to people in the site selection
8 community -- and these are site selectors that work with all
9 the different states and a number of different companies
10 throughout the United States on locating their businesses.
11 They will be the first ones to tell you that, you know, they
12 talk a big game in New Jersey but they don't come through
13 with the incentives.

14 REPRESENTATIVE SANTORA: I have a couple more
15 questions. And we will follow up. The OSTC program allows
16 for Career and Technical Schools to receive funding. Are
17 you seeing any type of uptick?

18 And I guess this is a dual question. It brings
19 the Secretary of Labor into it as well. Are we seeing a
20 second step to that when these career and technical
21 students, are we helping them at the next point to make sure
22 that they're getting well-paying jobs through the different
23 labor industries and local labor down in, for example, the
24 southeast where I come from?

25 SECRETARY OLEKSIAK: The answer is yes. I mean,

1 we are working with the Department of Education. We're
2 working with the CTCs. Part of what we have to do is change
3 the culture as well. There's the idea that you have to get
4 a four-year degree. And we're working with the schools to
5 let them know that a four-year degree is terrific, but
6 trades are equally important.

7 So we are working with businesses, labor
8 organizations, to place these people, these students, as
9 they do come out of the programs of the CTCs.

10 REPRESENTATIVE SANTORA: And, Secretary Davin, do
11 we have a total number of students that are benefiting from
12 these scholarships? And do we have a breakdown for the
13 students that are in the Career and Technical Schools?

14 SECRETARY DAVIN: We can get you that
15 information. We certainly do. I can tell you the amount of
16 applications we see on a yearly basis right now or in the
17 past year we reviewed 3,500 EITC applications just for
18 businesses. And for non-profits, for the non-profits, we
19 reviewed 1,356.

20 REPRESENTATIVE SANTORA: All right. We need to
21 work to get the letters out quicker, too. I believe we hit
22 a stumbling block again this year. The funding was there
23 for the public schools, which I believe is important that
24 the public schools should be funded. We've got to make sure
25 it happens. It was another hiccup.

1 I know I'm done. I was going to yield the rest
2 of my time to Ed Neilson but unfortunately I'm out of time
3 so sorry.

4 MAJORITY CHAIRMAN SAYLOR: Representative
5 Krueger-Braneky.

6 REPRESENTATIVE KRUEGER-BRANEKY: Thank you, Mr.
7 Chairman. And thank you so much for this focus on jobs in
8 this hearing and bringing multiple secretaries together. I
9 really appreciate this.

10 So I'm concerned, gentlemen, based on some of the
11 comments already this morning, that some of us in the
12 Legislature seem to think that working folks at minimum wage
13 don't actually deserve a raise even after ten years. And I
14 believe that we need to change the frame of the conversation
15 and start talking about income equality.

16 So yesterday there was an article in the Los
17 Angeles Times that showed the first disclosure by public
18 corporations on the ratio of CEO pay to the average worker
19 pay, which is now going to be required under the Dodd-Frank
20 Act.

21 And Honeywell, which was the first company
22 reported, showed that the ratio of CEO pay to average worker
23 pay was 333 to 1. 333 to 1. So it seems to me that we
24 should be talking about that discrepancy rather than talking
25 about fighting against folks making \$12 an hour.

1 So to both of the Secretaries, can you tell me
2 what your Departments are doing to address the issue of
3 income inequality here in Pennsylvania and proactively its
4 impact, current impact, on the Pennsylvania workforce?

5 SECRETARY OLEKSIAK: I think the average salary
6 for our students that complete an apprenticeship program is
7 about \$60,000. So that's why in the Governor's Budget the
8 Governor is asking for more money for apprenticeship for the
9 Apprenticeship and Training Office, which is two years old
10 and has been very successful.

11 I agree with you, Representative, that it's an
12 unbelievable issue. I've told my own daughters that that's
13 one that we have not solved. And now it's up to them
14 unfortunately. The younger folks are going to have to see
15 what they can do to address that gap that you're talking
16 about.

17 Increasing the minimum wage is a great way to do
18 that. We heard -- Secretary Davin and I, along with
19 Secretary Rivera from PDE, we're part of the Governor's
20 Middle Class Task Force. We went around the State hearing
21 from business employees, students, people that were out of
22 work, a whole cross-section of Pennsylvania.

23 And one of the themes that we heard a lot about
24 was minimum wage. I've learned a lot in my short time at
25 L&I. And one of the things that I learned is that if the

1 minimum wage -- the last time it was increased was in 2007.
2 It was set at \$7.25 an hour. Even to be consistent with
3 inflation then, it should have been \$8.17 an hour. So it
4 was behind the eightball before it even started.

5 So we are very supportive of the Governor's
6 desire to raise the minimum wage to \$12 an hour with an
7 escalator that would, you know, increase it as a link to the
8 CPI.

9 The other advantage to raising the minimum wage
10 is that I think our Budget Office estimates that it would
11 save Pennsylvania about \$101 million in other benefits that
12 need to be provided to folks who do not have
13 family-sustaining wages. And it's even higher for the
14 Federal Government. It's about \$600 million that would be
15 saved.

16 So there's a lot of advantages to raising the
17 minimum wage that are not, you know, clear, as clear as the
18 fact that you're putting more money in people's pockets.

19 REPRESENTATIVE KRUEGER-BRANEKY: Thank you.

20 Secretary Davin, your answer on income and
21 equality and what were your Departments doing about it?

22 SECRETARY DAVIN: Right. We've been focused,
23 Representative, really on manufacturing and training folks
24 for manufacturing jobs because of what the Secretary said
25 already in terms of, you know, the average salary being

1 north of \$60,000 for new manufacturing employees.

2 We also want to understand that, you know, there
3 are opportunities for businesses and people right now based
4 upon where our workforce is and based upon the fact that
5 Pennsylvania is one of the oldest workforces in the country.
6 We need to develop programs, continue to develop programs,
7 and opportunities for our younger people, and not only for
8 our younger people here to keep them in Pennsylvania, but to
9 bring other younger people into Pennsylvania to expand that
10 workforce. That's one of the concerns that we have.

11 We know that our unemployment rate right now is
12 4.7 percent. It's projected to go down to 4.1 percent next
13 year. And we think it can go down even more. And we
14 believe that there are great opportunities that are out
15 there.

16 We have been really focusing on good quality jobs
17 for Pennsylvania residents and to expand those amount of
18 jobs.

19 REPRESENTATIVE KRUEGER-BRANEKY: And does DCED
20 have a definition of what a good quality job is? How do you
21 measure that?

22 SECRETARY DAVIN: Well, I mean a good quality
23 job. That's a great question. I think from our standpoint
24 it's a job that pays benefits, jobs that have
25 family-sustaining wages. And obviously, we think we're in a

1 position to try to maximize that as much as possible in a
2 lot of cases through manufacturing, through the
3 manufacturing industry.

4 REPRESENTATIVE KRUEGER-BRANEKY: Okay. Thank
5 you, gentlemen.

6 SECRETARY DAVIN: Sure.

7 SECRETARY OLEKSIAK: Yes.

8 MAJORITY CHAIRMAN SAYLOR: Representative Quinn.

9 REPRESENTATIVE QUINN: Thank you.

10 Before I start, I want to say I believe that it's
11 appropriate that our questions -- that we're asking
12 questions to get information. And the forum is such that
13 we're not here to be judged as to what we're trying to get
14 at. These aren't gotcha moments. These are just healthy
15 questions so that we're in a better position to evaluate the
16 Governor's Budget proposal and eventually put forth a budget
17 proposal that works for the people of Pennsylvania.

18 That being said, Secretary Oleksiak -- did I say
19 that right?

20 SECRETARY OLEKSIAK: That was perfect.

21 REPRESENTATIVE QUINN: I'll start with perfect.

22 Thank you.

23 As you know, about nine months ago the Workmen's
24 Compensation Research Institute put out a report. It was
25 actually June of '17 that, you know, was disturbing in terms

1 of ranking opioid use among Pennsylvania in the Workmen's
2 Compensation system as being higher. I think it was the
3 third highest in the nation at like 87 percent higher than
4 other states.

5 You may recall that a couple of years ago with
6 the Department of Labor leading, we had legislation. I was
7 the prime sponsor in the House. It passed bipartisan in
8 both Chambers. My recollection is unanimously. And what we
9 did was really address the practice of physicians dispensing
10 directly to Workmen's Compensation constituents, you know,
11 those injured on the job, trying to get our arms around and
12 curb some of the opioid or the abuse that was in the system.

13 We saved a lot of money for the Workmen's
14 Compensation system. But more importantly, we were
15 delivering a better quality of care, I would say, to our
16 injured workers who deserved the best quality of care.

17 And I've never heard anyone coming back and
18 saying that curbing of that practice hurt the quality of
19 care of our workers.

20 So my question. Several months ago we were
21 seeing some articles about some potential abuse of Workmen's
22 Compensation, those in that field, buying their own
23 pharmacies, being part then of supplying these drugs. Do
24 you have a comment on that? I get concerned that what we
25 may have really helped with several years ago, that we're

1 just going back and getting back into a situation where, for
2 profit, our most valuable resources, our workers, are going
3 to be given some excess of drugs.

4 SECRETARY OLEKSIAK: Representative, I won't
5 comment on the particular articles you talked about. But I
6 can tell you what we are doing --

7 REPRESENTATIVE QUINN: Please.

8 SECRETARY OLEKSIAK: -- in the Department related
9 to the opioid epidemic. As you know, the Governor had his
10 disaster declaration about the opioid crisis. And as part
11 of that, we've been working across agencies to see what we
12 can do. And I mean probably a dozen or more agencies that
13 have been involved in what we can do to address the opioid
14 crisis in Pennsylvania.

15 REPRESENTATIVE QUINN: What specifically --
16 excuse me -- to the Workmen's Comp? I really -- you know,
17 that article came out. The Workmen's Comp Research
18 Institute study came out in June far before any of that
19 other stuff. That's what has my concern.

20 So when we're speaking, I respect what the
21 Governor has done in terms of the overall announcement of
22 the crisis, but with regard to our workers.

23 SECRETARY OLEKSIAK: I have two specific things I
24 can tell you.

25 REPRESENTATIVE QUINN: Thank you.

1 SECRETARY OLEKSIAK: One is that as a result of
2 that declaration, our Worker's Comp system now has access to
3 the PDMP, the Prescription Drug Monitoring Program, which
4 allows the Department to identify opioid abuse within the
5 system. And we can reach out to see what we can do to
6 correct that.

7 We also are working within the system to better
8 identify doctors who have maybe overprescribed. We had to
9 do that at the same time that we balance our respect for the
10 doctor/patient relationship. One of the things that we
11 don't want to do as a department is butt in, for lack of a
12 better word.

13 So we have to maintain that balance of respecting
14 the doctor/patient relationship and medical privacy and the
15 Federal laws around that with addressing the opioid
16 epidemic. And these are two very specific things that we're
17 doing that would help with that.

18 REPRESENTATIVE QUINN: I respect and admire not
19 interfering with the doctor/patient relationship. But I
20 think a red flag should go up when there's profit being made
21 off of it that we just haven't seen in years past.

22 I'm going to switch with whatever remaining
23 time -- thank you for that -- to PHEAA. Where are you over
24 there?

25 PRESIDENT PRESTON: Here I am.

1 REPRESENTATIVE QUINN: Thanks. The Ready to
2 Succeed Scholarship Act has been in for several budget
3 cycles. I believe we put \$5 million in. Could you speak to
4 the waiting list that you have for that? And I see I got a
5 red light.

6 PRESIDENT PRESTON: I will try to answer briefly.
7 There is a waiting list. Basically, as you know, it's for
8 folks that are middle income up to 110,000. The average
9 award is 1,500, 2,000 full time, 1,000 part time, and 3,154
10 received it last year. And I believe the waiting list is
11 about 6,000.

12 REPRESENTATIVE QUINN: So certainly room for more
13 money there should we be able to do it.

14 PRESIDENT PRESTON: Yes.

15 REPRESENTATIVE QUINN: That reminds me of a
16 football analogy. Once you start to play, you get to
17 continue, right, Mr. Chairman?

18 MAJORITY CHAIRMAN SAYLOR: That's correct.

19 Representative Schweyer.

20 REPRESENTATIVE SCHWEYER: Thank you, Mr.
21 Chairman.

22 Gentlemen, thank you for joining us today.

23 A couple things, one that I want to touch on.
24 I'm going to try to move a little bit quickly because we
25 have our time limits and I certainly want to respect all my

1 colleagues and their ability to ask questions and learn a
2 little bit more.

3 Going to the unemployment compensation system. I
4 think all of us have had, all of our legislative offices
5 have had people who have called us to help them expedite
6 their unemployment comp claims because of the cuts that were
7 enacted. I'm certainly not blaming the Department for that.

8 One of the concerns I have long term, however, is
9 with that funding being reduced every year moving forward.
10 And we're already seeing call volumes going up, the wait
11 times increasing. I mean, we're hearing this anecdotally in
12 all of our offices.

13 Are you comfortable that you're going to have the
14 resources you need moving forward so that Pennsylvanians
15 who, through no fault of their own, have lost their job to
16 outsourcing or downturn in the economy are able to pay their
17 mortgage or able to make their rent payments?

18 SECRETARY OLEKSIAK: We're always happy to get
19 more resources. We certainly appreciate the passage of Act
20 60, which restored some money to the SIF Program. And we
21 have begun to call people back to work. We've rehired over
22 200 people. We're hoping to bring back more in the UC
23 system. We've actually turned a corner on UC. Our wait
24 times are declining. We've got several things in the
25 pipeline, a new phone system that will help, the Ben Mod,

1 the Benefits Modernization Program, that we're working on.
2 And we've made some changes internally within the management
3 and leadership of our UC system. Some people have gone to
4 Ben Mod. Other people have gone into the call centers.

5 So I'm actually very proud of the work we're
6 doing in UC to turn the corner to make a difference. Our
7 wait times and busy signals have actually gone down. They
8 have been cut almost in half from where they were this time
9 last year.

10 Clearly that's not enough because there's still
11 too many. But if we continue on the arc that we're on now,
12 there will be improvement. I've said it in meetings with
13 Senators and in my confirmation hearing. It's my No. 1
14 priority as the Secretary in the Department.

15 REPRESENTATIVE SCHWEYER: I appreciate hearing
16 that. It's an area of concern. Like I said, all of us are
17 getting it in all of our district offices. My Workforce
18 Investment Board in the Lehigh Valley, I mean, we hear the
19 stories that you literally have to pass the phone from one
20 person to another, don't hang up and call back. That way
21 you're on. And those are legitimate concerns that I think
22 all of us have.

23 SECRETARY OLEKSIAK: Right.

24 REPRESENTATIVE SCHWEYER: Switching gears a
25 little bit. The Apprenticeship Program. I understand the

1 Governor is asking for, I believe, \$7 million more with a
2 goal of doubling the number of folks that are involved in
3 apprenticeship programs from 15 to 30,000 folks.

4 Explain to me a little bit what those dollars
5 actually go towards.

6 SECRETARY OLEKSIAK: Right now we have about
7 15,000 new apprentices last year -- I'm sorry. We
8 registered 4,500 new apprentices. We have a total of about
9 15,000 apprentices for last year. Those dollars go --
10 they're used as grants to provide training to apprenticeship
11 programs.

12 REPRESENTATIVE SCHWEYER: So the grants -- I'm
13 sorry to interrupt. But those grants go to the programs or
14 the employers or the organizations themselves?

15 SECRETARY OLEKSIAK: Right. Some of them are
16 labor organizations like trades. Some are -- we have a very
17 interesting program with some of the business folks. It's
18 grant money that is used to train people in particular skill
19 areas and then the jobs are there for them.

20 REPRESENTATIVE SCHWEYER: Okay. One thing I'm
21 going to make as a suggestion or a request -- prior to my
22 service here in the Legislature, I served in local
23 government as a member of counsel in Allentown. In one of
24 our areas of shortages that I'm seeing with our local
25 governments are the next generation of zoning officers, code

1 enforcement officers, GIS professionals, those folks, might
2 be an opportunity for us to help our local governments fill
3 those roles, great long-term jobs. They have health care
4 benefits. Many of them have pensions. They're sustainable
5 jobs.

6 It might be an opportunity for us to invest in
7 our local governments, because frankly, those jobs are hard
8 to find.

9 SECRETARY OLEKSIAK: Right.

10 REPRESENTATIVE SCHWEYER: People don't grow up to
11 be code enforcement officers.

12 SECRETARY OLEKSIAK: One of the things we're
13 hoping to do with the additional funding if it's provided is
14 to go into non-traditional apprenticeship areas like that.

15 REPRESENTATIVE SCHWEYER: Okay. Very good.
16 Thank you.

17 Since I have a minute or so left, I'm going to go
18 back to the question of minimum wage very briefly. In all
19 of your conversations, Secretary Daven, where you have had
20 conversations with everyone from large business owners to,
21 you said, a small restaurant owner, has anybody asked you to
22 get rid of the minimum wage?

23 SECRETARY DAVIN: No.

24 REPRESENTATIVE SCHWEYER: So even though there
25 are these arguments that the minimum wage actually reduces

1 the amount of available jobs, business owners have never
2 said, hey, if you get rid of this, I'm going to hire 1,000
3 more people making 3 bucks an hour?

4 SECRETARY DAVIN: They've never said that to me.

5 REPRESENTATIVE SCHWEYER: Really? Okay. I
6 really appreciate hearing that.

7 Thank you.

8 Thank you, Mr. Chairman.

9 MAJORITY CHAIRMAN SAYLOR: Representative Kampf.

10 REPRESENTATIVE KAMPF: Thank you, Mr. Chairman.

11 Secretaries, this question or set of questions is
12 for the two of you. So we've been talking some about
13 employment and the minimum wage. I want to shift the
14 conversation a little bit off of that and talk about, you
15 know, what I think you referred to as higher-paying or
16 family-sustaining jobs.

17 You know, we're at 4.7 percent unemployment.
18 While that may not be as good as some other states, I think
19 that, you know, probably by a fair number of academics,
20 would be viewed as nearly full employment. You know, \$12 an
21 hour probably doesn't sustain a family.

22 And I saw the IFO's submission to us yesterday.
23 I don't know if you've had a chance to look at it, but maybe
24 you should. It looks like between 2012 and 2017, you know,
25 we've had a decline of 13 percent in mining, 14 percent in

1 manufacturing jobs. We've had some growth in hospitality
2 and administrative positions. You know, there are a couple
3 of bright spots.

4 But I guess the question to the two of you is, do
5 you track the type of jobs that we're adding? How are we
6 doing on family-sustaining jobs being added to our economy?
7 What would you point to as some of the highlights of what
8 you all do to try to bring more of those types of jobs to
9 the State?

10 SECRETARY DAVIN: So we do. We track the types
11 of jobs. As I mentioned before, we've had a big focus on
12 manufacturing, again, for a couple of reasons. No. 1, the
13 wages paid through manufacturing are definitely
14 family-sustaining wages. These are family-sustaining jobs.

15 The other big issue that we have -- and again, it
16 goes back to the workforce -- is that Pennsylvania has an
17 elderly workforce right now. Unfortunately, the elderly
18 workforce is starting to retire early. I shouldn't say
19 early because I probably fall into that category, but
20 starting to retire.

21 The issues are companies, the biggest -- one of
22 the biggest issues we have with manufacturers right now is
23 -- we talk to them on a daily basis -- the fact that they
24 need properly trained workers. In a lot of cases, the jobs
25 are there, but we can't make the connection between the

1 people that need the jobs and the jobs. And that's where
2 our programs are.

3 And the Legislature was great last year in
4 appropriating funding for the manufacturing PA line item,
5 which that -- which gets people that are unemployed to the
6 manufacturing jobs that are available right now. We think
7 that we have a great story to tell with that in
8 Pennsylvania.

9 But we need to do everything we can to get more
10 people here to Pennsylvania, more younger people
11 understanding that there are options besides just a
12 four-year degree. There are technical schools. There are
13 community colleges that can lead to really good
14 family-sustaining jobs.

15 So we're involved in it. The Department of Labor
16 and Industry is involved in it. The Department of Education
17 is involved in it, and others. So we're all working to get
18 to that point, to put into place training programs to help
19 our manufacturers.

20 There was a question regarding infrastructure
21 previously, to make sure that the proper infrastructure is
22 in place in these areas that these manufacturers could be
23 successful.

24 REPRESENTATIVE KAMPF: Mr. Secretary, are there
25 or could you provide if there aren't some statistics on kind

1 of wage level of these new jobs? I don't know if that's
2 something you would grab. But that would be valuable to me.

3 SECRETARY DAVIN: In terms of the jobs that we
4 think are out there that are available right now?

5 REPRESENTATIVE KAMPF: Right.

6 SECRETARY DAVIN: Sure.

7 REPRESENTATIVE KAMPF: And are part of that
8 78,000 in new jobs in '17 that you cited in your opening
9 comment.

10 SECRETARY DAVIN: 78,400.

11 REPRESENTATIVE KAMPF: Right. I didn't mean to
12 interrupt. Go ahead.

13 SECRETARY OLEKSIAK: Through CWIA, which is the
14 Center for Workforce Information and Analysis, we can
15 provide some of that information on high -- what's the
16 phrase? I'm sorry. You just told me -- high priority jobs
17 that we have that we will certainly share with you.

18 I think that's one of the reasons in the
19 Governor's budget we've got the PA Smart Program and, you
20 know, an investment of \$50 million towards job creation.
21 And 10 million of that would be used in the Department of
22 Labor and Industry, 7 for the Apprenticeship Program, 7
23 million that we would hope would double from the 15 to the
24 30. And again, people that go through those apprenticeship
25 programs are averaging about 60,000 or more in their jobs.

1 And another 3 million for industry partnerships to work with
2 industries that would tell us what they need so that we can
3 help them find the people to fill the jobs that they have.

4 REPRESENTATIVE KAMPF: Thank you, Mr. Chairman.

5 And if you have those statistics with you -- I
6 notice you were kind of talking to some of the staff. But
7 if you have them with you, I'd like to see them at the
8 break.

9 Thank you.

10 SECRETARY OLEKSIAK: We don't have them, but
11 we'll provide them.

12 REPRESENTATIVE KAMPF: Very good.

13 MAJORITY CHAIRMAN SAYLOR: If you would address
14 those to Chairman Markosek and myself, we'll see that
15 they're distributed.

16 SECRETARY OLEKSIAK: Absolutely.

17 MAJORITY CHAIRMAN SAYLOR: Representative
18 Donatucci.

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

21 Thank you, gentlemen, for being here today.

22 Our State System of Higher Education is in a
23 period of change. Lots of times when it comes to people's
24 perceptions of how school is, it's formed from how it was
25 back in the day when they were students. Considering that

1 the face of today's student is changing, not everybody comes
2 out of high school and goes to college. We have older
3 students. We have people in the job market. We have people
4 with children.

5 Can you tell us how the programs that PASSHE
6 universities offer have changed in recent years and where
7 we're headed?

8 PRESIDENT PRESTON: I don't necessarily want to
9 speak for PASSHE. I can tell you some things that I've seen
10 happen.

11 One is PASSHE as well as the other schools have
12 supported distance education as a fabric of the grant
13 program because we have these folks in the workforce that
14 are older, want to take advantage of certain online courses
15 and get the accreditation that they need for various
16 workforce outcomes. So that's one example that I know.

17 I also know that the TIP Program that started
18 probably back in 2012, Targeted Industry Program, was a
19 focus on putting money into the short-term programs that are
20 less than two years, which the grant program has. And those
21 TIP programs dovetail with Labor and Industry and Economic
22 Development in terms of promoting STEM programs as well.

23 So PASSHE's situation, for example, probably is
24 the distance ed. But I really can't speak for the other
25 programs that they have.

1 REPRESENTATIVE DONATUCCI: Okay. Because I was
2 going to ask, are there more nighttime programs or more
3 weekend programs to accommodate people who are working
4 full-time jobs to go to school?

5 PRESIDENT PRESTON: I just don't know.

6 REPRESENTATIVE DONATUCCI: Okay. Do you have any
7 data regarding student success after graduation? Are they
8 getting good-paying jobs in those specific fields? And in
9 what ways do we need to improve our government private
10 partnership to ensure that employees get what they need --
11 employers get what they need so employees can get what they
12 need, which would be good jobs, good opportunity, and good
13 wages?

14 SECRETARY DAVIN: So I think part of what we've
15 been focusing on is to make sure that we have a quality
16 workforce for a lot of the jobs that are already out there
17 and the jobs that we hope to have in Pennsylvania for the
18 years to come.

19 We think there's a gap. And we think that that
20 is one of our biggest challenges is to fill that gap to make
21 sure that our manufacturers, you know, our companies that
22 need a skilled workforce have that skilled workforce when
23 they come out of high school or when they are coming out of
24 college or, more importantly, for the manufacturing sector
25 coming out of the technical schools.

1 So we work really closely with all of those
2 organizations, with the technical schools, with community
3 colleges, along with Labor and Industry with the
4 apprenticeship programs, with some of these trainings,
5 manufacturing training to Career Grant Programs that were
6 funded in last year's budget.

7 And, you know, the jury is still out right now.
8 But we think we're getting some good results so far in terms
9 of these programs. That to me is our biggest issue right
10 now. From a job creation standpoint, we are better than any
11 one of our surrounding states.

12 Our biggest issue is making sure that we properly
13 train this next workforce, these young people coming out of
14 high schools and coming out of technical and going in
15 technical and coming out of technical schools.

16 SECRETARY OLEKSIAK: I can talk for Labor and
17 Industry. One of the things that the Governor is seeking in
18 the budget is that \$3 million for the next-gen industry
19 partnerships, next generation.

20 The industry partnerships kind of expanded.
21 There are 11 active right now. We have a goal of 30 with
22 the extra funding that would be available to us. We only
23 have about half of that available to us right now. What
24 we're doing with that is kind of changing the model. The
25 model used to be, here's the menu of things that we can

1 provide to you as an industry and what we're looking at now,
2 saying you tell us what you need in terms of training,
3 outreach, talent, development, curriculum for your programs
4 and we will help you with that. So we're very excited about
5 expanding that program.

6 REPRESENTATIVE DONATUCCI: Okay. Thank you.

7 Thank you, Mr. Chairman.

8 MAJORITY CHAIRMAN SAYLOR: At this point I'm
9 going to recognize Chairman Kauffman for some questions.
10 Normally we have the Chairmen wait until the end but
11 Chairman Kauffman has another event he has to get to so I
12 will recognize him at this time. And then we'll go back to
13 the members.

14 REPRESENTATIVE KAUFFMAN: Thank you very much,
15 Chairman Saylor.

16 Good morning, gentlemen.

17 This question is for Secretary Oleksiak. I
18 appreciate you mentioning Act 60 of 2017, which was an
19 important product of last year's session. And you mentioned
20 how the Department has been rehiring some of the workers and
21 how that's working.

22 Obviously, Act 60 provided the benefit
23 modernization monies that were requested by the Department
24 but it also provided an exit ramp. The intent was to
25 eliminate the reliance on the SIF transfers over the next

1 several years.

2 And so I wonder if you could provide us an update
3 on where we are with the Benefit Modernization Program as
4 well as maybe efficiencies that you're identifying and
5 implementing and finally what you may be doing to encourage
6 more online interaction because I do believe that's going to
7 be one of the keys as you attempt to end reliance on SIF.

8 Mr. Secretary.

9 SECRETARY OLEKSIAK: Thank you.

10 The Ben Mod project right now is on budget, on
11 time. It's early in the process. But it is on budget and
12 on time. We're aggressively monitoring that.

13 As I mentioned before, we've made some changes in
14 the management team overlooking Ben Mod. We've made a
15 change with the program manager and just, you know, shifting
16 people around. We have a new program manager in place.

17 We have a series of regularly scheduled meetings
18 set up with the vendor that involve myself and Secretary
19 Minnich from the Office of Administration where we talk
20 directly to the vendor to make sure that we're all on the
21 same page. We do that once or twice a month, depending on
22 the need.

23 But we also have the Benefits --

24 REPRESENTATIVE KAUFFMAN: Advisory Committee?

25 SECRETARY OLEKSIAK: -- Advisory Committee.

1 We're putting that together, hoping to have a meeting in
2 early March.

3 REPRESENTATIVE KAUFFMAN: Have you received all
4 your appointments from the standing committee chairs and
5 folks necessary?

6 SECRETARY OLEKSIAK: I'm not sure if we've
7 received them all, but we've got a lot of them.

8 REPRESENTATIVE KAUFFMAN: Okay.

9 SECRETARY OLEKSIAK: We will be reaching out.

10 REPRESENTATIVE KAUFFMAN: I know I submitted mine
11 probably first.

12 SECRETARY OLEKSIAK: Yes, you did.

13 I've added meetings with the Ben Mod team as the
14 Secretary to just get a monthly update. My Deputy
15 Secretary, Bob O'Brien, meets regularly with the folks.

16 In fact, one of the cautions I raised about all
17 these meetings that we're having, I want to make sure people
18 still have time to do the work. And they do.

19 We are very serious about getting this done
20 successfully. We realize that it's important to our
21 customers, you know, those real people at the end of the
22 process. So we still have an 18- to 24-month deadline that
23 was initially set. We hope to meet that.

24 REPRESENTATIVE KAUFFMAN: The efficiencies that
25 you may already be identifying and --

1 SECRETARY OLEKSIAK: Our UC Office went through
2 -- our UC Department went through the Governor's Lean
3 process. And we just talked about this at a cabinet meeting
4 yesterday. I was hoping to have a chance to report out but
5 we ran into time.

6 We've made tremendous improvements in things from
7 as simple as how we use excess paper and are using it now as
8 scrap paper, to cutting the wait times in half for our
9 calls. So there's a whole range of efficiencies that we've
10 found by listening to the front line folks, the people who
11 are on the phones and in the service centers. So we're very
12 excited about that.

13 REPRESENTATIVE KAUFFMAN: And are you doing
14 things to help encourage or looking toward doing things to
15 help encourage more online interaction by employers and
16 employees? Again, I think that's one of the keys.

17 SECRETARY OLEKSIAK: We're in the early stages of
18 doing that. We're not -- it's not something that's a
19 priority right now. The priority for us is implementing the
20 Lean, things we've learned through the Lean process, and
21 making sure the new phone system is put in place that may
22 help, that will help, and that the Ben Mod Program is a
23 success.

24 REPRESENTATIVE KAUFFMAN: Okay. All right.
25 Thank you.

1 And moving on. The Unemployment Compensation
2 Trust Fund. Once that reaches full solvency at 250 percent,
3 which I believe is two and a half years of benefits, there
4 are employee and employer taxes that are removed. So I
5 think that's also important for our climate here in
6 Pennsylvania for everyone.

7 Can you give us an update on where we are moving
8 toward insolvency -- or moving toward solvency and at what
9 date you anticipate reaching that solvency point?

10 SECRETARY OLEKSIAK: The day we expect to reach
11 that 250 percent figure you mention is 2024. And that's
12 what will trigger a reduction in the charge that both the
13 employer and employee pays.

14 The bond that we have to help the fund, we expect
15 to pay that by January of 2020. And at that point, the
16 employer contribution will be reduced when that bond is paid
17 and then the rest of it in 2024.

18 REPRESENTATIVE KAUFFMAN: Okay.

19 SECRETARY OLEKSIAK: We are on --

20 REPRESENTATIVE KAUFFMAN: We're on track?

21 SECRETARY OLEKSIAK: Yes.

22 REPRESENTATIVE KAUFFMAN: Okay. That's
23 important. Thank you, Mr. Secretary. I appreciate it.

24 SECRETARY OLEKSIAK: Okay.

25 MAJORITY CHAIRMAN SAYLOR: In a bipartisan

1 manner, we're going to recognize one of the Democratic
2 Chairmen, the Democratic Chairman of the Commerce Committee
3 Representative Thomas.

4 REPRESENTATIVE THOMAS: Good morning.

5 Let me thank Chairman Saylor, Chairman Markosek,
6 and let me thank all of my colleagues and let me thank the
7 presenters this morning.

8 I probably could take the rest of the day and
9 raise some questions. But I understand from my Chairman on
10 the Commerce Committee, DCED is coming, I believe, on March
11 6th to provide some more information. So I'm hoping at that
12 time we can get a little bit more specific about what it is
13 that each of you are doing and what you're planning to do.

14 For example, we have always talked about
15 performance-based contracts and our loans and grant
16 programs. But we have never seen any reporting. We've
17 never seen any real outcomes on those contracts, those loans
18 and grant programs.

19 So it's hard right now for me to say to you that
20 DCED and Labor and Industry programs have benefited
21 communities like Pottstown in Montgomery County, Reading in
22 Berks County, North Philadelphia in Philadelphia County,
23 Chester in Delaware County. And I can go on to places where
24 the unemployment has been structurally high for a period of
25 time. And we can't really point to the impact, if any

1 impact, of our grant and loan programs on those communities.

2 Secondly, in the Governor's Budget -- and I've
3 seen the Governor a couple times in Philadelphia County talk
4 about the policy of diversity, whether we are promoting
5 enough women, disadvantaged businesses, minority businesses,
6 veterans.

7 We talked about what we do for people who are
8 disabled. But I'm not sure that our programs for those
9 disabled apply to those with intellectual disabilities
10 versus those who have physical disabilities. Because the
11 numbers do not show that there's some equalization of
12 opportunity available to people who are intellectually
13 disabled at the same level that we're providing services to
14 people who are physically disabled.

15 And so I would like to see or maybe on March the
16 6th or maybe the next time you show up that we see the
17 policies that we have promoted. Diversity is relevant. And
18 if it's there, show it. Because every time you hear
19 somebody from one of these departments, it's just the same
20 old men. I don't see any women. I don't see any people of
21 color and people that represent the real face of
22 Pennsylvania.

23 Let me close out on two things. One, it is my
24 understanding that there's a current policy which prohibits
25 municipalities from raising minimum wage without approval

1 from the Commonwealth of Pennsylvania.

2 And so one question is whether or not there's
3 something we can do regulatory or do we need to do it
4 legislatively to provide municipalities that are doing
5 pretty well but would like to do something other than the
6 minimum wage of 7.15 or 7.25 an hour. So that's one
7 question.

8 Secondly, if there is real resistance to
9 increasing the minimum wage -- and I know we talked about
10 2007. But I've got to go back to 29 years ago when I came
11 and we first increased the minimum wage, which was really
12 tied to the time of the Federal increase of minimum wage.

13 But my question is this: Is it possible for us
14 to regulatory or legislatively tie the minimum wage to the
15 same thing that we tied most of our salaries to and that is
16 cost-of-living increases? so as this pendulum towards better
17 wages moves that we're able to impact that.

18 And I guess last but not least with PHEAA. One
19 question is, to what extent is PHEAA promoting the
20 availability of education dollars for the young people going
21 into the industries that currently dominate -- that dominate
22 the marketplace?

23 I've heard a lot about manufacturing. But I
24 haven't heard about technology. I haven't heard about
25 energy. I haven't heard about future transportation modems.

1 And so there's a question as to whether or not PHEAA is
2 driving its dollars and its policies towards looking at
3 those industries.

4 I remember when technology was a biggie. We had
5 a scholarship program where young people who wanted to go
6 into technology could get some help. When we came -- when
7 we were dealing with underserved communities with family
8 practitioners, it was through the Healthcare Practitioner
9 Loan Program that we were able to get young people into
10 nursing, medicine, and some of those other areas.

11 So my question is whether PHEAA is prepared to
12 look at something like that to help drive job creation and
13 job retention.

14 Mr. Chairman, I saw the light is on.

15 MAJORITY CHAIRMAN SAYLOR: Yes. I will have to
16 ask the testifiers to submit the answers to those questions
17 in writing, if you would, please. We are far in excess of
18 the five minutes.

19 REPRESENTATIVE THOMAS: Would you forward it --

20 MAJORITY CHAIRMAN SAYLOR: Chairman Thomas, we
21 will --

22 REPRESENTATIVE THOMAS: -- to Chairman Ellis
23 along with myself?

24 MAJORITY CHAIRMAN SAYLOR: -- make sure you get
25 those answers.

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REPRESENTATIVE THOMAS: Thank you.

MAJORITY CHAIRMAN SAYLOR: And if you would again address those answers to Chairman Markosek and myself, we'll see that Chairman Thomas gets those.

With that, moving on to members again.

Representative Helm.

REPRESENTATIVE HELM: Thank you, Mr. Chairman.

Secretary Oleksiak, did I say that right? I know you gave me permission to use Gerry.

SECRETARY OLEKSIK: Close. Mr. O works. My students used to call me Mr. O.

REPRESENTATIVE HELM: New Choices/New Options is a One-Stop Shop Career Program where one can learn job search and interview skills, goal setting, and the confidence to succeed. The program is administered by Pennsylvania Women Work. And according to their website, it has helped over 55,000 people land better jobs. The Governor's proposed budget eliminates funding for the program in 2018-'19.

With Pennsylvania's unemployment rate at 4.7 percent or 15 percent above the national average, should we be eliminating programs that add to job creation?

SECRETARY OLEKSIK: I'm aware of the program that you talk about. I've actually met with representatives from New Choices/New Options to talk about that. We respect

1 the program. We value the work that they do.

2 If the Legislature sees fit to reinstate that
3 money, that would be fine. But, you know, that's just a
4 choice that's been made at this point.

5 REPRESENTATIVE HELM: Well, saying that, like how
6 could we help the Governor, you know, do things to make
7 business more attractive in Pennsylvania? What could we do
8 as the Legislature to do that?

9 SECRETARY OLEKSIAK: I think part of what would
10 help at Labor and Industry is approving the \$7 million for
11 the apprenticeship programs and the \$3 million for the
12 industry partnerships to expand programs that we know work
13 and to add to the folks that we are reaching out to, to
14 reach out to more community colleges, to add
15 pre-apprenticeship programs, to add youth apprenticeship
16 programs.

17 There's a lot of things that we would be able to
18 do with that extra funding that will lead to the kind of
19 family-sustaining, well-paying jobs that we're talking
20 about.

21 REPRESENTATIVE HELM: I asked this question
22 yesterday. I'm going to ask it to you also.

23 SECRETARY OLEKSIAK: Okay.

24 REPRESENTATIVE HELM: With an overall goal of
25 improving Pennsylvania's economy, I was happy to see that

1 non-farm jobs increased by 78,400 jobs in 2017. However, I
2 was disheartened to see that the total unemployment fell by
3 10,000 jobs.

4 Could you just please discuss how these figures
5 are calculated and why we are seeing such a discrepancy
6 between the total unemployment and the non-farm job
7 creation? Why is there such a difference?

8 SECRETARY DAVIN: This is a great question
9 because that's out there. So it looks like there's an
10 increase in the amount of jobs, which there is in the State
11 of Pennsylvania, a fairly significant increase, but a
12 reduction in job counts. And it's based upon how those
13 numbers are attained.

14 The numbers with the 10,000 decrease is based
15 upon the amount of people in the workforce. And when more
16 people leave the workforce, that reduces the amount of
17 people in the workforce. So even if you're increasing the
18 amount of jobs, if more people are leaving the workforce,
19 then those numbers still will stay higher at that 4.7
20 percent. That's the case that we have right here.

21 The issue to combat that is we need to increase
22 the amount of people in the workforce in Pennsylvania. We
23 think that we do that by properly training them, by getting
24 some of our young people and others into these
25 apprenticeship programs and other programs and then bringing

1 people to Pennsylvania.

2 You know, when you look at where Pennsylvania is
3 right now, a lot of things and a lot of what people are
4 talking about in terms of the business climate right here,
5 our effective business tax rate is at 4.5 percent. And that
6 takes into consideration a number of different taxes that
7 Pennsylvania has.

8 The national average is 4.6 percent. That 4.5
9 percent is very attractive. And that's why companies like
10 Amazon are looking at two cities in the state of
11 Pennsylvania out of the 20 cities in North America that they
12 are considering to locate, two cities just in Pennsylvania.
13 And a lot of that is because they like what's going on here.
14 And they like things that they're seeing.

15 But we still need to do what we can to make sure
16 that existing businesses here have the proper amount of
17 people to fill these jobs.

18 REPRESENTATIVE HELM: And does it have anything
19 to do with, like, people that live out of state coming in
20 state to work?

21 SECRETARY DAVIN: Yeah. I think that number --
22 and I don't know if you know for sure. But I believe that
23 number is based upon a survey, a survey of all households in
24 Pennsylvania. And some of those people may work out of
25 state in Maryland or West Virginia or New Jersey or Ohio,

1 people on the borders.

2 REPRESENTATIVE HELM: All right. Thank you.

3 Thank you, Mr. Chairman.

4 MAJORITY CHAIRMAN SAYLOR: Representative
5 Bullock.

6 REPRESENTATIVE BULLOCK: Thank you, Mr. Chairman.

7 Good morning, Secretaries. During the Governor's
8 Budget address, he said that business would invest in states
9 who invest in their people and invest in their small
10 businesses through education, job training, and small
11 business development.

12 To be true to that, I believe that we also need
13 to make sure we're investing in a diversity of our
14 Commonwealth and a diversity of our workforce.

15 Can you specifically talk about programs both at
16 DCED and PHEAA and at Labor and Industry that help promote
17 diverse community? And this question, I really want to look
18 at our communities that tend to be underserved or hard to
19 serve; for example, communities that speak a language other
20 than English, populations which may have been formerly
21 incarcerated, and, in particular, looking at the populations
22 of formerly incarcerated, because if we can get those folks
23 back to work, they can be an added contribution to our tax
24 base and to our economy as opposed to a drain on our
25 economy.

1 And then following up with that question, I think
2 this question is specifically for the Secretary of DCED. Do
3 you think that our state status as the only state in the
4 northeast that does not have an anti-discrimination law that
5 includes sexual orientation, does that harm our
6 competitiveness when we're trying to recruit large companies
7 like Amazon to our state?

8 If you can answer those two questions and then
9 follow up later to the Chairmen with your specific agencies,
10 your own report on hiring within your departments in regards
11 to diversity in your workforce. And you can just send that
12 in writing. I'd appreciate that.

13 SECRETARY OLEKSIAK: Thank you, Representative.

14 I can talk a little bit about the re-entering
15 citizens that you talked about, folks coming back from
16 incarceration. At the Middle Class Task Force that we're a
17 part of, that was a big part of the conversation and what
18 some businesses are already doing to help and how we can
19 help with that. The new Chair of the Workforce Development
20 Board that is part of Labor, you know, sits in our office.

21 One of the goals that he has is to see what we
22 can do through our Workforce Development Boards around the
23 State and our CareerLinks to help those citizens. He's
24 doing a lot of work on his own and through his own business
25 and he's very active in sharing that through the workforce

1 developments.

2 So we're very excited about what we can do there
3 with that particular piece.

4 REPRESENTATIVE BULLOCK: Is that a place where
5 you can see increased funding being beneficial to the work
6 that you're doing?

7 SECRETARY OLEKSIAK: Absolutely.

8 SECRETARY DAVIN: The anti-discrimination
9 question?

10 REPRESENTATIVE BULLOCK: Yes.

11 SECRETARY DAVIN: Sure. So Pennsylvania does not
12 have an anti-discrimination law. What I can tell you is
13 that it does impact in some cases what Pennsylvania can do
14 and how Pennsylvania can attract companies.

15 Luckily, some of the big cities that -- in the
16 case of Amazon, they're looking at Philadelphia and
17 Pittsburgh as a location. Both those cities do have
18 anti-discrimination laws.

19 Where it comes into play and a real-life example
20 was about a year and a half ago when PayPal was going to put
21 their corporate headquarters in Charlotte, North Carolina.
22 The day before they were going to announce that corporate
23 headquarters location in Charlotte -- they had already made
24 their decision -- the North Carolina Legislature put into
25 place what is commonly referred to as a bathroom bill, which

1 was looked at as discriminatory. PayPal pulled out their
2 opportunity to go to Charlotte and they never looked back to
3 Charlotte.

4 PayPal, we reached out to PayPal, as did a number
5 of other states in that particular instance. PayPal had
6 told us that -- and this is their example -- they look at
7 and companies highly -- companies that are looking for very,
8 very high quality talent don't want to eliminate any talent
9 at all, anybody that feels like they would not be welcome or
10 comfortable in a certain particular area.

11 And that's a powerful statement when a company
12 like PayPal says that. So when we look at these
13 opportunities, I think that, you know, we're okay for Amazon
14 right now within Philadelphia and Pittsburgh because they
15 have anti-discrimination laws on the books.

16 Pennsylvania as a whole, you know, I would
17 wholeheartedly support something like that. I think in the
18 case that some of these other states that are looking at
19 opportunities when they put into place what are considered
20 discriminatory laws, that is looked at by technology
21 companies and larger corporations very closely.

22 REPRESENTATIVE BULLOCK: Thank you.

23 MAJORITY CHAIRMAN SAYLOR: Any other comments,
24 Secretaries, on anything that Representative Bullock asked,
25 if you'd just put it in writing.

1 With that, we'll move on to Representative
2 Keller.

3 REPRESENTATIVE KELLER: Thank you, Mr. Chairman.

4 And thank you, gentlemen, for being here today.

5 Couple questions. And I don't really want to
6 focus on policy because I think more of what we should be
7 interested in in these Appropriation hearings is how we're
8 managing the people's resources.

9 And I asked the question -- and, Secretary Davin,
10 you might remember when we had the special funds.

11 SECRETARY DAVIN: Yes.

12 REPRESENTATIVE KELLER: You know, I guess I'll
13 just ask it again for these line items. And I'd like to go
14 through this rather quickly. There's a stated purpose and
15 objective for each item that's clearly understood that each
16 line item supports within your organizations?

17 SECRETARY DAVIN: Within the funds that we spoke
18 of --

19 REPRESENTATIVE KELLER: Yes.

20 SECRETARY DAVIN: -- a couple weeks ago at the
21 hearing?

22 REPRESENTATIVE KELLER: Yes.

23 SECRETARY DAVIN: Yes.

24 REPRESENTATIVE KELLER: No, the line items in
25 your budget. Your tracking run. You have stuff for, of

1 course, general government operations, which is another
2 thing, occupational disease payments and all that. People
3 understand how that's supposed to be managed and what's
4 supposed to happen within the departments? There are
5 activities that make sure that happens effectively?

6 SECRETARY DAVIN: Yes, within the budget that we
7 propose to the Legislature, yes.

8 REPRESENTATIVE KELLER: And everybody that works
9 under that line item, in the areas of that line item
10 support, they understand the goals of what they're supposed
11 to do?

12 SECRETARY DAVIN: Yes. Within those -- I'm not
13 familiar with the one that you just referenced.

14 REPRESENTATIVE KELLER: But anyhow, I'm just
15 saying we put together a budget and we're appropriating
16 money to support that activity?

17 SECRETARY DAVIN: Yes.

18 REPRESENTATIVE KELLER: Everybody that works
19 supporting that activity clearly understands the purpose of
20 that -- or objective of that funding?

21 SECRETARY DAVIN: Yes.

22 REPRESENTATIVE KELLER: And that's true with --
23 and I'm just going to probably go through Labor and Industry
24 and DCED simply because they are ones that get most of their
25 funding from the General Assembly.

1 The same would be true for Department of Labor?
2 People understand what they're doing?

3 SECRETARY OLEKSIAK: Yes.

4 REPRESENTATIVE KELLER: And there is actual
5 measurable objectives or goals that they know they have to
6 hit that support that purpose? Would that be true in both
7 those?

8 SECRETARY OLEKSIAK: Yes.

9 SECRETARY DAVIN: Typically in terms of the
10 goals, typically in terms of number of loans, grants --

11 REPRESENTATIVE KELLER: Performance measures.

12 SECRETARY DAVIN: -- tax credits, things like
13 that.

14 REPRESENTATIVE KELLER: Performance measures.

15 SECRETARY DAVIN: Yes.

16 REPRESENTATIVE KELLER: And we also audit how
17 they support that?

18 SECRETARY DAVIN: Yes.

19 REPRESENTATIVE KELLER: Do we review or audit
20 that activity to make sure that what we're doing is hitting
21 the objective?

22 SECRETARY OLEKSIAK: Yes, we do.

23 REPRESENTATIVE KELLER: Okay. That's good.
24 Because I've got to try and keep rolling here.

25 If you could just send that to us, okay?

1 SECRETARY OLEKSIAK: We have Federal law as well
2 because a lot of our money is --

3 REPRESENTATIVE KELLER: Okay. If we could see
4 that. And maybe also if you would have examples of things
5 that -- because I can't believe that every time we did an
6 audit, everything came out perfect. We probably had a
7 change from time to time in our activities to make sure that
8 we were meeting the goal. Would that statement be accurate?

9 SECRETARY OLEKSIAK: Sure.

10 REPRESENTATIVE KELLER: Okay. I'd like to see
11 those and maybe a couple examples of things and how we
12 changed our activity to make sure we were hitting the goal
13 so we weren't going in the wrong direction for too long.

14 The other question I'm going to have is going to
15 specifically the general government operations in both
16 budgets. In Labor and Industry it's about a 3.2 percent
17 increase over last year. And in DCED it's about an 8
18 percent increase.

19 I'm wondering why when I go to the Bureau of
20 Labor statistics for -- and this report, this release, was
21 put out on December -- or excuse me -- on January 12th of
22 2018. For Philadelphia, Wilmington, Atlantic City, which is
23 the one I think is used for increases for members' salary
24 and so forth here in the Capitol, is eight-tenth of a
25 percent increase.

1 Why do we need in one case a little better than 3
2 times that and in the other case eight times that and
3 increases in our general government operations?

4 SECRETARY OLEKSIAK: I can speak for DCED. I
5 think in our case, you know, we're looking at the operation
6 of our organization. We're looking at, you know, increased
7 programs, increased number of programs, increased --

8 REPRESENTATIVE KELLER: No head count increases
9 are listed in here.

10 SECRETARY OLEKSIAK: I'm sorry?

11 REPRESENTATIVE KELLER: There's no head count
12 increase for DCED. The complement stayed the same from last
13 year.

14 SECRETARY OLEKSIAK: Right. I think a lot -- in
15 some cases what happens is we don't fill the whole
16 complement. With everything we have right now, we need the
17 complete complement. And those are the funds that are
18 needed in DCED to maintain that complement and to pay for
19 operations.

20 REPRESENTATIVE KELLER: So you have an authorized
21 complement and you're saying you didn't fill it last year,
22 right? Is that what you're telling me?

23 SECRETARY OLEKSIAK: Because people leave and
24 things like that.

25 REPRESENTATIVE KELLER: Yeah, but here's my

1 point. Just let me understand this. But when you budget
2 for a complement, you budget for all those and you put that
3 head count in there. So is last year's -- so if I looked at
4 what you asked for last year under that '17-'18, would it be
5 larger than the 16 million -- I don't have my glasses. I'm
6 not wearing his glasses --- 16 million 100 thousand? Would
7 it be larger than that or would it be the same as that?

8 SECRETARY DAVIN: It was 16.3 in 2017 to 2018.
9 So this is 17.5, which is larger.

10 REPRESENTATIVE KELLER: How many employees are
11 you increasing?

12 SECRETARY DAVIN: We roughly have about 285, I
13 think, right now.

14 REPRESENTATIVE KELLER: So that's over the
15 complement? That's over the authorized then?

16 SECRETARY DAVIN: We anticipate filling the
17 complement completely.

18 REPRESENTATIVE KELLER: Yeah, but your complement
19 is only 282. So if you have --

20 SECRETARY DAVIN: I'm sorry. You're right. I'm
21 sorry. I was off by three. 282.

22 REPRESENTATIVE KELLER: And how many did we have
23 last year?

24 SECRETARY DAVIN: We anticipate -- I'd have to
25 get back to you with the exact amount.

1 REPRESENTATIVE KELLER: Because I'd like to run
2 the numbers because I looked at the previous year. And I
3 would have thought, you know, the previous year we actually
4 went down about, I don't know, 66 -- or excuse me -- 1.5
5 million dollars and 1.7 million. And there was 26 employees
6 or authorized head count.

7 I guess I'm just wondering about the numbers and
8 as government how well we're managing the resources. I
9 mean, we're economic development. We're Department of
10 Labor. And when I see our increases going at three and
11 eight times the rate of inflation, our businesses can't do
12 that. Yet we're the ones giving them advice.

13 I think that's a little bit -- I struggle with
14 that.

15 Thank you.

16 MAJORITY CHAIRMAN SAYLOR: If you want to answer
17 that, you're welcome to. Otherwise we'll move on.

18 SECRETARY DAVIN: I'd love to answer that.

19 You have to take a look as a whole over the
20 course of the last few years in terms of what our
21 allocations were for GGO.

22 And as you mentioned, in '17-'18 it was
23 \$16,300,000. In '15-'16 it was \$14,900,000. And in some
24 cases we don't believe that those amounts were effective
25 enough to be able to pay for all of our complement and all

1 of our operations. So we had to do more with less and in
2 some cases not fill complements.

3 So we're trying to have a respectful budget
4 understanding what the Legislature has to do with making
5 tough decisions but trying to have a full complement of
6 people and to be able to pay for the operations of our
7 Department.

8 And we think that we're doing a very good job
9 with that.

10 REPRESENTATIVE KELLER: Well, again, I guess I'm
11 just going to -- since he was allowed to answer that -- and
12 you talk --

13 MAJORITY CHAIRMAN SAYLOR: No, you're not allowed
14 to respond.

15 REPRESENTATIVE KELLER: We talk about --

16 MAJORITY CHAIRMAN SAYLOR: Representative, you're
17 not --

18 REPRESENTATIVE KELLER: If everybody that works
19 for the government --

20 MAJORITY CHAIRMAN SAYLOR: Representative, you
21 are done.

22 REPRESENTATIVE KELLER: -- here in this room
23 would stand up --

24 MAJORITY CHAIRMAN SAYLOR: You are done,
25 Representative.

1 REPRESENTATIVE KELLER: I mean --

2 MAJORITY CHAIRMAN SAYLOR: We are moving on to
3 Representative Kinsey.

4 REPRESENTATIVE KINSEY: Thank you, Mr. Chairman.
5 Secretaries, good morning.

6 Secretary Davin, specifically yesterday the IFO
7 shared data that Pennsylvania ranked 31st in regards to
8 minimum wage pay, 31st out of 50 states. Personally, I'm
9 not proud of that but it is what it is.

10 SECRETARY DAVIN: Yes.

11 REPRESENTATIVE KINSEY: Additionally, there's
12 been some discussion. We've seen some reports on both sides
13 that if we raise the minimum wage that there's projected job
14 loss in the state of Pennsylvania.

15 I guess my question to you is, does your -- and
16 again, I apologize. I stepped out. So you may have already
17 answered this. But I stepped out of the room.

18 Does your Department have specific data that will
19 show the types of jobs that would be lost or does your
20 Department have specific data where companies have already
21 raised a red flag and said, hey, if the minimum wage goes up
22 in the state of Pennsylvania, we're leaving this state?

23 SECRETARY DAVIN: No. We don't have that data.
24 We don't have that information.

25 REPRESENTATIVE KINSEY: You don't have that

1 information at all?

2 SECRETARY DAVIN: No.

3 REPRESENTATIVE KINSEY: Okay. Let me switch
4 briefly then. I think earlier you mentioned that there were
5 7,800 new jobs created in the state of Pennsylvania.

6 SECRETARY DAVIN: 78,400.

7 REPRESENTATIVE KINSEY: Oh, 78,000.

8 SECRETARY DAVIN: 78,400 in 2017 alone.

9 REPRESENTATIVE KINSEY: Can you sort of speak to
10 the types of jobs that were created here in the state of
11 Pennsylvania?

12 SECRETARY DAVIN: So there are a variety of jobs.
13 Some are manufacturing jobs, some are technology jobs, some
14 are hospitality. We can give you that breakdown. I think
15 Labor and Industry has that breakdown and can provide that
16 to you.

17 REPRESENTATIVE KINSEY: Okay.

18 SECRETARY DAVIN: But that's a total number of
19 jobs that were created in 2017.

20 REPRESENTATIVE KINSEY: Great, thank you.

21 I think that, you know, part of what I'm
22 struggling with as I look at each of your departments,
23 PHEAA, DCED, as well as Department of Labor, is that each of
24 you are involved with the growth of -- I want to say not
25 only the economy but also the growth -- you know, when we

1 look at population, I mean, folks come to Pennsylvania
2 because of the colleges, you know, jobs come in because of
3 the opportunities, from both departments as well.

4 And, you know, I guess as I think about
5 Pennsylvania, you know, I have some data here that states
6 that Pennsylvania is ranked in the -- we're not ranked in
7 the top ten states where folks would want to retire.

8 And I think about that because on the other side,
9 you know, we have an elderly population. I mean,
10 Pennsylvania, I think, is in the top five in regards to
11 elderly population. But then we have data that -- or this
12 information that -- but then we have information that
13 basically shows that this is not a state that folks want to
14 retire in.

15 And so I think as legislators I'm thinking what
16 can we do to make it better for folks who start off young
17 here and want to remain here, looking at whether or not it's
18 through education, through employment opportunities, but
19 what can we do collectively to make it better for the
20 citizens of this Commonwealth?

21 And I guess in my own personal opinion, I thought
22 that maybe raising the minimum wage would, you know, looking
23 at it from a long-term fact, help individuals look at, you
24 know, to maybe help their pensions down the road and they
25 want to remain here.

1 Am I missing something? I mean, you know, again,
2 it's something I'm struggling with. But am I missing
3 something in regards to raising the minimum wage, thinking
4 that folks will stay here? It's just a question. I don't
5 know if it could be answered. Maybe it's just a question
6 that I have but, you know, isn't there a tie-in that if I
7 make more money, I'd probably want to stay, you know, in the
8 state that I'm making more money in or am I just on the
9 wrong track here?

10 SECRETARY OLEKSIAK: No, I don't think you're on
11 the wrong track, Representative. I think that's true.

12 REPRESENTATIVE KINSEY: Okay.

13 SECRETARY OLEKSIAK: I think people -- and people
14 do tend to stay in Pennsylvania. One of the reasons that
15 people don't want to come here to retire is because people
16 who retire here stay here. And that's one of the reasons we
17 have an older population.

18 REPRESENTATIVE KINSEY: Okay.

19 SECRETARY DAVIN: I think part of our goal -- and
20 again, from when we started in this Administration and it
21 was the Governor's No. 1 objective for our Department was to
22 merge community and economic development because recognizing
23 that in order for us to attract jobs and keep jobs, we had
24 to have strong communities.

25 In order for these communities to be strong, they

1 had to have job opportunities. So we look at opportunities
2 to really marry those two parts of our Department to make
3 sure that, you know, when we're looking at opportunities in
4 one of your districts for community-development-type
5 projects, we want to look at the job opportunities, too, and
6 make sure that we're making impactful investments.

7 And we're not looking at just one, doing one
8 project here and then one project on the other side of the
9 state or city, but making these investments and making these
10 impactful investments in areas that are really going to make
11 a difference.

12 It's clear to us that there's certain areas in
13 Pennsylvania that if we do not continue to develop them as a
14 community and continue to put investments in there, they're
15 not interesting places to be. Young people won't want to be
16 there let alone older people wanting to retire in
17 Pennsylvania.

18 So we really have to develop our communities and
19 provide all the amenities that we can in these communities
20 to make them attractive places to be for retired folks and
21 for young people that we're trying to keep and bring into
22 Pennsylvania.

23 REPRESENTATIVE KINSEY: Great. Well, I thank you
24 all for your testimony.

25 Thank you, Mr. Chairman.

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MAJORITY CHAIRMAN SAYLOR: Representative
Ortitay.

REPRESENTATIVE ORTITAY: Thank you, Mr. Chairman.
I have a couple questions about the different
line items and then about EITC as well.

Secretary Davin, can you walk me through the
marketing to attract business lines, what that's used for,
and where the money ultimately ends up?

SECRETARY DAVIN: Sure. I mean, one of the
things that we do is we provide opportunities to try to
attract businesses to Pennsylvania and keep businesses in
Pennsylvania.

And a lot of the funding throughout not only our
marketing to attract new business but our marketing line
items and the tourism line items are used for digital media
effects to be able to make sure that we get the best bang
for our buck.

The bottom line is a lot of places around us, you
know, have much more healthier marketing line items and we
don't get that. But we we're doing a great job of getting
that message out.

Marketing to attract businesses, what we will do
in a lot of cases, we will go and meet with business
consultants, site selectors really is what the general term
is, throughout the country to talk about Pennsylvania and

1 Pennsylvania's strengths, to talk about things, you know,
2 close to your district, the Shell Cracker Plant, and talk
3 about all the opportunities we have around that Shell
4 Cracker Plant.

5 REPRESENTATIVE ORTITAY: Is that something that
6 your staff does, that you do, or do you guys hire that out?

7 SECRETARY DAVIN: No, no, no. We do that and our
8 staff. I do it myself. The Governor attends some of these.
9 We have luncheons sometimes to bring those. And we do that
10 in Pennsylvania and we do it outside of Pennsylvania, too.

11 REPRESENTATIVE ORTITAY: Okay. Does any of that
12 money go to the consultants or is that mainly for travel?

13 SECRETARY DAVIN: No, not to those particular
14 consultants because those consultants actually represent
15 businesses that we're trying to get to come to Pennsylvania.

16 REPRESENTATIVE ORTITAY: Okay. And over the
17 course that -- I know you've not been in for the last decade
18 or so, but how do you guys measure the result of, okay,
19 there's \$2 million in this year's budget. There was 1.9 --
20 basically the same for the last three years.

21 SECRETARY DAVIN: Right.

22 REPRESENTATIVE ORTITAY: How are you measuring
23 the return on investment on that money?

24 SECRETARY DAVIN: We think we're getting a very
25 good return on the investment. It ebbs and flows based upon

1 what we think is the work that you put into it. And talking
2 to my predecessor and talking to some of the folks in the
3 previous Administration, one of the things that they had
4 talked about when I asked for advice on coming to this
5 position, one of the things they talked about was the fact
6 that we needed to do a better job of that. Our department
7 needed to do a better job of getting out there, meeting with
8 companies, meeting with site selectors to market
9 Pennsylvania and market Pennsylvania's strengths and why
10 it's such a great place to do business.

11 REPRESENTATIVE ORTITAY: Okay. So I'll throw out
12 the hypothetical here. Let's say we move -- we funded the
13 budget for this line item at \$10 million. What more could
14 you do with another \$8 million? And would it be too much or
15 not enough?

16 SECRETARY DAVIN: You know, it's hard to say.
17 From marketing to attract new businesses, we think that the
18 amount that we have here is acceptable and it's enough right
19 now to get the message out to make sure that we're putting
20 our best face on and to make sure that we're getting to
21 companies and getting to consultants to show Pennsylvania in
22 its best light.

23 REPRESENTATIVE ORTITAY: Okay. So I'll ask the
24 other side of that question. If we were to taken it to
25 zero, what would happen at that point?

1 SECRETARY DAVIN: We would not be marketing
2 Pennsylvania. We would not be able to get out in front of
3 businesses. We would not be able to get out in front of
4 site selectors to make sure that they know Pennsylvania's
5 attributes.

6 It's interesting, Representative. You talk to
7 site selectors. And in a lot of cases what they do is they
8 look at paper. They look at our 9.99 percent Corporate Net
9 Income Tax rate. And they'll look at that and say, they're
10 not sure they want to go to Pennsylvania.

11 You have to get in front of them. And you have
12 to show them why Pennsylvania is such a great place to do
13 business, why the Lehigh Valley, why Philadelphia,
14 Pittsburgh, Erie, Johnstown -- and I'm not mentioning some
15 Representatives' districts but all the districts.

16 REPRESENTATIVE ORTITAY: Well, that's a perfect
17 lead into the next area I want to hit on.

18 SECRETARY DAVIN: Okay.

19 REPRESENTATIVE ORTITAY: Talk about the
20 Pennsylvania First Program for me and what it does, where
21 the money goes, what it's for, who ultimately gets it.

22 SECRETARY DAVIN: Sure. So the Pennsylvania
23 First Program, if you recall in the last -- I believe it was
24 the last Administration, it was combined. And it combined
25 funding through our Opportunity Grant Program and our Job

1 Creation Tax Credit Program and other site development
2 programs, Industrial Site Development Program. And it's
3 really utilized for those three things.

4 So we take a good portion of those funds and use
5 it for our web net program, which is our Incumbent Training
6 Program. So in addition to all the programs that we
7 developed for a new trainer, new companies, and for new jobs
8 and new workers, we have an Incumbent Training Program that
9 works with existing businesses and helps to train them. So
10 part of that money is used for that. Part of that money is
11 used to attract businesses to come to Pennsylvania and
12 businesses that are looking for expansion opportunities to
13 stay in Pennsylvania.

14 One of the representatives spoke about New
15 Jersey. And New Jersey has a program called New Jersey
16 Grow. And they use the tax credits over the course of, I
17 think, ten years or so and provide or make commitments
18 anyway of those.

19 REPRESENTATIVE ORTITAY: Well, I know I'm running
20 out of time and I don't mean to interrupt. But it looks
21 like we're looking at \$20 million for this year's budget. I
22 just want to make sure that we're using taxpayers' dollars
23 efficiently.

24 I see the red light, Mr. Chairman.

25 I do have a few other questions but I'll submit

1 them and we'll talk off line.

2 SECRETARY DAVIN: Fine.

3 REPRESENTATIVE ORTITAY: Thank you.

4 SECRETARY DAVIN: Yes.

5 REPRESENTATIVE ORTITAY: Thank you, Mr. Chairman.

6 MAJORITY CHAIRMAN SAYLOR: That's a good point to
7 mention. If members today -- with the time running as it
8 is, we'll get through all the members. But if you have
9 questions, since we most likely will not have a second
10 round, if you would submit to Chairman Markosek and myself
11 any additional questions for the Secretaries, we'll put that
12 in writing to them.

13 Moving on to Representative Flynn.

14 REPRESENTATIVE FLYNN: Thank you, Mr. Chairman.

15 My question is for Secretary Oleksiak. Act 72
16 investigation and enforcement coupled with prevailing wage
17 farm enforcement are two problems in my district where
18 inspectors claim to be very, very shorthanded.

19 It's my belief Pennsylvania is losing major
20 revenue by not properly enforcing labor laws that are
21 already on the books. A loss of labor enforcement fines,
22 lack of proper permitting, not receiving wage taxes, and
23 misclassification, we're basically creating an underground
24 labor economy.

25 Mr. Secretary, what efforts and planning have you

1 made for the proper, more efficient enforcement of
2 Pennsylvania's labor laws in this budget?

3 SECRETARY OLEKSIAK: I agree that it is a
4 problem. We've made some real progress. We've collected
5 \$100,000 in child labor violations, a million in prevailing
6 wage adjustments, 360,000 in this classification for
7 construction workers. So we're making progress in that
8 area. It's not enough.

9 One of the things that I've talked about with our
10 own staff and with folks that I've spoken to in the
11 Legislature is that these laws are there not just to go
12 after the bad guys. They're there out of respect for the
13 good guys.

14 REPRESENTATIVE FLYNN: Yes.

15 SECRETARY OLEKSIAK: The businesses and employers
16 in Pennsylvania have to follow the rules. So we are
17 committed to improving on that. We will use the resources
18 available to us to do that. It's something that is very
19 dear to my heart and certainly to my Deputy Secretary's
20 heart to make sure that we -- not just out of respect for
21 the employees but out of respect for the employers that do
22 it right that we go after the bad guys. And we want to do
23 that.

24 REPRESENTATIVE FLYNN: Is the funding sufficient
25 in this proposal for you to do your job?

1 SECRETARY OLEKSIAK: The funding, it's sufficient
2 for us to continue to make improvements. Clearly with more
3 personnel, we could do more. One of the things that really
4 struck me when I came to L&I is that at one point we had
5 almost 8,000 employees in L&I. Right now we have about
6 thirty-seven, thirty-eight hundred. So we have really taken
7 a hit as far as the number of employees that we have.

8 And that has an impact on what we're able to do.
9 But we are looking at all the ways that we can realign the
10 resources that we have to do the things that you're
11 referencing.

12 REPRESENTATIVE FLYNN: How is the efficiency of
13 collecting those fines and permits? Is there any studies
14 that have been done or anything to compare?

15 SECRETARY OLEKSIAK: There's no studies that I'm
16 aware of. I know it compares favorably to where we have
17 been as a Department.

18 REPRESENTATIVE FLYNN: Properly staffed?

19 SECRETARY OLEKSIAK: Yes.

20 REPRESENTATIVE FLYNN: Okay. Thank you.

21 Thank you, Mr. Chairman.

22 MAJORITY CHAIRMAN SAYLOR: Representative Boback.

23 REPRESENTATIVE BOBACK: Thank you, Mr. Chairman.

24 Secretary Davin, a lot of talk about
25 manufacturing and we're all proponents of that, of course.

1 Manufacturing means to make. So what kind of businesses are
2 we looking to attract to actually manufacture products in
3 this state?

4 SECRETARY DAVIN: Thank you. So one of the
5 things that we did, the Governor asked us to take a look at
6 what opportunities were available in Pennsylvania as a
7 result of Royal Dutch Shell making the decision to build an
8 ethane cracker plant in Western Pennsylvania.

9 So we have worked with Team Pennsylvania
10 Foundation and commissioned a study through IHS Market,
11 which is an internationally known organization, to look at
12 those after-effects.

13 A number of other organizations in Pennsylvania,
14 other parts of Pennsylvania, were also doing the same thing.
15 We wanted to have something with really good facts on what
16 it meant for that. And what came out of it was absolutely
17 astounding. The opportunities didn't stop just at Royal
18 Dutch Shell and what they were manufacturing and in what
19 they were building in Beaver County.

20 What came out of that study is the fact that
21 because of this prolific resource and the opportunities this
22 prolific resource gives us that we had the ability to
23 attract additional ethane cracker plants, up to four
24 additional ethane cracker plants, probably not all in
25 Pennsylvania but Ohio and West Virginia. But Pennsylvania

1 had a great opportunity to attract a few of them anyway.

2 In addition to plastics manufacturers, in
3 addition to manufacturers of fertilizer, and other
4 manufacturing that can happen there. So one of the things
5 that we did without the Legislature in the previous Budget
6 was to recapitalize business in our sites program to look at
7 opportunities to create sites and make them pad ready for
8 these businesses so they didn't have to wait two and three
9 years. It's a tremendous program.

10 In the past year, we've utilized a good portion
11 of those funds through the Commonwealth Financing Authority
12 in order to do that.

13 So the manufacturing studies have suggested that
14 and though there are independent studies that have suggested
15 that we have a great opportunity to bring these
16 manufacturers in for the petrochemical industry.

17 The other thing that I've seen through my travels
18 is the fact that in Pennsylvania right now, we're making
19 little plastic pieces for a variety of different uses. Ten
20 years ago that didn't happen. All those little plastic
21 pieces were made in Asia and outside, definitely outside of
22 the United States.

23 So a lot of what's happened with -- when you hear
24 about reshoring and when you hear about opportunities that
25 we have in Pennsylvania, it's because we -- and we have to

1 continue to do this -- make sure that we have a trained
2 workforce and make sure that our manufacturers have the
3 ability to utilize all the very, very best in technology
4 that they can so they can continue to make not only little
5 plastic pieces, components, but a variety of different other
6 components.

7 We think we have a great opportunity here. And
8 we think it's only going to get better.

9 REPRESENTATIVE BOBACK: And I'm glad to hear
10 that. You mentioned two specific types of business. My
11 concern with manufacturing because again, we're all
12 supportive of it, is to make the product. And yet, we're
13 also encouraging our students to be technologically savvy.

14 I have a big plant in my district. And 25 years
15 ago I went in and you were bumping into people. I mean, you
16 had to watch. You had to wear a hard hat. Now it's much
17 different because technology has taken the place of 20, 30
18 workers, so it's a conundrum.

19 I mean, we want the manufacturing to actually
20 produce those good-paying jobs. But then where are they if,
21 in fact, we're usurping some of those hands-on with
22 technology. So you know, it's a fine line but I'm glad
23 you're looking offshore. I'm glad you're looking to bring
24 more companies in because, you know, you can't base it just
25 on two different venues, if you will. I know with the

1 cracker plant, that's downstream and I understand that idea.
2 But again, we just have to keep on plugging away at getting
3 people jobs, you know, with looking at technology and
4 manufacturing, but people need jobs and it's not just
5 running one machine that takes the jobs of 20 others.

6 So I know that's difficult. Again, it's a
7 conundrum.

8 My second question is, Representative Daley
9 talked about the tax structure, the reason why we're not
10 getting manufacturing businesses to come to the state and
11 you said no. Can you tell me what else is preventing people
12 from coming in? Surely our infrastructure after Act 89 in
13 2013 and then we're five years down the road, we're a model
14 in transportation for many states in the nation. So it
15 can't be that.

16 So what else is preventing companies from coming
17 in?

18 SECRETARY DAVIN: That's a great question. I
19 think one of the things that we think we're going to get to
20 that point is Representative Ortity talked about marketing
21 Pennsylvania. So we've taken a very aggressive approach to
22 marketing Pennsylvania. As you said, the infrastructure is
23 there.

24 REPRESENTATIVE BOBACK: Right.

25 SECRETARY DAVIN: It's not perfect. And we have

1 to look at -- with Secretary Richard look at opportunities
2 that we have to upgrade that infrastructure in certain
3 areas.

4 You look at what happened with the Port. The
5 Governor approved a significant increase in funding to the
6 Port of Philadelphia and you're seeing the results of that.
7 More ships, bigger ships are coming into Philadelphia.

8 The tax rate, we still have to work on it. You
9 know, the Governor's proposed, I think for the third year in
10 a row, a reduction in the Corporate Net Income Tax. We have
11 to do it. Whether companies pay that or don't pay that or
12 pay a smaller portion of that, you know, it's not a good
13 face for Pennsylvania. And it's not a good thing to have
14 the second highest Corporate Net Income Tax in the country
15 at 9.99 percent.

16 So a variety of things we have to continue to
17 work on. The biggest thing, the No. 1 thing, from Amazon to
18 manufacturers to technology organizations, they want talent.
19 We have to develop our talent through education in K through
20 12 and then beyond that.

21 REPRESENTATIVE BOBACK: Thank you very much.

22 SECRETARY DAVIN: Thanks.

23 REPRESENTATIVE BOBACK: Thank you, Mr. Chairman.

24 MAJORITY CHAIRMAN SAYLOR: Representative Kim.

25 REPRESENTATIVE KIM: Thank you.

1 Good afternoon. Thank you for being here.

2 Secretary Davin, I want to commend your team. I
3 know Rick Vilello and Sheri Collins personally and I think
4 they do a tremendous job.

5 We had Steve Case, the cofounder of AOL, pick
6 Lancaster, York, and Harrisburg as part of the program. We
7 were so proud to be picked from all over the country because
8 we have a low cost of living. We had new tech startup
9 companies here attracted to this area because of our
10 amenities and whatnot.

11 With your Department, have you been marketing
12 regions? Is that what the prep program is? We offer a lot,
13 especially of third-class cities. And I would love to see
14 more growth and attract more companies so that we can get
15 out of programs like Act 47 and stand alone.

16 SECRETARY DAVIN: Thanks, Representative.

17 Yes, we do. We market. We market not only --
18 and, you know, with our marketing to attract tourism line
19 item. We think that, you know, the big places have their
20 own marketing line items. For example, Philadelphia is a
21 very robust program through the hotel tax .

22 Pittsburgh does, too. Erie does. The Poconos.
23 But there are a lot of places that don't. And that's really
24 what we're trying to do. We're trying to, you know, get
25 people to come and look at some of these areas that they

1 wouldn't have thought of before. And we think that we have
2 a great opportunity to do that.

3 But it works if we're also investing in these
4 communities, too, if we're putting funding through the
5 Department of Community Affairs, through Deputy Secretary
6 Vilello's shop into these areas to help make them
7 attractive.

8 If we're working with the Department of
9 Conservation and Natural Resources to put trails through
10 these areas, in a lot of these areas, and develop the trail
11 system, that's all part of economic development and all part
12 of community development.

13 We think it's absolutely important. When I was
14 last in Lancaster, you know, there was somebody that was
15 telling me that there are people that are coming by the
16 busload from New York City to come to Lancaster to stay for
17 the weekend because there's so much to do.

18 York is getting to that point, too, from my
19 understanding. And a lot of other places, we need to make
20 sure that everybody outside of Pennsylvania and inside
21 Pennsylvania knows what Pennsylvania has, what Pennsylvania
22 has to offer.

23 And, you know, obviously, as the Representative
24 said, would we like more money? Yes, we would love more
25 money to be able to do that in a much more robust way. But

1 we do a lot with the funding that we have right now through
2 the mediums that a lot of younger people are paying
3 attention to, which is, you know, the iPhones and things
4 like that.

5 REPRESENTATIVE KIM: Great. Thank you.

6 And my second-to-last question is for Secretary
7 Oleksiak. I think it was a missed opportunity for Congress
8 to not raise the Federal minimum wage when they gave
9 corporations a tax cut. I thought it would be helpful for
10 the top and bottom to get some relief to help push this
11 economy. Wage stagnation is one of the reasons why we're
12 not as far as we can.

13 I know where you stand on minimum wage, so I'm
14 not going to go through that. But I wanted to talk about a
15 different angle. There was a report that talks about the
16 lack of enforcement of minimum wage, so not only are these
17 low-wage workers not getting a livable wage, there's a lack
18 of enforcement. They say that \$15 billion of income that
19 was supposed to go to low-wage workers are being kept by
20 unethical bosses.

21 And I know that in your Department you have some
22 kind of accountability. Is it funded? How many people do
23 you have? I know you're fairly new and I can get this in
24 writing. But do you happen to have people to go after --
25 and a lot of places that the cheating happens is through

1 landscaping businesses, restaurants, and cleaning services.
2 I would really like to see these law enforced while we try
3 to raise the minimum wage.

4 SECRETARY OLEKSIAK: Thank you, Representative.
5 I just checked with my Deputy. And we have 30 folks
6 assigned to that. We would love to have more. It's
7 something very similar to the Act 72 situation that we
8 talked about that we would like to do more.

9 But we'll get more detailed information for you.
10 Thank you.

11 REPRESENTATIVE KIM: Okay. Thank you.
12 And thank you, Chairman.

13 MAJORITY CHAIRMAN SAYLOR: Representative Dunbar.

14 REPRESENTATIVE DUNBAR: Thank you, Mr. Chairman.
15 Good afternoon, Secretaries.

16 I hale from the beautiful wild Westmoreland
17 County, home of Volkswagen, home of the Aquion Energy, which
18 all share the same distinction of receiving Federal, State,
19 and local grant dollars to have some job creation. And they
20 all failed miserably. Uniquely, not all in Westmoreland
21 County, but they were all in the exact same building.

22 So you can understand that for us back home in
23 Westmoreland County, we look at these things with a great
24 deal of skepticism.

25 So I was happy to see last year that the Governor

1 proposed actually to put some accountability standards in
2 place. And for those companies that receive some grants,
3 job creation grants, they were going to be held accountable.
4 And if they don't meet their goals, we were going to go back
5 and get the money back and/or even charge some penalties.

6 Can you give me an update on how that's going?
7 Has that been implemented?

8 SECRETARY DAVIN: Sure, Representative.

9 And it has been implemented. But just so
10 everybody knows, it's something that has been in place for a
11 long time. So companies that didn't fulfill their job
12 obligations, their job commitment obligations, within a
13 specific period of time, we have a Compliance Department
14 that does that on a daily basis and looks back and looks at
15 every single company that review jobs. And they have been
16 doing this for a long period of time.

17 I think what the Governor wanted to do is the
18 Governor wanted to put some more -- make it -- penalize the
19 companies more. In other words -- especially the ones that
20 leave Pennsylvania. And so to that end, not only do they
21 pay us back, but they have to pay us back at a 10 percent
22 fee, 10 percent penalty on top of that.

23 And luckily we haven't had to enforce that just
24 yet on any companies because they haven't done that. We
25 have a very tight contracting process. They know what

1 they're getting into upfront. If they're going to commit to
2 jobs, they better come up with the commitment of jobs. But
3 we think that, you know, we're going to be in a position to
4 hopefully -- that there won't be many companies that are
5 doing that.

6 The companies that have not made that, if you
7 remember the other part of that particular proposal by the
8 Governor was to take that money and put it into an
9 apprenticeship programs.

10 REPRESENTATIVE DUNBAR: Right. Which is a good
11 segue to what I'd like to go to next. I understand there's
12 an apprenticeship program that we're using some of those
13 dollars for.

14 And I also see in this year's budget an
15 allocation for Labor and Industry to have a \$7 million
16 apprenticeship program. Are they the same programs? Does
17 your program continue? Do they work together? Can you fill
18 those gaps in for me?

19 SECRETARY OLEKSIAK: They're different programs
20 but we do a lot of work together. That's the best way to
21 put it. We have, you know, the apprenticeship program that
22 we oversee through the Department, the grants that we give
23 out. This would, you know, give us more flexibility and
24 enable us to add the non-traditional apprenticeships that
25 we've talked about and reach out beyond the traditional.

1 REPRESENTATIVE DUNBAR: So what specific type
2 jobs are we talking about, workforce development jobs are we
3 talking about, on the apprenticeship programs?

4 SECRETARY DAVIN: We're talking about
5 manufacturing jobs. We're talking about a variety of
6 different things. What we try to do is put it through the
7 trades, try to put in a program and look for opportunities
8 where we have to meet unique circumstances that weren't met
9 before with the traditional job training programs and the
10 apprenticeship programs.

11 We think it's crystal clear right now that we
12 have to get young people into jobs and into manufacturing
13 jobs and in addition to other jobs, but really the
14 manufacturing jobs, in order for them to understand how good
15 of an opportunity that is.

16 The industrial resource centers run a program
17 called What's So Cool About Manufacturing. And that's
18 something where younger kids, even in 6th Grade, actually
19 get into manufacturers and understand what they are about.

20 We're talking about people a little bit older,
21 younger people, a little bit older, but to get them in
22 there. So we're trying to look for, you know, those, every
23 single opportunity to be able to do that.

24 And that's what these dollars allow us to do.

25 REPRESENTATIVE DUNBAR: So to make sure I

1 understand, you're going to continue to fund apprenticeship
2 programs and you're going to start a new program with
3 apprenticeship programs with the \$70 million?

4 SECRETARY OLEKSIAK: We have programs in place
5 now, our apprenticeship program, that's been very
6 successful. We're at about 15,000, we want to double that.

7 REPRESENTATIVE DUNBAR: But the line item had
8 zero on it last year and has 7 million on it this year; is
9 that correct?

10 SECRETARY OLEKSIAK: Right. Because the money
11 that went toward it last year was all Federal dollars.

12 REPRESENTATIVE DUNBAR: Okay.

13 SECRETARY OLEKSIAK: So this would be State money
14 to supplement that to allow us to increase our reach.

15 REPRESENTATIVE DUNBAR: And do we have a specific
16 goal of jobs, some type of what we're trying to get to, end
17 result, that we can measure this going forward?

18 SECRETARY OLEKSIAK: Right. We're looking at
19 doubling from fifteen to thirty thousand.

20 REPRESENTATIVE DUNBAR: Okay. Thank you.

21 SECRETARY OLEKSIAK: Sure.

22 MAJORITY CHAIRMAN SAYLOR: Representative Briggs.

23 REPRESENTATIVE BRIGGS: Thank you, Chairman.

24 Thank you, Secretaries, for your questioning and
25 answers today.

1 I'm hoping Chairman Longietti is going to address
2 some tourism issues. I'm trying to keep my time short
3 because I know we're approaching the end. So I'm confident
4 that he's going to handle that effectively.

5 But I represent King of Prussia. We are a
6 booming commerce district in southeastern PA, very
7 successful in attracting businesses. And you've been
8 helpful with some of that.

9 When Amazon came up, a number of us in the King
10 of Prussia, Upper Merion, and Montgomery County got together
11 to see what sort of assets we have. It was great. We had a
12 series of meetings. It was a very effective
13 conversation/dialogue that we had to, you know, see if that
14 was a possibility but really to try to learn for the future
15 if other opportunities come up.

16 Could you talk a little bit about the
17 Commonwealth's strategy and any sort of status update that
18 you can give regarding Amazon?

19 SECRETARY DAVIN: Sure. The biggest strategy was
20 we did not want to limit any area in the state of
21 Pennsylvania from applying. And the difference with this
22 from any other economic development -- major economic
23 development project that I've ever seen or heard of is the
24 fact that Amazon wanted to deal directly with the
25 communities, the cities, and not deal with the State.

1 Typically in this situation they deal directly with the
2 State. In this case they didn't want to do that.

3 So what that told us -- and the Governor was a
4 big proponent of letting it open to everybody. And so we
5 had, I believe, six different responses from the State of
6 Pennsylvania. And other states did this, too. Some others
7 didn't. New Jersey selected, I believe, Newark and kind of
8 eliminated Camden and other places from allowing them to
9 respond to that, which we think was wrong-headed.

10 What came out of that? A couple things. Number
11 1, two of our cities are selected in the short list from
12 Amazon out of 20 cities in North America. Two out of 20 are
13 in the state of Pennsylvania. We're one of only two states
14 that have two cities. That's the first thing.

15 The second thing is the other four areas and this
16 area was part of that. So they worked with York, Lancaster,
17 and Harrisburg area around here to also put a proposal in.
18 What that did is that gave them, to your point,
19 Representative, an opportunity to put their best foot
20 forward and to look at the strengths of their areas and also
21 see where the weaknesses were.

22 If you talk to David Black and some of the other
23 folks, you know, that really helped them with feeling good
24 about themselves, because you're putting a proposal together
25 to a company like Amazon, one of the largest companies in

1 the world, to try to show them why your area is that great.
2 So we have four other areas that didn't make the short list
3 of what Amazon has. But they have documentation. They have
4 information.

5 They all came together as one, which is the
6 business community. The elected officials, foundations, the
7 institutions all came together to put a proposal together.
8 I think it's brilliant. And I think it's great that they
9 did that. And it's information that they can use to market
10 other companies that can come into their areas.

11 REPRESENTATIVE BRIGGS: Great. Thank you very
12 much.

13 Thank you, Chairman.

14 MAJORITY CHAIRMAN SAYLOR: Representative Grove.

15 REPRESENTATIVE GROVE: Good afternoon, gentlemen.
16 Mr. Preston.

17 PRESIDENT PRESTON: Yes, sir.

18 REPRESENTATIVE GROVE: We have some -- you've
19 been ignored for a little while. I kind of feel bad you're
20 sitting there not answering any questions.

21 So we have some local career and tech schools.
22 Local job creators are saying we need some programs around
23 1,200 hours to 900 hours. Obviously, if they offered them
24 -- if I'm not mistaken, those programs won't be eligible for
25 PHEAA grants. I think the requirement is about 1,500 hours,

1 1,800 hours or so forth.

2 Is there any way you could maybe do an analysis,
3 if those hours were dropped around 1,200 to 900 hours, give
4 us an estimate of the cost to PHEAA if we were to do that
5 moving forward? Is that a possibility?

6 PRESIDENT PRESTON: I'm thinking of the PA TIP
7 Program right now. For the two years -- remember, the State
8 Grant Program allows for two-year programs or more of study.
9 So starting in 2012 we started what they call a PA TIP
10 Program, Targeted Industry Program. That allowed for grant
11 money to be used, special grant money to be used that was
12 less than the two year. And it would be for, say, 12 months
13 or 18 months study.

14 And it was targeted for what you would think,
15 welding, electrical, any of the trade schools that offer
16 academically approved programs but yet they needed a little
17 bit of help because they weren't eligible for the grant
18 program.

19 Actually, we find in those particular
20 circumstances, like 87 percent of those that graduated with
21 that money went out and got a job. Now, it may or may not
22 have been in exactly what they're doing but that's probably
23 data reporting.

24 That's pretty good.

25 REPRESENTATIVE GROVE: Is the PA TIP, are those

1 dollars used every year?

2 PRESIDENT PRESTON: 6 million. At first it took
3 us a while to market it but now they are used.

4 REPRESENTATIVE GROVE: 6 million. Okay.

5 Are most career and tech schools familiar with
6 that program to tap into?

7 PRESIDENT PRESTON: I would think so because we
8 have had it for this amount of time. And we probably have
9 unmet need on this, too.

10 How much would that be? Oh, 43 schools
11 participating. I'm sure if they wanted more money they
12 could probably use it.

13 REPRESENTATIVE GROVE: Okay. I appreciate that.
14 Thank you.

15 PRESIDENT PRESTON: Sure.

16 REPRESENTATIVE GROVE: Mr. Davin, obviously
17 Pittsburgh made, I think, the top-three list for the Amazon
18 location, if I'm not mistaken, or we don't know that yet?

19 SECRETARY DAVIN: No. There was a list of about
20 20 states in North America that made a short list and
21 they're all equal as far as anybody is concerned right now.

22 There's all kinds of surveys and things like
23 that. And there's speculation out there to where everything
24 is. But it's really Pittsburgh and Philadelphia in the
25 state of Pennsylvania right now.

1 REPRESENTATIVE GROVE: So of those two, currently
2 I think Pittsburgh had to release their packets, their right
3 to know request, if I'm not mistaken. I haven't heard
4 anything about Philadelphia's package.

5 SECRETARY DAVIN: No, they have. And I can talk
6 a little bit about that.

7 REPRESENTATIVE GROVE: Okay. Go ahead.

8 SECRETARY DAVIN: So Philadelphia submitted I
9 believe to the press a very redacted package. Pittsburgh
10 chose not to do that because of competitive reasons. And
11 Pittsburgh chose to continue, I think file an appeal to the
12 Office of Open Records.

13 REPRESENTATIVE GROVE: Okay. As far as our State
14 package -- because we have a State package on top of the
15 local packages, correct?

16 SECRETARY DAVIN: We will.

17 REPRESENTATIVE GROVE: We will. Okay.

18 SECRETARY DAVIN: Well, let me take that back.

19 REPRESENTATIVE GROVE: Okay.

20 SECRETARY DAVIN: We will after discussions with
21 Amazon, we think. But where we don't know right now.

22 REPRESENTATIVE GROVE: Okay. So at this point
23 there's nothing in the budget projected for an Amazon
24 package?

25 SECRETARY DAVIN: No.

1 REPRESENTATIVE GROVE: Because we don't know what
2 that is currently?

3 SECRETARY DAVIN: No. We don't know what it is
4 currently. We have not had any discussions directly with
5 Amazon. Again, as I mentioned, the proposals and the
6 discussions right now up to this point had been between
7 Amazon and the cities. We anticipate getting involved in
8 those discussions at some point in time shortly.

9 REPRESENTATIVE GROVE: Okay. That is helpful.
10 Mr. Oleksiak, good enough? close enough?

11 SECRETARY OLEKSIK: Oleksiak.

12 REPRESENTATIVE GROVE: Secretary O, can we go
13 with that?

14 SECRETARY OLEKSIK: That works, too.

15 REPRESENTATIVE GROVE: Thank you.

16 High occupation jobs, L&I continuously keeps a
17 list about generally the most important. We had a select
18 subcommittee -- actually, Chairman Saylor, the Education
19 Chairman, started that. One of the first hearings we had
20 was with the Department. Based on that hearing, we were
21 pulling a lot of data from the U.S. Department of Labor.

22 Is that still the only source we're getting that
23 information from or are we picking up some local stuff to
24 update that? Because I think one of the problems was it was
25 a little outdated.

1 SECRETARY OLEKSIAK: They're locally generated
2 high occupation.

3 REPRESENTATIVE GROVE: All right. Okay.

4 My time is up. Thank you.

5 SECRETARY OLEKSIAK: Thank you.

6 REPRESENTATIVE GROVE: Thank you, Mr. Chairman.

7 MAJORITY CHAIRMAN SAYLOR: Representative James.

8 REPRESENTATIVE JAMES: Over to your right,
9 gentlemen. Lee James. I represent Venango County and
10 Butler County.

11 Thank you, Mr. Chairman, for shoe-horning me in
12 here at the end.

13 President Preston, it's my understanding -- and I
14 guess this is good news -- you receive so many applications
15 for PAGAA grants that it's possible that you had to reduce
16 the awards by something on the order of \$200?

17 PRESIDENT PRESTON: For a second semester.

18 REPRESENTATIVE JAMES: The second semester?

19 PRESIDENT PRESTON: Right.

20 REPRESENTATIVE JAMES: Go ahead.

21 PRESIDENT PRESTON: I mean, it's one of those
22 things. We have so much money we start off at the beginning
23 of the year. The Federal Government started a number of
24 initiatives that encourage people to apply early. They call
25 it early FAFSA, so rather than January, earlier in the year,

1 as well as access to when you fill out the FAFSA, you don't
2 need to wait until your tax form is due in the new year.
3 You can use the prior year.

4 So there's a number of initiatives that we didn't
5 quite know how it was going to fit into the model. So with
6 the money that, you know, we had, we could see that the
7 maximum award at the beginning of the year wasn't going to
8 carry through for the second half of the year.

9 So, you know, the process was to try to estimate
10 what we could do to spend all the money but yet not run out
11 of money. So we just decreased I think it was \$195 from the
12 maximum award and that was the effect. And, you know, we'll
13 try to do better estimates next year.

14 REPRESENTATIVE JAMES: Okay. When I was in the
15 private sector, college costs were escalating at about 7
16 percent a year, which was far in excess of normal inflation.
17 I don't know if that's still true. But clearly it costs
18 more every year to get a college degree.

19 If you were to restore those \$200 to put them
20 back in the award, about how many millions of dollars would
21 PAGAA need to do that?

22 PRESIDENT PRESTON: Okay. I'm trying to think
23 what the shortfall was, 9 million, something like that.
24 Every year everything changes. So if I had 9 million more
25 last year, I probably wouldn't have had to do that because I

1 wouldn't have had to reduce it.

2 You know, going forward we have to take a look at
3 all the variables and see. Right now the Board is approved
4 to spend \$56 million next year in the '18-'19 budget. Can
5 we do more than that? It may be hard for us to do more than
6 that.

7 So in order for us to or the Legislature to put
8 more money in, we would need about \$74 million to get to the
9 same max award and average award that we started off with at
10 the beginning of this year.

11 I think that's answering your question.

12 REPRESENTATIVE JAMES: Okay. If we could turn to
13 a question of cash flow in your budgeting. In an effort to
14 understand how your organization operates, I see that for
15 some period of time, you have been a donor of money to the
16 General Fund in Pennsylvania -- thank you very much -- but
17 your needs seem to grow in various areas.

18 Can you kind of explain to me why you're not a
19 bit more self-sufficient?

20 PRESIDENT PRESTON: We are in the sense that we
21 have no line item for any operation from the Commonwealth.
22 We are completely self-sufficient as it relates to the money
23 we spend out of our business earnings for spending money to
24 administer the State Grant Program and have the outreach
25 that we have in the Commonwealth now. 14 people go to the

1 financial aid nights and FAFSA completion rates and do a
2 great help in demystifying the grant programs so people can
3 go to college. That costs us about 19 million a year.

4 So our business earnings is what's the variable
5 that we can't really -- I would love very much to be able to
6 guarantee I'm going to do \$100 million for the next ten
7 years, but, you know, my business operations are just not
8 that predictable. And that's always the challenge we have.
9 We do the best we can with the money we have.

10 REPRESENTATIVE JAMES: Well, thank you for the
11 work you do. And back in the day, I was a recipient of one
12 of your grants.

13 PRESIDENT PRESTON: There you go.

14 REPRESENTATIVE JAMES: Thank you for that, too.

15 PRESIDENT PRESTON: Yes.

16 REPRESENTATIVE JAMES: Thank you, Mr. Chairman.

17 MAJORITY CHAIRMAN SAYLOR: Representative
18 Greiner.

19 REPRESENTATIVE GREINER: Thank you, Mr. Chairman.

20 And thank you, gentlemen, for being here today.

21 I'm going to direct my questions to Secretary
22 Davin. We had spoken earlier. When I say earlier, it's
23 about two hours ago. We were talking about the
24 Manufacturing PA Program. We both -- you had talked about
25 it. I think we all agree here in Pennsylvania we're known

1 for our manufacturing. We've struggled a little bit. And
2 the proposed budget for this year, again, includes \$12
3 million for the Manufacturing PA Initiative, which is the
4 same amount as this past year.

5 This program, though, was supposed to create or
6 retain about 6,000 manufacturing jobs. And, you know, the
7 program is new and I understand that. But it appears that
8 the number of manufacturing jobs has been down about 4,500
9 since the prior year.

10 I just wanted to -- you know, it seems to assume,
11 though, this new program that we're working at, is it going
12 to generate, you know, 6,000 new manufacturing jobs, which I
13 think you suggested? If that's the case, what are you
14 looking at for revenue, additional revenue to the General
15 Fund if we're able to do so?

16 SECRETARY DAVIN: That's a good question,
17 Representative. We do. We do believe that it's going to
18 happen. We have rolled it out. It's getting rolled out.
19 In some cases we have not deployed all of the funding, the
20 whole \$12 million.

21 As you remember, part of this funding, about 5.3
22 is going to the Industrial Resource Center s already right
23 now. They do a great job of helping manufacturers with
24 their processes and things like that.

25 We also have a Manufacturing Training to Career

1 Grant, which provides funding to manufacturers, provides
2 funding to community colleges, provides funding to other
3 organizations, trade organizations, associations. And we've
4 made, I believe, ten allocations for that. And we're
5 getting ready to -- out of that particular program.

6 And then the Manufacturing Innovation Program,
7 which we're working with our research centers, that's about
8 \$2 million. And we've actually opened that up to not just
9 the research centers but other universities. And the idea
10 there is to use the technology and the technical expertise
11 in the universities through students, graduate students,
12 professors, directly with manufacturers to really upgrade
13 their ability to be utilized.

14 That actually -- the fiscal agent for that is
15 Carnegie Mellon University. They stepped up and agreed to
16 do that. And we're going through that program right now.

17 REPRESENTATIVE GREINER: I mean, it's a good
18 segue because I was wondering about that because when the
19 program was rolled out last year, you know, we were focusing
20 on the Industrial Resource Centers. And you had mentioned
21 we now include Carnegie Mellon in this. So to us, to me,
22 and to the Committee, it appears that we've kind of changed
23 our focus or the scope of the program since we rolled it out
24 last year with the universities.

25 Maybe I'm wrong. Maybe I'm misunderstanding

1 that. I just wanted to clarify that because I wasn't quite
2 sure of the seven Penn State research universities that were
3 originally included, whether they're still part of the
4 program or how they're going to be included because it does
5 seem like maybe something was tweaked or changed.

6 SECRETARY DAVIN: Sure. We anticipated that the
7 Industrial Resource Centers would continue to do what they
8 were doing and do a great job and maybe do some other things
9 in terms of maybe connect with some other manufacturers that
10 they haven't typically seen, you know, to kind of broaden
11 what they do.

12 The Manufacturing Innovation Program was always
13 anticipated to be utilized by the seven research
14 universities throughout Pennsylvania, not just -- Penn State
15 is one of them. But, you know, Drexel, University of
16 Pennsylvania, CMU, Pitt, and some others.

17 But we wanted to open that up also because we've
18 gotten feedback while we were putting the program together
19 that other universities thought that they could provide some
20 help for that, too, the universities under the State
21 University Association. And we're working through that
22 right now.

23 And then we had to identify the fiscal agent and
24 get them up to speed because the funding would roll through
25 them to these other organizations.

1 REPRESENTATIVE GREINER: One thing I do just -- I
2 just want to close on something. I know my time is probably
3 going to soon run out. I spoke about this yesterday with my
4 background as a CPA. We talk about Pennsylvania being the
5 Keystone State. We talk about, you know, manufacturing jobs
6 and development.

7 I can't understand the Administration's stance on
8 the depreciation deduction they made. Because with my
9 background in accounting over 20 years, it makes a
10 difference for job creation. My businesspeople spend money
11 and they buy equipment.

12 And I'm hoping, you know, there's a piece of
13 legislation out there that's going to at least bring
14 depreciation back in over a normal time. They're not going
15 to allow the one time 100 percent.

16 And I don't know what your thoughts are on that.
17 I know you've spent a lot of time with economic development
18 yourself in Pittsburgh.

19 SECRETARY DAVIN: Economic development. My
20 closest to a CPA is my daughter is going for her CPA right
21 now. So I couldn't answer that particular question.
22 Obviously, you know much more about that than I would.

23 I think what we're trying to do is we're trying
24 to -- the Governor's goal right now is really to level the
25 playing field with combined reporting that you probably know

1 a lot more about than a lot of us and really showcasing
2 Pennsylvania as a place to do business from a tax
3 standpoint, from an infrastructure standpoint.

4 And you said so yourself, Representative, from
5 where it is geographically, it is a great location in the
6 United States. Not only does it have the resources that we
7 need, but it also has the connections to these major
8 occupied cities, you know, Boston, New York, DC, and others.

9 REPRESENTATIVE GREINER: Thanks so much.

10 SECRETARY DAVIN: Thank you.

11 REPRESENTATIVE GREINER: Thank you, Mr. Chairman.

12 MAJORITY CHAIRMAN SAYLOR: Representative Sonney.

13 REPRESENTATIVE SONNEY: Thank you, Mr. Chairman.

14 Thank you, gentlemen. I'll be as quick and brief
15 as I possibly can. It's been a long morning.

16 Secretary Davin, on the apprenticeship programs,
17 okay, it's been mentioned that one thing that you're focused
18 on is manufacturing. And it's also been said that when it
19 comes to these apprenticeship grants that the trades are
20 also receiving those.

21 And my question for that is -- and believe me, I
22 understand. I think the apprenticeship programs are good.
23 Okay. I think they are needed. And I think that they will
24 definitely pay dividends in years to come.

25 But what I'd like to know is, you know, when it

1 comes to the trade unions, okay, they've been running
2 apprenticeship programs for years and years and years. So
3 what has changed that they need assistance now with their
4 apprenticeship programs?

5 SECRETARY DAVIN: I think from my standpoint,
6 we're seeing -- I kind of go back to the Shell Cracker Plant
7 in Beaver County in Pennsylvania. Right now they are seeing
8 the need for more steam fitters, for example, than they have
9 ever thought possible in Pennsylvania.

10 Their training programs are bursting at the
11 seams. They're having people coming in. They're attracting
12 people into those. There's a tremendous need. We're going
13 to have a maximum of I think 6,000 employees at one time
14 working on or near the site just related to that.

15 So there are other things that are happening as a
16 result of that, too. I'm speaking to western Pennsylvania
17 right now just because that's a good example. You have a
18 new airport that's going to be built in western
19 Pennsylvania.

20 A lot of that work is going to be done between
21 Shell and the airport and some other things by the unions.
22 And so there's just a big need right now to make sure that
23 we have a properly trained workforce. But the bigger issue
24 --

25 REPRESENTATIVE SONNEY: Excuse me. So in other

1 words, they're ramping up? They need assistance to ramp up?
2 Is that what it boils down to?

3 SECRETARY DAVIN: Exactly. But they also -- the
4 issue goes back to the high schools and back to the fact
5 that kids need to understand, their parents need to
6 understand, that a four-year degree is not the only thing
7 that makes somebody successful.

8 REPRESENTATIVE SONNEY: So they have a
9 recruitment problem also?

10 SECRETARY DAVIN: Yes.

11 REPRESENTATIVE SONNEY: Correct?

12 SECRETARY DAVIN: Yes.

13 REPRESENTATIVE SONNEY: And so today, since it's
14 relatively newer programs, you know, what percentage is
15 actually benefiting manufacturing and what percentage is
16 benefiting others?

17 SECRETARY DAVIN: We'd have to take a look at
18 that. That's a great question.

19 SECRETARY OLEKSIK: I would like to know that.

20 SECRETARY DAVIN: Yes.

21 REPRESENTATIVE SONNEY: One of the other comments
22 that you made several times today, especially concerning
23 manufacturing, is the proper training. What is proper
24 training? You know, it's a great buzzword. But what is it?
25 What is the proper training that, you know, manufacturers

1 are out there telling you that does not exist?

2 SECRETARY DAVIN: So they need technical skills.
3 They need life skills. They need skills in a lot of cases
4 to show how to -- one of the things that I've learned in the
5 past three years is that there are a variety of different
6 types of welding. So welders need all these technical
7 skills in order to get the job.

8 And that's something that, you know, we feel that
9 it's part of what we need to do, to make sure that younger
10 people have those opportunities to get those special
11 technical skills to get into these positions.

12 REPRESENTATIVE SONNEY: I've worked a number of
13 years in manufacturing and construction so I'm very familiar
14 with both of those areas. And, you know, I just sometimes
15 wonder in the dollars that we are investing, especially on
16 the manufacturing side to be able to help and support
17 manufacturing, if they are, you know, really giving us the
18 bang for the buck that we deserve.

19 I would really be curious and would really like
20 to know, when it comes to the different agencies that we're
21 funding, okay, are they, you know -- are you keeping them
22 out there looking for new clients and making sure that, you
23 know, all manufacturers in their area are using best
24 practices and, you know, need any help or are we just
25 redoing the same people over and over and over and over

1 again simply because they know that, you know, the program
2 exists and they can tap into it?

3 SECRETARY OLEKSIAK: I'm jumping on Secretary
4 Davin's lines here. But that's one of the reasons we're
5 kind of restructuring the industry partnerships and calling
6 it the next-generation industry partnerships because we're
7 not just going and saying, here's what we can do for you.
8 We're going and saying, what do you need from us? What
9 skills do you need? Again, not just the particular skills,
10 but how can we find that pipeline of people that would.

11 REPRESENTATIVE SONNEY: And at the same time are
12 we going to put benchmarks on all of those programs and
13 require results from these programs?

14 SECRETARY DAVIN: Yeah. Because what I had said
15 before, Representative, we noticed that. In some cases,
16 some of the programs -- the other programs, not these new
17 programs. Some of the organizations were going back to the
18 same people and training the same people. That's not what
19 we wanted.

20 There's a whole new group of people, younger
21 people and others, that need to be trained. And it's based
22 upon a number of different things. We have a lot of, for
23 example, coal miners that are out of work in southwestern
24 Pennsylvania in Cambria County and other places like that
25 that we need retrained. We need to help them get retrained.

1 REPRESENTATIVE SONNEY: In jobs they can actually
2 get a job in?

3 SECRETARY DAVIN: Exactly. Same thing with a
4 place like Erie. You know, you have a reduction in
5 workforce at GE Locomotive in Erie. You have a great
6 workforce up there and maybe they need to be retrained in
7 some other things.

8 REPRESENTATIVE SONNEY: Thank you.

9 MAJORITY CHAIRMAN SAYLOR: Thank you.

10 Representative Heffley.

11 REPRESENTATIVE HEFFLEY: Thank you, Mr. Chairman.
12 Thank you, gentlemen.

13 I just have two topics real quick. The first one
14 is for L&I. Mr. Secretary, I know it's been talked about
15 looking at the Shell plant and also looking at attracting
16 Amazon. But I feel a lot of our businesses that we have are
17 homegrown, those, you know, people started in their garage
18 or, you know, just took an idea and made it into a business
19 and an industry and now are employing, you know, sometimes
20 hundreds of people.

21 But what I see is a lot of obstacles in doing
22 that. And one of them is the UCC Code. Now, under L&I,
23 under occupational and industrial safety, you have oversight
24 over code officials that enforce those codes, as well as
25 many other codes. If a business, small business or

1 individual, has a complaint, they go to L&I. And it can be
2 a very cumbersome project. Now, I know a lot of the fees
3 have increased in last year's budget. I think it's an
4 additional \$7 million in fees that you were able to use for
5 that line item.

6 Is there any enhancement or anything that L&I is
7 looking at to provide a better recourse for those
8 individuals who feel that they have been unjustly delayed in
9 projects because of code officials?

10 SECRETARY OLEKSIAK: I'm going to have to get
11 back to you on that. I know we have the UCC, the Uniform
12 Construction Code. That's part of our enforcement piece. I
13 don't know right now the statistics as far as how many folks
14 are, you know, involved in the system, what they need, what
15 isn't working.

16 So what I would like to do is talk to our Deputy
17 Secretaries involved in that and get some more thorough
18 information than what I can give you right now.

19 REPRESENTATIVE HEFFLEY: If he could get that and
20 get back to me with it.

21 SECRETARY OLEKSIAK: Sure.

22 REPRESENTATIVE HEFFLEY: Also, I would like to
23 know if there was ever one of these officials that's been
24 decertified by L&I because of these types of violations.

25 The complaint I get from the small businesses,

1 from the individuals, is that it's a very cumbersome and
2 very expensive process when going through L&I. And when
3 they do approach that process, then in a lot of cases
4 there's retribution by those code officials. Hopefully,
5 it's something we can work on.

6 Since I'm up against the clock here, my next
7 question would be for DCED. In the Governor's proposed
8 budget, I was really concerned to see once again this year
9 he's cutting \$7 million from tourism promotion. Do you feel
10 that your agency with that cut would be able to provide the
11 same level of promotion as you have in the past?

12 SECRETARY DAVIN: Absolutely. And the \$7 million
13 is really legislative initiatives that were put in there
14 last year after the Governor produced this budget and
15 promoted his budget and we promoted our budget.

16 So the amount that is provided in there for
17 tourism and promotion is \$4.1 million -- I'm sorry --
18 \$4,067,000 in this particular -- which is about the same as
19 last year.

20 REPRESENTATIVE HEFFLEY: Okay. Coming from a
21 region where tourism is the No. 1 industry certainly it is
22 something that I'd like to see, to continue to promote.
23 Weekends you see a lot of folks from out of state coming
24 through Carbon County. It brings a lot of additional
25 dollars in.

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SECRETARY DAVIN: Right.

REPRESENTATIVE HEFFLEY: Thank you.

SECRETARY DAVIN: Sure.

SECRETARY OLEKSIAK: If I could, Mr. Chair.

We have decertified inspectors. But we'll get the full information for you.

Thank you.

MAJORITY CHAIRMAN SAYLOR: Very good.

Representative Peifer.

REPRESENTATIVE PEIFER: Thank you, Chairman.

I would like to congratulate President and CEO Jim Preston of PHEAA. Just last week at a Board meeting he did announce that he's going to be retiring this summer. So I want to say congratulations to you. And on behalf of the Commonwealth, thank you for what you've done for the students and the families of this Commonwealth.

We wish you the best.

PRESIDENT PRESTON: Thank you, Mr. Chairman.

REPRESENTATIVE PEIFER: Mr. Preston, I would like to follow up on Representative James's question on the early FAFSA form.

PRESIDENT PRESTON: Sure.

REPRESENTATIVE PEIFER: For many years the FAFSA deadline -- now, the FAFSA is the student aid financial device used by PHEAA and the Federal Government to issue

1 grants. And that process always started in early spring.
2 So families need to rush in, have their tax preparers
3 prepare their returns or have their returns prepared because
4 the adjusted gross income number on the tax return is used
5 on that form. That's correct?

6 PRESIDENT PRESTON: Yes.

7 REPRESENTATIVE PEIFER: Okay. So the process of
8 early FAFSA, they simple change the date from the spring
9 deadline to the fall trying to add all students in the
10 Commonwealth who would be eligible to receive these grants;
11 is that correct?

12 PRESIDENT PRESTON: Right. They try to encourage
13 more to apply earlier. And when they tried to do that, they
14 also realized, well, most people won't fill out their taxes
15 until January or February. So it kind of defeated its
16 purpose. So that's why they allowed what they call the
17 early -- what do they call it? the early tax form. You can
18 take it from the prior year and you don't have to wait for
19 the new year.

20 So early FAFSA incorporated those two components.
21 And it ended up forcing a surge of people coming in that we
22 hadn't seen before. In general, it basically averaged out
23 but we needed a year to really see what that effect would
24 be.

25 REPRESENTATIVE PEIFER: Okay. So the Chairman

1 and I had a discussion earlier that we establish an
2 appropriation from the General Fund for our PHEAA grants.
3 But then after this early FAFSA program, we have more
4 students with the same historical appropriation. So there's
5 less money per pupil or student; is that correct?

6 PRESIDENT PRESTON: That's correct.

7 REPRESENTATIVE PEIFER: So what's happening to
8 that money? Are our institutions of higher education forced
9 to in the second semester not receiving their appropriation
10 or are the families having to make up those dollars?

11 PRESIDENT PRESTON: No, no. What happened was we
12 realized in the fall of 2017 that for the second semester,
13 we really should have just decreased the average award, the
14 maximum award, by \$195. And that's what we did so that we
15 wouldn't run out of money. And we ended up being very close
16 at the end of the year with those numbers.

17 REPRESENTATIVE PEIFER: Okay. And Representative
18 James did ask this question. Could you just, for our
19 Committee -- and I don't need the number now. Could you
20 just quantify what that costs with additional students so we
21 can make everyone whole as far as the initial appropriation?
22 I don't know. I think you said maybe \$9 million. But if
23 you could give that to us or forward it to the Chairmen,
24 that would be great.

25 PRESIDENT PRESTON: Okay. Great.

1 REPRESENTATIVE PEIFER: And I do -- just for
2 Representative James, we're going to have a little
3 discussion offline. And I have this handy spreadsheet that
4 gives some historical data on the public service that PHEAA
5 provides to the Commonwealth.

6 And since 2005, I think the hard dollars that
7 PHEAA has given back to the General Fund, to the
8 Commonwealth, is over \$800 million, plus we have the public
9 service and the outreach. And that's over \$254 million. So
10 I'm going to share that with Representative James.

11 So at this point, we are self-sufficient. And we
12 are giving back to the Commonwealth. It's just somewhat
13 challenging in today's market that we are in a competitive
14 marketplace and that changes daily, correct?

15 PRESIDENT PRESTON: Yes. And the unmet need is
16 clearly there.

17 REPRESENTATIVE PEIFER: All right.

18 Thank you, Mr. Chairman.

19 MAJORITY CHAIRMAN SAYLOR: Okay. We move into
20 the last part of your hearing. I wanted to recognize our
21 two Chairmen from the different standing committees that are
22 still here. And I want to thank them for their patience.

23 We have the Chairman of the Commerce Committee,
24 Representative Ellis. You're recognized.

25 REPRESENTATIVE ELLIS: Thank you, Chairman Saylor

1 and Chairman Markosek.

2 Gentlemen, thank you for being here. Let me
3 start with Secretary Davin. If you could really quickly in
4 30 seconds tell us every single program DCED does and how
5 many jobs it creates. I know you can't do that. But I look
6 forward to our meeting on the 6th when we will be going over
7 that with the Committee.

8 Since Representative Peifer just spoke, you
9 started off mentioning how we now have a one-stop shop.
10 And, you know, certainly that's been an issue for
11 Representative Peifer and one that we've been looking at in
12 the Committee.

13 Would you support us putting it in statute to
14 make sure that this continues? Maybe a Governor down the
15 road may decide they don't want it in statute and they just
16 want to get away from the one-stop.

17 I'm hearing from my businesses that this is a
18 good idea.

19 SECRETARY DAVIN: It is a great idea. And I
20 think, you know, as we go along, we believe it's only going
21 to get better. You know, we're trying to -- we're going to
22 see. We don't know if there are any bugs in it right now.
23 We assume that there are some bugs and they're going to get
24 worked out because it just opened up a couple weeks ago.

25 In terms of putting it in statute, look, I've

1 been here for three years only. And if you think that
2 that's a good thing to do, I would leave that up to you. I
3 don't know the answer to that.

4 REPRESENTATIVE ELLIS: Okay. I mean, essentially
5 what we're looking for is efficiency for business. And
6 speaking of efficiency, if the two Secretaries can comment
7 on this. You both have workforce programs. You both have
8 apprenticeship programs. Would either of you be willing to
9 give the other one the power over that so we can consolidate
10 those under one umbrella?

11 It just seems logical that you each have distinct
12 roles and we can find a home for the workforce development
13 under one of two, not both.

14 SECRETARY DAVIN: I mean, that's a point that
15 we'll take a look at and work with the Governor and the
16 Governor's Office to see. If that's the most efficient way
17 to go, then we are all for it. It's about getting the best
18 benefit to the public and the people that need these
19 programs and whatever way is the way that we need to go,
20 we'll support that.

21 REPRESENTATIVE ELLIS: Okay. That's good.

22 Switching real quick. I mean, obviously --

23 SECRETARY DAVIN: As long as I'm in charge. No,
24 I'm kidding.

25 REPRESENTATIVE ELLIS: For at least one more

1 year.

2 In a perfect world we would not need to
3 incentivize businesses to come to Pennsylvania. They would
4 just come. We have the skill, the talent. You talked a lot
5 about matching, you know, the skills towards the jobs that
6 are available in workforce development.

7 But one of the things that we've seen under DCED
8 is overseeing the KOZ or the KIZ, some of those incentive
9 programs for brownfields and whatnot. And earlier this year
10 -- well, last year we passed an entertainment development
11 area, a district. Have we seen any movement on that as far
12 as developing?

13 SECRETARY DAVIN: Not just yet. You know, we're
14 still trying to work out some of the issues related to how
15 that would work. You mentioned KOZs. You know, I'm very
16 familiar with KOZs. We had KOZs when I was in the
17 Pittsburgh area. And in some cases it makes sense and in
18 other cases, we're not sure that it does make sense having
19 the KOZs.

20 KOZs on brownfield sites that have no other use
21 that we're trying to attract people to, absolutely. KOZs in
22 the middle of cities that may not need the help as much,
23 we're not sure that that's the best way to go. We think
24 that having targeted identified programs for those projects
25 makes much, much more sense to look at what they need.

1 Separate from that, you mentioned before
2 infrastructure, tax structure, workforce, all those things,
3 and we want to have in Pennsylvania the best of all those.

4 REPRESENTATIVE ELLIS: I appreciate that.

5 Now, last year we also had in the final product a
6 tax credit for concert rehearsal studios. Those guidelines
7 have come out. Similarly we had -- for our folks at Drexel
8 or Carnegie Mellon, we had looked at expanding the
9 opportunities for tech jobs in Pennsylvania and obviously
10 the announcement from Amazon that they were considering the
11 headquarters and they're bringing 155 tech jobs back to
12 Pittsburgh additionally. That's all great news.

13 But we also had within there the entertainment
14 tax credit for bricks-and-mortar-type buildings. And you
15 haven't issued the guidelines. Is there any time in the
16 near future we should expect those?

17 SECRETARY DAVIN: Right. With the new programs
18 that we had that the Legislature provided to us, we're
19 working on those right now and we should have those shortly.

20 REPRESENTATIVE ELLIS: Okay. I appreciate that.
21 Make sure you give me a copy as soon as you do.

22 And finally for the Secretaries -- and then I'm
23 going to come to you, Jim, in a second. I'm trying to do it
24 real quick.

25 Secretary Davin, the Pittsburgh Pirates receive

1 various funds from DCED. Are you going to investigate them
2 getting rid of Andrew McCutchen and Cole and what they're
3 doing to the detriment of the city of Pittsburgh?

4 SECRETARY DAVIN: Well, No. 1, that really hurt.
5 And, No. 2, I wish I had the power to do that.

6 REPRESENTATIVE ELLIS: Well, maybe we'll have a
7 hearing and I'll invite you to testify.

8 SECRETARY DAVIN: Thank you.

9 REPRESENTATIVE ELLIS: Hey, Jim, real quick. And
10 I'll just end with this. Obviously, you lend a lot of money
11 and service a lot of those accounts. Do you have programs
12 in place to inform the borrowers about their debt
13 obligations and what they're actually getting into and what
14 a job as a history -- a poetry history major versus an
15 engineer and what your expected ability to pay them off is?
16 Do you provide that information to the borrowers?

17 PRESIDENT PRESTON: Absolutely. We have it on
18 the website. Anybody can go on and see it. It's called My
19 Smart Borrowing. And it tries to ask the questions that
20 you'd normally ask. Don't borrow more than you have to.
21 Only borrow what you need. Remember, if you borrow, you've
22 got to pay it back. How much does a \$10,000 loan cost a
23 month? It's \$100. You know, they don't know that.

24 We have filled out this thing that's both
25 educational and a website in which they can play with the

1 numbers, prepopulate a budget if you're going to be a school
2 teacher, you're going to live in a high-cost area, low-cost
3 area, and get an idea what it means.

4 And I'd like every student to be able to view
5 that before they take one loan but we're not quite there
6 yet.

7 REPRESENTATIVE ELLIS: Well, Representative Quinn
8 has a piece of legislation we're going to be considering in
9 my Committee coming up soon modeled after what they did in
10 the state of Indiana, which basically every time you borrow,
11 first time, second year, adding to it, third year, they
12 continue to inform them of those kinds of things.

13 And what we've seen in the state of Indiana is
14 year over year \$34 million less borrowed. Obviously you
15 make money when people borrow. Well, you service the
16 accounts. I shouldn't say you make money off that. But
17 would you support something like that with our universities
18 coming in and also provide that information?

19 PRESIDENT PRESTON: Absolutely. It's a free
20 resource they can use. Anytime we can avoid a default on a
21 loan, that's a good thing.

22 REPRESENTATIVE ELLIS: Okay.

23 PRESIDENT PRESTON: That's a good thing.

24 REPRESENTATIVE ELLIS: And then finally -- I
25 know, Chairman. Just give me 10 seconds.

1 We're still good with folks that are doing online
2 learning still being eligible for PHEAA grants?

3 PRESIDENT PRESTON: Yes.

4 REPRESENTATIVE ELLIS: And loans?

5 PRESIDENT PRESTON: Yes.

6 REPRESENTATIVE ELLIS: Okay. Thank you.

7 Thank you very much, Mr. Chairman.

8 MAJORITY CHAIRMAN SAYLOR: You're welcome.

9 Chairman of Tourism and Recreational Development,
10 Representative Longietti.

11 REPRESENTATIVE LONGIETTI: Thank you, Mr.
12 Chairman.

13 Thank you all for your time today. I just want
14 to focus in on DCED and marketing to attract tourists.

15 You know, when we look at it, Pennsylvania, we
16 compete with other states. We know that. In politics we
17 always say it's money and message. And we know that
18 Pennsylvania has a good message. The Pursue Your Happiness
19 Campaign, the Work Smart Live Happy Campaign.

20 But our wallets are thin. And when we look at
21 what other states are doing, particularly neighboring New
22 York State, they're looking at possibly allocating as much
23 as \$70 million.

24 I certainly applaud you for getting the most out
25 of those dollars and directing it toward social media. But

1 what's the next step? I mean, when we look at this, my
2 concern is that we leave money on the table. And I'm sure
3 that you share that concern. The study the PRLA provided
4 showed that for every dollar that we invest in marketing the
5 state, we actually get back about \$3.50 in tax revenues the
6 same tax year, the same budget year.

7 So where can we go with the marketing budget? I
8 know it's looking at flat funding as far as the marketing
9 part of it. Where do we go from here and how do we better
10 promote the state so that we're not leaving dollars on the
11 table?

12 SECRETARY DAVIN: That's a great question.

13 And I know that we are -- we tried it. When
14 we're putting the budget together and we're proposing it to
15 the Governor's Office, we try to be respectful with the
16 process that the Legislature has to go through and certainly
17 the Appropriations Committee has to go through with respect
18 to that.

19 I also know that there's been a lot of discussion
20 about it. And there's been some discussion about bills that
21 would go through that would provide a stream of funding on a
22 consistent basis based upon certain things. And we would
23 applaud that. We think it would make all the sense in the
24 world if we could do that.

25 We think within the marketing detractors and line

1 item, we don't have enough money. We never seem to have
2 enough money. And obviously we'd love to have more,
3 understanding the parameters and constraints on the budget.

4 Our Deputy Secretary Lepore and her staff do a
5 tremendous job of getting, as you said, everything out of
6 the funding that we have. And the reality is, a lot of what
7 we provide, a lot of the funding that we look for, and a lot
8 of the promotion we do is through social media, digital
9 media, and that's where a lot of the younger people are
10 getting their information. You know, they're not going so
11 much and looking at billboards. They're looking at their
12 phone to get that information.

13 So we're updating that and doing as much as we
14 can with what we have. But we understand there's been a lot
15 of discussion in the Legislature about different bills and
16 things like that that might come out that we would be happy
17 to have further discussion on.

18 REPRESENTATIVE LONGIETTI: Please consider myself
19 and Chairman Millard as partners in that effort. I know he
20 very much would have liked to have been here today. We've
21 worked on a bipartisan basis. The tourism industry is a
22 strong job creator in Pennsylvania. We know that. And it
23 doesn't matter what part of Pennsylvania you're in, small
24 towns to large cities to rural areas. So we want to grow
25 that sector and we appreciate your partnership there.

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SECRETARY DAVIN: Yes.

REPRESENTATIVE LONGIETTI: Just want to shift gears for one second. You talked a little bit about the What's So Cool About Manufacturing Program. I had a chance when I was in Allentown at a legislative hearing to be exposed to that.

Is that program poised for growth and, if so, how do communities like I represent that aren't manufacturing oriented, how do they take advantage of that opportunity? We're seeing what you talked about, which is there are job openings that are available and that are going to be available. We need to get young people interested.

SECRETARY DAVIN: Representative, if I have anything to do with it, that program will do nothing but get bigger and bigger and bigger. It's the single best program. It's the single best event that I've attended in my three years here. And I've attended some terrific, tremendous events.

It's something that does what we've been talking about. It gets kids, young kids, it gets their parents, it gets their siblings, it gets their aunts, uncles, grandparents, it gets teachers, elected officials, everybody together to show why manufacturing make sense and why it's an interesting potential job that you can go into, why you can make money and why it's a cool thing.

1 So the Industrial Resource Centers have done a
2 great job. That particular Industrial Resource Center up in
3 Bethlehem has done probably the best. And I think the other
4 ones are really stepping up their game to look at
5 opportunities to continue to do that. I see it getting
6 nothing but bigger and bigger.

7 REPRESENTATIVE LONGIETTI: Great. Well, I would
8 love to see that program come to the Shenango Valley in
9 Mercer County and would certainly be willing to do legwork
10 on my part to help that.

11 SECRETARY DAVIN: That's great to know.

12 Thank you.

13 REPRESENTATIVE LONGIETTI: Thank you.

14 MAJORITY CHAIRMAN SAYLOR: Hey, we're down to
15 Chairman Markosek and myself.

16 Representative Markosek.

17 MINORITY CHAIRMAN MARKOSEK: Thank you very much,
18 Chairman.

19 And, gentlemen, thank you all very much. I
20 really don't have a question. It's just really more to
21 salute all three of you. As I said when I started, we've
22 all worked together before on many, many things. And it's
23 been very successful working with all of you.

24 I do want to point out we just recently had an
25 issue in my hometown of Monroeville, which Secretary Davin

1 was very helpful with. And it all had to do with
2 manufacturing jobs.

3 We had an engineering firm there that was going
4 to move. They have about 800 manufacturing jobs now,
5 engineering jobs, which are pretty family sustainable with
6 good benefits. The kind of jobs that every community wants.
7 And we lost Westinghouse a few years ago.

8 SECRETARY DAVIN: Still in Pennsylvania.

9 MINORITY CHAIRMAN MARKOSEK: They're still in
10 Pennsylvania but they moved out of the district so that
11 really hurt us. But we were able to get this other firm in.
12 They were going to move because they wanted to expand. We
13 needed a grant to help them improve their facility so that
14 they would stay.

15 And partly through Secretary Davin's efforts, we
16 were able to get a grant just this year. And they are now
17 going to stay and they are going to add about six or seven
18 hundred jobs. So instead of losing 800 jobs in our
19 district, we're probably looking at 1,500 jobs in another
20 year or two.

21 So I want to thank you for that. That's just a
22 huge thing for southwestern Pennsylvania. We hear about the
23 cracker plant and all those kinds of things. But there are
24 a lot of other positive stories going on that DCED and L&I
25 and certainly PHEAA, you know, on a daily basis. There's a

1 lot of success stories out there that don't get said.

2 I just wanted to make sure that we got that on
3 the record. And thank you, gentlemen, for attending.

4 SECRETARY DAVIN: Thank you.

5 SECRETARY OLEKSIAK: Thank you.

6 PRESIDENT PRESTON: Thank you.

7 MINORITY CHAIRMAN MARKOSEK: Thank you, Mr.
8 Chairman.

9 MAJORITY CHAIRMAN SAYLOR: I also want to thank
10 the gentlemen. I have a few questions.

11 First of all, you know, Jerry has testified in
12 front of me -- or the Secretary. And I don't even try to
13 say his last name as Representative Grove did because I just
14 call him Jerry. But I guess I have to call him Secretary
15 Jerry now. Over the years Jerry and I have gone through a
16 lot of things together.

17 SECRETARY OLEKSIAK: My family calls me the
18 "Secre-Jerry."

19 MAJORITY CHAIRMAN SAYLOR: From now on when I see
20 you out, I will call you that. But, Jerry, one of the
21 things -- I sit on the PlanCon Commission with Chairman
22 Markosek and a number of other members in the House and
23 Senate. One of the things that we have been talking about
24 has been the Department of Labor and Industry does have a
25 set of recommendations to local municipalities on highway

1 projects, what's maintenance and where you have to use
2 prevailing wage, what is what, which is which, maintenance
3 you don't have to use prevailing wage. On construction, you
4 do.

5 But the school districts don't have that. In
6 talking to superintendents and School Boards and engineers,
7 there is a lot of confusion over what is prevailing wage,
8 what is maintenance, that they don't have to use prevailing
9 wage. Is the Department going to be coming out? I think
10 that's part of our recommendation of the Commission is that
11 the Department does.

12 But I don't know why the Department doesn't have
13 that recommendation to make sure that nobody violates the
14 prevailing wage law, that there's clearly -- this is
15 maintenance. This you have to do prevailing wage for.

16 So that is a lot of confusion on school
17 districts, construction companies, and everything else. And
18 I think that would be very helpful to the school districts.

19 SECRETARY OLEKSIAK: We'll go back to the
20 Department and talk to the right people and have an answer
21 for you.

22 MAJORITY CHAIRMAN SAYLOR: Very good.

23 The other thing I'm confused by -- and it's not
24 just this Governor. But I'm very confused by Governors who
25 constantly eliminate New Choice/New Options. I just think

1 that is a fantastic program for women. And while we all
2 talk about helping women, we keep ending that program. Each
3 Governor has. And that is a program that I've seen so many
4 single moms and so many women who have been housewives most
5 of their life all of a sudden find themselves divorced and
6 single who now have to find a job to support themselves and
7 their children. And we keep ending this program.

8 I don't know if you can answer this question.
9 Because like I said, it's not just this Governor. Every
10 Governor seems to want to eliminate that program. Is there
11 some other way that we're going to be helping these women
12 that this program helps that I'm missing?

13 When I talk to women in York, single moms or
14 women who found themselves divorced and now have to go get a
15 job, they just sing the praises of this program.

16 SECRETARY OLEKSIAK: As I said before,
17 Representative, I did meet with representatives from that
18 program. It is great. They do great work. Budgets are
19 about priorities. I think if -- as I said before, if the
20 Legislature wants to -- and tough choices. If the
21 Legislature wants to restore those funds, we would be happy
22 to continue the work we've done with them.

23 MAJORITY CHAIRMAN SAYLOR: I just was wondering
24 if we in the Legislature are missing something because,
25 again, the reason we keep restoring it is because it is one

1 of those that we know are focused at helping women get into
2 the workforce and get good job training, not that they're
3 not eligible for other programs. But this one seems to be
4 very successful so far.

5 Anyway, moving on. The other thing I would say
6 -- and I talked to a number of people about this across the
7 state, the Workforce Investment Boards. I think it's time
8 to bring those to an end. I think it's a waste of our tax
9 dollars in Pennsylvania. As Chairman, they become more
10 social organizations than they have become real successful
11 in creating jobs in this State.

12 And when you look at the studies across the state
13 -- and that's not to impugn the reputation of anybody who
14 sits on those boards. But they have not done what we
15 thought they would do.

16 And I believe that you and Secretary Davin and
17 this Governor are smart enough to use those dollars to come
18 up with better programs for job training. And I think that
19 also has to go to the Federal Government where they need to
20 give you, as Secretary, and this Governor, or any Governor
21 in the future, the ability to craft programs that benefit
22 Pennsylvania workers and Pennsylvania jobs.

23 And so I hope that you get the opportunity to
24 lobby the Trump Administration but also anybody else,
25 Congressmen and Senators, that they start looking at

1 allowing the states to manage those job training jobs to
2 meet each state. Each state has different things.

3 Manufacturing is a big thing here in
4 Pennsylvania. Chairman of Tourism, there's a lot of jobs in
5 tourism and things like that. It's something that I just
6 want to put out there. Again, not to pick on the Workforce
7 Investment Boards. But I've even talked to members of those
8 boards across the state and they kind of have indicated it's
9 a waste of money. I shouldn't say it that way but I'm going
10 to.

11 So I hope that we'll take a serious look at that
12 program and find something to replace it that is more
13 beneficial to the workers of Pennsylvania.

14 Last, I just ask, Jerry, if you would please take
15 a look at the -- and Secretary Davin -- the Washington
16 University Report on minimum wage and what that did to the
17 city of Seattle, that they lost 5,000 jobs and that low-wage
18 workers lost an average of \$125 a month in pay.

19 Just take a look at it. I mean, there's a lot of
20 debate that both sides of the aisle over here have over
21 whether minimum wage is good or bad. But I do think that
22 it's important that we look at these studies and see what it
23 does to low-income families and particularly to our job
24 market, particularly when Pennsylvania has one of the
25 highest unemployment rates in the northeast.

1 I think it's something that we have to figure out
2 how we move forward. And the fact that we lost 10,000 jobs
3 last year in Pennsylvania, there's something we're not doing
4 right. And again, I'm not casting shadows on any one
5 person, this Governor or anybody else. But we have to find
6 a way.

7 And the reason for these hearings has been, how
8 do we change our programs to meet the needs of Pennsylvania?
9 because we're not doing something right. And so I'm kind of
10 throwing the ball to you, Jerry, and to Secretary Davin and
11 to this Governor. The Governor and I have talked about this
12 as well.

13 It's just, I think, we have such great people in
14 this state. There is no state in this nation who competes
15 with Pennsylvania's workers. Our workers have great ethics,
16 real work ethics. And when I talk to executives from across
17 the country who have moved to Pennsylvania, to be Chairman
18 of the Board of a Pennsylvania corporation and came from
19 another state, the first thing I hear from them is how great
20 our workers are in Pennsylvania.

21 We have to do better to make sure our workers and
22 our children and your grandchildren are staying in
23 Pennsylvania because I don't want to ship our work ethic to
24 other states.

25 So it's a challenge I throw out there. It's kind

1 of my soapbox. But I'm such a great believer in our
2 Commonwealth and the people of this Commonwealth that I beat
3 that drum a lot. And you will hear it more and more.

4 So, again, thank you all for testifying.

5 Mr. Preston, I want to say thank you for a great
6 job that you've done at PHEAA.

7 PRESIDENT PRESTON: Thank you.

8 MAJORITY CHAIRMAN SAYLOR: The organization has
9 truly reformed and has been a huge success for students and
10 parents across this Commonwealth. And I wish you all the
11 very best in your retirement.

12 PRESIDENT PRESTON: Thank you, Mr. Chairman.

13 MAJORITY CHAIRMAN SAYLOR: Thank you.

14 (Whereupon, the hearing concluded.)
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I hereby certify that the proceedings and
evidence are contained fully and accurately in the notes
taken by me on the within proceedings and that this is a
correct transcript of the same.

Jean M. Davis
Notary Public