

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE
BUDGET HEARING

STATE CAPITOL
HARRISBURG, PA

MAIN CAPITOL BUILDING
140 MAJORITY CAUCUS ROOM

WEDNESDAY, MARCH 6, 2019
10:05 A.M.

PRESENTATION ON
PA OFFICE OF THE BUDGET/
EXECUTIVE OFFICES

BEFORE:

HONORABLE STANLEY E. SAYLOR, MAJORITY CHAIRMAN
HONORABLE ROSEMARY M. BROWN
HONORABLE LYNDA SCHLEGEL CULVER
HONORABLE SHERYL M. DELOZIER
HONORABLE GEORGE DUNBAR
HONORABLE JONATHAN FRITZ
HONORABLE MATT GABLER
HONORABLE KEITH J. GREINER
HONORABLE SETH M. GROVE
HONORABLE MARCIA M. HAHN
HONORABLE DOYLE HEFFLEY
HONORABLE R. LEE JAMES
HONORABLE FRED KELLER
HONORABLE JOHN A. LAWRENCE
HONORABLE JASON ORTITAY
HONORABLE CLINT OWLETT
HONORABLE CHRISTOPHER B. QUINN
HONORABLE GREG ROTHMAN

* * * * *

Debra B. Miller

dbmreporting@msn.com

BEFORE (continued):

HONORABLE JAMES B. STRUZZI II
HONORABLE JESSE TOPPER
HONORABLE RYAN WARNER
HONORABLE MARTINA A. WHITE
HONORABLE MATTHEW D. BRADFORD, DEMOCRATIC CHAIRMAN
HONORABLE DONNA BULLOCK
HONORABLE MORGAN CEPHAS
HONORABLE CAROLYN T. COMMITTA
HONORABLE AUSTIN A. DAVIS
HONORABLE MARIA P. DONATUCCI
HONORABLE ELIZABETH FIEDLER
HONORABLE MARTY FLYNN
HONORABLE ED GAINNEY
HONORABLE PATTY KIM
HONORABLE STEPHEN KINSEY
HONORABLE LEANNE KRUEGER
HONORABLE STEPHEN McCARTER
HONORABLE BENJAMIN V. SANCHEZ
HONORABLE PETER SCHWEYER

ALSO IN ATTENDANCE:

HONORABLE CAROL HILL-EVANS
HONORABLE MARK M. GILLEN
HONORABLE THOMAS P. MURT
HONORABLE FRANCIS X. RYAN
HONORABLE CHRIS SAINATO
HONORABLE STEVE SAMUELSON
HONORABLE MIKE TURZAI, SPEAKER OF THE HOUSE
HONORABLE DAN K. WILLIAMS

COMMITTEE STAFF PRESENT:

DAVID DONLEY
MAJORITY EXECUTIVE DIRECTOR
RITCHIE LaFAVER
MAJORITY DEPUTY EXECUTIVE DIRECTOR

MIRIAM FOX
DEMOCRATIC EXECUTIVE DIRECTOR
TARA TREES
DEMOCRATIC CHIEF COUNSEL

I N D E X

TESTIFIER

* * *

<u>NAME</u>	<u>PAGE</u>
JEN SWAILS SECRETARY OF THE BUDGET, PA OFFICE OF THE BUDGET.....	4

SUBMITTED WRITTEN TESTIMONY

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See submitted written testimony and handouts online under "Show:" at:

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P R O C E E D I N G S

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MAJORITY CHAIRMAN SAYLOR: We'll call the Appropriations hearing to order, and I want to welcome Jen Swails, who is our Secretary of the Office of the Budget, a newbie in the Administration, coming over from the Department of Health.

So welcome, Madam Secretary.

SECRETARY SWAILS: Thank you.

MAJORITY CHAIRMAN SAYLOR: As we get ready to start here today, I'll ask Chairman Bradford if he has any opening comments?

MINORITY CHAIRMAN BRADFORD: We're all good.

MAJORITY CHAIRMAN SAYLOR: Okay.

If you would rise and raise your right hand:

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

SECRETARY SWAILS: I do.

MAJORITY CHAIRMAN SAYLOR: Thank you.

With that, we will start off with our first questioner, which is Representative Dunbar.

REPRESENTATIVE DUNBAR: Thank you, Mr. Chairman.

Good morning, Secretary.

SECRETARY SWAILS: Good morning.

1 REPRESENTATIVE DUNBAR: New to this role but not
2 new to that table, so I'm sure you're comfortable.

3 SECRETARY SWAILS: Oh; yeah. I'm super-excited
4 about it.

5 REPRESENTATIVE DUNBAR: I can see that. I can
6 see that. Don't worry. All good.

7 I was going to start and discuss the minimum
8 wage, but not on the morality issue that the Minority
9 Chairman had a rather elaborate and poignant discussion on
10 last week, but more on the budget effect of the
11 minimum-wage increase and where we're at on that.

12 I'm a CPA, and I always say that CPAs don't make
13 mistakes, they just make bad estimates. I just want to
14 make sure that we're not making any bad estimates here when
15 it comes to the budget.

16 So with that being said, the proposal we have on
17 minimum wage has a \$120 million price tag, of which, how
18 much did we estimate was going to be a PIT increase?

19 SECRETARY SWAILS: I don't have the breakdown of
20 that, but 120 between PIT and SUT.

21 REPRESENTATIVE DUNBAR: SUT and PIT.

22 I believe it's in like the \$40 million range was
23 PIT.

24 SECRETARY SWAILS: 40 million; yeah.

25 REPRESENTATIVE DUNBAR: And at any point in time

1 when they were calculating that increase, did we take into
2 account the special tax provision rules in Pennsylvania?

3 SECRETARY SWAILS: The estimate is from Revenue,
4 so I'd have to ask them if that was taken into account as
5 part of their estimate.

6 REPRESENTATIVE DUNBAR: Yeah. And I would
7 appreciate really seeing the details on that, because I
8 know in the past, last year's proposal, which was a
9 \$12-an-hour proposal from the Governor's Office, the IFO,
10 in their analysis, came up with a \$20 million price tag of
11 increased revenues and \$10 million of that coming from
12 people escaping or going above the levels for the special
13 tax forgiveness.

14 SECRETARY SWAILS: Yeah.

15 REPRESENTATIVE DUNBAR: I have some genuine
16 concerns that a lot of these individuals, if they are like
17 a family of three, up to \$25,000, they pay no Pennsylvania
18 taxes. So if we are saying that a minimum wage of \$12 an
19 hour, whether it be 35 hours a week or 40 hours a week,
20 it's still below that threshold, so it won't generate any
21 additional PIT.

22 So I would really appreciate it if you, in
23 conjunction with the Department of Revenue, could get us a
24 breakdown of where the \$40 million of PIT is, because it is
25 in stark contrast of what the IFO said last year.

1 SECRETARY SWAILS: Sure.

2 REPRESENTATIVE DUNBAR: Well, moving on to a
3 different area, which is more into your wheelhouse, the
4 same line of questioning, the minimum wage.

5 DHS. The Budget Book has an estimate of over
6 approximately \$63 million in savings on the Medicaid
7 capitation line item.

8 SECRETARY SWAILS: Yes.

9 REPRESENTATIVE DUNBAR: And in the Budget Book,
10 it says based upon minimum-wage changes.

11 At the same time, Secretary Miller was here last
12 week, and she, in response to a question, said nobody is
13 going to lose any benefits and that a minimum wage, anybody
14 making, and she used 35 hours a week and a total of
15 \$21,000, \$22,000, that nobody would lose any benefits.
16 Where do we get the \$63 million in savings?

17 SECRETARY SWAILS: Yeah. I'm not sure that's
18 accurate. Our estimate is the same as in---

19 REPRESENTATIVE DUNBAR: As I just said, no
20 mistakes; just bad estimates. It's all good.

21 SECRETARY SWAILS: Yeah.

22 So, no. I think in capitation, there are several
23 assumptions that we have a traditional population, and then
24 there's a newly eligible population that there is a larger
25 Federal match on those. So there could be individuals

1 shifting from the traditional population to the newly
2 eligible that would gain us some additional Federal dollars
3 to offset State.

4 And then there are individuals -- and it's all
5 based on family size and, you know, what they're making.
6 So there could be individuals that shift off of Medical
7 Assistance. There will be individuals that shift off of
8 TANF and food stamps, which is Federal savings. So I think
9 we do calculate some individuals would shift off of Medical
10 Assistance. And if there are children, they would then be
11 eligible for the CHIP program.

12 REPRESENTATIVE DUNBAR: And you do agree that
13 no one, anybody who is making \$12 an hour, they still would
14 qualify for pretty much every program?

15 SECRETARY SWAILS: If it's just a family of one.

16 REPRESENTATIVE DUNBAR: A family of three is what
17 we were using as the basis.

18 SECRETARY SWAILS: Yeah. It would depend on
19 family size.

20 REPRESENTATIVE DUNBAR: I just have trouble
21 thinking that there's enough families of one that is going
22 to add up to 63 million dollars' worth of savings.

23 SECRETARY SWAILS: Yeah.

24 You know, \$12 an hour gets you at about 20--- If
25 you're working 40 hours, it gets you about 24,000. So that

1 is above the 138 for MA. So there could be individuals
2 shifting off of that if they are a family of one.

3 REPRESENTATIVE DUNBAR: And then I'm just using
4 the numbers that Secretary Miller used, which was 35 hours.

5 I am almost out of time, so I'm not going to
6 belabor the point. I will say this: I would appreciate if
7 you can give us, revisit both numbers, the PIT number as
8 well as the Medicaid capitation line.

9 I mean, I really do have genuine concerns. The
10 proposal, whether you are for or against minimum wage or
11 somewhere in the middle, that's not the point. This is a
12 budget hearing---

13 SECRETARY SWAILS: Right.

14 REPRESENTATIVE DUNBAR: ---and we are trying to
15 balance the budget, and we're going to need to know that
16 information.

17 And it seems like as we have gone through this
18 hearing, the Governor has had a lot of proposals and
19 promises but it has been short on details, and we need the
20 details. So I would appreciate that.

21 SECRETARY SWAILS: Sure.

22 REPRESENTATIVE DUNBAR: Thank you.

23 MAJORITY CHAIRMAN SAYLOR: Representative
24 Bullock.

25 REPRESENTATIVE BULLOCK: Thank you, Chairman.

1 Good morning, Secretary. How are you doing
2 today?

3 SECRETARY SWAILS: Good.

4 REPRESENTATIVE BULLOCK: Great.

5 So I have two lines of questions for you. The
6 first line of questioning I have asked every department
7 that came before us in regards to your staff and diversity
8 and workforce diversity among your staff. If you can share
9 any statistics that you're willing to share as well as
10 accomplishments and success stories in your efforts to
11 continue to increase diversity and where you see some of
12 your weaknesses and challenges may be.

13 The second line of questioning, I would like to
14 thank you for continuing to support the Governor's
15 commitment to school safety in our schools and particularly
16 around gun violence. I am a member of the School Safety
17 and Security Committee, and it has been a challenge but an
18 honor to be a part of the conversations around distributing
19 the \$60 million to our schools and communities to ensure
20 our children's safety.

21 How do you see this model moving forward, and do
22 you think funding the school safety and security fund as it
23 is is a sustainable model, and how can we continue to
24 ensure our children's safety, and what resources will be
25 available to do that?

1 SECRETARY SWAILS: Sure.

2 So the first one, I was prepared for this
3 question. The percentages: White male, 38 percent; White
4 female, 43 percent. Minority male, 6.3; minority female,
5 11.2. And then there are some smaller numbers for
6 undisclosed. So I think, you know, we can always focus on
7 making sure we have a diverse workforce and make sure that
8 those individuals that we do hire are the most qualified as
9 well.

10 And on school safety, you know, in this current
11 year budget, there was 60 million, and that was a breakdown
12 of some money from the courts, money from PIT, and money
13 from the Legislature. And this year we're proposing, you
14 know, a similar amount of about 45 million. It's about
15 15 million less, but, you know, certainly as we move
16 forward, if there are additional dollars available from any
17 of those sources, we would be happy to support maintaining
18 that funding.

19 REPRESENTATIVE BULLOCK: Do you think the current
20 model is sustainable coming from those sources, or do we
21 need to look at other sources to continue to support this
22 fund?

23 SECRETARY SWAILS: I believe it's sustainable for
24 now.

25 REPRESENTATIVE BULLOCK: Thank you.

1 SECRETARY SWAILS: Mm-hmm.

2 MAJORITY CHAIRMAN SAYLOR: Representative Owlett.

3 REPRESENTATIVE OWLETT: Over here.

4 Thank you, Mr. Chairman, and thank you for
5 joining us today.

6 I just want to follow up a little bit with
7 Representative Dunbar. It's our job to look at the numbers
8 and make sure that they add up. And just continuing that
9 conversation with the starting wage, where and how did the
10 Governor's proposal and what's the rationale with the \$12?
11 Where did that come from?

12 SECRETARY SWAILS: You know, I think the Governor
13 has talked about needing to increase the minimum wage to a
14 more livable wage, and even at \$12, there are individuals
15 that still qualify for assistance from the Department of
16 Human Services. So certainly not the most livable wage,
17 but we have to start somewhere.

18 REPRESENTATIVE OWLETT: Yeah. And I think that's
19 a valid statement. I think we all would agree that we
20 would love to start somewhere.

21 And just looking through this specific proposal,
22 over the years there has been several nonpartisan studies
23 showing different reports on this. The Congressional
24 Budget Office in 2014 looked at an increase in the Federal
25 minimum wage at a two-step process, and they figured losing

1 over 500,000 jobs nationwide.

2 The IFO in 2015 looked at increasing the minimum
3 wage to 10.10, and they estimated 31,000 jobs lost.

4 The IFO in 2017, again, 54,000 jobs.

5 And the IFO again in 2018, it increased to 12 and
6 two steps, 33,000 jobs.

7 There are several other studies that show that we
8 will most likely lose jobs with these proposals. Would you
9 agree with that or disagree with these proposals?

10 SECRETARY SWAILS: Yeah.

11 I think there are a lot of studies that say, you
12 know, that there would be job loss. There are also studies
13 that say it really grows the economy. Every State around
14 us has increased their minimum wage above the Federal
15 minimum wage, and I think it's important to note that if an
16 employer is paying below this wage, they are being
17 subsidized by taxpayers.

18 REPRESENTATIVE OWLETT: Right.

19 SECRETARY SWAILS: And they need to have a
20 sustainable business model that does not subsidize, or that
21 is not subsidized by taxpayers. And we really need to
22 increase that wage to make them more sustainable and move
23 them out of poverty.

24 REPRESENTATIVE OWLETT: And there are definitely
25 reports to support both sides.

1 SECRETARY SWAILS: For sure.

2 REPRESENTATIVE OWLETT: I think we can come up
3 with the reports.

4 But I guess my question is, what if these other
5 reports are right and what if the reports that you guys
6 are looking at are wrong and we have to come up with
7 \$120 million? What do we do then?

8 SECRETARY SWAILS: What if the opposite is true?

9 REPRESENTATIVE OWLETT: Yeah. I mean, it's --
10 but, I mean, it's a question.

11 SECRETARY SWAILS: I mean, these are estimates,
12 so this is what our proposal. This is what we believe.
13 All proposals are based on estimates, and we do the best
14 job that we can on the information available to us.

15 Certainly there are times when we get the
16 estimates wrong and we have to adjust, but that's true with
17 any proposal, that you can't have concrete data.

18 REPRESENTATIVE OWLETT: I think there's just some
19 consistency in these other reports over the years, that we
20 really need to look at this proposal specifically and just
21 see if that is -- if this is a realistic proposal. I mean,
22 if it's talking points for us and everybody, that's one
23 thing, but if it's -- I would love to see a realistic
24 proposal, and I think everybody would.

25 The reality is right now, when I go out and talk

1 to job creators, they are looking for employees. I mean, I
2 have an email here that I would love to provide to you from
3 an employer up in our district that he can't find -- he's
4 paying two and a half times minimum wage with benefits, and
5 he can't find people to even apply for his jobs.

6 So I think the notion that this is a huge problem
7 may be off base a little bit. I think that we have a labor
8 force problem, and I think the reality is in Pennsylvania
9 and in the United States, if you want a great paying job,
10 you know, you can do it. You can do that. I mean, just
11 the fact that I'm here is testament to that. I shouldn't
12 be here, you know. This is not normal for my background
13 and what I have done.

14 But I would just encourage anybody that if you're
15 stuck in a minimum-wage job and you feel like you want to
16 get out, I mean, there are so many opportunities out there,
17 and I would encourage folks to get the training that you
18 need.

19 I mean, PennDOT was here a couple weeks ago and
20 they're looking for truck drivers. So, I mean, even within
21 the State, there are so many jobs, great paying jobs, and I
22 just think that we need a realistic proposal and I think
23 that we need to encourage folks to look and find those jobs
24 out there that are existing, that are well above minimum
25 wage.

1 I think the private sector and the market has
2 really fixed that problem. So thank you.

3 MAJORITY CHAIRMAN SAYLOR: Representative
4 Comitta.

5 REPRESENTATIVE COMITTA: Thank you, Mr. Chairman.
6 Good morning, Secretary.

7 SECRETARY SWAILS: Good morning.

8 REPRESENTATIVE COMITTA: A question about higher
9 ed.

10 In my district, we have West Chester University
11 and Cheyney University. Yay.

12 The Governor proposes a 1 ½-percent increase for
13 the State System of Higher Ed and flat funding for the
14 other institutions of higher ed. And while he proposes an
15 increase in PHEAA appropriations, much of that increase is
16 because we can't rely on PHEAA reserves to pay for the
17 grant programs like we had in past years.

18 We have heard during the hearings about the
19 financial pressures that PASSHE and PHEAA are facing. If
20 the State-related universities, the community colleges, or
21 the Thaddeus Stevens College had appeared, I'm sure they
22 would have had a similar story.

23 The cost of inadequate State investment in our
24 students is higher tuition, higher costs for families,
25 higher debt for students, and a decreased access to

1 education for Pennsylvanians. So my question is, what is
2 the Governor's plan to address college costs, and why is
3 this issue right now not a higher priority?

4 SECRETARY SWAILS: So, you know, I think given
5 that there's not a large amount of new revenues coming into
6 the Commonwealth, the decision is really to target areas
7 that we can with little or new revenue, and that's not to
8 say that the Governor isn't concerned about higher
9 education.

10 You know, for the State-related, this year we did
11 provide some additional capital dollars to them to allow
12 them to focus on some of the infrastructure issues and kind
13 of shift their general fund operating costs towards, you
14 know, keeping tuition down and trying to address that with
15 other funding methodologies.

16 REPRESENTATIVE COMITTA: I understand that
17 challenge.

18 Another challenge: the next recession. My
19 question is, what steps does the Administration believe are
20 necessary to make sure that we're prepared for the next
21 recession?

22 SECRETARY SWAILS: Yeah.

23 So I think that's on everyone's mind when it will
24 happen, and we need to be prepared. There was, you know, a
25 Rainy Day transfer, a transfer to the Rainy Day Fund last

1 year for the first time in many years. And while small, we
2 continue to plan for a deposit over the next 5 years to get
3 to about 278 million. Is that enough? Probably not, but
4 we're hopeful that that will sustain us during that time.

5 REPRESENTATIVE COMITTA: We were talking about
6 that this morning, that the Rainy Day Fund covers about,
7 used to cover, or recently covered about 5 minutes. Now it
8 covers about 2 hours. So---

9 SECRETARY SWAILS: That sounds about right.

10 REPRESENTATIVE COMITTA: It sounds like we have
11 to hope for a lot of sunshine, but we need to prepare for
12 that rainy day. So thank you very much.

13 SECRETARY SWAILS: Sure.

14 REPRESENTATIVE COMITTA: Thank you, Mr. Chairman.

15 MAJORITY CHAIRMAN SAYLOR: Representative Culver.

16 REPRESENTATIVE CULVER: Good morning. Thank you,
17 Mr. Chairman.

18 Over here, Secretary Swails. Sorry.

19 SECRETARY SWAILS: I feel like they should get
20 you like flags or something.

21 REPRESENTATIVE CULVER: I know.

22 Thank you so much for being here today. I'm
23 really excited to have you here. We have heard great
24 things about you, and I'm hoping as we move forward---

25 SECRETARY SWAILS: They are all true.

1 REPRESENTATIVE CULVER: Really?

2 SECRETARY SWAILS: Yeah. I think so. Yeah.

3 REPRESENTATIVE CULVER: That's very good to know.

4 And as we move forward, I am looking forward to
5 this budget process more than any, I think, than I have
6 since I have gotten here. But as we both know, there are a
7 lot of moving parts to any budget situation. A lot of
8 ideas and initiatives have to mesh together with that line
9 item.

10 So there are a lot of proposals and initiatives
11 that have been discussed, but one in particular that has me
12 just a little bit concerned is the funding request for
13 intellectual disabilities and the Community Waiver Program.

14 As I'm sure you know -- we have got the same data
15 -- as of December 31, 2018, we had approximately a little
16 over 13,000 individuals on the waiting list for services
17 and being categorized as "emergency," "critical," and
18 "planning" needs. It impacts probably every Legislator in
19 this room, having families on that waiting list needing
20 critical services. So I know a lot of us support it for
21 that reason. You know, it touches home with us.

22 So during the hearing with the Secretary of DHS
23 and her staff, Representative Dunbar pointed out that DHS
24 has requested 55 million, a State fund supplemental, for
25 the Community Waiver Program because the cost of care for

1 the three community waivers is 3.7 percent higher than we
2 estimated last February.

3 So including the supplemental, State funding is
4 more than 116 million or 7.6 more than fiscal year 2017-18.
5 So the proposed budget for this year, though, only is
6 asking for 29 million or a 1.8-percent increase, and that
7 includes the 34 million for the 53rd cycle payment for
8 fiscal year 2019-20. So this is where my concern starts to
9 come in.

10 My concern is, the amount being requested in the
11 budget, will it be enough to cover the costs for providing
12 these much needed services for the Community Waiver
13 Program?

14 SECRETARY SWAILS: Okay. I was making sure you
15 were done.

16 So, yeah. I mean, I think we have seen costs
17 grow there, but we were also looking to see some savings as
18 part of instituting the new Community Living Waiver and
19 transitioning those individuals.

20 In the past, we really had two waivers where
21 there was, you know, a much smaller capped waiver at about
22 35,000 and then an uncapped waiver, which, as you can
23 imagine, had extremely high costs. Several years ago, we
24 instituted a Community Living Waiver, really hoping to give
25 people that gap in between that smaller capped waiver and

1 the one that is uncapped and being able to provide them
2 services.

3 There is, you know, an initiative, as you know,
4 to address some of the waiting lists. And I know that the
5 Deputy Secretary of the Office of Developmental Programs is
6 really trying to reevaluate that waiting list and look at
7 many different options that makes those categories move and
8 shift people into them. And being able to serve the
9 graduates on a much sooner basis, I think, is very helpful
10 to some of those older parents as well.

11 And, you know, our estimate right now is that it
12 is enough to cover it, but I think, as usual, we will
13 update that estimate in the spring.

14 REPRESENTATIVE CULVER: So I guess that's where
15 my concern is, I guess.

16 So do you have enough money in the budget to, I
17 guess, cover the cost of existing waiver programs? And
18 then the second question is, will we have enough money to
19 do the expansion initiative targeting, I think it's about
20 865 individuals, because I know the families---

21 SECRETARY SWAILS: Yes.

22 REPRESENTATIVE CULVER: ---are counting on that
23 expansion.

24 SECRETARY SWAILS: Yes. The proposal is that
25 that would include expansion of that waiting list

1 initiative.

2 And, you know, it's difficult in DHS
3 specifically, because the budget is driven by consumers
4 almost entirely---

5 REPRESENTATIVE CULVER: Correct.

6 SECRETARY SWAILS: ---and we have, you know,
7 several block grants that are capped. But so many of the
8 cost drivers are driven by consumers, and that needs to be
9 updated on a regular basis. And at the time we put the
10 budget together, I mean, that was our best projection that
11 we had.

12 REPRESENTATIVE CULVER: So at this point, you
13 feel confident, though?

14 SECRETARY SWAILS: Yes.

15 REPRESENTATIVE CULVER: So let's go the other way
16 and let's say we reevaluate the numbers and it's looking a
17 lot this year like we need to do a supplemental. So at
18 that time, if we find we don't have sufficient funding on
19 hand, do we slow down the rolling out of services to
20 individuals or do we have to come back and ask for another
21 supplemental?

22 SECRETARY SWAILS: Ah, I think we need to look at
23 the overall changes in the budget as we update across the
24 board and see if we need to shift priorities to make sure
25 the funding is available.

1 REPRESENTATIVE CULVER: I point this out, one,
2 because I want us to be very careful about our
3 calculations. If we miscalculate, we're putting
4 individuals and their families at risk or in some pretty
5 difficult situations.

6 I feel that we all, all of us at the table, have
7 a responsibility to adequately fund the services that we
8 make a commitment to provide.

9 SECRETARY SWAILS: Sure.

10 REPRESENTATIVE CULVER: And I know we do the best
11 of our ability to do that. I just want to make sure we're
12 there.

13 I also feel like we have a responsibility to the
14 citizens of the Commonwealth because we're reaching into
15 their pockets to pay for these services, and I know they
16 want to be more involved and they want to make sure we're
17 doing the best with their dollars that we can.

18 So I just ask as we move through this budget
19 process that together we pay attention to these details.
20 If you can update us sooner rather than later if you see
21 changes or you see that we don't have enough, I would
22 appreciate it.

23 And just one thing I want to say is, I just don't
24 want us unintentionally underfunding a program.

25 SECRETARY SWAILS: Sure.

1 REPRESENTATIVE CULVER: All right. Thank you for
2 your time.

3 SECRETARY SWAILS: Thank you.

4 REPRESENTATIVE CULVER: Thank you, Mr. Chairman.

5 MAJORITY CHAIRMAN SAYLOR: Representative Kinsey.

6 REPRESENTATIVE KINSEY: Thank you, Mr. Chairman.

7 Good morning, Madam Secretary.

8 SECRETARY SWAILS: Good morning.

9 REPRESENTATIVE KINSEY: Madam Secretary, I have
10 had the opportunity to sit in on previous budgets where we
11 talked about the Rainy Day Fund. So I was a Member of the
12 Appropriations at one point where we had no Rainy Day Fund,
13 and then the Governor started ensuring that the money was
14 in the Rainy Day Fund.

15 I think my -- and you talked about it a little
16 bit earlier, but I think my question as it relates to the
17 Rainy Day Fund is, how does the Rainy Day Fund affect our
18 bond ratings if there's any impact between the Rainy Day
19 Fund, what we have set aside, and the bond ratings that we
20 have?

21 SECRETARY SWAILS: Yeah.

22 I don't know specifically, but I would assume
23 that, you know, if there's more money in the bank, the bond
24 rating -- we're at stable right now. We haven't been
25 downgraded recently. So if we can -- I think it's

1 favorable to show that we can put some dollars in the
2 Rainy Day Fund. The more dollars would be better, but I
3 think any deposit in there is better than continuing to
4 keep that flat.

5 REPRESENTATIVE KINSEY: Right.

6 So -- and again I'm just asking. I'm not a
7 mathematician. So at the point where we did not have a
8 Rainy Day Fund, I know that we were downgraded. So was
9 there a correlation because of that or was it other
10 factors?

11 SECRETARY SWAILS: No. I think that there was a
12 lot of things going into that, not just no deposits in the
13 Rainy Day Fund but really a structural deficit, and that
14 really was causing the downgrade.

15 REPRESENTATIVE KINSEY: Right.

16 And I think you may have spoke about this
17 earlier, and I may have missed it, but with a budget as
18 large as the Commonwealth of Pennsylvania, at what amount
19 should we be at in regards to dealing with the potential of
20 a recession and so forth? And again, you may have spoke to
21 it, but I may have missed it. But is there a particular
22 percentage and/or dollar amount?

23 SECRETARY SWAILS: I have heard that it is
24 suggested, you know, 5 to 10 percent. So we're not at that
25 level, but again, I think if we can put anything back,

1 that's better than putting nothing back.

2 REPRESENTATIVE KINSEY: Okay. So is the
3 Administration looking at projections for future years in
4 regards to trying to reach out? I just heard you mention a
5 percentage where we should be. But is the Administration
6 looking to try to meet certain standards or reach a
7 particular goal as it relates to---

8 SECRETARY SWAILS: We're just looking at
9 available revenue sources and the required mandatory spend
10 that we have to cover the services that we just discussed.

11 So I think looking at the revenue sources that we
12 have available to us and the expenditures that we have to
13 make and doing our best to continue to manage those costs
14 and find new efficiencies and new sustainable revenue
15 sources will allow us to put some money there. And
16 certainly if new revenue sources become available, that
17 will only increase that opportunity.

18 REPRESENTATIVE KINSEY: Well, I do want to say
19 thank you to you and the Governor. I think that the
20 Governor has, in the past, talked about new revenue
21 sources. And again, you know, we as a Legislature have to
22 find a way to agree with the Governor so that we can do
23 that.

24 But I do appreciate his efforts with that, so I
25 just want to say thank you on behalf of myself and other

1 Members as well. Thank you.

2 SECRETARY SWAILS: Thank you.

3 REPRESENTATIVE KINSEY: Thank you, Mr. Chairman.

4 MAJORITY CHAIRMAN SAYLOR: Representative Hahn.

5 REPRESENTATIVE HAHN: Thank you, Mr. Chairman.

6 Good morning, Secretary.

7 SECRETARY SWAILS: Good morning.

8 REPRESENTATIVE HAHN: The other day, I think it
9 was Monday -- the days all kind of mesh together after a
10 while -- but I think it was Monday Secretary Rivera was
11 here, and we talked about an \$8 million proposal in the
12 Governor's budget for one-time grants to students or
13 someone who has graduated from a community college.

14 So Secretary Rivera was saying how this is of
15 strategic importance, yet, there were no details in the
16 plan. So I said, well, you know, is it for current
17 graduates? What if they don't have debt? If it's for
18 someone who has already graduated? You know, what's the
19 incentive? And he said, well, you know, to keep them here,
20 but we have no details: how long can they be out of
21 school, you know. Do you have any more details on this?

22 SECRETARY SWAILS: Yeah.

23 I mean, I think you're right. He was talking
24 about current students in community colleges or those who
25 have recently graduated from community colleges that can

1 then show that they're staying in Pennsylvania to work. As
2 you know, we have an aging population, and it's really
3 critical to keep those younger people here once they
4 graduate and keep them working here.

5 I think a timeframe, I don't have that
6 information available, but I'm happy to check back on that
7 and see if that is available to share with you. And if
8 not, you know, I think we're happy to discuss what you
9 think about that plan.

10 REPRESENTATIVE HAHN: Well, and I think more
11 important what the community colleges think about that,
12 because, you know, I'm sure they would love to have extra
13 money in their budgets.

14 SECRETARY SWAILS: Sure.

15 REPRESENTATIVE HAHN: You know, I know
16 Northampton Community College in my district, they come up
17 with new programs as the workforce is needed.

18 You know, an example that always comes to mind,
19 when the Sands came into the Lehigh Valley, you know, there
20 was a shortage of dealers and workers for the casinos.
21 They put a plan in place and got classes started to make
22 sure the workforce was there.

23 So I guess my concern is, we don't have any
24 timeframe on how long someone can be out of the community
25 college. So somebody could be out for 30 years, have their

1 own business and have a certificate, and then say, oh, I
2 want to apply for this one-time grant.

3 So I just want to make sure it's helping students
4 and/or the community colleges, you know, to make sure that
5 the workforce is here, but I think we really need more
6 details on that.

7 SECRETARY SWAILS: Sure.

8 REPRESENTATIVE HAHN: And again, I would rather,
9 I think I would rather see the money going to the community
10 colleges so they can continue their efforts in keeping the
11 workforce, because they play an important role in that.
12 I'm just wondering your opinion of that.

13 SECRETARY SWAILS: Yeah.

14 I mean, I obviously support the community
15 colleges as well. I'm a HACC alumni, so I understand their
16 value in the community and education.

17 Again, I'm happy to check with the Policy
18 Secretary and see if there is additional information
19 available and get back to you.

20 REPRESENTATIVE HAHN: Okay. Thank you. I
21 appreciate that.

22 SECRETARY SWAILS: Mm-hmm.

23 REPRESENTATIVE HAHN: Thank you, Mr. Chairman.

24 MAJORITY CHAIRMAN SAYLOR: Representative
25 Fiedler.

1 REPRESENTATIVE FIEDLER: Hi. Thanks for being
2 here.

3 SECRETARY SWAILS: Hi.

4 REPRESENTATIVE FIEDLER: So I wanted to talk with
5 you about General Assistance. The folks who receive this
6 money in South Philly and across Pennsylvania, as you know,
7 are unable to work because they are fleeing domestic
8 violence, have a disability, are caring for people with a
9 disability, or are in treatment for substance abuse. This
10 is about 5,000 people.

11 As I understand it, the GA program provides a
12 vital lifeline to help Pennsylvanians meet their basic
13 needs. Again, we're talking about 5,000 people. Can you
14 please explain to me the Governor's plan to end the
15 program, the cash assistance program as is, and instead put
16 \$50 million into affordable housing?

17 And first, I do want to say that I, of course, am
18 a supporter of affordable housing but am troubled by the
19 proposed end of this plan.

20 SECRETARY SWAILS: So to be clear, the
21 Governor's plan and what's included in this budget is that
22 we would continue the GA cash grant program. However, as
23 I'm sure everyone in this room is aware, there has been
24 legislation presented that would eliminate the program once
25 again.

1 What the Governor would like to have a
2 conversation about, if there are plans to eliminate it, if
3 there is an alternative proposal that we can at least
4 continue to target dollars to this population, if it's not
5 through cash, through one of the very large social
6 determinants of health, which is housing.

7 REPRESENTATIVE FIEDLER: Thank you.

8 And for a second question, could you talk please
9 about education funding plans and specifically why the
10 decision was made to put this new funding that would assist
11 teachers and make sure that they are paid a reasonable
12 salary, which I support, but instead of putting more money
13 through the fair funding formula, why the decision was made
14 to put the funding in this way.

15 SECRETARY SWAILS: So I think it's important to
16 update that legislation that has a statutory requirement to
17 pay teachers 18,500, to update that to a more reasonable
18 salary. And while there are no teachers currently making
19 18,500, it's an important initiative for the Governor to
20 focus on that.

21 And, you know, why those dollars, why that
22 14 million doesn't go through the fair funding formula is
23 because it's really just targeting those school districts
24 that are paying under 45,000.

25 REPRESENTATIVE FIEDLER: Thank you.

1 MAJORITY CHAIRMAN SAYLOR: Representative Fritz.

2 REPRESENTATIVE FRITZ: Well, thank you,
3 Mr. Chairman, and good morning, Madam Secretary. I'm
4 pleased to see you.

5 SECRETARY SWAILS: Good morning.

6 REPRESENTATIVE FRITZ: Madam Secretary, a certain
7 theme has cropped up during these budget hearings, and that
8 theme is this: outside groups or agencies placing or
9 embedding -- and that's a word used here, "embedding" --
10 personnel within our Pennsylvania Government agencies. In
11 fact, I'll reference our most recent example.

12 During our hearing with the Department of Drug
13 and Alcohol Programs, or DDAP, the Secretary was questioned
14 about a \$10 million grant from the Bloomberg
15 Philanthropies, and that particular \$10 million was not
16 accounted for in the Governor's budget proposal.

17 And the Secretary explained that the reason it
18 didn't appear in the budget is because the employees hired
19 by Bloomberg are going to be, again, quote, "embedded" in
20 DDAP, and that fuels some real concerns. The issue is not
21 with more resources going to DDAP but with the practice of
22 an outside entity, and an outside entity, I'll mention,
23 that has a well-known philosophical, ideological, and
24 political inclination hiring and bringing in their own
25 workers.

1 Now, perhaps a converse thought could be this:
2 How about if we had DCED or DEP personnel being paid for by
3 the Koch Foundation? I'm sure that would cause ire with
4 our Administration.

5 So in question, why are we not getting these
6 funds as a grant? A grant would be a much cleaner and more
7 traditional method.

8 That's a question.

9 SECRETARY SWAILS: I was waiting for you to -- I
10 was just making sure you were done.

11 So, you know, I think the opportunity to partner
12 with Bloomberg Institute was brought to the Governor, and I
13 don't think the Governor or anyone is really in a position
14 to turn down the opportunity to provide or find additional
15 resources to try to address the opioid epidemic here in
16 Pennsylvania.

17 REPRESENTATIVE FRITZ: Does this---

18 SECRETARY SWAILS: There are plenty of
19 opportunities and there are plenty of instances where we do
20 work with other private foundations through technical
21 assistance and/or funding opportunities.

22 REPRESENTATIVE FRITZ: Does Pennsylvania have any
23 control over Bloomberg employees embedded in the State or
24 county agencies?

25 SECRETARY SWAILS: It's a cooperative agreement

1 with the Bloomberg Institute and the Commonwealth.

2 REPRESENTATIVE FRITZ: Okay.

3 Now, do counties have the ability or opportunity
4 to opt out of having Bloomberg employees embedded into
5 their county programs?

6 SECRETARY SWAILS: I'm not sure of the details of
7 that question.

8 REPRESENTATIVE FRITZ: Okay.

9 SECRETARY SWAILS: I'd have to check into it with
10 Policy and get back to you.

11 REPRESENTATIVE FRITZ: Well, I'll mention that
12 during our budget hearings, we also hosted the Office of
13 Attorney General, and he also had explored having employees
14 funded by Bloomberg Philanthropies but decided to pull out
15 of the arrangement because he said that it was "too
16 restrictive." So if the Office of Attorney General had
17 issues, then why doesn't DDAP?

18 SECRETARY SWAILS: I'm not sure of the details of
19 it. I'll have to check with Policy, and maybe he was
20 working with them in a different manner.

21 REPRESENTATIVE FRITZ: Madam Secretary, can you
22 kindly share with us, do any other agencies have this kind
23 of embedded arrangement within Pennsylvania?

24 SECRETARY SWAILS: So again, I think there are
25 plenty of agencies that do receive technical assistance and

1 have individuals from those entities, private entities,
2 come in and work with them on technical assistance for
3 grants or grant writing. And then we also do receive funds
4 from foundations such as the Heinz Foundation and others.

5 REPRESENTATIVE FRITZ: Well, please allow me to
6 convey, Madam Secretary, that it is highly disconcerting
7 that we allow politically motivated characters, whatever
8 the guise, to infiltrate our government agencies.

9 Please understand, it happens with our Basin
10 Commissions. It happened with DEP. It happened with the
11 Department of Drug and Alcohol. And it almost happened
12 with the Office of Attorney General, and simply I, or we,
13 are sounding the alarm.

14 Thank you for your time.

15 SECRETARY SWAILS: Thank you.

16 MAJORITY CHAIRMAN SAYLOR: Representative Gainey.

17 REPRESENTATIVE GAINEY: Good morning, Secretary.
18 How are you?

19 SECRETARY SWAILS: Good.

20 REPRESENTATIVE GAINEY: I got a question. I want
21 to start around minimum wage.

22 We know that the surrounding States have a higher
23 minimum wage than we have. A lot of my colleagues talk
24 about the cliff, meaning those that have fell off the cliff
25 because they raised the minimum wage. Do we know from the

1 surrounding States that have a minimum wage, when they
2 raised the minimum wage, how many people fell off that
3 cliff? Do we have any idea?

4 SECRETARY SWAILS: I don't have that information
5 available but happy to look into it.

6 REPRESENTATIVE GAINEY: Good. Great; great.

7 And secondly, do we know from the States that
8 raised the minimum wage if they had a tremendous business
9 loss in their State?

10 SECRETARY SWAILS: We are not seeing that.

11 REPRESENTATIVE GAINEY: Great; great.

12 And thirdly, do we know, because I know our COLAs
13 are subsidized by tax dollars. Do we know the amount or
14 the percentage of funding we get from taxpayers in regards
15 to the COLA we receive every year?

16 SECRETARY SWAILS: I do not know that.

17 REPRESENTATIVE GAINEY: Because it would be
18 excellent to know how much at the taxpayers' expense we
19 receive a COLA every single year---

20 SECRETARY SWAILS: I'll try to get that for you.

21 REPRESENTATIVE GAINEY: ---and what the
22 percentage is to taxpayers.

23 And then, as we talk about the teachers and we
24 talk about the 40,000, I'm just curious to know, do we know
25 what the starting salary is, what an average starting

1 salary for teachers in our surrounding States, what that
2 may be?

3 SECRETARY SWAILS: I do not know what that is in
4 the surrounding States, but I can probably---

5 REPRESENTATIVE GAINEY: Okay.

6 SECRETARY SWAILS: I'm sure someone else does.

7 REPRESENTATIVE GAINEY: Right. Okay. I'm just
8 curious, because I think that would give a great input to
9 making us more competitive in regards to we always know
10 that we're always in the need for attracting the best
11 talent when it comes to teachers, and we know if we make
12 our rate, our salaries, competitive, then we have an
13 opportunity, again, to go out and get the best that we can
14 in order to teach our greatest asset, which is our
15 children.

16 Thank you.

17 SECRETARY SWAILS: Thank you.

18 MAJORITY CHAIRMAN SAYLOR: Representative James.

19 REPRESENTATIVE JAMES: Thank you, Mr. Chairman.

20 Good morning, Secretary. How are you?

21 SECRETARY SWAILS: Good.

22 REPRESENTATIVE JAMES: Good.

23 I would like to start a line of questioning here
24 about another Governor's initiative regarding the
25 fee-for-service for Pennsylvania State Police. This is the

1 second proposal. This one's a little bit different from
2 last session in which there was a flat fee speculated to be
3 charged.

4 So I'm wondering, when this proposal was crafted,
5 were the officers of the Pennsylvania State Police included
6 in the discussion and did they have input to help?

7 SECRETARY SWAILS: Yes. We did discuss the
8 proposal with Pennsylvania State Police before and during,
9 you know, while we were putting it together for the budget
10 and before it went out.

11 REPRESENTATIVE JAMES: Okay.

12 The fees then that we're looking at range
13 anywhere from \$8 on the low side to \$166 on the high side
14 for areas in Pennsylvania which are not covered by a
15 regional or a borough or a city police department.

16 SECRETARY SWAILS: Right.

17 REPRESENTATIVE JAMES: Have other options been
18 explored and dismissed, or this is our one-shot deal for
19 2019?

20 SECRETARY SWAILS: Other options for funding a
21 fee proposal? Is that what you're asking?

22 REPRESENTATIVE JAMES: Yes.

23 SECRETARY SWAILS: Yeah.

24 REPRESENTATIVE JAMES: Like fee-for-service.

25 SECRETARY SWAILS: Yeah.

1 I don't think we have looked at other options. I
2 mean, I think we're happy to discuss that. I think our
3 concern is really, we believe this is the most fair and
4 also the most predictable for those municipalities. So if
5 you're talking about incident levels that could really
6 fluctuate on a yearly basis versus, a population is pretty
7 stable and could allow them to prepare for that fee every
8 year.

9 REPRESENTATIVE JAMES: I know when an existing
10 borough or, we'll call it a municipality---

11 SECRETARY SWAILS: Sure.

12 REPRESENTATIVE JAMES: ---decides to disband its
13 police, that's a calculated risk that those officials are
14 taking for their constituents. And I also believe that
15 Pennsylvania State Police have an excellent record and are
16 terrific in the job that they do, but it's unclear at this
17 point exactly how those fees will be collected.

18 And I will be very honest with you, when this
19 proposal was floated a second time, some of the first phone
20 calls I got were from boroughs and townships in my district
21 out west wondering how in the world they're supposed to fit
22 that in their budget. And it's unclear at this point, but
23 it looks like it would be imposed on the township or the
24 borough, and they would have to figure out where to get
25 that money.

1 So what if our residents who are accepting the
2 risk of not having a local police force can't pay it?

3 SECRETARY SWAILS: Well, you know, I think we,
4 like you said, we presented this proposal last year as a
5 flat fee, and there are concerns about that not being a
6 fair proposal. We took a look to better address it on a
7 more fair proposal based on population size.

8 And I think, you know, for those municipalities
9 who opted out and are saving a lot of money at the expense
10 of statewide taxpayers who are paying their fee for the
11 State Police and also paying their local police force, you
12 know, I think it's, again, a fair proposal to cover the
13 costs.

14 We have Fiscal Code language that decreases the
15 transfer from the Motor License Fund to the Pennsylvania
16 State Police, and we need to look at all options available
17 to address their funding needs. This is one of them.

18 REPRESENTATIVE JAMES: Well, I would respectfully
19 disagree with the approach that we're taking at this point,
20 and I cannot be supportive of that. But I do agree that
21 the debate ought to be had, and some other way, some other
22 fashion of paying for that service should be explored.

23 That's my only question, Mr. Chairman.

24 Thank you very much for your answer.

25 SECRETARY SWAILS: Thank you.

1 MAJORITY CHAIRMAN SAYLOR: Representative
2 McCarter.

3 REPRESENTATIVE McCARTER: Thank you very much,
4 Mr. Chairman, and thank you, Madam Secretary, for being
5 here today.

6 I would first like to, I really want to thank the
7 Administration for its commitment, obviously, to public
8 education and continuing to try to fund specifically pre-K
9 to K all the way through in public ed to the best of its
10 ability. But I must admit there is one area of
11 disappointment that I have with the budget as I look at the
12 budget proposal, and that's unlike past proposals, there's
13 no call for reform of the cyber charter funding and the
14 mechanism that, in the past we have looked at this, and the
15 Governor had proposed in fact taking a chunk of that money,
16 which is the excess over what local school districts pay
17 out.

18 And I'm concerned, because local school districts
19 are paying an enormous amount of money out in that
20 particular area, and I'm wondering at this point, can you
21 speak to the Administration's commitment to specifically
22 dealing with the cyber charter funding issue?

23 SECRETARY SWAILS: Yeah.

24 I think the Governor has always been concerned
25 about this issue and is always ready and willing to engage

1 in those conversations about how we do work on the cyber
2 charter reform.

3 REPRESENTATIVE McCARTER: And is there anything
4 specific at this point that the Governor is proposing?

5 SECRETARY SWAILS: Not that I'm aware of.

6 REPRESENTATIVE McCARTER: Okay. Let me spin then
7 to a second area, and that being school construction, also
8 in terms of PlanCon.

9 As we all know and we have heard testimony
10 through the hearings about the fact that we're still under
11 a moratorium, that that decision will be coming up very
12 shortly again in the summer as to what to do with that.
13 And we all know, again, the cost of school construction is
14 increasing. It's putting a tremendous burden back at the
15 local districts and trying to find ways for them,
16 obviously, to have to deal with this so that they can plan
17 accordingly. What steps do you see being taken as a result
18 of the PlanCon Advisory Committee's recommendations and how
19 the Administration will respond to that?

20 SECRETARY SWAILS: Yeah.

21 So as you mentioned, we are currently dealing
22 with the backlog. The backlog has been dealt with as per
23 the commission. And I think, you know, jointly with the
24 Legislature, we're going to have to decide how we move
25 forward on finding revenue and revenue options to fund new

1 projects.

2 REPRESENTATIVE McCARTER: And a third area then,
3 if I could, just to touch on briefly, again, is obviously
4 property tax relief. How do you see this year in a sense
5 or expect the general property tax relief that homeowners
6 will see coming forth this year compared to what relief was
7 granted last year?

8 SECRETARY SWAILS: So this year, I believe, or
9 last year, about \$620 million for property tax relief, and
10 we expect that to grow to 765.

11 REPRESENTATIVE McCARTER: I'm sorry. Could
12 you---

13 SECRETARY SWAILS: 765.

14 REPRESENTATIVE McCARTER: 765 million.

15 Okay. Thank you very much, Madam Secretary, and
16 thank you, Mr. Chairman.

17 MAJORITY CHAIRMAN SAYLOR: Representative Topper.

18 REPRESENTATIVE TOPPER: Good morning,
19 Madam Secretary. Down here to your right. Good to see
20 you.

21 SECRETARY SWAILS: Good morning.

22 REPRESENTATIVE TOPPER: I'm going to stick to a
23 line of questioning here on education since we're on a
24 little bit of an education roll and ask about one of the
25 Governor's main proposals, which is the \$45,000 minimum

1 floor for a teacher's salary.

2 One of the things that we had had some
3 questioning of Secretary Rivera, but it actually didn't
4 come up, and I, probably like a few other political geeky
5 people, actually watched the Senate hearings as well as our
6 own. And one of the things that was mentioned that came as
7 a surprise to us, because we did not hear that in the
8 hearing, so I wanted to get your take, the question was
9 asked if there was going to be an escalator on this minimum
10 salary, and he said yes.

11 Now, we were under the impression in our hearing
12 that this was kind of a one time lock-in for 45,000 to
13 start, and maybe there's just some miscommunication or some
14 clarifying that needs to take place.

15 SECRETARY SWAILS: Right.

16 REPRESENTATIVE TOPPER: What's your understanding
17 if there's an escalator there?

18 SECRETARY SWAILS: My understanding is there is
19 not an escalator, that this year when we put the funding
20 listed to those schools that are paying under the 45, that
21 would become part of their base moving forward.

22 REPRESENTATIVE TOPPER: Okay.

23 Rep. Fiedler had mentioned about there was kind
24 of a specific targeted geographical area that this would,
25 maybe not that it was intended to, but that is where it was

1 going, and that is actually out in my neck of the woods, a
2 very rural area.

3 SECRETARY SWAILS: Yeah, based on data from PDE,
4 that salary data.

5 REPRESENTATIVE TOPPER: That's right.

6 So some of that data, these questions have kind
7 of caused me to want to take a look at, and maybe if the
8 Administration could supply us with some of those
9 contracts, what exactly the contracts. Obviously, it
10 doesn't need to be the name of specific teachers, but who
11 is making and where are they making less than the 45,000.

12 I noticed one of the school districts, as we got
13 a breakdown of simply where the money was going, it was as
14 little as \$69 to make up for that area, and it seems like
15 there's probably a little bit of a better way we could do
16 that. But I was wondering if that information could be
17 made available so we could see where that---

18 SECRETARY SWAILS: Yeah. It's information from
19 the Department of Education, so I can certainly check back
20 with them to see what's available.

21 REPRESENTATIVE TOPPER: Because you had mentioned
22 that you're not aware of any teachers currently making what
23 we have statutorily as the floor.

24 SECRETARY SWAILS: Correct. Correct.

25 REPRESENTATIVE TOPPER: Okay; the 18.5. So

1 that's something we wanted to get out there.

2 The other thing from education that I wanted to
3 ask you, because again, Secretary Rivera was not sure
4 exactly where this money would be coming from. We asked
5 about the study on universal kindergarten, which was
6 another proposal in the Governor's budget, but we didn't
7 see anything where that money was going to come from for
8 the study. Is that your understanding that that will come
9 out of the Department of Education's general operating line
10 item, or---

11 SECRETARY SWAILS: Yeah. I think we're committed
12 to working with the Legislature on that study.

13 REPRESENTATIVE TOPPER: Okay. All right. Those
14 are my questions. Thank you, Madam Secretary.

15 SECRETARY SWAILS: Thank you.

16 REPRESENTATIVE TOPPER: Thank you, Mr. Chairman.

17 MAJORITY CHAIRMAN SAYLOR: Representative Davis.

18 REPRESENTATIVE DAVIS: Thank you,
19 Madam Secretary, for being here.

20 My line of questioning is really around an issue
21 that I hear a lot about as I travel through my district,
22 and that is property tax relief.

23 Casino gaming in Pennsylvania has been very
24 consistent with a slight increase in revenue in the last
25 year, and I believe you'll be certifying the property tax

1 relief amount in April for the coming year. How do you
2 expect the general property tax relief that homeowners will
3 see on their bill to compare to the relief that was granted
4 in years past?

5 SECRETARY SWAILS: All right. So 620 million
6 will be certified for 2018, and we expect that to grow to
7 765 million.

8 REPRESENTATIVE DAVIS: Thank you. That's my only
9 question.

10 I mean, this is a significant issue for many
11 older Pennsylvanians that I represent in terms of staying
12 in their homes as they age. Property tax is the
13 significant issue that I hear about.

14 So thank you, and thank you for the
15 Administration's commitment to addressing it.

16 SECRETARY SWAILS: Sure.

17 MAJORITY CHAIRMAN SAYLOR: Representative White.

18 REPRESENTATIVE WHITE: Good afternoon, Secretary.
19 Thanks for being here today.

20 I have a couple of different questions, one of
21 which is, given the securitization of Tobacco Settlement
22 Funds for the '17-18 budget, does the Budget Office
23 anticipate that programs, specifically tobacco use
24 prevention and cessation, will remain level funded?

25 SECRETARY SWAILS: Yes.

1 REPRESENTATIVE WHITE: Great.

2 The other question I have regarding the Tobacco
3 Settlement Fund is regarding the Governor's issuance of his
4 Executive authorization on January 23rd for \$22.363 million
5 out of the Tobacco Settlement Fund for the Department of
6 Aging's home and community-based services.

7 And just to be clear, that transfer out of the
8 Tobacco Settlement Fund was not authorized in our most
9 recent Fiscal Code, nor was the payment authorized in 2.1
10 that provided for the use of funds from the Attorney
11 General's joinder in the NPM Adjustment Settlement
12 Agreement.

13 So can you just share with us why the
14 Administration made this, well, what I would say is an
15 unauthorized transfer, and, you know, under what authority
16 was he trying to act?

17 SECRETARY SWAILS: So I imagine that it is under
18 the Fiscal Code language authority that we have percentages
19 that go to those---

20 REPRESENTATIVE WHITE: I assure you, this was not
21 in our Fiscal Code. So I'm asking you why it is and where
22 specifically it was authorized.

23 SECRETARY SWAILS: Fiscal Code language has
24 percentages in it, I believe, and not actual dollars, but I
25 can verify.

1 And when we put the budget together for the
2 Tobacco Settlement Fund transfers for those programs that
3 they do go to, it's based on an estimate of what we believe
4 will be received for the sum of payment, and then we always
5 update those numbers based on actuals.

6 REPRESENTATIVE WHITE: And normally when you
7 write out these transactions, you normally write, oh, you
8 know, this is authorized under such-and-such item and this
9 is the amount, but in this case, that did not take place.
10 So I'm curious as to where did the Governor specifically
11 say that he has this authority?

12 SECRETARY SWAILS: I'll have to get back to you
13 to see---

14 REPRESENTATIVE WHITE: Okay.

15 SECRETARY SWAILS: ---if it's not under that
16 Fiscal Code language.

17 REPRESENTATIVE WHITE: If you could just---

18 SECRETARY SWAILS: Yep.

19 REPRESENTATIVE WHITE: If you could just really
20 take a note of that and get back to us, I'd appreciate it.

21 SECRETARY SWAILS: Sure.

22 REPRESENTATIVE WHITE: And then with regard to
23 DCED, during the hearing that we had, I actually asked the
24 Secretary to tell us about some of the markers that the
25 Department wanted to hit with the proposed workforce

1 development money. And in my district, I know this is an
2 important investment, and I would like to see what, if any,
3 specifics you can provide to us today in regards to
4 measuring the performance of those investments that are
5 made in our workforce development programs.

6 Unfortunately, that Secretary was not able to
7 provide those details and I was hoping that you could,
8 because when we set goals, we want to see them achieved and
9 we also want to make sure that they're measurable, but
10 there were no metrics provided to us. Could you provide us
11 some of those metrics that the Governor plans to measure
12 his success by?

13 SECRETARY SWAILS: I cannot at this time. I'd
14 have to check with the DCED Secretary and also our Policy.

15 REPRESENTATIVE WHITE: Well, the thing is, I
16 already checked with the DCED Secretary and they didn't
17 give us an answer, so I'm hoping that you could.

18 SECRETARY SWAILS: Sorry to disappoint you.

19 REPRESENTATIVE WHITE: That's really unfortunate.
20 I know that the folks in my district are going to be
21 extremely disappointed in that response as well, because
22 this is their money and they want to make sure that it's
23 being used wisely.

24 SECRETARY SWAILS: Understood.

25 REPRESENTATIVE WHITE: Okay.

1 SECRETARY SWAILS: I'm happy to get back to you,
2 if I can get something.

3 REPRESENTATIVE WHITE: Okay. Could you please
4 get back to us on those metrics?

5 SECRETARY SWAILS: Yeah.

6 REPRESENTATIVE WHITE: Thank you so much.

7 SECRETARY SWAILS: Sure.

8 MAJORITY CHAIRMAN SAYLOR: Representative
9 Donatucci.

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

12 And thank you, Secretary, for being here today.

13 The performance-based budget has added a layer of
14 oversight to the budget as a process to make government
15 more efficient by ensuring a budget that is based on
16 performance rather than precedent.

17 As Budget Secretary and a member of the
18 Performance-Based Budget Board, what were your impressions
19 about the first year of the performance budget process, and
20 more broadly, of the initiatives and proposal in the
21 Governor's budget, what item do you think will have the
22 greatest impact for Pennsylvanians either in benefits or in
23 cost savings?

24 SECRETARY SWAILS: So we do not have anything
25 included in this budget as a result of that

1 performance-based budget hearing. It was later in the
2 year.

3 But, you know, I think we all on that hearing
4 panel had some questions about the recommendations provided
5 by the IFO on what they found and whether they were in
6 depth enough. You know, there were a lot of suggestions
7 related to county data and to, you know, extrapolate that
8 data from all 67 counties. We would have to really
9 determine how much that would cost and would that be a cost
10 benefit versus, you know, what the data would provide
11 versus how much it would cost to get.

12 And I think, you know, on those issues that were
13 county related and also, you know, while the IFO made
14 recommendations, they did not provide any costs related to
15 those recommendations, and I think that's something we have
16 to look at.

17 And also, you know, on the tax credits, there
18 were some concerns about not really looking at, you know,
19 the entire picture of what those tax credits do or provide.
20 So I think there's a little bit more research on those
21 recommendations needed before we would include them in our
22 budget plan.

23 REPRESENTATIVE DONATUCCI: Okay. Thank you.

24 I'm a proponent of the State-owned liquor system.
25 I go along with it completely. The transfer of liquor

1 store profits is initiated as a request by the Governor to
2 the Liquor Control Board. The Governor's budget shows
3 estimates of 185 million this year and going forward. Do
4 you think this amount is achievable and sustainable?

5 SECRETARY SWAILS: Yes.

6 REPRESENTATIVE DONATUCCI: Okay. Thank you.

7 Thank you, Mr. Chairman.

8 MAJORITY CHAIRMAN SAYLOR: Representative
9 Lawrence.

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

12 And thank you, Madam Secretary, for being here
13 today. I appreciate it.

14 So I would like to return to the \$201 million
15 deal between the Department of General Services and
16 MRE Funding, commonly referred to as the "Farm Show Lease."

17 So the Administration negotiated this deal last
18 year, and in reading through the financing agreement, it
19 states that DGS will make regular payments to repay MRE
20 Funding with moneys appropriated by the General Assembly.
21 In fact, the agreement says it nine times, that the
22 Department of General Services will pay MRE Funding.

23 My understanding is that a \$13.3 million payment
24 is due to MRE Funding later this fiscal year. In the
25 Governor's budget proposal, is this \$13.3 million contained

1 in a line item? Is it in DGS's line item?

2 SECRETARY SWAILS: I think it comes out of the
3 PIT revenue.

4 REPRESENTATIVE LAWRENCE: So is it contained
5 within a line item, though?

6 SECRETARY SWAILS: I don't believe so.

7 REPRESENTATIVE LAWRENCE: So my question then
8 would be, and I did look through, and I see here on page
9 C1-6 of the Governor's proposed budget, this \$13.3 million
10 proposed transfer to the Farm Show Lease Fund, that's a
11 segregated account, as I understand it. Where is that
12 segregated account housed?

13 SECRETARY SWAILS: It comes from the personal
14 income tax restricted revenue account for this purpose.

15 REPRESENTATIVE LAWRENCE: So the Farm Show Lease
16 Fund account, where is that account housed?

17 SECRETARY SWAILS: I'm not sure I understand your
18 question.

19 REPRESENTATIVE LAWRENCE: Is it housed in the
20 Executive Office of the Budget or is it housed under the
21 Department of General Services?

22 SECRETARY SWAILS: I would assume, since it is
23 PIT revenue, that it is under the Department of Revenue,
24 but I would have to confirm that.

25 REPRESENTATIVE LAWRENCE: So this is my point:

1 I'm sure you would agree that any time money is lent, it's
2 very important to say who is lending the money and who is
3 going to pay it back. There's a big difference between
4 debt of the Commonwealth, which is backed by the full faith
5 and credit of the State, and debt of DGS, which is not.

6 And it seems to me that this is kind of like a
7 bait and switch here, right? Up front it was said this was
8 going to be a debt of DGS. The agreement even says it's
9 not an obligation of the State. But now the proposal is
10 the payments are in fact going to come from the State
11 directly to repay this deal. I would say that's a critical
12 difference.

13 So I guess my question is, why not, since
14 everyone knows what the terms of the deal are, why not just
15 list it as a line item? Under the Department of General
16 Services line item, why not list the repayment of the
17 13.3 million in the Department of General Services line
18 item? Why was there a decision made to move this offline
19 instead of clearly listing it in the Department of General
20 Services line item?

21 SECRETARY SWAILS: I think, you know, I'd have to
22 check. I wasn't here when this was done in January, and
23 I'm not familiar with, you know, why they listed DGS versus
24 Commonwealth. I mean, from my perspective, DGS is the
25 Commonwealth.

1 REPRESENTATIVE LAWRENCE: So DGS is certainly
2 part of the Commonwealth, but it says right in the
3 agreement that debt of DGS is not backed by the full faith
4 and credit of the Commonwealth. It's a critical
5 distinction. Debt of -- and it's the same thing, for
6 example, with debt of the Turnpike Commission. It's debt
7 of the Turnpike Commission, not debt of the State. It's a
8 critical difference. And it says right again in the
9 agreement that if the General Assembly does not appropriate
10 funds, then the deal will default.

11 Let me ask this little bit different question:
12 For a \$200 million upfront payment, it will cost the State
13 a total of 369 million over the next 27 years to repay it,
14 according to the terms of the deal. So if revenues come in
15 ahead of estimates this fiscal year and we have a surplus,
16 would the Administration be willing to entertain paying off
17 the \$200 million deal now, which would save the taxpayers
18 \$160 million in interest?

19 SECRETARY SWAILS: We currently don't project
20 that we're going to have a surplus.

21 REPRESENTATIVE LAWRENCE: So, for example, there
22 was some speculation that we were going to receive a
23 \$40 million windfall as a result of the non-claiming of a
24 Mega Millions lottery winning ticket, a winning lottery
25 ticket in South Carolina. It turns out they claimed the

1 prize. If revenues come in ahead of estimates and we have
2 a surplus of \$200 million, would the Administration be
3 willing to entertain paying off the deal early, saving
4 taxpayers 160, or actually a little more than \$160 million
5 in interest?

6 SECRETARY SWAILS: I think we would have to look
7 at all options to utilize those dollars in the best
8 interests.

9 REPRESENTATIVE LAWRENCE: All right.

10 Madam Secretary, thank you very much.

11 SECRETARY SWAILS: Thank you.

12 MAJORITY CHAIRMAN SAYLOR: Representative Cephas.

13 REPRESENTATIVE CEPHAS: Thank you, Chairman.

14 And thank you for your testimony today.

15 I have specific questions relating to voting
16 machines. As you know, across the Commonwealth, a series
17 of counties, all counties, will have to update their
18 systems, and to my understanding, the Administration has
19 slated 15 million to support counties. Coming from a big
20 county like Philadelphia, it's going to cost a little bit
21 more than 15 million.

22 So I just kind of wanted to get a sense on how
23 the Administration derived to that number; what is the
24 average cost to each county -- maybe outside of
25 Philadelphia, outside of Pittsburgh, what are some of the

1 average costs you are expecting counties to pick up; and is
2 the Administration open to a conversation to increase the
3 amount that the State is supporting this upgrade?

4 SECRETARY SWAILS: So it's 15 million. Our plan
5 is 15 million over the next 5 years, 15 million each year,
6 and with some additional Federal dollars that are
7 available, we believe that would cover more than 50 percent
8 of the total cost for counties. I don't have the specific
9 county data with me.

10 REPRESENTATIVE CEPHAS: Okay.

11 SECRETARY SWAILS: But I think, to answer your
12 final question, I think we're always open to have those
13 conversations.

14 REPRESENTATIVE CEPHAS: Okay. So is the majority
15 of the 15 million coming from the Feds or is this---

16 SECRETARY SWAILS: No; that's State dollars.

17 REPRESENTATIVE CEPHAS: Okay. This is State
18 dollars.

19 SECRETARY SWAILS: That's the State dollars.

20 REPRESENTATIVE CEPHAS: Now, what are we
21 anticipating coming from the Federal Government this year?

22 SECRETARY SWAILS: I'd have to check. I'm not
23 sure if that's where counties would directly apply for
24 that.

25 REPRESENTATIVE CEPHAS: Okay.

1 And, you know, I obviously raise this, coming
2 from the City of Philadelphia, that we have to implement
3 this system by our general election this year, and we're
4 looking at a price tag of close to \$50 million for our
5 systems. So I would really like to see and have a
6 conversation about how we will continue to support our
7 counties on the local level, just because we have somewhat
8 of a big year coming up next year and we want to ensure
9 that we have the right systems in place so our elections
10 can be counted and verified.

11 My second question is in reference to collective
12 bargaining. It's my understanding that a series of our
13 contracts are coming up this fiscal year. Well, not this
14 fiscal year, this calendar year. And, you know, just given
15 our hardworking men and women throughout the Commonwealth
16 that really implement the policy conversations that we
17 constantly talk about, I just kind of wanted to get a sense
18 on what the Administration's priorities are regarding the
19 negotiation as well as, does the budget assume any
20 additional costs related to these upcoming negotiations?

21 SECRETARY SWAILS: Yeah.

22 So I don't think I'm going to comment on the
23 first question. You know, those are negotiations had by
24 the Administration and the collective bargaining units.

25 But on the second, there is nothing included in

1 this budget to show increases or what we expect them to be,
2 because we certainly don't know what the outcome will be.

3 REPRESENTATIVE CEPHAS: Great. Thank you so
4 much.

5 MAJORITY CHAIRMAN SAYLOR: Representative Grove.

6 REPRESENTATIVE GROVE: Thank you, Mr. Chairman.

7 I was actually expecting more people for your
8 first budget hearing. I'm a little disappointed in the
9 lack of attendance.

10 SECRETARY SWAILS: They're missing out, I guess.

11 REPRESENTATIVE GROVE: I know. Their loss.

12 I have a couple of questions for actually a
13 written response later, so I just want to hit those first.

14 Number one, I have a comprehensive annual
15 financial report, a ratio analysis for the past 6 years.
16 I'll send you that, because there were calculations.

17 Two, two budgets ago, there was proposed
18 \$2 billion of savings. The Secretary of Health came in and
19 asked for additional dollars for the health-care, local
20 health-care centers within each county. That wasn't done,
21 so I was curious if we could get a disposition of that
22 2 billion dollars' worth of savings, what was done, what
23 wasn't done, and then any cost of implementation.

24 If we could get an update of any
25 revenue-connected bonds or tax expenditures or any kind of,

1 even the gaming revenue that is connected to bonds, when
2 those bonds are paid off, and how much revenue is going
3 into those accounts.

4 And then, we've been back and forth on special
5 funds and encumbrances. Is there any website or any
6 mechanism transparency to provide a little more detail on
7 encumbrances that agencies have? I know the statute of
8 appropriations on your budget upside kind of gives a
9 monthly view, but is there any more little detail on
10 encumbrances that agencies have?

11 SECRETARY SWAILS: Outside of a monthly view?

12 REPRESENTATIVE GROVE: Yeah.

13 SECRETARY SWAILS: Not that I'm aware of. I
14 assume that updates monthly, right?

15 REPRESENTATIVE GROVE: Yeah.

16 SECRETARY SWAILS: So you're looking more daily?

17 REPRESENTATIVE GROVE: Yeah. Or just, I
18 sometimes question like how often our agencies, what our
19 agencies are encumbrancing. How often do they unencumber
20 those dollars, particularly prior-year dollars, and then
21 where does that money end up going after they unencumber
22 those dollars.

23 SECRETARY SWAILS: Yeah. I don't think it's
24 publicly available outside of the monthly view, but if
25 there are questions on any certain agency's encumbrances,

1 we're happy to get that information to you.

2 REPRESENTATIVE GROVE: Okay. Thanks.

3 I want to kind of go through the supplementals a
4 little bit. We had some discussions prior.

5 So Corrections, we have inmate education and
6 training at \$10 million. Can you give us a little
7 background on that \$10 million?

8 SECRETARY SWAILS: Keep going. I can't find my
9 little paper here.

10 REPRESENTATIVE GROVE: Well, under Corrections,
11 there is inmate education and training, and then SCI,
12 40 million.

13 SECRETARY SWAILS: And so 10 million I think is
14 really related to medical costs, related to hep C and a
15 settlement with some entities and the Department of
16 Corrections to really provide all levels of hepatitis C,
17 where in the past they were really treating only the most
18 severe.

19 REPRESENTATIVE GROVE: Okay. So you said that
20 was a lawsuit, so it was a legal---

21 SECRETARY SWAILS: Yeah.

22 REPRESENTATIVE GROVE: Okay.

23 SECRETARY SWAILS: And it's strictly related to
24 medical.

25 On the SCI funding, there's kind of a mixture of

1 what's driving that. There was a transfer from Graterford
2 to Phoenix, so overtime and travel and training; overtime
3 related to the drug-reduction issue that we had with the
4 mail; and there was an unbudgeted pay increase rolled as a
5 result of collective bargaining that had to roll to '18-19.

6 REPRESENTATIVE GROVE: Okay. Could you provide a
7 breakdown of that?

8 SECRETARY SWAILS: Sure; sure.

9 REPRESENTATIVE GROVE: Education. Early
10 intervention, 14 million?

11 SECRETARY SWAILS: Yeah. It's just an increase
12 in costs that we're seeing related to services being
13 provided that are mandatory, so really just providing that
14 funding.

15 REPRESENTATIVE GROVE: DHS. We hit cash grants.

16 MA capitation I found interesting, because it's a
17 \$240 million increase for the supplemental, but then the
18 Governor is proposing a \$560 million reduction. Can you
19 equalize that a little bit for me?

20 SECRETARY SWAILS: Yeah.

21 So I think, you know, in DHS, we're constantly
22 looking at ways to offset General Fund through additional
23 revenue sources, or in the '19-20 fiscal year, we are using
24 one-time available Federal dollars that we have already
25 drawn down on to offset capitation. In addition, there is

1 about 140 million in new revenue available, and almost all
2 of it would be related to capitation.

3 We are increasing our estimates related to
4 pharmacy rebates. In the supplemental need, there was some
5 assumptions made that did not come into fruition that
6 caused a need for an increase related to the pharmacy
7 rebates. So really just some shifts around there.

8 On capitation and in -- in capitation
9 specifically, the hospital assessment revenue that we
10 receive used to offset fee-for-service, so you really see a
11 shift in fee-for-service, and we're shifting it to utilize
12 it, show the reduction of 295 in capitation just because
13 that's really where the payments go out of now that we have
14 really shifted from a fee-for-service to a managed care.

15 REPRESENTATIVE GROVE: Okay. Thank you.

16 MAJORITY CHAIRMAN SAYLOR: Representative
17 Schweyer.

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

20 Thank you, Madam Secretary.

21 I want to take a moment to sort of take a step
22 back and get out of the weeds a little bit of the budget.
23 We have had 3 weeks of sort of very detailed conversations,
24 and so I want to take a step back and look at something
25 that I don't think we do a very good job of communicating

1 with folks, and that's the outside-the-building risks to
2 our financial system, our ability to pay our bills.

3 You know, I look at things like potential
4 lawsuits. We know the two big ones, the transportation
5 lawsuit and the education equity lawsuit. We heard things
6 like potential changes to PHEAA that would be implemented
7 on the Federal level with Secretary DeVos, that possibly
8 being another source of concern for us, that if those
9 changes were to be made, it would have an adverse,
10 significantly adverse impact on our fiscal structure.

11 What else should we as a legislative body be
12 looking at as potential sources of risk to our General
13 Fund, to our spending, to our programs, and those sorts of
14 things?

15 SECRETARY SWAILS: Yeah.

16 I think the Federal Government changes really are
17 the most prevalent across the board, whether it's a policy
18 change or a grant-amount change or a percentage.
19 Specifically in DHS, we see a lot of changes in the FMAP,
20 and that really causes a shift in State dollars. And
21 sometimes we're prepared for those and sometimes we're not.

22 REPRESENTATIVE SCHWEYER: Okay. So Federal
23 changes, particularly DHS.

24 What about just demographic changes in the
25 Commonwealth. Can you speak about that a little bit?

1 SECRETARY SWAILS: Um, not really, no. Sorry.

2 REPRESENTATIVE SCHWEYER: Okay.

3 The Legislature last year had a Policy -- the
4 Appropriations Committee had a Policy, a budget hearing,
5 one of our subcommittees last year, where we talked about a
6 potential overall reduction of tax revenue because of an
7 aging workforce---

8 SECRETARY SWAILS: Sure.

9 REPRESENTATIVE SCHWEYER: ---and an increase of
10 spending from the perspective of social safety net
11 programs, particularly those geared for senior citizens,
12 potentially costing us upwards of \$3 to \$5 billion and a
13 shift from revenue to, a net shift from revenue to
14 spending.

15 Knowing that we have some of these other
16 concerns, what is your department, what is the
17 Administration as a whole doing to think about and talk
18 about these overall concerns? Are you stress testing? Are
19 you planning for contingencies aside from a meager Rainy
20 Day Fund that we're all responsible for?

21 SECRETARY SWAILS: Yeah; yeah. Right.

22 So, yeah, to your point, you know, we do have an
23 aging population, and you see those increased costs in the
24 Department of Human Services for those services that we
25 need to provide to our aging population, as well as the

1 disabled. And as far as revenue, you know, we do not tax
2 retirement revenue, so we do see a drop there in PIT
3 related to that aging population.

4 I think the Governor is really focused on
5 workforce development and how we can improve jobs, jobs
6 available, job training, you know, so that individuals,
7 when there are jobs that have been spoken about here, that
8 workers aren't showing up or they're showing up and they're
9 ill-prepared to be qualified for those. I think we're
10 really focused on how we can work with employers and
11 schools to really make sure that we're training properly
12 and making them ready to enter the workforce.

13 REPRESENTATIVE SCHWEYER: Yeah. I think it's
14 fair to say that looking to grow our revenue through job
15 growth, job development, people moving up the socioeconomic
16 ladder, whether it's a minimum-wage increase or any of the
17 other things that we have talked about through this all, is
18 going to be a piece of it. But my real hope and suggestion
19 is that there are conversations, and if it's not
20 appropriate to talk about it at this hearing, I understand.

21 But there needs to be some sort of contingency
22 planning if some of this stuff goes awry. And, you know,
23 to assume that we are going to bat a thousand on no
24 economic recession, our demographic shifts not being
25 terrible, the Federal Government not screwing something up,

1 I think assuming that we're going to bat a thousand and
2 nothing bad is going to happen when we're really very,
3 very, we're living very much on the margins here from a
4 fiscal standpoint is unwise.

5 And so I think that any opportunity that the
6 General Assembly has to play a role, not only because
7 you're going to need our, you know, our approval for any
8 spending, but also just to frankly level with the public
9 about some of these risks that we really are facing as a
10 Commonwealth I think is going to be very important.

11 And so I don't want to miss this opportunity in
12 this part of the budget hearing to say that, yeah, we might
13 be able to get by again this year, but I don't know that
14 we're necessarily going to continue getting by, and that's
15 even if we are running the table on everything breaking our
16 way.

17 And so I think that's a message that we all have
18 to be honest with the folks that we represent, honest with
19 ourselves a little bit about kind of where the fiscal
20 status of the Commonwealth is right now.

21 So with that, thank you very much. Thank you,
22 Mr. Chairman.

23 MAJORITY CHAIRMAN SAYLOR: Representative
24 Greiner.

25 REPRESENTATIVE GREINER: Thank you, Mr. Chairman.

1 Good morning, Madam Secretary.

2 I want to switch gears again back to the voting
3 machine issue.

4 I'm from Lancaster County. My county
5 commissioner reached out to me. We're one of the counties
6 that over 85 to 90 percent of our ballots are already paper
7 ballots. I did a little bit of homework on this. I think
8 that's about 17 counties, I was told, that use that
9 exclusive, you know, had those kinds of percentages. We
10 have had no problems.

11 So it's somewhat problematic to me -- look, we
12 were given a directive that we need to have this done by
13 next year, and I'm just saying, when people come to me and
14 say we need 75 million, I'm sitting here, as we said
15 before, with estimates. I would like some details on how
16 much the real costs are going to be with this. You know,
17 how much is the General Assembly going to pay and how much
18 is the county?

19 I actually do know, on background, that in
20 Lancaster County, the Federal Government is only going to
21 be chipping in 15 to 20 percent of the total cost. So if
22 we're expecting big dollars out of the Federal Government,
23 it's not going to be significant.

24 So I guess what I wanted to ask on that, I need
25 to see the details, because I'm a numbers guy also. I like

1 to know what the real cost is going to be, because when
2 somebody comes to me for money---

3 The other thing that I don't understand is the
4 spreading out over 5 years, because any time we spread out
5 costs over 5 years, there's typically an interest cost or
6 there's additional costs associated with doing that, and
7 that goes back to analyzing the numbers. So I do think we
8 need to see that.

9 And then also, too, I guess I'm interested in
10 knowing how these funds are going to be distributed to the
11 counties. Maybe you have, is it going to be by population?
12 Is it just going to, I mean, is it going to be by precinct?
13 I think there has to be a methodology how it gets
14 reimbursed, and I don't know whether you have any idea on
15 how that's going to be done.

16 SECRETARY SWAILS: Yeah. I'd have to really loop
17 back with the Department of State on that process.

18 REPRESENTATIVE GREINER: Because I do, I think
19 there's a lot to this.

20 And then the flipside is, like I said, we
21 actually have a very good system in place, I was told that
22 probably could have lasted another 5 or 6 years. There has
23 been no problems, you know. So we're going to have to pay
24 all this money to update it, and I guess what I'm wondering
25 is, how about counties that have already upgraded their

1 voting machines. Do we have an idea of how they're going
2 to be reimbursed?

3 Let's say they have already taken the initiative
4 to do so. Do we have an idea of how they're going to get
5 their -- how funding is going to get back to them, because
6 they have already taken the initiative to make the
7 adjustments that are necessary.

8 SECRETARY SWAILS: Yeah. I'd have to talk to the
9 Department of State about their plan there.

10 REPRESENTATIVE GREINER: Well, and the other
11 thing is, too, my understanding is, you know, I drive a
12 Toyota and I have had it quite a few years, and thank God,
13 somebody says, you know, I don't need to buy a new vehicle,
14 because I have no interest in buying a new vehicle because
15 it functions. And I guess what I'm wondering is, do we --
16 you know, this goes back just to these upgrades.

17 I mean, my understanding is, there's going to be
18 a menu of maybe five different voting machines that people,
19 that the counties can pick from? I mean, I'm hoping that
20 common sense prevails, and that's why I want to look at the
21 cost, because I don't want to have to buy a Maserati when
22 my Toyota is working just fine. And I don't know whether
23 there's, you know, how the approval process works for those
24 type of voting machines, whether that has been evaluated
25 also.

1 And my understanding is, they all haven't been
2 certified yet, either.

3 SECRETARY SWAILS: Sorry, I can't answer those
4 details, but I'm happy to check in with the Department of
5 State and get back to you on that.

6 REPRESENTATIVE GREINER: Yeah. Because I do
7 think, you know, our county commissioners' associations,
8 are county commissioners are, you know, that they are
9 concerned about the financing, where the money is coming
10 from. They are concerned about, you know, we have had a
11 system that has worked; now we have to change that. And
12 then we have a different variety of machines that we choose
13 from, and then---

14 My last question would be, too, I'm assuming that
15 there is probably going to be no changes either for
16 Americans with Disabilities. If somebody is visually
17 impaired or, you know, has a disability and some function,
18 that the machines that we're getting, they're probably
19 going to be no different than what we currently have, is
20 what I'm expecting. You know, with the scanner, with the
21 paper, I think we're trying to aim to get a paper trail, is
22 my understanding.

23 SECRETARY SWAILS: I'd have to check into it.

24 REPRESENTATIVE GREINER: Okay.

25 SECRETARY SWAILS: Sorry.

1 REPRESENTATIVE GREINER: Like I said, it's just
2 an area that I think a lot of us hear about.

3 SECRETARY SWAILS: Sure.

4 REPRESENTATIVE GREINER: And of course with
5 Philadelphia being a big county, and of course Lancaster,
6 we really haven't had problems. But I think there is a
7 concern with the budgetary constraints and what I would
8 call leasing. I mean, we're doing it over 5 years. That's
9 kind of what it looks like, so. But anyway.

10 But, yeah, eventually I think the General
11 Assembly, I think the Appropriations Committee, I think we
12 would like to get a handle on how that's being handled and
13 the approach to reimbursements and things like that, so.

14 SECRETARY SWAILS: Okay.

15 REPRESENTATIVE GREINER: Thank you so much.

16 SECRETARY SWAILS: Thank you.

17 MAJORITY CHAIRMAN SAYLOR: Representative
18 Krueger.

19 REPRESENTATIVE KRUEGER: Thank you, Mr. Chairman.
20 Thank you, Secretary, for joining us here today.

21 So I want to ask about use of special funds, and
22 this is a question that I have raised repeatedly during
23 budget hearings. I asked the DEP Secretary and the DCNR
24 Secretary as well about the impact of special fund
25 transfers on their ability to meet their mission.

1 The 2019-2020 Executive Budget Proposal seeks to
2 shift funding from the General Fund to the Recycling and
3 Environmental Stewardship Fund under DEP, and for DCNR,
4 there is a proposed shift from the General Fund to the
5 Keystone Environmental Stewardship and Oil and Gas Lease
6 Funds. So the budget proposal seeks a total of
7 \$78.7 million from these special funds to fund operations
8 for these two departments.

9 Can you explain the Administration's rationale
10 for using special funds and for this change?

11 SECRETARY SWAILS: Sure.

12 I think, you know, as we propose a budget that
13 does not include any taxes, we have to look at all options
14 available to us. And we see this as an option to use
15 environmentally dedicated funds for environmental programs
16 and are committed to not seeing a reduction in the services
17 provided.

18 So right now, it actually does increase the
19 year-over-year funding for DEP and DCNR, and like anything,
20 I think we will continue to monitor the balances of those
21 funds to make sure that it's a sustainable option.

22 REPRESENTATIVE KRUEGER: Okay.

23 A follow-up question: How long are we planning
24 to do this for? I have heard 1 year, 2 years, 4 years.

25 SECRETARY SWAILS: Right.

1 So we budget on 1 year. I think in our Budget
2 Book it shows a 5-year plan, just because that's how many
3 years we show in the Budget Book. But again, committed to
4 the fact that if we don't see that it's sustainable to do
5 that, we're going to have to have an additional
6 conversation on what the options are.

7 REPRESENTATIVE KRUEGER: So potentially a 5-year
8 plan.

9 SECRETARY SWAILS: Yeah. Or potentially a 1.

10 REPRESENTATIVE KRUEGER: All right.

11 Do you believe that this funding shift is
12 sustainable for maintaining operations in these
13 departments?

14 SECRETARY SWAILS: At this time, we do. But, you
15 know, those revenues going in there, some of them are
16 related to the realty transfer tax, and that really relies
17 on home sales and how that performs. So again, you know,
18 as we look at revenues and updating those revenues and
19 those balances, we have to look at it each year.

20 REPRESENTATIVE KRUEGER: To accomplish the shift
21 from the General Fund to a number of special funds, the
22 Governor's budget proposal includes a reduction in the
23 amount of Oil and Gas Lease Fund transfers to the Marcellus
24 Legacy Fund and covers the debt service associated with
25 Growing Greener through another source. Do these proposals

1 have any kind of long-term implications?

2 SECRETARY SWAILS: Mmm, I don't think so. I
3 think, again, you know, we need to make sure that it's
4 sustainable to make these transfers, and if not, we'll have
5 to adjust that.

6 REPRESENTATIVE KRUEGER: And do you believe that
7 these special funds are restricted for environmental
8 purposes only?

9 SECRETARY SWAILS: Yes.

10 REPRESENTATIVE KRUEGER: Okay.

11 I just want to raise the same concern that I have
12 to the other departments as well. I think we're looking at
13 a slippery slope here. If we start making these fund
14 transfers now, I'm not sure what happens in future
15 Administrations, and I do have some real concerns about our
16 ability to meet our constitutional requirements to protect
17 clean air and clean water for all future generations. So I
18 will note that for you as well.

19 Thank you for your answers.

20 SECRETARY SWAILS: Understood. Thank you.

21 REPRESENTATIVE DUNBAR: Next will be
22 Representative Delozier.

23 REPRESENTATIVE DELOZIER: Thank you,
24 Mr. Chairman.

25 Thank you, Secretary, for being here.

1 My questions also, and I'm going from my
2 commissioners within Cumberland County, and if I can just
3 read a little bit with the voting machines as we were
4 talking about it. And I know you had answered a number of
5 questions on that, so I checked them off of my list.

6 But to quote them, it says that they are deeply
7 concerned about the timeframe for implementation of the
8 mandate. While Cumberland County has not experienced any
9 security lapse or any major issues within our current
10 voting system, we believe that once the new systems are
11 procured by the counties, they should be given sufficient
12 time to train election staff workers and educate voters on
13 the intricacies of a new voting system.

14 And what they had proposed, and I wanted to ask
15 if this had been considered, I do want to see the breakdown
16 as to how much it will cost each county, because it's very
17 different. Obviously we mentioned Philadelphia costing,
18 you know, 50 million versus Cumberland and all of the rest
19 of them. But the ability for us to say, have we given
20 consideration -- we're asking the counties to put up front
21 the cost. They don't have that in their budget. But we're
22 saying we're going to pay them back over 5 years at only
23 half of the cost.

24 Has any consideration been given to allowing the
25 counties the 5 years that we are repaying them half of the

1 cost to implement this process and give them the time to
2 get the appropriate machines as well as train the staff?

3 SECRETARY SWAILS: You know, I don't think that
4 -- I think the date for implementation was already
5 mentioned. I'm not sure about what conversations had
6 occurred prior to now on what that timeframe means, but I'm
7 happy to loop back with the Department of State on that.

8 REPRESENTATIVE DELOZIER: Okay. Because the
9 2020, as has been mentioned, it's a big year, and then
10 we're going to have a lot more turnout. And I know the
11 people that volunteer at our polls are a little terrified
12 as to the fact of doing that with brand-new machines.

13 And especially, as had been mentioned before,
14 some of them only need technical updates. They don't
15 really need new machines, because they do have now, in
16 Cumberland, we don't have paper, but the ability for some
17 that do, that's an issue, and they don't want to spend the
18 money if they don't have to, which I think is only fair for
19 our counties to consider.

20 So the breakdown and everything, I would
21 appreciate that, because my county itself doesn't know
22 exactly necessarily what to budget, and I think that that's
23 a challenge.

24 To move on to a different issue. We have tax
25 credits, and we had asked DCED and didn't really get too

1 much of a complete answer as to the fact of, you know, I
2 support tax credits to bring in new business. If it's a
3 one-for-one to create jobs, if it's the ability to bring in
4 dollars to Pennsylvania, I think that it's a very good tool
5 for DCED to use and the State and the Governor to entice
6 businesses to come in. But when we get reports out with
7 the IFO and others where it's 13 cents on the dollar, what
8 considerations have been given necessarily to revamping the
9 ones that we do have that don't work?

10 SECRETARY SWAILS: Yeah.

11 I think, you know, as part of the
12 performance-based budget hearings that were had on what
13 you're speaking about, I think there were some concerns
14 that they didn't really take in the fact of what economic
15 impact those credits have, specifically related to the
16 film tax credit and the economic growth and the businesses
17 being used while those individuals are in town and how that
18 grows their tourism and things like that. So I think we
19 felt like they needed to go back and provide the IFO with
20 some additional information to see if that changed that
21 13-cents-on-the-dollar ratio before we made any more
22 decisions.

23 REPRESENTATIVE DELOZIER: So you're thinking that
24 they didn't take all those things into consideration, that
25 it would be more than that?

1 SECRETARY SWAILS: Yes.

2 REPRESENTATIVE DELOZIER: Okay.

3 Has there been any other studies? I know that we
4 talked about the IFO and different backgrounds of ones that
5 have come in and taken a look at it. Has there been other
6 studies necessarily in past years that you're basing that
7 off of, or what's giving you the idea that they didn't
8 consider that?

9 SECRETARY SWAILS: So during the hearing, it was
10 discussed that they did not consider it, so.

11 REPRESENTATIVE DELOZIER: Okay. They didn't have
12 those issues.

13 SECRETARY SWAILS: Right.

14 REPRESENTATIVE DELOZIER: Okay.

15 SECRETARY SWAILS: That was part of a testimony
16 from DCED---

17 REPRESENTATIVE DELOZIER: Okay.

18 SECRETARY SWAILS: ---that did they consider
19 these things, and they said that they did not. So we're
20 looking really to see if they can broaden their scope and
21 what that does look like.

22 REPRESENTATIVE DELOZIER: Okay. Because the
23 ability, like I said, if we can bring in businesses and job
24 training, we have talked about the ability of making our
25 workforce -- anything that we can grow the economy,

1 obviously I think that's, everybody in this room can agree
2 that that's a goal that we want. But when we have some
3 that are maybe using dollars that we could use for another
4 purpose---

5 SECRETARY SWAILS: Sure.

6 REPRESENTATIVE DELOZIER: ---to bring in more, or
7 as to train our workforce that we have here, as we were
8 talking about keeping them here.

9 So I thank you very much.

10 Thank you, Mr. Chairman.

11 REPRESENTATIVE DUNBAR: Thank you,
12 Representative.

13 Next will be Representative Sanchez.

14 REPRESENTATIVE SANCHEZ: Thank you, Mr. Chairman.

15 Thank you, Madam Secretary, for being here today.
16 Back this way in the corner.

17 SECRETARY SWAILS: Thank you.

18 REPRESENTATIVE SANCHEZ: Madam Secretary, as you
19 know, and we had the opportunity to discuss this with the
20 Pennsylvania State Police a couple weeks ago. As you know,
21 Pennsylvania operates its own background check system for
22 firearm sales. It's one of 13 States that does this.
23 Another seven have their own system for some transactions,
24 but rely on the Federal system for others.

25 The Pennsylvania Instant Check System, also known

1 as PICS, runs each background check through the national
2 database, NICS, but also reviews other systems for a more
3 complete background check.

4 Pennsylvania's Instant Check System has been
5 called a model in record reporting, and I would
6 editorialize when we use it, and personally I would like to
7 see that expanded to all firearm sales within the
8 Commonwealth.

9 PICS has submitted 875,000 mental health records
10 to the national system to date and conducts more than
11 1 million background checks per year. In 2018 alone, PICS
12 resulted in more than 11,000 denials, 557 arrests, and
13 162 fugitives apprehended. How does ensuring adequate
14 funding for the PICS system fit into the Administration's
15 broader efforts to combat gun violence in the Commonwealth?

16 SECRETARY SWAILS: You know, obviously I think
17 it's important to make sure that we have adequate resources
18 for background checks. I think we do fully fund that in
19 this budget.

20 REPRESENTATIVE SANCHEZ: And would the
21 Administration -- as you probably already know, PICS is
22 supported by a fee revenue, which is a maximum of \$5 per
23 transaction, \$2 for the background check and then a
24 \$3 surcharge on taxable firearm sales. They haven't been
25 changed, that rate hasn't been changed for more than

1 20 years since the system was implemented. And a 2015
2 Legislative Budget and Finance Committee report recommended
3 raising that combined fee and surcharge from \$5 to \$11 to
4 adequately support the program. Would the Administration
5 favor that type of move?

6 SECRETARY SWAILS: Yeah. I'm not familiar with
7 that report but happy to look into it further. I know
8 several years back we changed the fees for child abuse
9 clearance and State Police checks related to those jobs
10 that needed, outside of gun checks, but for clearances for
11 jobs, and we really took a look at what it costs the
12 Commonwealth so that we were getting reimbursed on that
13 rate. So I'm happy to look into that.

14 REPRESENTATIVE SANCHEZ: Thank you very much.

15 SECRETARY SWAILS: Mm-hmm.

16 REPRESENTATIVE SANCHEZ: Thank you, Mr. Chairman.
17 That's all I have.

18 MAJORITY CHAIRMAN SAYLOR: Representative
19 Struzzi.

20 REPRESENTATIVE STRUZZI: Thank you, Mr. Chairman.

21 Good morning, Secretary Swails.

22 I would like to go back to the issue that
23 Representative Krueger brought up related to the special
24 funds and the transfer of those funds, you know, out of
25 their operational costs from the General Fund.

1 It really concerns me and it concerns many of our
2 agencies. Back in the county that I represent, I think
3 there's a fundamental mistrust that this creates related to
4 government. And I guess I'm curious, I was going to ask
5 about your rationale, and I appreciate you answering that
6 earlier, but my question is why this is okay to do now when
7 previously it was suggested that we move these funds
8 instead of taking on debt during a budget impasse in '16
9 and '17. The House Republicans suggested that, and the
10 Administration said that this would be devastating for the
11 Commonwealth. So my question is, why is it okay to do this
12 now when it wasn't just 2 years ago?

13 SECRETARY SWAILS: So I think it's slightly
14 different than 2 years ago. We're looking at, as I
15 understand it, you know, balances that were shown to date,
16 and they were really already targeted for expenditures, and
17 those transfers would fully decimate those funds. And just
18 to put them into the General Fund, this transfer, this use
19 of the special fund, is really restricted to the
20 environmental programs that is for an environmental fund.

21 And again, you know, we look at options available
22 to us to balance a budget, and this was what we looked at
23 and felt like it was appropriate given that they were
24 environmental funds for environmental services.

25 REPRESENTATIVE STRUZZI: And do you have concerns

1 that long term, this could be detrimental to those funds?

2 SECRETARY SWAILS: I mean, we are committed not
3 to continue if it is detrimental. So if it's a 1-year
4 solution, then we'll have to consider that next year.

5 REPRESENTATIVE STRUZZI: Okay.

6 Well, I just want to reiterate that there are
7 agencies out there that rely on these funds that are very
8 concerned. And I mentioned this during the DCNR hearing,
9 and I think it's fundamental that we communicate these
10 types of things in advance so people aren't panicking and,
11 you know, sending us letters, knocking on our doors,
12 expressing these concerns. Because again, it gets to
13 transparency and fairness, and I think we owe it to the
14 taxpayers to be transparent when we are proposing these
15 types of shifts. So thank you.

16 SECRETARY SWAILS: Thank you.

17 MAJORITY CHAIRMAN SAYLOR: Representative Kim.

18 REPRESENTATIVE KIM: Hi, Madam Secretary.

19 I wanted to maybe add a clarifying question.
20 There was a question posed earlier on the minimum wage, and
21 I think, you know, there might be some confusion that, you
22 know, if we raise the minimum wage to \$15 an hour, people
23 will still be getting the benefits.

24 But I know that you have worked with DHS that
25 people who receive benefits but get paid more, are making

1 more money, the benefits are not the same. For example,
2 they probably have to pay more out of pocket, so there
3 still is a State savings, right?

4 SECRETARY SWAILS: Right. That is true, the
5 benefits are not the same, and as they increase their wage,
6 they would lose some of those benefits, as we discussed,
7 TANF or food stamps or receive less of that benefit.

8 Related to child care, they would not lose that
9 benefit but really just contribute more to their copays.

10 REPRESENTATIVE KIM: So there's a sliding scale?

11 SECRETARY SWAILS: Correct.

12 REPRESENTATIVE KIM: And so, again, how much
13 would the State be saving if we raised the minimum wage to
14 \$12 and then potentially to 15?

15 SECRETARY SWAILS: In the budget, we anticipate
16 the savings to the Department of Human Services to be
17 \$36 million in the first year, and that would grow to
18 119 million. That's net after we do provide increases to
19 child-care rates where we are paying under \$12, or
20 direct-care workers where we are paying under \$12, and it
21 would result in an estimate of 120 million in revenue
22 between the PIT and sales tax.

23 REPRESENTATIVE KIM: Okay. So the Governor's
24 budget assumes a higher minimum wage, a proposed municipal
25 fee for State Police coverage. So all of this is pretty

1 much baked into the budget.

2 SECRETARY SWAILS: Yes.

3 REPRESENTATIVE KIM: If the Legislature does not
4 approve this, obviously we have a problem, right?

5 SECRETARY SWAILS: We do. Yeah. We would have
6 to come up with some reductions or additional revenue
7 sources.

8 REPRESENTATIVE KIM: Okay.

9 All right. Thank you very much, Secretary.

10 MAJORITY CHAIRMAN SAYLOR: Representative Gabler.

11 REPRESENTATIVE GABLER: Thank you, Mr. Chairman.

12 And thank you, Madam Secretary. I appreciate the
13 opportunity to spend a little time with you this morning.

14 I wanted to talk a little bit about general
15 obligation debt. I had a little bit of a conversation with
16 some of the other Executive branch officials.

17 As you know, general obligation debt, we have a
18 very specific process that we follow in the Commonwealth
19 regarding how we issue that debt and how we manage that
20 debt, and the Executive branch officials that are elected
21 -- the State Treasurer, Auditor General, Attorney General,
22 and the Governor -- all have a role in that process.

23 Specifically I would like to raise a concern
24 about the general obligation debt that was issued in the
25 first series of bond issuances in 2018 and the decision to

1 utilize capitalized interest in that issuance.

2 In those bonds, \$41 million in interest was added
3 to the principal in order to defer debt payments until late
4 in the 2019-2020 fiscal year. In other words, we
5 essentially took out loans last year to defer paying the
6 debt service, and the result is that we won't even begin
7 making payments until next year, which kicks the can down
8 the road to future taxpayers -- our kids and our grandkids.

9 So I asked the State Treasurer and the Attorney
10 General to comment about this in their role as issuing
11 officials, and they both deferred to the Administration
12 regarding this decision, although the State Treasurer said
13 that he would support a proposal to prohibit capitalized
14 interest in general obligation bonds.

15 So I wanted to ask if you could comment on the
16 Administration's role on the issuance of general obligation
17 bonds, and I wanted to ask if you would agree that the
18 ultimate responsibility for the management of these
19 issuances rests with the Governor?

20 SECRETARY SWAILS: Yeah.

21 So on the capitalized interest question, I mean,
22 national recognized bond counsel gave an opinion that
23 proceeds could be used to pay interest costs in the '18-19
24 fiscal year, so that was in fact a payment of interest and
25 not capitalization of interest and really allowed us to,

1 rather than increase the Commonwealth's debt, and that was
2 41 million, as you mentioned.

3 So, you know, obviously as you mentioned, the
4 Governor and the Treasurer and the Attorney General all
5 have a role in this process.

6 REPRESENTATIVE GABLER: So in light of the
7 passage of Act 45 of 2017, it was my understanding, as well
8 as the understanding of the prime sponsor of that
9 legislation, that the legislative intent was, among other
10 things, that it would repeal the authority under which
11 capitalized interest could be issued.

12 So do you believe that it is a responsible
13 financial practice to pay a premium on borrowed money going
14 forward in order to avoid paying the bills until some point
15 in the future? And then furthermore, would you be able to
16 give assurances on behalf of the Administration that future
17 decisions will be made with an eye towards this
18 understanding?

19 SECRETARY SWAILS: You know, I will admit that
20 bond debt and issuance is not my area of expertise, so I am
21 learning through the process. So I would hate to give an
22 opinion on something that I don't have a lot of knowledge
23 on.

24 I think the decisions that were made previously
25 were done in the best interests of the Commonwealth at the

1 time, and I think that would be our position moving
2 forward.

3 REPRESENTATIVE GABLER: So I would urge you to
4 have a look at the practices under which we manage the
5 debt, and I know there's a lot of complication. I'm trying
6 to read through it myself. Certainly piecing through the
7 counsel opinions and so on and so forth is a bit thick.

8 And personally, I'm not an attorney, but it did
9 sort of seem to me that in light of Act 45 -- or excuse me
10 -- yeah, Act 45, and the specific repeal of language that
11 allowed for capitalized interest previously, it seemed to
12 me that the bond counsel was going through a little bit of
13 creative interpretation in order to find authority to allow
14 for that.

15 But that being said, I also wanted to turn a
16 little bit to the topic of House Bill 83 from last session,
17 and this bill would have required bond repayments to be
18 structured in such a way to prohibit the backloading of the
19 repayment of principal at the end of the life of the bond.
20 And that bill contained an exception in cases of refunding
21 bond issuance so that the Administration would be able to
22 continue to freely manage existing debt.

23 And so my question is, why would the Governor
24 veto this effort that would protect future generations from
25 ballooning debt and would the Administration be willing to

1 look at such a proposal again, because I think that it's
2 important, understanding that we have to manage the debt
3 that's already there. But looking at debt issuances going
4 forward, the idea of backloading that principal so that our
5 kids and grandkids shoulder more of the load as opposed to
6 the current taxpayers that are benefiting from the spending
7 seems to be a little bit misaligned, and I would like to
8 invite you to comment on that.

9 SECRETARY SWAILS: So the Governor vetoed due to
10 the limiting of the Budget Office's ability to efficiently
11 structure refunding bonds or optimal savings, and debt
12 service is higher than budgeted earlier in the bond's life.

13 So, you know, I think there are portions of this
14 bill that we could agree on. I think there is just further
15 discussion that needs to be had so that we can come to an
16 agreement.

17 REPRESENTATIVE GABLER: And I appreciate your
18 willingness there.

19 I did read with interest the Governor's veto
20 message, and I thought it was a little bit too broad
21 strokes, because I believe that the intent of the
22 legislation was pretty straightforward, the idea that we
23 don't forestall the payment of interest to some point in
24 the future where we have paid a bunch of interest before we
25 get to the payment of that principal.

1 So I would really look forward to the opportunity
2 of working with the Administration to try to put some
3 guiderails around this in the future. So I appreciate the
4 time.

5 Thank you, Madam Secretary.

6 SECRETARY SWAILS: Thank you.

7 MAJORITY CHAIRMAN SAYLOR: Representative
8 Rothman.

9 REPRESENTATIVE ROTHMAN: Thank you, Secretary,
10 for being here. Just a couple of questions.

11 Earlier this year, the Independent Fiscal Office
12 released a performance review of the Job Creation Tax
13 Credit, and it had two scenarios. Surprisingly, one in the
14 low scenario -- or I'm sorry -- in the high scenario
15 assumed that only 10 percent of the jobs created were
16 actually incentivized, and the low scenario said that
17 almost none of them; they would've occurred anyway.

18 Has the Wolf Administration done anything to
19 analyze whether these job tax credits are actually working,
20 and if they don't produce a 100-percent return, is there
21 any justification for continuing them?

22 SECRETARY SWAILS: Yeah.

23 I think, you know, how we spend our dollars
24 versus, you know, whether it's expenditures or through tax
25 credits always needs to be reviewed.

1 And, you know, as I said before, when we had the
2 performance-based budget hearings, there were some opinions
3 given by IFO, and I think the departments had some
4 questions about their analysis and that I think we need to
5 continue those conversations, yes.

6 REPRESENTATIVE ROTHMAN: Great.

7 And another question.

8 It was mentioned, you know, we have the
9 Lieutenant Governor's budget presentation, and the previous
10 Lieutenant Governor had some issues with State Police
11 protection. Are you aware, is the State Police providing
12 protective services to the Lieutenant Governor and his
13 family, and is that included in the Lieutenant Governor's
14 budget or the State Police budget?

15 SECRETARY SWAILS: I'm not aware.

16 REPRESENTATIVE ROTHMAN: Can you find that out
17 for me?

18 SECRETARY SWAILS: Sure.

19 REPRESENTATIVE ROTHMAN: Thank you.

20 And then finally, just a comment.

21 We were talking about, or one of my colleagues
22 had mentioned that we're budgeting and operating within the
23 margins, and I just, in my humble opinion, we as the State
24 have an obligation to take only as much from the taxpayer
25 as necessary, and the idea that we're going to take more

1 from the taxpayer than is needed, I don't support that and
2 I think that we should, as fiscal stewards of the
3 taxpayers' money, we should be careful how we're taking
4 their money and how much money we have.

5 But I thank you for being here today.

6 SECRETARY SWAILS: Thank you.

7 MAJORITY CHAIRMAN SAYLOR: Representative
8 Jason Ortitay.

9 REPRESENTATIVE ORTITAY: Thank you, Mr. Chairman.

10 Good morning, Secretary. Right in front. Sorry.

11 I want to talk about PHEAA. A couple weeks ago
12 they were in, and I asked Mr. Steeley a couple of times
13 about the \$58 million assumed in the Governor's budget from
14 their operations, and he said that right now, they probably
15 weren't going to be able to give any of the \$58 million.
16 So I was wondering if they had told you that? If you had a
17 conversation with them?

18 SECRETARY SWAILS: We did have a conversation,
19 and that was not the conversation we had.

20 When we had a conversation, you know, I don't
21 think they were overly joyed about that, but from my
22 perspective, they had agreed to it. We had reduced the
23 amount that we would use from their reserves significantly,
24 down to 58 million. There was a plan moving forward that
25 we reduce that again. We had a long discussion about their

1 concerns about not being able to make that ongoing, and I
2 said, you know, that I'm happy to discuss that moving
3 forward.

4 I think, you know, when they testified, they
5 testified that they had about 350 or 400 million in
6 reserves, so from my perspective, they do have the dollars
7 available to make that transfer for this use for this year.
8 And, you know, I realize that's a board decision as well,
9 but we did have a conversation prior to the budget being---

10 REPRESENTATIVE ORTITAY: Okay. I pushed him
11 really hard on that to get me an answer. And, I mean, he
12 kept telling me that he couldn't give me an answer now,
13 that he still thought it would be zero.

14 And I asked him about the reserves, too, and he
15 said that they were federally mandated to have a certain
16 percentage in reserves. I asked him how much that was. I
17 don't think he really gave me an answer on that either.

18 I was just looking for clarification on that from
19 you, but as long as you guys are in communication, I mean,
20 \$58 million is a big deal for this grant fund.

21 SECRETARY SWAILS: Yeah.

22 REPRESENTATIVE ORTITAY: I mean, if that
23 58 million is not available, is there a contingency plan in
24 place to provide that funding or just revert to whatever is
25 in the budget without any of the supplemental?

1 SECRETARY SWAILS: You know, I think in any
2 instance where there is revenue that we assume and that
3 isn't going to be there, we're going to have to adjust.
4 But I think the conversation needs to continue with PHEAA
5 and really determine what they are able to transfer for
6 this program.

7 REPRESENTATIVE ORTITAY: Okay. If you hear
8 something before I do, please let me know and let the
9 Committee know, and I will certainly do the same. I think
10 I'm going to reach out to him again next month to see if
11 they have changed their mind.

12 Thank you, Mr. Chairman.

13 SECRETARY SWAILS: Thank you.

14 REPRESENTATIVE ORTITAY: Thank you.

15 MAJORITY CHAIRMAN SAYLOR: We'll move to the
16 second round, and we have Representative Lawrence.

17 REPRESENTATIVE LAWRENCE: Thank you,
18 Mr. Chairman.

19 And, Madam Secretary, I just wanted to follow up
20 with regard to Secretary Greiner's questions on the new
21 voting machines.

22 So I, for one, want to commend the Administration
23 for the initiative of moving towards paper ballots. I feel
24 like there, you know, there can just be no question when
25 there is a paper trail after the election is cast. There

1 can be no question. You can go back and have a recount if
2 you need to.

3 So I went over and looked over at the Farm Show
4 Complex when vendors were invited in to showcase their new
5 voting machines, and there are a number of different
6 machines that were there, a number of different systems
7 that have different paper ballots systems.

8 I noticed that one of the voting machines that
9 was on display is almost exactly what we already have in
10 Chester County. It's from the same vendor. The system we
11 have in Chester County is paper ballots, and the system
12 works very well. All of the ballots are put into a machine
13 as you walk out of the polling place.

14 So I guess my question would be that since
15 Chester County has already made the investment to go with
16 paper ballots, and I realize there are many counties in the
17 Commonwealth that went in a different direction, is there
18 any thought with the Administration that if you have
19 already gone down the road of paper ballots, that you
20 wouldn't have to upgrade to a machine that is substantially
21 the same as the one you already have?

22 SECRETARY SWAILS: Yeah.

23 You know, as discussed before, I think I'm just
24 going to have to touch base with the Secretary of State and
25 discuss those details with her and what her plan is.

1 REPRESENTATIVE LAWRENCE: So maybe could you get
2 an answer to the Chair with regard to, if counties have
3 already made the investment to move to paper ballots and
4 the machines are in good order, why they would have to
5 purchase brand-new machines that accomplish the same thing
6 that they're already doing, why they would have to expend
7 that money.

8 Because frankly, the second thing I would like to
9 mention is that as we are considering, certainly there will
10 be a large quantity of voting machines being purchased
11 across the Commonwealth. There are several different
12 systems. One of the systems that was on display over at
13 the Farm Show Complex has a touchscreen, and a paper ballot
14 is put into it, you make your selections, and then your
15 choices are printed out on that piece of paper, and then
16 you take the piece of paper out of the machine. That
17 system requires everyone who is voting to have their own
18 machine.

19 The system we use in Chester County is, you come
20 in, you sign the book, you get your piece of paper, you go
21 into a booth, you fill in the ovals, like you're taking the
22 SATs again back in high school, and then when you leave the
23 polling place, you put your ballot into the voting machine.
24 So you only need one or two voting machines for the whole
25 precinct. If you go with the system that has the

1 touchscreen, you might need 30, 40 machines for the
2 precinct. You see what I'm saying? It would cost a
3 tremendous amount of money more to go with the one system
4 versus the second system.

5 So I would also appreciate if you could get a
6 response to the Chair of the Committee here if there has
7 been any thought in the Administration of why we would want
8 to go with one system that would require 30 or 40 voting
9 machines at a precinct to let 30 or 40 people vote at the
10 same time, or we could go with a system that produces a
11 paper ballot and allows as many people who would want to
12 vote at a precinct at the same time but only requires the
13 purchase of one machine. It would be a lot more fiscally
14 responsible that way. Could you get a response to the
15 Chair with regard to that?

16 SECRETARY SWAILS: Sure.

17 REPRESENTATIVE LAWRENCE: Thank you very much.

18 Thank you, Mr. Chairman.

19 MAJORITY CHAIRMAN SAYLOR: Representative Grove.

20 REPRESENTATIVE GROVE: Thank you, Mr. Chairman.

21 PDE has an augmentation, one listed for '18-19,
22 one listed for '19-20. It looks like it's a staff
23 augmentation from PlanCon. Is that bonding proceeds going
24 over there, and was there an official approval to do the
25 '18-19 augmentation of about 1.5 million?

1 SECRETARY SWAILS: I'd have to get back to you on
2 that one. Sorry.

3 REPRESENTATIVE GROVE: Thank you.

4 IFO had, and there's a little cheat sheet I went
5 over with them. They basically said, go ask DHS. I had
6 other questions for DHS. So since you're such an expert in
7 DHS budgeting---

8 SECRETARY SWAILS: Mm-hmm.

9 REPRESENTATIVE GROVE: ---you get the questions.

10 The pharmacy rebates they have at 58. That's an
11 increase in pharmacy rebates?

12 SECRETARY SWAILS: Yes.

13 REPRESENTATIVE GROVE: Okay. Is there any other
14 pharmacy-related changes within this budget that the
15 Administration is proposing at all?

16 SECRETARY SWAILS: No.

17 REPRESENTATIVE GROVE: Okay.

18 The one-time, they have listed here, DHS one-time
19 administrative changes timing. Is that a delayed payment?

20 SECRETARY SWAILS: Yes.

21 REPRESENTATIVE GROVE: Okay. And I assume
22 capitation of some sort?

23 SECRETARY SWAILS: Right. Do you want me to tell
24 you more about that?

25 REPRESENTATIVE GROVE: Yeah.

1 SECRETARY SWAILS: So we currently have four
2 different payment structures, payment arrangements between
3 physical health and behavioral health, and this would
4 really, this payment alignment would allow us to treat all
5 physical health and behavioral health plans the same.

6 REPRESENTATIVE GROVE: Okay. So some of them we
7 delayed in previous budgets, so we're just equalizing
8 everyone.

9 SECRETARY SWAILS: Getting everyone else up, yes.

10 REPRESENTATIVE GROVE: Does that have---

11 SECRETARY SWAILS: Just for physical health and
12 behavioral health.

13 REPRESENTATIVE GROVE: Okay. Does that have --
14 well, what kind of impact does that have on the MCOs? Is
15 it just---

16 SECRETARY SWAILS: They have enough reserves to
17 absorb that, and it would just be, you know, a one-time
18 adjustment, and then moving forward, it would remain the
19 same.

20 REPRESENTATIVE GROVE: Okay.

21 And the last one is DHS new assessment revenues.
22 Is that an increase in assessments, or what does that
23 entail?

24 SECRETARY SWAILS: Yeah. So it's a little of
25 both. There's an increase in the MCO assessment as well as

1 some new assessments.

2 We have proposed again the ambulatory surgical
3 assessment with some changes in the approach for the
4 Department to hopefully make it a little more palatable for
5 the ambulatory surgical centers. As well as there is an
6 intergovernmental transfer option for those ambulances that
7 are owned by municipalities, to work with them to get a few
8 more dollars to the ambulance associations as well.

9 REPRESENTATIVE GROVE: Okay. And that does it.
10 Thank you.

11 SECRETARY SWAILS: Okay. Thank you.

12 MAJORITY CHAIRMAN SAYLOR: Representative
13 Bradford.

14 MINORITY CHAIRMAN BRADFORD: Thank you, Chairman
15 Saylor.

16 Thank you, Secretary. I think you have done a
17 great job.

18 I just want to kind of wrap up on the minimum
19 wage, if I could, real quick. And I know the majority
20 party has done a good job kind of giving a review of
21 minimum wage and its impact from kind of a 360-degree
22 perspective.

23 And I'm not always going to say I agree, but I
24 think there are a couple of different buckets from which
25 they have taken it. I know at one point there was kind of

1 the commonsense perspective, which no one really makes
2 7.25 an hour so why increase it, which is a little
3 anecdotal. And I don't mean to overstate the case, but
4 basically it's not really an issue, so we don't have to do
5 it.

6 Conversely, there was kind of the economic-based
7 argument, which is based on some economics reports that say
8 if we do it, it turns out 30,000 people must make it,
9 because they're going to lose their job.

10 And then there was also kind of the sympathetic
11 approach largely towards those who are minimum-wage
12 earners. And there was, I don't want to say crocodile
13 tears, but there was some concern that low-wage earners
14 would see a benefit cliff and they would lose benefits.

15 Now, editorially speaking, there are a lot of
16 these same folks, ironically, who say these folks need to
17 get back to work and get off these very benefits, that
18 we're worried about them slipping past the cliff. So I
19 think that argument is specious.

20 I think we should also recognize that some have
21 the sympathetic view towards employers, and we are all
22 respectful of small business. I grew up in a family of a
23 small business, but we're worried about the impact on our
24 job creators and the impact that 7.25 would have. But then
25 we talk about how, frankly, historically, every time I have

1 heard these types of arguments of an increase in the
2 minimum wage, I have also heard that about every
3 environmental protection, every employer-provided health
4 care, when we did MA expansion in Pennsylvania. Frankly,
5 historically, these arguments were made about child labor
6 laws about 30 years ago. They were made about family and
7 medical leave. And frankly, they were even made about the
8 40-hour work week, that all of these things would end the
9 capitalist system that we all love, enjoy, and benefit
10 from.

11 But those who make that argument for that
12 capitalist system want to socialize how we subsidize
13 businesses to provide a 7.25-an-hour payment to workers.
14 Whether it's the SNAP program, LIHEAP, TANF, or Medical
15 Assistance, on a sliding scale, a family of three continues
16 to get those benefits even under a \$12-an-hour minimum
17 wage.

18 I believe if you truly embrace a capitalist
19 system, that you should have serious concerns about any
20 workforce or, frankly, an employer who feels it appropriate
21 to rely on public benefits and public assistance so that
22 its employers can make the very subsistence ability to pay
23 for food, energy, child care, and health care for its
24 families.

25 It strikes me that it is wildly inappropriate for

1 any employer to socialize or frankly to expect every one
2 of us to subsidize minimum-wage employees' benefits. An
3 employer has an obligation to make those, to pay an
4 appropriate wage, and as a Legislature, we have an
5 obligation to have a minimum wage that reflects economic
6 reality here in Pennsylvania.

7 But I would also say there's a moral dimension.
8 We have talked about the economics, but the simple reality
9 is, \$253 a week is about what a minimum-wage employee in
10 Pennsylvania would make at 7.25 an hour working 35 hours a
11 week. It is simply immoral and unconscionable that we
12 allow that to persist here in Pennsylvania.

13 So if we're going to talk about the need for work
14 requirements, let's make work pay. Let's pay a living wage
15 in Pennsylvania. There needs to be dignity for the work of
16 every one of our Pennsylvania citizens who go to work every
17 day and do what we all say we want them to do, which is
18 provide for themselves. No more should we rationalize a
19 predestined conclusion that there are those who simply
20 don't want to increase the minimum wage. The time to pass
21 the minimum wage has long passed.

22 Now, off that soapbox and onto another.

23 Environmental special funds is an issue that
24 while I agree very strongly on the minimum wage with the
25 Administration, I share some of the concerns that

1 Representative Krueger and others have explained.

2 Again, it is larger than just the environmental
3 special funds, but some of these transfers are very
4 problematic. We realize there are structural challenges in
5 this budget and there have been those challenges for many
6 budgets in the past, and the Administration deserves
7 yeoman's credit for doing a great job of moving it in the
8 right direction. But these transfers year after year, and
9 I realize you feel that they are sustainable for 1 year,
10 but long term, they're very problematic, and those concerns
11 go to the structural concerns that we continue to have.

12 I know Representative Schweyer and others have
13 mentioned that recession, that unfortunately will come one
14 day and we need to be prepared for it, and the use of
15 one-time funds continues to be problematic for many of us
16 who may be on the progressive side but consider us
17 conservative when it comes to balancing budgets.

18 I also on that, and I just wanted to respond
19 quickly, and I know some of our Members have talked about
20 putting off costs, and especially in the majority party,
21 about the Farm Show and capitalized interest and such.
22 Again, I don't want to belabor the point, because I think
23 we made this point earlier, the Administration and your
24 office and your predecessor obviously had to manage in
25 extraordinary circumstances where this Legislature

1 obviously passed a general appropriations bill but never
2 passed a spending bill sufficient to pay that bill.

3 So when I hear about capitalized interest and
4 questions about the Farm Show and our ability to prepay, I
5 go back to simply pointing out that I have concerns about
6 tobacco monetization and other such extraordinary
7 circumstances that were required by the Administration to
8 deal with the Legislature that didn't deal with the very
9 fiscal realities we face.

10 So again, I'm concerned about this. I'm
11 concerned about PlanCon and the borrowing that goes into
12 that. And I think there's a conversation that needs to
13 happen. It may not happen between now and June 30th, but it
14 needs to happen over the next couple of years, and it's a
15 serious conversation about how we balance budgets in
16 Pennsylvania.

17 But I think we need to be mindful that there are
18 some very real first steps that have been taken by this
19 Administration to put us in much sounder fiscal footing. I
20 think we can do much more by passing a minimum-wage
21 increase. I think we can do far more by being careful
22 about some of these special fund transfers.

23 I want to congratulate you and thank you on a
24 great budget hearing. Thank you, Secretary.

25 Thank you, Chairman.

1 MAJORITY CHAIRMAN SAYLOR: Madam Secretary, a
2 couple things I want to cover before I get into final
3 comments is, I talked yesterday with the DEP Secretary
4 about the flood funds. There's about \$12 million sitting
5 there, and I think tomorrow I'm with some of the people
6 from DEP at an area that has been flooded in my district.

7 I'm really concerned that we are not doing enough
8 in Pennsylvania to get these funds out there. We have been
9 sitting on these funds now since 2010, and I would just ask
10 you to do whatever you can as Budget Secretary to move
11 those funds as quickly as possible.

12 I don't believe my area will qualify for those
13 due to the nature of the flooding in my area. But they are
14 in the Wilkes-Barre/Scranton area; I think the
15 Tioga/Bradford and some of those areas of the State. There
16 are some great projects. I really would like to get those
17 things done. It's such a huge impact on families that,
18 again, I would encourage the Administration to move those
19 funds quickly and get those things done.

20 Last, I want to follow up, not last, but I want
21 to follow up on the voting machines, because I think that's
22 something else that the county commissioners, I'm getting
23 letters from.

24 Some, I think there are 17 or 18 counties,
25 already have the voting machines that we're talking about

1 except for they need a software update. And I think the
2 Department of State has said to them, well, we think you
3 ought to get new voting machines. Really what we need is
4 to make sure that they have the updated technology to make
5 those machines work. Because again, they're a little bit
6 outdated in the technology, but they're the same machines
7 we're buying, and I don't think we should make county
8 taxpayers and the counties or the State pay for something
9 that we can get a lot cheaper by updating the software in
10 those 18 counties.

11 And as well as, I think it's important how we
12 decide to pay for these. I'm going to be honest with you,
13 there are municipalities across this State and counties
14 that have 50 voters in a precinct. I don't want to be
15 subsidizing counties via the number of precincts. I think
16 we need to subsidize them based upon the number of voters
17 in those counties and then make sure that it's fair to all.

18 And we have to have a system that's fair to all
19 the county commissioners, both Democrats and Republicans in
20 each of their counties, because I know they have great
21 concerns about what this system is going to cost them. So
22 I think we need to take a serious look as to, one, the
23 voting machines. I think there are three different types
24 that are out there that are on display. It's kind of like
25 maybe, I don't know if I should use this analogy, but maybe

1 a Toyota, a high-priced Ford Chevy, and a Lexus or
2 Cadillac, whatever.

3 And I got to be honest with you. As a taxpayer,
4 I'm not interested in paying for any of the models but the
5 lower model, which is just as good. It just doesn't have
6 all the flashing lights and gimmicks that some of the
7 others have. Because you know and I know, with the change
8 in technology, we're going to be back here at least within
9 10 years, if not sooner, for more information and new
10 voting machines as well. This technology is changing so
11 rapidly.

12 So I'm interested in making sure we get the
13 biggest bang for our buck as we move into this changing of
14 voting machines and if you would pay close attention to how
15 we move forward in those areas.

16 The last two things I want to touch on is really,
17 again, and it bothers me tremendously, the Bloomberg issue.

18 When we allow private entities to put employees
19 inside our own State agencies, and look, let's be honest
20 here. If this was the Koch Brothers, oh, my God, there
21 would be press conferences all across this State talking
22 about conspiracies and everything else.

23 Bloomberg's organizations have well-intentioned
24 motives in their foundations, but we also know that
25 Mr. Bloomberg is considering running for President. So it

1 kind of looks, if I'm one of the other Democratic
2 candidates, I might think that he's getting a political
3 foot up here.

4 So I just think that it's not good policy for us,
5 for anybody, to be inside. I'm glad to take his
6 \$10 million or whatever he wants to put in and invest, but
7 maybe it's better to take the \$10 million and get it out to
8 each of the counties to fight opioid addiction and this
9 crisis as the Governor has talked about, and I credit the
10 Governor for that, but rather than just putting personnel
11 in. I think the counties are looking for dollars. They're
12 looking for more money for Naloxone and other things that
13 they need rather than personnel here, sitting in
14 Harrisburg.

15 Last but not least, your former -- I shouldn't
16 say your former. The person you have succeeded as the
17 former Budget Secretary committed to this caucus and to the
18 General Assembly that he would find money, half of the
19 money to replace the supplementals that have been submitted
20 by the Administration, and I want to hold the
21 Administration to that promise that was made when that
22 budget was passed about 9 months ago.

23 So I'm asking you as Budget Secretary to find
24 that additional \$200 or \$300 million within the current
25 budget process, that we do not have to come up with all

1 \$400 million that has been asked for in supplementals. I
2 know that's a big task to ask you for because you were not
3 the one who made that commitment, but it was a commitment
4 from the Administration to this General Assembly to do so.
5 And that really also has a great impact on the budget we
6 may pass here, hopefully in May, or sooner if we can all
7 work everything out.

8 So just putting that on your radar as we move
9 forward. So I think that's critical if we want to fund
10 some of these programs formally, and particularly for those
11 who don't wish to transfer more funds out of the special
12 funds.

13 Madam Secretary, you know, you have heard today
14 the main concerns of the General Assembly Members on both
15 sides concerning lack of details in a lot of these programs
16 and initiatives that the Governor has proposed. And the
17 budget is long in aspirations. There are a lot of great
18 proposals in this budget. But really, this General
19 Assembly has had very few details on those, and I think
20 what's important for us to truly evaluate the Governor's
21 proposal is to have those details on those initiatives so
22 that we can take them seriously, that they're not just
23 talk, they're real serious.

24 So I'm asking you, you know, it has been 6 weeks
25 now since the budget was unveiled, for to get those to us

1 so that we can move to a timely budget. The longer we wait
2 to get those details, the less opportunity it is to get
3 this budget done on time. And I know we have had
4 discussions about getting it done early, and we'll see if
5 we can get there.

6 SECRETARY SWAILS: I'll find out.

7 MAJORITY CHAIRMAN SAYLOR: I know the Governor
8 and I think most of us in this General Assembly would like
9 to see that.

10 Again, sadly, you know, throughout these budget
11 hearings, and they have been good budget hearings,
12 seriously, but we have heard a lot of "I don't know" from
13 a lot of Secretaries of programs that have been proposed in
14 their budgets. We have had some conflicting statements
15 from different Budget Secretaries in their different areas
16 as to what is and what isn't happening.

17 So I believe that it is important that this
18 General Assembly on both sides of the aisle know truthfully
19 and honestly a very clear transparency of what these
20 proposals mean and that we're looking at the long-term
21 effects as well of these proposals. I don't want to be
22 coming back here next year and saying, oops, we didn't
23 think about this and what the impact it has on next year's
24 budget or the budgets in the future.

25 SECRETARY SWAILS: Mm-hmm.

1 MAJORITY CHAIRMAN SAYLOR: The Governor's budget
2 is a good starting point, and I give him credit for that,
3 and we have to now work together to craft the budget that
4 meets the Commonwealth's fiscal responsibilities that we
5 have to our taxpayers, and I look forward to working with
6 you to negotiate a budget that serves the needs of all
7 Pennsylvanians.

8 I also want to thank the Members of this
9 Committee. The Democrats have done an outstanding job, the
10 Republicans have done a great job in asking tough questions
11 and treating the Secretaries with great respect. I would
12 be remiss also not to thank the staff of both sides of the
13 aisle for the job they have done in educating the Members.

14 While we all do have some different philosophies
15 on how and where we should go, we have all, I think, worked
16 very hard, and I'm so proud of this. I served on this
17 Committee for 12 years prior to being Chairman, before I
18 became a Chairman, and now as Chairman of this Committee, I
19 don't think I have seen a finer Appropriations Committee
20 than what I have seen this year. And that's not no knock
21 on any of the previous Members of any of the committees,
22 but I thought the questions were very well thought out. I
23 thought the questions for both sides were very well done.
24 And so, again, I want to thank the Members of the Committee
25 on both sides of the aisle for a great job as we go forward

1 here.

2 And, Madam Secretary, I do; I congratulate you in
3 your new role. You don't have an easy job and it's a big
4 task, but I think we all look forward to working with you.

5 SECRETARY SWAILS: I look forward to working with
6 you as well. Thank you.

7 MAJORITY CHAIRMAN SAYLOR: Thank you.

8 With that, we will reconvene at 1 o'clock to hear
9 from the Department of Military and Veterans Affairs and
10 the Department of Aging.

11

12 (At 12:12 p.m., the budget hearing adjourned.)

1 I hereby certify that the foregoing proceedings
2 are a true and accurate transcription produced from audio
3 on the said proceedings and that this is a correct
4 transcript of the same.

5
6
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