

COMMONWEALTH OF PENNSYLVANIA

HOUSE OF REPRESENTATIVES

COMMERCE COMMITTEE HEARING

STATE CAPITOL
HARRISBURG, PA

RYAN OFFICE BUILDING
ROOM 205

TUESDAY, SEPTEMBER 22, 2020
1:03 P.M.

PRESENTATION ON IMPACTS OF COVID SHUTDOWN ON
HOMEOWNERS, INCLUDING UTILITIES

BEFORE:

HONORABLE SHERYL DELOZIER, MAJORITY CHAIRMAN
HONORABLE TIM BONNER
HONORABLE GEORGE DUNBAR (VIRTUAL)
HONORABLE VALERIE GAYDOS (VIRTUAL)
HONORABLE MIKE JONES (VIRTUAL)
HONORABLE BARRY JOZWIAK
HONORABLE JOHN GALLOWAY, MINORITY CHAIRMAN
HONORABLE JOE CIRESI
HONORABLE MIKE DRISCOLL
HONORABLE LIZ HANBIDGE (VIRTUAL)
HONORABLE BRANDON MARKOSEK (VIRTUAL)
HONORABLE JEANNE McNEILL (VIRTUAL)
HONORABLE CHRIS RABB (VIRTUAL)
HONORABLE MIKE ZABEL (VIRTUAL)

ALSO IN ATTENDANCE:

HONORABLE SUE HELM

COMMITTEE STAFF PRESENT:
JENNIFER WELTER
McLAIN FULTZ
BETH HORNE-BEACHY

* * * * *

*Pennsylvania House of Representatives
Commonwealth of Pennsylvania*

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

TESTIFIERS

* * *

<u>NAME</u>	<u>PAGE</u>
ROBIN L. WIESSMANN EXECUTIVE DIRECTOR AND CEO, PENNSYLVANIA HOUSING FINANCE AGENCY (PHFA).....	7
MARLYNN ORLANDO CEO, PENNSYLVANIA APARTMENT ASSOCIATION.....	22
TIMOTHY HENKEL PRINCIPAL AND SENIOR VICE-PRESIDENT, PENNROSE.....	27
RITA DALLAGO EXECUTIVE DIRECTOR, PENNSYLVANIA RESIDENTIAL OWNERS ASSOCIATION.....	34
ANDY HAINES CHAIRMAN, BOARD OF DIRECTORS, PENNSYLVANIA DEVELOPERS' COUNCIL.....	36
RACHEL LABUSH SENIOR STAFF ATTORNEY, HOMEOWNERSHIP AND CONSUMER RIGHTS UNIT.....	52
OSARUGUE GRACE OSA-EDOH STAFF ATTORNEY, HOUSING UNIT.....	56
GLADYS BROWN DUTRIEUILLE CHAIRWOMAN, PUBLIC UTILITIES COMMISSION.....	69
CATHY BUHRIG DIRECTOR OF POLICY FOR THE OFFICE OF INCOME MAINTENANCE, DEPARTMENT OF HUMAN SERVICES.....	74
TERRANCE J. FITZPATRICK PRESIDENT AND CEO, ENERGY ASSOCIATION OF PENNSYLVANIA.....	75
TANYA McCLOSKEY ACTING CONSUMER ADVOCATE, OFFICE OF CONSUMER ADVOCATE.....	99

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

TESTIFIERS (CONT'D)

* * *

<u>NAME</u>	<u>PAGE</u>
ELIZABETH MARX EXECUTIVE DIRECTOR, PENNSYLVANIA UTILITY LAW PROJECT.....	110

SUBMITTED WRITTEN TESTIMONY

* * *

(See submitted written testimony and handouts online.)

* * * * *

Summer A. Miller, Court Reporter
SMCourtreporting@gmail.com

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

2 * * *

3 MAJORITY CHAIRWOMAN DELOZIER: Okay, we were
4 busy checking with some folks. Are we good? Good.

5 Okay. All right. We'll get started.

6 All right. Good morning, everyone. I want
7 to thank all the members that are here, as well as those
8 that -- we have a number of them that are virtual and we'll
9 ask everybody to kind of introduce themselves so that we
10 know who we've got listening in.11 But I appreciate all of the testifiers. I
12 know, again, a lot of those are virtual. We have some that
13 are here in-person. I appreciate the people getting
14 involved and willingness to come and let us ask some
15 questions. We have a lot of questions that deal with where
16 we're going with many of the issues that we've seen in front
17 of us dealing with COVID.18 I'm Sheryl Delozier. I represent the 88th
19 district. And I am the new majority chair here in the House
20 Commerce Committee. Our minority chair, Representative
21 Galloway, will be joining us shortly. And if the rest of
22 the members present, as well as virtual, can introduce
23 themselves, I would appreciate it, so we know who we have.24 REPRESENTATIVE JOZWIAK: Barry Jozwiak, Berks
25 County.

1 REPRESENTATIVE HELM: Sue Helm, 104th,
2 Dauphin and Lebanon County.

3 REPRESENTATIVE CIRESI: Joe Ciresi, 146th,
4 Montgomery County.

5 REPRESENTATIVE DUNBAR: Rep. Dunbar, 56th
6 district.

7 REPRESENTATIVE JONES: Mike Jones, 93rd
8 district, York County.

9 (Interruption.)

10 MAJORITY CHAIRWOMAN DELOZIER: Okay. I know
11 that we have some folks who are going to be joining us, as
12 well, so -- we'll get started, though.

13 At this point in time, when we have had -- we
14 had a hearing last week, as well, talking to different
15 groups. This session, or this hearing, we're going to be
16 talking to different folks who have interest in our
17 landlords associations, as well as tenants associations. So
18 we have some comments from both. We have our consumer
19 advocate that will be here. We have the PUC. There's a lot
20 of different entities that have a good perspective as to
21 what our constituents will be facing once a lot of the
22 things that we have put into place are lifted. So the
23 ability for us is to better understand where our
24 constituents will be, and in today's hearing, I'm hoping
25 that we can ask a lot of questions as to what our

1 constituents will expect, what they can be worked through in
2 order -- when they have a debt and they need to pay to a
3 company for services, but also with landlords and tenants,
4 we need to better understand where our constituents are and
5 what they'll be facing as we go down the road.

6 So at this point in time -- also I just
7 wanted to mention, those of you that are virtual, if you
8 have a question for one of the testifiers, if you will
9 please write in the chat room on your computer, that way
10 with Teams, that we can be able to call on you and know that
11 you have a question to be asked.

12 So with that, I will ask our first
13 testifier -- we have participating from the Pennsylvania
14 Housing Finance Agency, Robin Wiessmann, she's the executive
15 director and CEO.

16 MS. WIESSMANN: Thank you very much, Chairman
17 Delozier, and good afternoon, everyone and Chairman Galloway
18 and members of the House Commerce Committee. I am Robin
19 Wiessmann, and since February of 2020, I've been the
20 executive director and CEO of the Pennsylvania Housing
21 Finance Agency. I appreciate the opportunity to speak with
22 you today to discuss critical impacts the pandemic is having
23 on housing across the Commonwealth.

24 By way of background, the Pennsylvania
25 Housing Finance Agency is the Commonwealth's leading finance

1 organization for affordable homeownership and rental housing
2 development. It was created by the legislature in 1972.
3 And the agency's core mission is to finance affordable
4 housing opportunities for older adults, low- and
5 moderate-income families, and people with special housing
6 needs at minimal expense across the Commonwealth. The
7 agency achieves this goal by utilizing the authority granted
8 to it by both state and federal law and primarily raises
9 revenue for its programs through the sale of taxable and tax
10 exempt securities.

11 Many of you, of course, are familiar with
12 PHFA for our work administering the federal Low-Income
13 Housing Tax Credit Program and the state Housing Trust Fund
14 known as the Fair Program. These fund many critical housing
15 projects and programs across the Commonwealth.

16 I can't discuss the pandemic without some
17 frame of reference to March when COVID-19 took a firm
18 foothold in the United States. It was obvious then that it
19 would have a dramatic effect on every aspect of our society,
20 including finances for households. I've said from the very
21 beginning of the pandemic, everything depends on the
22 duration of the economic disruption.

23 The Great Recession was a result of a
24 financial institutions crisis. That was the slow-moving
25 avalanche with repercussions for close to a decade. The

1 pandemic, in contrast, was an immediate cataclysmic event
2 with immediate economic consequences; it was more of an
3 earthquake. With the federal reserve stepping in
4 appropriately, it cushioned the impact a bit for now, but it
5 will require even more resources from the federal government
6 through the duration of the pandemic.

7 Having said that, the PA Housing Finance
8 Agency has weathered the pandemic thus far reasonably well.
9 Again, it will all depend on the duration of the pandemic.

10 We're here today because we share a concern
11 about housing affordability, availability, and stability for
12 thousands of Pennsylvanians impacted financially and
13 physically by COVID-19. The pandemic has made it clear that
14 the majority of low- and moderate-income households live on
15 the precipice of financial hardship. Many of the households
16 most impacted by the devastation of the pandemic are those
17 that are least likely to have the ability to afford housing
18 and other vital monthly expenses. Stable housing not only
19 prevents personal and family hardships, but it contributes
20 to a resilient Commonwealth and it's ability, and a
21 resilient Commonwealth that's able to withstand economic
22 disruptions and begin the long road to recovery.

23 I want to give you a little bit of current
24 information. On mortgage statistics, a recent Black Night
25 report -- and Black Night is a state-of-the-art technology

1 specializing in real estate -- a report they issued
2 indicated that at the height of the forbearance request,
3 which was late May, nearly 4.7 million mortgages nationwide
4 were in active forbearance plan. As of September 15th, that
5 figure is estimated to be around 3.7 million. The National
6 Mortgage Bankers Association estimates that mortgages in
7 active forbearance as of September 6th represent
8 seven percent of servicer portfolios. And as you all may
9 well know, at the end of August, the Federal Housing Finance
10 Agency, Fannie Mae, and Freddie Mac, HUD's Federal Housing
11 Administration, FHA, the Department of Veterans Affairs, and
12 the Department of Agriculture's Rural Development Department
13 extended moratoriums on the foreclosures and
14 foreclosure-associated evictions through the end of the
15 year.

16 To date, PHFA has provided forbearance
17 assistance to over 2400 total mortgages. Five hundred forty
18 of those forbearance requests are still active as of 9/10.
19 Of the mortgages that exited forbearance, 75 percent were
20 due to make payments in September. And of the mortgages
21 that remain in active forbearance, 15 percent were due for
22 September's payment.

23 Over 140 PHFA borrowers have applied for the
24 CARES Pandemic Mortgage Assistance Program. The CARES
25 Pandemic Mortgage Assistance Program applications have

1 requested 8.4 million in total assistance and the approved
2 assistance exceeds 2.2 million with an application approval
3 rate of 53 percent.

4 Other homeownership statistics of note are
5 that the National Association of Homebuilders quarterly
6 Housing Trends Report revealed survey responses indicating
7 that 30 percent of active buyers reported getting outbid by
8 another buyer. Homes are in a tight market. During the
9 same quarter of 2019, only 18 -- year over year -- last year
10 only 18 percent of the buyers reported being outbid. So
11 housing is tight. And the same report indicated that the
12 major reason for those searches is because of their
13 inability to find an affordable home.

14 As it relates to rentals across the state,
15 according to census data, over 30 percent of Pennsylvania
16 residents are renters. Estimates indicate that roughly
17 400,000 Pennsylvania renters would be unable to meet their
18 rental obligation this past summer due to COVID. And the
19 National Low-Income Housing Coalition estimates that in
20 Pennsylvania, nearly 28 percent of renters are extremely low
21 income, over 443,000 households. And over 70 percent of
22 those households pay in excess of 30 percent of their income
23 on rent, which doesn't leave much for the rest of their food
24 and medical care, as well as other expenses, household
25 expenses.

1 So on the Rental Relief Program, the CARES
2 Rental Relief Program, as of August 31st, there were nearly
3 40,000 applications received from both renters and landlords
4 requesting over 70 million in assistance. And while PHFA
5 has disseminated more than 50 million to the various
6 counties across the state, the total assistance disbursed is
7 in excess of four million at this point.

8 And with that, I will take questions or
9 comments.

10 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
11 you very much. I appreciate it.

12 First we have a question, Sue Helm,
13 Representative Helm.

14 REPRESENTATIVE HELM: Thank you, Chairwoman
15 Delozier.

16 I'd just like to speak a little bit about my
17 House Bill 2868, which is scheduled to be final and second
18 consideration on Wednesday. House Bill 2868 amends Act 176
19 of 1929 known as the Fiscal Code to amend Act 24 of 2020,
20 which had established the Mortgage and Rental Assistance
21 Program and authorized the PA Housing Finance Agency to
22 administer it.

23 The bill fixes several problems found after
24 the program got underway, specifically it increases maximum
25 assistance caps by linking them to widely established

1 industry standards rather than the current caps -- 130
2 percent of the current HUD fair market rent for a
3 two-bedroom unit in the applicable county and median monthly
4 owner cost as determined by the U.S. Census Bureau's most
5 recent American Community Survey rounded to the closest
6 \$100 -- and eliminates the requirement for households to be
7 at least 30 days in arrears for eligibility, extends the
8 current application deadline through October 31, 2020, and
9 removes the requirement that landlords and mortgagees waive
10 their right to remaining rent or mortgage obligation upon
11 acceptance of CARES funding with the option to waive or
12 participate in an alternative remedy.

13 Landlords and tenants will be allowed to
14 enter into repayment agreements. And mortgagees will access
15 borrowers' eligibility under ultimate loss mitigation
16 programs where available based on the type of mortgage
17 product. And in cases where the landlord or mortgagee
18 agrees to waive the remaining balance, they will be entitled
19 to a small financial incentive above the maximum assistance,
20 so long as it does not exceed the total monthly rent or
21 mortgage obligation. And it permits the use of a small
22 portion of the allocated funds to cover costs associated
23 with administering the program. Administrative expenses
24 cannot exceed the lesser of five percent of the allocation
25 or the actual expenses incurred.

1 And once voted on, the bill would become
2 effective immediately. Like I said, it's up for second
3 consideration on Wednesday and it's House Bill 2868.

4 Thank you very much.

5 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
6 you very much.

7 Question from Chairman Galloway.

8 MINORITY CHAIRMAN GALLOWAY: Thank you, Madam
9 Chair.

10 And good morning, everybody.

11 Good morning, Ms. Wiessmann. It's good to
12 see you again.

13 I've got a couple of questions about -- you
14 sent out a memo on July 9th of 2020 that was talking about
15 legislative fixes to Act 24 of 2020. And since that time,
16 the Governor's Executive Order provided for a moratorium on
17 evictions and foreclosures expired. So -- although there is
18 a federal moratorium till the end of the year.

19 So my questions are this, are you still
20 asking for the same administrative and programmatic fixes?

21 MS. WIESSMANN: Yes.

22 MINORITY CHAIRMAN GALLOWAY: As in your memo
23 of July 9th? Can you --

24 MS. WIESSMANN: They've been revised a bit,
25 or fine-tuned a bit in terms of some of the provisions. But

1 effectively, we saw pretty quickly that it would be
2 difficult to incentivize landlords to participate, that the
3 time frame to push out all of the dollars -- we put together
4 the program as quickly as we could by the end of June, but
5 that really just gave us July and August to -- the
6 September 30th date was three months and setting up a new
7 program, it took a little bit of time to get going.

8 But the larger issue was the requirement that
9 borrowers, both from a mortgage standpoint or from a
10 renter's standpoint, be 30 days delinquent. So it gave
11 people a tough choice in terms of putting their money
12 towards rent or food and health care.

13 So effectively, yes, there may be some fine
14 tuning in terms of some of the requests that have been made,
15 but effectively, yes, we saw the issues pretty quickly.

16 MINORITY CHAIRMAN GALLOWAY: Thank you. I
17 appreciate it.

18 MAJORITY CHAIRWOMAN DELOZIER: Representative
19 Rabb.

20 REPRESENTATIVE RABB: Thank you.

21 My question is regarding PHFA. I know that
22 it is historically found or it's fought mortgage
23 modifications for homeowners who are in trial mortgage
24 modification programs because of other liens such as
25 utilities, credit card debt on individual credit.

1 (Inaudible) interpretation that a majority of experts
2 believe is inaccurate, it has prevented homeowners from
3 saving their homes from foreclosure due to a water bill, gas
4 bill, domestic relations arrears, or credit card bills that
5 they've defaulted on. Is there a way to ensure that housing
6 is secure for these homeowners who are making good faith
7 efforts to ensure that housing is a priority for their
8 families?

9 MS. WIESSMANN: I'm not sure if I understand
10 the question completely. I think you're asking me about
11 ensuring that homeowners -- the historical context, I think
12 the agency has worked very diligently through HEMAP for
13 mortgage holders to try and provide a vehicle to have the
14 ability to modify mortgage loans. In terms of utilities,
15 I'm not quite sure of your question.

16 Could you just rephrase it again?

17 REPRESENTATIVE RABB: Sure.

18 There are constituents of mine and
19 Pennsylvanians across the state who are, may lose their
20 homes very soon because of outstanding credit card debt
21 because there's no consideration for that type of debt. No
22 one should lose their home because of a minor credit card
23 debt, but because it's considered a lien, they're
24 invalidated from participating and benefiting from this
25 program. And so there will be homeless people as a result

1 of something as minor as a small credit card debt or gas
2 bill, even if they've been doing everything in good faith
3 regarding keeping up with their mortgage.

4 MS. WIESSMANN: Right.

5 So many of their loans are through federal
6 agencies which have requirements and we are not able to
7 subrogate our requirements or lien to those of utilities or
8 credit cards. So it's a difficult, it's a difficult
9 situation, but it's not one that we can modify in terms of
10 our lien position. If that's what you're asking.

11 REPRESENTATIVE RABB: Well, I'm just curious
12 what efforts you're taking to help spare these homeowners
13 from foreclosure because this is obviously an urgent issue
14 and I would imagine you would be a strong advocate for
15 making sure that they're kept, understanding the federal
16 regulations. But I'm just curious, what is your standpoint
17 in terms of your advocacy?

18 MS. WIESSMANN: Well, all of our programs are
19 put, exist in order to ensure homeownership as much as
20 possible.

21 I am not, I cannot upend the legal system in
22 terms of foreclosures. I have to conform to what those
23 requirements are, but we do have counseling and we have the
24 HEMAP Program. And we are as diligent as possible in terms
25 of ensuring that a homeowner is given every opportunity to

1 stay in their home.

2 REPRESENTATIVE RABB: Have you brought these
3 issues to the attention of the feds so that they know that
4 there are homeowners who are operating in good faith who may
5 be homeless as a result of these technicalities?

6 MS. WIESSMANN: I think my predecessor has.
7 I started in February. I am aware of the
8 issue. I think trying to -- I think the pandemic and the
9 CARES Program has certainly become first and foremost in
10 terms of ministering relief to homeowners and to mortgage
11 holders.

12 But I'm happy to look into it further.

13 REPRESENTATIVE RABB: I appreciate if you
14 could be a public advocate for those families in urgent need
15 of your leadership.

16 Thank you.

17 MS. WIESSMANN: Thank you.

18 MAJORITY CHAIRWOMAN DELOZIER: Thank you.

19 I have one question that kind of goes in the
20 theme of what you were just discussing, is the fact of --
21 can you explain a little bit from the Pennsylvania Housing
22 Finance Agency's point of view, what type of outreach and
23 education that you do for many of the consumers that
24 Representative Rabb was just talking about or anyone that
25 would be eligible?

1 Many folks don't know what it is, the
2 outreach that the agency may do, how the education is out
3 there and how people know when they can apply for these
4 types of programs. As you said, your goal is to keep them
5 in their homes.

6 Can you explain a little bit more of what the
7 agency does do right now, and maybe if there's other areas
8 in which maybe we need to ask you to go into, in the sense
9 of being able to just better understand what your outreach
10 is now and how we can help educate our constituents to the
11 plans and the programs that you have in the agency?

12 MS. WIESSMANN: Certainly.

13 I don't know who was speaking. Could you
14 tell me who it was?

15 MAJORITY CHAIRWOMAN DELOZIER: Sorry. This
16 is Sheryl Delozier.

17 MS. WIESSMANN: Oh, it was. I thought it
18 might be you.

19 MAJORITY CHAIRWOMAN DELOZIER: Sorry, I
20 should have done that.

21 MS. WIESSMANN: But I wasn't certain and I'm
22 not seeing a lot of faces on the screen, so thank you.

23 Yes. We have, from the very beginning, we
24 have done a lot. We have undertaken a lot of communications
25 and not -- and we, of course, have done press releases. But

1 we have advised and have a wealth of information on our
2 website with a lot of specifics, including applications for
3 the (inaudible). And we have also provided information to
4 all of the network of counseling agencies that we have
5 around the state.

6 MAJORITY CHAIRWOMAN DELOZIER: Okay. And
7 this is Sheryl again.

8 The network of counsel agencies, can you go
9 into a little bit more where those are located and where
10 they exist?

11 MS. WIESSMANN: I don't have a map of them
12 right now. I think they're -- I will say they're correlated
13 to population. We have one of the most robust networks in
14 the country and one of the highest, the highest number of
15 HUD-certified counseling agencies in the country.

16 I'm happy to get that listing to you, if you
17 would like.

18 MAJORITY CHAIRWOMAN DELOZIER: Okay. Yeah,
19 that'd be great.

20 I think the more that our members, as well,
21 know where the outlets are, necessarily, to direct
22 constituents that may have questions, I think that that
23 would be beneficial.

24 MS. WIESSMANN: Right. And actually, that
25 reminds me of another very good point.

1 We have been doing numerous town halls for
2 legislators around the state, if they so desire.

3 MAJORITY CHAIRWOMAN DELOZIER: Okay.

4 MS. WIESSMANN: We have already done a lot of
5 them and are happy to do more, as appropriate.

6 But I do think the agency has -- and there
7 are also so many other housing stakeholders. You're going
8 to be hearing from some of them today. There's a lot of
9 housing stakeholders, as well, who have been very proactive.

10 I know Legal Services has provided
11 information to people that it services, as well as the
12 Pennsylvania Housing Alliance and a number of other
13 advocates around the state.

14 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
15 you very much. I appreciate your testimony.

16 I don't believe that there are any other
17 questions at this time. So I appreciate the information
18 that you shared.

19 MS. WIESSMANN: Thank you, Chairman.

20 MAJORITY CHAIRWOMAN DELOZIER: Thank you.

21 Next we are going to have a panel dealing
22 with, within the industry, dealing with those that are the
23 Apartment Association, as well as the Residential Owners
24 Association and the Pennsylvania Developers' Council.

25 So first on that panel we will have Marlynn

1 Orlando, who is the CEO of the Pennsylvania Apartment
2 Association, as well as Timothy Henkel, principal and senior
3 vice president at PennRose.

4 With that, I'll hand it over to you guys.

5 STAFF MEMBER: Marlynn, you're muted.

6 MAJORITY CHAIRWOMAN DELOZIER: Remember to
7 unmute.

8 MS. ORLANDO: Sorry.

9 STAFF MEMBER: There you go.

10 MS. ORLANDO: Rookie mistake.

11 MAJORITY CHAIRWOMAN DELOZIER: It's a common
12 problem everybody has.

13 MS. ORLANDO: I will start over.

14 Good afternoon, Chairwoman Delozier, Chairman
15 Galloway, members of the committee. My name is Marlynn
16 Orlando and I'm the chief executive officer for the
17 Pennsylvania Apartment Association.

18 PAA represents nearly 300 apartment owner and
19 management companies with roughly 300 apartment units
20 throughout the state. We also have 400 supplier members.
21 Our members are mainly larger multi-family operators with an
22 average unit size in their portfolio of about 500 units.
23 The apartment industry contributes five billion annually to
24 the PA economy, including almost a billion in property
25 taxes.

1 So I -- you have our written testimony. I'm
2 just going to pull out the highlights in respect to your
3 time today.

4 From the earliest days of the pandemic, PAA
5 was out front providing guidance and recommendations to our
6 members. And over the last six months PAA members have
7 operated with compassion for their residents while
8 maintaining their businesses through this very difficult and
9 unprecedented time. Overall, I'm incredibly proud of how
10 our industry has responded. They understood that their
11 residents need to feel safe and comfortable in their units
12 while they were quarantined and continued to work and school
13 at home now.

14 So how has the pandemic impacted the
15 apartment industry? It falls into several categories. The
16 first I'll discuss is navigating the Governor's orders.

17 When the businesses first shut down, the
18 apartment industry was not deemed essential or
19 life-sustaining. And as you can imagine, that threw us into
20 a panic. But we were lucky that we were able to work with
21 the Governor's Office to assure that our industry was deemed
22 life-sustaining so that residents could stay safely in their
23 units.

24 The next area of impact has to do with
25 additional operating costs. PAA was able to digest and

1 collate guidelines from multiple sources, like the CDC, the
2 Pennsylvania Department of Health, and OSHA, so that our
3 members could ensure they're operating within the safety
4 protocols while making sure their staff has necessary PPE.

5 I was just on a call with some of our owners
6 earlier today and what I heard over and over again was their
7 first thought was to the safety of their residents and the
8 safety of their staff. But these new procedures were timely
9 and costly to our business and property owners had to absorb
10 these unplanned costs into their operations. In addition,
11 the need to fully sanitize and disinfect any buildings when
12 a positive COVID test, a positive COVID patient is
13 identified, adds significant costs as these services are
14 typically performed by outside contractors. So additional
15 operating costs have really impacted their business.

16 And then the next item is a loss of revenue.
17 With unemployment at some point during all this reaching
18 over 13 percent in Pennsylvania, the ability to pay rent in
19 full and on time became difficult for many Pennsylvanians.
20 Most residents have been able to negotiate payment plans
21 with their property owners, and with the help of PAA, we are
22 waiving late fees for those residents.

23 Overall property owners have been somewhat
24 pleased with the payment rates and they have come in better
25 than anticipated. However the cumulative impact of reduced

1 rental payments is taking its toll.

2 As the stimulus CARES money expires and
3 employment compensation is reduced, we are starting to see
4 payment plans, payment plan rates reduced.

5 Over 90 percent of every rental dollar goes
6 towards expenses. So when multiple renters can't pay and do
7 not pay, property owners can quickly find themselves unable
8 to pay their mortgage or their expenses and taxes;
9 therefore, PAA is working with our stakeholders and
10 government officials to assure the necessary changes are
11 made to the PAA Rental Assistance Program. And our national
12 partners continue to advocate to Congress to assure that
13 more federal dollars are available for rental assistance.

14 The next area of impact deals with the
15 eviction moratorium. Almost seven months into the pandemic,
16 the eviction prohibition is causing potentially devastating
17 impacts on apartment communities. An unintended consequence
18 of the eviction moratorium is renters who have not been
19 financially impacted by COVID or the pandemic are refusing
20 to pay their rent, work with property owners on payment
21 plans, and refuse to communicate on any level. Simply put,
22 without any consequence, they're just not paying. They're
23 taking advantage of the pandemic to live rent-free and they
24 continue to accumulate thousands of dollars in unpaid debt
25 and unpaid rent that they will never be able to pay back.

1 In addition, their not paying negatively impacts an owner's
2 ability to provide flexibility to the people who truly are
3 impacted by the pandemic.

4 A property owner uses eviction as a last
5 resort because they're costly and time consuming. However,
6 they're a necessary part of doing their business operations
7 and that's been taken away. The narrative we keep hearing
8 in the press about the tsunami of evictions and landlords
9 rushing to evict is simply not true. And you'll hear more
10 of that from my colleague Tim Henkel. However, if we cannot
11 file evictions so we can properly operate our business, then
12 you will see small, medium, and large apartment owners begin
13 to default on their payments and look to sell and close up
14 operations.

15 The last area of impact I want to talk about
16 has to do with our partners in the industry. I'd be remiss
17 if I didn't talk about the significant impact on our supply
18 partners. During the red and yellow phases of the pandemic,
19 we had to operate very lean and suspend all nonessential
20 activities. This meant that routine maintenance and capital
21 improvement projects were put on halt. This caused
22 significant loss for our small and larger business partners
23 who rely on our industry for work. We know some of them did
24 not make it and closed up shop, others had to reduce hours
25 and cut back on employees. We're worried about the

1 long-term impact from the pandemic on these businesses and
2 how they'll be able to recover once we fully open back up.

3 It's been stated multiple times that we are
4 in uncharted waters and there was no playbook for how to
5 get through this. So we are greatly appreciative of the
6 cooperation and partnership with our legislators during this
7 difficult time and we are grateful for the opportunity to
8 come here today and talk about the impact on our business.

9 And I thank you for this time and I am
10 available for any questions.

11 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
12 you.

13 Is, you said, Tim following you?

14 MS. ORLANDO: Yes. That's probably
15 acceptable for Tim to go and then you can ask us questions
16 together.

17 MAJORITY CHAIRWOMAN DELOZIER: Yes. We'd
18 like to have everybody make their statements and then we
19 will ask questions as anyone would choose to do so.

20 Thanks.

21 MR. HENKEL: Very good. Does everyone have
22 me there?

23 (No response.)

24 MR. HENKEL: Good afternoon. My name is
25 Timothy Henkel. I'm senior vice-president and partner at

1 Pennrose. We're a Philadelphia-based owner, developer, and
2 manager of affordable, market rate, and mixed income
3 multi-family and senior housing. We began in 1971 and have
4 evolved and grown our business over the years. Today, with
5 my partner and CEO, Richard Barnhart and president, Mark
6 Damly, we employ 430 people and operate in 20 states
7 through six regional offices. Our portfolio includes 145
8 developments and over 10,000 units. We house approximately
9 25,000 men, women, children, seniors, veterans, and people
10 with disabilities in our properties.

11 I'm here today to detail our experience
12 during the pandemic. COVID-19 has had a dramatic impact on
13 our industry and on our customers, the residents.
14 Specifically, I'm here to support the advancement and
15 deployment of needs-based rental assistance made readily
16 accessible either to the residents or directly to the
17 landlords on their behalf. There simply is no better way to
18 come to the aid of those hardest hit while sustaining the
19 economic infrastructure of the multi-family industry, our
20 vendors, subcontractors, and the individuals we employ.

21 In March 2020, like so many other companies,
22 we closed our Philadelphia office and began working
23 remotely. We were fortunate to have prepared for major
24 business disruption, had invested in technology required to
25 work remotely, and initiated portions of our disaster

1 recovery plan. This plan included enhanced communications
2 with property managers and daily task force calls focused on
3 the safety of our residents and employees. We audited,
4 reallocated, and supplemented our stockpiles of protective
5 equipment, we notified the residents of new in-person
6 protocols for emergency-only maintenance calls, suspended
7 in-person communications, rent payments, and eliminated
8 hosted events. We closed common spaces, we closed community
9 rooms, fitness rooms, to discourage gathering and enhance
10 social distancing. We created as safe an environment as we
11 possibly could.

12 Notably, we mobilized our Pennrose Foundation
13 and created the COVID-19 Resident Relief Fund. This fund is
14 to support residents faced with adverse circumstances due to
15 the virus. The fund accepts donations from companies and
16 individuals and redeploys them in the form of donated food
17 or financial support to help with hospital bills and basic
18 needs. We have been very pleased and humbled with the
19 generosity and kindness demonstrated towards our residents.

20 Through all of this, our front line of
21 management and maintenance staff have performed with courage
22 and humanity. We continue to be proud and grateful to them
23 for their ability to adapt.

24 Pennrose also retains a 23-person staff of
25 supportive service professionals who have been engaged daily

1 as this crisis unfolded. They have coordinated emergency
2 food delivery, maintained direct phone contact with elderly
3 residents, and coordinated all manner of access to
4 third-party service providers equipped to meet the needs of
5 specific residents.

6 There remains a long road ahead. We have
7 retained each of these front line workers throughout the
8 pandemic thus far. We have laid off no one. Neither have
9 we evicted anyone. In fact, as an owner, we want to be very
10 clear that evictions have always been seen as a last resort.
11 They're expensive due to legal fees, they are time
12 consuming -- staff time administering evictions better spent
13 in other ways -- they're clumsy as the court system is
14 bogged down, and of course, they can be painful and cruel.
15 The moratoriums on evictions began in July -- or May and
16 July in the Commonwealth -- and similar regulations have
17 been put in place throughout the country.

18 As we know, a federal moratorium is in place
19 through year-end. These moratoriums are meaningful as they
20 temporarily keep residents from being displaced, but we
21 hardly need moratoriums to know that pandemics are the wrong
22 time to evict. Our own historic eviction statistics bear
23 this out.

24 Prior to the pandemic in the (inaudible)
25 years of 2018 and 2019, we initiated eviction proceedings on

1 less than four percent of our resident population and
2 evicted fewer than two percent. Notable, too, is that these
3 statistics include evictions for all lease violations, not
4 just those due to nonpayment.

5 Our relationship with our residents is
6 positive. They are our loyal customers and have chosen to
7 live in our properties, and we value this decision. The
8 relationships between landlords and residents is not as
9 uniformly toxic as current headlines would lead people to
10 believe. We survive together.

11 The threat of eviction is an active
12 deterrent, though, and serves as an incentive to pay rent.
13 But we work hard to keep from needing to evict. When we do
14 proceed to evict, we are acting not just on behalf of our
15 financial projections, but to meet project obligations on
16 behalf of lenders, investors, and the other residents who
17 expect and deserve a high level of repair, upkeep, and
18 cleanliness.

19 When the pandemic hit and people were driven
20 to their homes and the first waves of furloughs and
21 unemployment hit, we braced ourselves for significant
22 revenue losses. As Marlynn said, our lost rent deficits
23 have been significant, but to a degree, have been better
24 than we anticipated. In the six months from March through
25 the end of August, we have seen a decline in collections of

1 three to four percent portfolio-wide. Lack of rent payment
2 has been somewhat concentrated on our family housing
3 developments. Generally, senior housing has been more
4 stable due to heavy reliance on fixed income, Social
5 Security, and pension among our senior residents. We
6 attribute any relative stability within the family
7 developments to three likely factors: First, residents have
8 benefit from federal CARES Act payments; second, many of our
9 residents are employed as essential workers -- health care,
10 lay construction and maintenance, delivery, light
11 industrial, and manufacturing; third, many of our residents
12 hold multiple jobs and have likely maintained the ability to
13 pay rent while sacrificing other areas of their household
14 budget, day care, education, and nutrition.

15 Throughout the end of August, Pennrose has
16 supported \$725,000 in the form of our residents unpaid rent.
17 We have implemented temporary measures to offset this
18 contribution. We have delayed and deferred preventative
19 maintenance procedures. We have delayed and deferred over
20 \$300,000 in capital improvement expenditures. The vendors
21 and subcontractors who normally complete this work, roof
22 repairs and replacements, mechanical equipment, pavement and
23 striping, exterior equipment and cleaning and tree work,
24 have all lost our business during this period. All this
25 work remains to be completed and these delays are temporary.

1 However, we cannot continue to support our residents and
2 defer capital improvements indefinitely. The next year of
3 obligations will be more broadly felt.

4 We have continued to support our nonprofit
5 partners and service providers. We have continued to meet
6 our obligations to pay debt service and insurance, and we
7 have remained current on our real estate tax obligations.

8 It is our strong belief that rental
9 assistance targeted to residents who have demonstrated a
10 virus-related impact to their employment and ability to pay
11 rent is the best way to stabilize the ecosystem of
12 multi-family properties, their residents, vendors, and
13 subcontractors. Eviction moratoriums alone are not a
14 solution. The rental assistance should be made accessible
15 to residents and landlords alike. Current programs are
16 difficult to access and funding should be retroactive to
17 loss of employment and ability to pay rent.

18 We do support House Bill 2868 as described by
19 Representative Helm today.

20 In closing, it is important to recognize the
21 role that housing plays in managing a health crisis.
22 Diminished housing affordability translates directly to
23 overcrowded conditions which are particularly unhealthy when
24 trying to minimize transmission of a virus. Diminished
25 housing affordability is a consequence of both constrains on

1 affordable housing production and lack of housing in
2 general, which drives rental rates up. When demand exceeds
3 supply, prices go up.

4 We, therefore, support the recently
5 introduced state housing tax credit legislation SB 1185,
6 which would add a state-level credit to enhance housing
7 production. All measures that enable housing production
8 will enhance affordability and will promote more healthy
9 housing conditions.

10 Thank you very much for your time today.

11 MAJORITY CHAIRWOMAN DELOZIER: Thank you.

12 Next on the panel we have Rita Dallago,
13 executive director of the Pennsylvania Residential Owners
14 Association.

15 MS. DALLAGO: Good afternoon, Chairmen
16 Delozier and Galloway. I thank you for allowing us to give
17 our input.

18 Most of what is impacting my members have
19 already been said so eloquently. Pennsylvania Residential
20 Homeowners Association are the mom-and-pop renters across
21 the state. We are comprised of a number of small
22 associations throughout the state. Many own the detached
23 homes or the semi-detached -- again the mom-and-pop
24 operations. Most of our members have 50 units or less, many
25 are working on a very narrow margin -- meaning that they

1 really need the rental income.

2 So House Bill 2868 is very important to our
3 members. I have talked to members throughout the state that
4 because of needing the rental income and this rental
5 assistance not as readily forthcoming as need be, many
6 landlords are using personal funds to keep the properties
7 afloat. Many are having difficulty getting forbearance
8 because, or I shouldn't say "because," but the factor being
9 that they have commercial mortgages.

10 When you have a property that's four units or
11 more, you go into a commercial, or if you have a mortgage
12 that covers more than one property, like myself, I have a
13 commercial mortgage. Many are having difficulty getting
14 forbearance on their commercial loans. This again is
15 causing difficulty.

16 Two factors, other than the need for
17 mortgage, taxes, and insurance, again is making the repairs,
18 maintenance, and updates to properties. We're now seven
19 months into this. Many properties have had delayed
20 maintenance. Things that should have been done in the
21 spring, here we are in the fall, and if the landlord is
22 using the reserve to cover other expenses, the reserve is
23 not there to make these needed repairs and maintenance, so
24 therefore, they're compiling.

25 But another factor that I have been hearing,

1 because many of our members have single dwellings or
2 semi-detached townhouses and condos, instead of maintaining
3 them as rental units, they are now selling them to get out
4 from under their debt load. So this is decreasing the
5 number of units available for rent.

6 Again, we're the mom-and-pop landlords. We
7 own around 10,000 units across the state. And we thank
8 Representative Helm for introducing her bill and we're
9 hoping that PHFA is able to work through some of the
10 glitches that have been impacting our industry.

11 Again, I thank you for this time.

12 MAJORITY CHAIRWOMAN DELOZIER: Thank you very
13 much.

14 Next we have Andy Haines, chairman, board of
15 directors for the Pennsylvania Developers' Council.

16 MR. HAINES: Good afternoon, Chairwoman
17 Delozier. Can you hear me, everybody?

18 MAJORITY CHAIRWOMAN DELOZIER: Yes, we can
19 hear you.

20 MR. HAINES: Good.

21 Chairman Galloway and members of the
22 committee, my name is Andy Haines. I am the chair of the
23 Pennsylvania Developers' Council. The Pennsylvania
24 Developers' Council consists of over 40 members who are
25 for-profit, nonprofit developers, attorneys, lenders,

1 accountants, investors, who all work in the affordable
2 rental housing community here in the Commonwealth.

3 In my regular job, I'm a for-profit developer
4 based out of State College, Pennsylvania with the S&A Homes
5 family.

6 Our members, the majority of our financing
7 for our members, comes from the federal Low-Income Housing
8 Tax Credit, which is allocated by Director Wiessmann at the
9 Pennsylvania Housing Finance Agency. We also use in
10 combination with that equity that we get from the tax
11 credits, which we sell to large corporate investors and
12 banks, we use fair money, realty transfer tax money, home,
13 housing trust funds, and conventional financing to build and
14 renovate affordable housing here in the Commonwealth.

15 Since 1986, this federal tax credit alone has
16 created over 95,000 units of affordable housing. We have
17 generated over 17 billion in wages and business income. And
18 typically, the 30, on average, Low-Income Housing Tax Credit
19 deals in the Commonwealth provide 147,000 jobs.

20 Many of the members on this committee, you
21 yourself, have tax credit projects in your districts.

22 For example, Chairman Delozier, you have a
23 new project in Lemoyne called Riverton Woods, which
24 hopefully will start construction next year.

25 Representative Jones, you have a new project

1 funded in Dallastown developed by the Woda Cooper Companies,
2 which also hopefully will start next year.

3 And for Representative Brooks, I'm developing
4 a 30-unit senior project next door to your district in
5 Natrona Heights.

6 The previous testimony from the other groups
7 talked more about the rental, the challenges of landlords
8 and tenants. What I'd like to talk to today is about what
9 happens, as Director Wiessmann said, after the earthquake.
10 How do we continue to provide affordable rental housing for
11 families and seniors of our community?

12 We are landlords, as well. And we are facing
13 the same challenge as Pennrose is and all of the other
14 smaller landlords, but I wanted to focus more on how the
15 pandemic and COVID-19 have created a challenge for
16 affordable housing moving forward.

17 Right now we are trying to close, for those
18 of us who have projects funded, but not started
19 construction, we are working in a very difficult environment
20 where a lot of the municipalities cannot meet publicly to
21 approve plans, a lot of the inspectors cannot come out and
22 check the sites because of COVID-19 restrictions, the banks,
23 our financial partners, and investors are all concerned
24 about the economy and whether to put their funds into a
25 project in such an unknown environment.

1 All of the combination of these factors is
2 taking us months to close a project. It's always been hard
3 to close affordable housing deals. We typically have four
4 or five different forms of financing in a project. With
5 COVID-19, it's only become harder.

6 For those projects that are going to start
7 construction, we are looking at severe labor and material
8 issues. Lumber, for example, has gone up to historic highs,
9 80 percent higher in the past three months. It is harder to
10 get materials because of either quarantine restrictions
11 through Canada or tariff issues that have come up. A lot of
12 the smaller contractors who had to stop construction back in
13 March and were able to resume in May lost a lot of their
14 employees or they went out of business so they cannot return
15 to the job. Labor and materials have always been a
16 challenge for construction projects, the pandemic has made
17 it worse.

18 Overall, affordable housing in this
19 Commonwealth is always needed. It was an issue
20 pre-pandemic, and it's going to be an issue post-pandemic.
21 So when Director Wiessmann talked about an earthquake, what
22 we like to think about is what happens after the earthquake
23 is over.

24 Affordable housing through PHFA is an
25 economic development tool. We create jobs, we hire local

1 businesses, we create taxable properties for many
2 communities in the Commonwealth. The Low-Income Housing Tax
3 Credit and PHFA financing is the only economic development
4 tool they have. It's the only economic development tool to
5 create jobs, to create housing in their community, and to
6 remove blighted properties. This is not a program that is
7 just for the southwest part of the state or the southeast
8 part of the state or Lancaster or State College, where
9 affordable housing is needed because of higher rising market
10 conditions. Affordable housing and low-income housing is
11 needed throughout the state because in some communities it's
12 the only mechanism to create economic development
13 opportunity.

14 So we urge this committee, and the House, to
15 support legislation that makes the creation of affordable
16 housing a more productive means. Presently, SB 30,
17 sponsored by Senator Tom Killion of Delaware and Chester
18 Counties, which will create a state tax credit, is on the
19 floor. This tax credit will bring in private banks and
20 private investors into the state, and the bill has
21 bipartisan support. We urge you to support the legislation.
22 Again, it will help every district, every community, every
23 small town.

24 One day, hopefully soon, we'll be
25 COVID-19-free. Nevertheless, the need for affordable

1 housing never goes away and will always be present. We urge
2 you to support legislation that helps us build affordable
3 housing in your communities to be quicker, more productive,
4 more efficient, more economic opportunity, and most
5 important, provide a safe and decent quality housing for our
6 low-income friends, families, and seniors.

7 I'm available for any questions that you may
8 have and I appreciate the opportunity to speak to you today.

9 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
10 you very much for the testimony.

11 We do have a few questions here.

12 Representative Jones.

13 REPRESENTATIVE JONES: Thank you, Madam
14 Chairwoman.

15 I guess there will be a question in here
16 somewhere. Maybe this is just lamenting a little bit.

17 But I'm curious. I've never understood when
18 we said we needed to give -- and let me start by saying, I
19 spent my entire childhood, I grew up in a two-bedroom
20 apartment, shared a bed with my brother. We weren't poor,
21 but we certainly didn't have a whole lot of means. And so
22 I'm empathetic to renters. But what I can tell you is when
23 we reward bad behavior, in this case meaning people that
24 should be able to pay their rent and don't, it ultimately
25 hurts one person, one group, and that's other renters who

1 are actually doing the right thing.

2 So I think a lot of people perceive this as
3 these deep-pocket landlords and we're going to help the
4 needy, and in reality, we're helping the people that aren't
5 doing the right things at the expense of the needy.

6 To that point, I'm sort of dumbfounded
7 looking back, why -- what the rationale was in saying that
8 people should somehow not pay their rent when we were in the
9 same breath saying, "We're going to send \$1200 stimulus
10 checks, we're going to have an extra \$600 in unemployment."
11 If memory serves, that resulted in 80 percent of the
12 unemployed, probably even well more than 80 percent, that
13 rent seeing more income than they were making when they were
14 working; yet, we said, "You don't have to pay your bills."
15 I thought the whole purpose of putting money in their pocket
16 was so they could pay their bills.

17 It's sort of like saying, "You can go to the
18 grocery store and if you feel like paying for it, pay for it
19 and if you don't, don't." And now we're sitting around
20 lamenting the fact that the grocery stores are closing down,
21 or in this case, the properties are -- the availability of
22 housing is going away. What did we exactly expect was going
23 to happen when we tell people they can quit paying their
24 bills even though the vast majority of their financial
25 status stayed the same or even improved?

1 So I guess my question is, it seems to me now
2 that it's time to sort of pay the piper, and we've got
3 landlords that are struggling, it's coming at exactly the
4 wrong time when these \$600 excess employment payments have
5 stopped. So I guess just a little commentary on that and my
6 question, if I have one, here is, can you educate me a
7 little bit on how commercial real estate works? I think I
8 know how it works in the retail world. I know how it works
9 in the residential world. I'm not totally sure how it works
10 in the sort of affordable housing or like the apartment
11 world, I'll call it. How frequently -- do you anticipate
12 that we will see properties, landlords, looking for either
13 not paying property tax or having their properties
14 reassessed to get a reduction in property tax?

15 At some point in time this trickles down to
16 local communities and school property tax, but I'm not sure
17 if that's typically a one-year look back or a three-year
18 look back on those assessments, and do you see that as a big
19 problem that's on the horizon or is that a little
20 melodramatic on my part to see that we'll see a big dropoff
21 in people either paying their property tax or looking to
22 reassess their property values downward?

23 MR. HENKEL: Well, this is Tim Henkel. I'll
24 take a crack at some of that, since nobody is running to the
25 front of the room.

1 It's interesting. What you described very
2 accurately is a blunt instrument moment, I think, early in
3 the pandemic process, where there were a lot of concerns
4 about people being put out on the street and a lot of
5 anxiety about the amount of unemployment and how quickly
6 that would happen. And so the very quick resolutions to
7 that were \$600 checks, as you said, and moratoriums and
8 statements that said, "You can't be evicted."

9 As an industry, we all said, "Wait a minute,
10 that's being misconstrued and being -- the message was
11 poorly delivered." No one said, "Don't pay the rent," but a
12 lot of people heard, "Don't pay the rent." And we've been
13 sort of fighting back from that moment ever since.

14 And so, I think that that, to the degree that
15 there's a theme in the comments that I've offered today, is
16 that many, many, many continue to pay the rent. And there
17 is a small denominator, a small proportion, who are not and
18 are not responding -- we've termed them nonresponsive
19 delinquents -- who are delinquent on their rent and they're
20 not responding to our efforts. And we're not exactly sure
21 why. We don't know if they're truly misbehaving or they're
22 distrustful that what we're offering is good in the form of
23 either a payment plan or access to rental assistance. What
24 we know is that if their neighbor were getting rental
25 assistance and if they were eligible for rental assistance,

1 we would probably have a better shot at communicating with
2 them and that would get us to a better resolution.

3 MR. HAINES: I'm willing to add on to Tim's
4 comments, if that helps, Representative.

5 MAJORITY CHAIRWOMAN DELOZIER: Sure. That's
6 fine.

7 MR. HAINES: All right. So, okay, hold on.

8 So I think I want to echo Tim. I don't know
9 if giving \$600 a week to renters and to people was the best
10 avenue. I think we were all reacting to a pandemic that we
11 had never dealt with before.

12 And as always with every development, whether
13 it's multi-family housing market rate or affordable housing,
14 you have 10 percent of the people who take advantage of the
15 system. And I think we're seeing that in this situation.

16 As for the future of going back for, asking
17 for tax abatements or reduction in taxes, for us in the
18 affordable housing community, we always struggle with tax
19 assessments and how much our properties are really worth,
20 because in our world, it may cost us \$10 million to build a
21 40-unit apartment building, but we can't really sell it for
22 \$10 million because there's rent restrictions on the units.

23 So we always struggle with every county we
24 work in, and this is true across the affordable housing
25 field, in how to determine how much a property is worth and

1 how much we should pay in taxes.

2 I think every landlord doesn't want to go
3 back and ask for a tax abatement or reduction in taxes
4 because it takes a long time. We'd like to try to find
5 savings elsewhere. Right now, on our portfolio, we are not
6 seeing the need to do that yet. We're paying the bills.
7 We're keeping our mortgages current. We're keeping our
8 maintenance to the properties. On our senior deals, there
9 tends to be less rent delinquency or late payment in rent
10 because they have a more stable income through pensions and
11 Social Security. On the families, we're still holding firm.

12 But I think we don't know the answer as for
13 going back for tax abatement. We don't want to do it, but
14 it is always an ongoing challenge with affordable housing in
15 the Commonwealth.

16 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
17 you very much.

18 We have --

19 Representative Ciresi has a question.

20 REPRESENTATIVE CIRESI: Thank you, Madam
21 Chair.

22 So I was just listening to what Andy just
23 said, and just a little bit of my own history, I was the
24 president of Petra Community Housing in Chester County and
25 Montgomery County that builds affordable housing. And I

1 know that we've had issues with taxes, property taxes, or
2 we've come to a payment in lieu of taxes on some of the
3 properties because of the non-profit status with the school
4 district because there's no impact, usually, when you get
5 into senior housing. So it's a little bit different with
6 government subsidized housing.

7 But there were points that my colleague made,
8 Representative Jones, I also agree with that, you know, I
9 found it frustrating, if you were getting this money and
10 sometimes making more money than you were prior and not
11 paying the rent, that's an issue. And as we know, people do
12 take advantage when they can take advantage at times, not
13 everyone, of course not, but there's always a percentage in
14 every industry that do that.

15 So having said that, I thank the Governor for
16 what he did. I think it was a great program, for putting it
17 together in a short period of time, and we had to come up
18 with decisions. But now that we're looking at this, you
19 know, six, seven months out, what would have been your
20 solution to this whole issue?

21 There were those people who just couldn't
22 afford to pay because of lack of income. And as our
23 offices, all 203 of us, know, there was a major backup with
24 anyone getting money through this pandemic. Unemployment,
25 we had people go 12, 14, 16 weeks before they saw a check

1 come. So even though they may have gotten that extra 600,
2 some of them didn't see it for almost four or five months.

3 So what would be, moving forward, a solution
4 to the problem to be able to do this where we do have some
5 sort of relief, but maybe it's looked at a little bit
6 differently? What would you all recommend?

7 MS. ORLANDO: I'll take the first crack at
8 that. This is Marlynn Orlando with the Pennsylvania
9 Apartment Association.

10 We have to get the courts opened back up and
11 I believe we need to get the courts opened back up
12 consistently across the state. What we are hearing is that
13 different local -- this is not my full area of expertise --
14 but different local municipalities are interpreting mandates
15 and moratoriums and things differently and deciding locally
16 what they will and will not hear in terms of land or tenant
17 disputes.

18 So I would love to see some consistency
19 across the state with the courts and allowing evictions to
20 go -- if the landlord has made a good faith effort to
21 communicate with the tenant, they provide all of the
22 information about availability for rental assistance
23 programs, and they have not heard any communication back
24 from the tenant, can document that, they should be able to
25 proceed with securing that unit back so that they can get it

1 to somebody who needs an apartment that's going to pay. We
2 have to be able to proceed with evictions where it's
3 warranted, and that's, I think, what I'd like to see happen
4 consistently across the state, the ability to do that.

5 MAJORITY CHAIRWOMAN DELOZIER: Does anyone
6 else have a comment on that? If not, we're going to...

7 (No response.)

8 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
9 you.

10 I have one quick question, and it can be a
11 short answer in and of itself.

12 We've talked about payment plans with some of
13 the folks that may have been able to pay their rent. And as
14 we go to the end of the year and we've had the moratorium on
15 paying rent, can any of you give kind of what is the plan as
16 to the fact that -- yes, we are communicating with our
17 tenants or those that are supposed to be paying rent, if
18 someone has not been able to pay up until this point, what
19 is it that you are offering and working -- what ideas do you
20 have that you're working with your tenants? Is it --
21 obviously payment plans, you mentioned those. Are there
22 other ideas that are out there other than that?

23 Obviously you're not asking for a check come
24 December 31st from someone who has not been able to pay.
25 What is it -- other than just the payment plans of maybe

1 stretching what they owe over the following six months, is
2 there any insight into other suggestions in that regard to
3 be able to work with our constituents?

4 (No response.)

5 MAJORITY CHAIRWOMAN DELOZIER: Anyone?

6 MR. HENKEL: Yeah. This is Tim. I'll
7 respond.

8 I think what you're pointing your finger at
9 is one of the difficulties. Some of the losses that have
10 been incurred within the system, if you will, won't be
11 retrievable. So if you put someone on a payment plan and
12 assume that they will begin to resume payments when and if
13 they are able, the reality of collecting in particular on an
14 affordable housing resident whose disposable income was
15 marginal to begin with, of catching up is really pretty
16 dramatic. It's a long shot.

17 And so, unfortunately, my answer is not that
18 we have innovative solutions, but that is part of the
19 problem and part of how the problem has an exponential
20 impact to it. So what we've incurred to date is a pile of
21 unpaid rent that is mounting. And the stress that's in the
22 system, the stress that then is translated to ability to pay
23 mortgages and pay taxes and things that we've discussed,
24 starts to reach tipping points.

25 I would suggest sort of an answer to a couple

1 of questions that the smaller the property or the smaller
2 the owner, the sooner that tipping point will be reached as
3 it relates to ability to pay for the things that matter,
4 that keep us out of foreclosures and keep us, you know,
5 mortgage foreclosures or tax foreclosures.

6 And so, there's a little bit of an unknown.
7 And I think that some of those nonpayers who are not picking
8 up the phone are afraid of that unknown, as well. They are
9 potentially not paying because they're -- I won't say
10 hoarding cash, but hoarding their powder dry just in case
11 they need it for something else, post-eviction or somewhere
12 else along the line.

13 We are still suffering through an unknown and
14 many of our residents are experiencing the pandemic in
15 different ways.

16 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
17 you very much.

18 I appreciate the insight from all three of
19 you, or four of you, and thank you for your time being here
20 today.

21 MS. ORLANDO: Thank you.

22 MAJORITY CHAIRWOMAN DELOZIER: And we'll move
23 on to our next panel, Community Legal Services. We have
24 Rachel Labush, the senior staff attorney of the
25 Homeownership and Consumer Rights Unit, and joined by a

1 staff attorney from the Housing Unit, and I apologize --
2 Osarugue Grace Osa-Edoh. And I really apologize if I messed
3 that up. But the two of you have testimony.

4 And, Rachel, if you want to start.

5 MS. LABUSH: Yes.

6 Thank you, Chair Delozier, Democratic Chair
7 Galloway, and members of the committee.

8 My colleague, Osarugue Grace Osa-Edoh, and I
9 appreciate the opportunity to testify today on the way in
10 which the coronavirus pandemic and the resulting economic
11 crisis have impacted Pennsylvania homeowners and renters,
12 and the role the legislature can play in helping families
13 avoid losing their homes as a result of the crisis.

14 We are attorneys with Community Legal
15 Services, which provides free civil legal services to
16 low-income residents of Philadelphia, as well as technical
17 assistance and training to legal aid programs throughout the
18 Commonwealth. My particular practice area is in the
19 Homeownership and Consumer Rights Unit of CLS, where I
20 represent clients in foreclosure and other mortgage-related
21 cases.

22 In the last six months, our clients, along
23 with many other Pennsylvanians, have experienced loss of
24 income that threatens their housing. Even as the economy
25 restarts, the unemployment rate throughout the Commonwealth

1 remains above 10 percent. In Philadelphia, it is almost
2 20 percent.

3 COVID-related stimulus payments have run out,
4 pandemic unemployment assistance will run out, and many
5 people are unable to make their mortgage or rent payments.
6 Meanwhile Governor Wolf's foreclosure and eviction
7 moratorium expired at the end of August.

8 As Director Wiessmann noted earlier, the
9 Mortgage Bankers Association has put out data about the
10 scale of the crisis for homeowners. The national
11 delinquency rate for residential mortgages surged to over
12 eight percent of all outstanding mortgage loans in the
13 second quarter of 2020. And at the end of August, over
14 seven percent of residential mortgages nationwide were in
15 forbearance.

16 Both the federal government and the
17 Commonwealth have enacted protections for borrowers
18 struggling to make their mortgage payments, but they are not
19 reaching everyone who needs them.

20 The Federal CARES Act allows borrowers with
21 federally backed mortgages to obtain forbearances on their
22 mortgage payments for up to 360 days if they have
23 experienced a COVID-related financial hardship. The CARES
24 Act and subsequent guidance from the FHA, VA, USDA, Fannie
25 Mae, and Freddie Mac have extended a moratorium on

1 foreclosures on those government backed mortgages through
2 the end of the year. And those entities have also created
3 programs for borrowers with government-backed loans to
4 resolve the arrears that have accumulated at the end of the
5 forbearance. However, there has been no similar moratorium,
6 forbearance protection, or long-term solution put in place
7 for the 30 percent of residential mortgages that are not
8 federally backed.

9 Recent reports from regulators and consumer
10 groups have revealed that half of borrowers with
11 government-backed mortgages are unaware of the help that is
12 available to them during this pandemic. The *Wall Street*
13 *Journal* reported last week that over a million mortgage
14 borrowers nationwide are over 30 days behind in their
15 mortgages and are not in a forbearance program. Federal
16 regulators are not adequately monitoring servicer compliance
17 with the rules for government-backed mortgages.

18 At Community Legal Services we continue to
19 get requests for help from borrowers with government-backed
20 loans who have never been reviewed for or are being denied
21 forbearances that they're entitled to under the CARES Act.

22 I recently had to involve HUD's National
23 Servicing Center to obtain a forbearance for my client with
24 an FHA mortgage after his servicer wrongly insisted that he
25 was categorically ineligible for it.

1 The legislature can help Pennsylvanians with
2 government-backed mortgages by spreading awareness of the
3 programs they may be entitled to and by funding housing,
4 counseling, and legal services to help them access it.

5 Meanwhile, those with nongovernment-backed
6 loans have no guarantee of a forbearance for a COVID-related
7 hardship at all.

8 One of my clients, a self-employed house
9 cleaner, who lost almost her entire income in the pandemic,
10 was recently told that she must submit a complete written
11 financial application every month to extend her forbearance
12 and that it was up to the investor of her mortgage whether
13 to approve it. Every notice she receives warrants that if
14 her forbearance ends, she may have to pay back the entire
15 arrears immediately or face foreclosure.

16 The 30 percent of borrowers with
17 nongovernment-backed mortgages also need protection from
18 losing their homes due to pandemic-related hardships. We
19 encourage the legislature to enact legislation similar to
20 the CARES Act for all residential mortgages in Pennsylvania.
21 Versions of such legislation have been enacted in New York
22 and Massachusetts requiring servicers of
23 nongovernment-backed mortgages to provide for a forbearance
24 period and long-term resolutions for missed mortgage
25 payments that are an unavoidable consequence of the

1 pandemic.

2 And as Director Wiessmann testified about
3 earlier, the Pandemic Mortgage Assistance Program has been
4 made available by the legislature for homeowners who have
5 fallen behind on their mortgages due to loss of income
6 related to COVID-19.

7 We are pleased to see that in recently issued
8 guidance, PHFA clarified it will allow homeowners in
9 forbearances access to PMAP funds, giving them an additional
10 tool to resolve their mortgage delinquencies. Currently the
11 PMAP Program is required to stop accepting new applications
12 on September 30th.

13 And we thank Representative Helm for her
14 leadership in sponsoring House Bill 2868 to extend the
15 application deadline by a month, as well as make other
16 improvements to the program.

17 Now my colleague, Ms. Osa-Edoh, will testify
18 in more detail about the pandemic's impact on renters.

19 MS. OSA-EDOH: Good afternoon, members of the
20 committee. Thank you for allowing me to speak about the
21 impact COVID-19 has had on Pennsylvania renters.

22 I echo the sentiment expressed by my
23 colleague, Rachel Labush, how the COVID-19 pandemic has been
24 unprecedented in terms of the immediate and lasting impact
25 it has had and will continue to have on Pennsylvania

1 families. If this pandemic has taught us one important
2 lesson thus far, it is this: Housing is an important form
3 of health care.

4 Since the COVID-19 pandemic spread across the
5 United States, several states, including Pennsylvania,
6 issued emergency stay-at-home orders closing schools and
7 businesses and resulting in many residents losing income and
8 experiencing increased expenses such as increased grocery
9 costs, transportation costs, and costs associated with
10 children learning from home. These were and are necessary
11 measures, as social distancing remains one of the key tools
12 we have in fighting the spread of COVID-19. This, however,
13 has left many Pennsylvanians scrambling to keep up with
14 rental payments.

15 According to the U.S. Census Bureau's
16 household poll survey, in Pennsylvania, 6.7 percent of the
17 state's adult population -- that's approximately 350,000
18 adults -- are not current on rent or mortgage payments or
19 have slight or no confidence that their household can pay
20 next month's rent or mortgage. This exposes hundreds of
21 thousands of Pennsylvanian households to the threat of
22 eviction.

23 Even prior to the pandemic, in Philadelphia
24 where Community Legal Service is located, we had the fourth
25 highest eviction rate among large U.S. cities, with one out

1 of every fourteen renters facing eviction each year.

2 We have already seen firsthand the lasting
3 impact eviction has on a renter's physical and psychological
4 health. We know that having an eviction on one's rental
5 record makes it more difficult for a renting individual to
6 secure housing in the future. We know, therefore, having an
7 eviction on their rental record makes it more likely that a
8 renter will accept substandard living conditions containing
9 indoor health hazards, such as dust, gas, water damage, and
10 structural deficiencies. These hazards contribute to health
11 conditions like asthma, lead poisoning, eczema, childhood
12 injury, elevated blood pressure, physical and emotional
13 disregulation, and heart disease. And now to compound on
14 the negative effect eviction has on health, being forced to
15 leave one's home during a global pandemic will likely force
16 renters into the streets, into crowded shelters, or into the
17 homes of friends or relatives, impeding the practice of
18 social distancing and contributing to the spread of the
19 virus. So as COVID-19 has led to a higher rate of housing
20 insecurity, this heightened rate of housing insecurity will
21 likely expose more Pennsylvanians to COVID-19.

22 While federal, state, and local authorities
23 have moved to stop the wave of evictions in the wake of the
24 pandemic, there currently is no statewide legislation in
25 place for protecting all Pennsylvanians from eviction.

1 On May 7th, 2020, Governor Wolf signed an
2 Executive Order staying foreclosure and eviction notice
3 requirements for 60 days, thereby totaling the ability to
4 commence the time lines necessary for the initiation of a
5 foreclosure and eviction proceeding until July 10th, 2020.

6 On July 9th, the Governor extended this
7 moratorium through August 31st, 2020. On August 24th, in a
8 letter to the Pennsylvania House of Representatives,
9 Governor Wolf stated that he did not have the authority to
10 extend the moratorium further.

11 In Philadelphia the landlord-tenant court
12 started hearing eviction cases on Thursday, September 3rd.
13 On September 4th, the Centers for Disease Control issued a
14 notice and order under Section 361 of the Public Health
15 Service Act and 42 CFR 7.2, prohibiting owners of
16 residential properties from evicting tenants who submit a
17 signed declaration stating that they have experienced a loss
18 of income and are unable to pay rent or other things until
19 January 2021.

20 While the CDC order protects some
21 Pennsylvanians, it does not apply to all Pennsylvanians.
22 For example, landlords may still evict tenants for reasons
23 other than nonpayment of rent, including termination of the
24 lease term and breach of a lease condition. Additionally,
25 courts in different jurisdictions are interpreting the CDC

1 order differently. This makes it even more challenging to
2 have a consistent approach to the order's implementation and
3 also serves to undermine the purpose of the order.

4 Today I urge the legislature to enact
5 legislation that would prohibit (inaudible) from taking
6 steps to recover possession of residential property until
7 January 2021, in addition to the measures that my colleague,
8 Ms. Labush, has described.

9 I urge the legislature to pass an eviction
10 moratorium that would cover all stages of the eviction
11 process, the Notice to Quit, the filing of an eviction
12 action, attending an eviction hearing, and the issuance and
13 execution of (inaudible). Together, with the protections
14 outlined by Ms. Labush, these protections would give
15 Pennsylvania renters and property owners more stable access
16 to one of the key tools we have in fighting the spread of
17 COVID-19, stable housing.

18 Thank you for your time.

19 MAJORITY CHAIRWOMAN DELOZIER: Thank you very
20 much. I appreciate the testimony and the information.

21 I will start with just asking the same
22 question I asked the panel before you.

23 When we are looking at those, as was
24 mentioned, folks, whether it's the end of the year that come
25 to then have a debt that's owed to their landlord or their

1 bank, what would be your suggestion as to the fact of, from
2 your perspective and seeing the clients that you are, what
3 would be your suggestion as to -- obviously you've talked
4 about payment plans. Is there some other method that maybe
5 you're aware of that's out there to assist those that have
6 that debt and want to make a good faith effort? We're
7 talking about people that want to do, and pay what it is
8 that they owe, but they are obviously having a hard time.

9 So is there a suggestion that you may have
10 that would be helpful outside of maybe a payment plan or
11 something like that that we're unaware of?

12 MS. LABUSH: I can address this for people
13 with mortgages.

14 The solution that's been put forward by all
15 of the government entities about government-backed mortgages
16 like the FHA is to take the payments that have built up
17 during the period of forbearance and put them to the back of
18 the loan. I understand that's not something that could be
19 replicated in the rental arena, but either put the payments
20 to the back of the loan or roll them into the mortgage,
21 reamortize it, roll it into a modification.

22 And then, in addition, one other tool
23 available to people with mortgages is the PMAP Program
24 that's been successful in Pennsylvania for so many years
25 that is administered by PHFA that could potentially catch

1 people up on their arrears with that second loan, the HEMAP
2 loan, that's essentially, gets paid back according to
3 people's income in addition to their mortgage once they're
4 back on their feet.

5 MAJORITY CHAIRWOMAN DELOZIER: Okay. And one
6 other -- actually, in your testimony you had mentioned,
7 unaware of the help that is available to them during the
8 pandemic. And I had asked this to another panel earlier, as
9 to the fact of is there, from your perspective, a more -- or
10 what suggestion would you have to better educate? Is there
11 something, a gap out there, that you would suggest being
12 covered to educate folks as to what is out there to help
13 them, similar to what you're saying with mortgages? And I
14 understand, you know, putting it at the end of the loan and
15 I know that PHEAA has done that with student loans, as well.
16 So for the ability for us to do that, how will we better
17 educate? Because you said there's a gap there.

18 MS. LABUSH: One of the ways, and we at CLS
19 have discussed this with the Department of Banking, which
20 regulates nonbank services, is to make sure that the
21 information about the assistance is prominently and
22 accurately presented on the websites and in the phone
23 systems of the mortgage lenders and also in the mail that is
24 sent to borrowers like the monthly statement every month.

25 And in addition, the Housing Counseling

1 Network that Director Wiessmann alluded to is such a
2 valuable tool. In Philadelphia anyway, whenever -- well,
3 actually, across the Commonwealth, when borrowers are behind
4 on their mortgage before a foreclosure can be commenced
5 they're sent a pre-foreclosure notice with a list of the
6 housing counseling agencies available in their community.
7 So to continue funding those housing counseling agencies and
8 to --

9 In some areas, they also some run
10 advertising. I think that that could be useful so that
11 people know they can reach out to those agencies even before
12 they receive a pre-foreclosure notice.

13 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
14 you very much.

15 Ms. Osa-Edoh, do you have any for renters?

16 MS. OSA-EDOH: Yes.

17 I just wanted to mention the Eviction
18 Diversion Program that we actually have in place in
19 Philadelphia. It was recently set up. And it said --
20 renters and their landlords sit down with a mediator and
21 discuss terms of how they can resolve any arrears. Renters
22 also get connected with financial counseling to help them
23 work out agreements with their landlords.

24 We previously had a Foreclosure Diversion
25 Program in Philadelphia that has been successful. And so as

1 part of recent legislation enacted in Philadelphia to
2 address the increase or the wave of evictions that is coming
3 because of COVID-19, this Eviction Diversion Program has
4 been one option in addition to payment agreements between
5 landlords and tenants, that tenants and landlords can
6 utilize to come to an agreement as to how they do the
7 arrears.

8 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
9 you very much.

10 Representative Ciresi.

11 REPRESENTATIVE CIRESI: Thank you.

12 I think you read the questions I had sitting
13 in front of me.

14 MAJORITY CHAIRWOMAN DELOZIER: Oh, good.
15 Okay.

16 REPRESENTATIVE CIRESI: But my question, back
17 to, on the mortgages, which I'm glad to hear you're able to
18 put that in the rears. What are the penalties that are
19 affiliated with that? Are there penalties, or are they just
20 putting the payments on the rear and you just pay the
21 additional interest as the loan gets older?

22 MS. LABUSH: For those mortgages covered by
23 the CARES Act, as part of the CARES Act, the mortgage
24 company had to not charge any penalties or late fees
25 associated with the forbearance. So it really is, it should

1 be just the missed payments that are put to the back of the
2 loan. And we would like to see prevalent protections for
3 nongovernment-backed mortgages so that there aren't a lot of
4 other charges being wrapped in.

5 REPRESENTATIVE CIRESI: So that's just on the
6 government-backed mortgages. Private banking doesn't have
7 to do the same, obviously.

8 MS. LABUSH: They don't have to do the same,
9 and there is a range with what they are offering. And it's
10 also a big unknown what the nongovernment-backed mortgages
11 are going to do at the back end of the forbearance with
12 those arrears. Whereas the government-backed mortgages, the
13 entities regulating them have announced what they are going
14 to do at the end of the forbearance, and it's not going to
15 be requiring all the payments to be made at once.

16 REPRESENTATIVE CIRESI: We have tried to
17 introduce a bill to talk about that with all Pennsylvania
18 institutions, that they would put the money that was owed on
19 the back of the loan without penalty. I'm not sure which
20 committee that bill ended up in, we're not sure where it is
21 and where in the process it is, but about three months ago,
22 we tried to introduce that bill.

23 One other question regarding the renting, the
24 renters, what do we see percentage-wise compared to other
25 parts of the nation? I mean, are we much higher in the

1 greater Philadelphia area and maybe Pittsburgh, you know,
2 throughout the state compared to other states, or are we in
3 about the same range as far as evictions?

4 MS. OSA-EDOH: Well, as far as evictions --
5 and this is from numbers prior to COVID -- we were fourth in
6 the nation, with one in fourteen renters experiencing
7 eviction a year. So we already had an eviction crisis, at
8 least in Philadelphia, in terms of people losing their homes
9 and that was prior to COVID. So what we predict is that
10 Philadelphia will rate among the highest in the country as
11 far as evictions if further protections for renters are not
12 put in place. And this is both rental assistance and the
13 moratorium.

14 And I just want, because there were comments
15 earlier from other speakers about renters and the moratorium
16 and renters who may be taking advantage of eviction
17 moratoriums, I just want to speak very briefly to that.

18 The message that we've been putting out to
19 our clients -- and I know that the message has been
20 received -- is not "you don't have to pay your rent." It is
21 "you have time to figure this all out, you have time to get
22 rental assistance, you have time to get on a payment
23 agreement with your landlord, the irreparable harm that you
24 might experience from being evicted can be put off because
25 we're giving you more time."

1 As I said in my earlier statement, at this
2 point, housing is a form of health care and homes are much
3 more precious now. I mean, they've always been precious to
4 Philadelphia renters. But at this point, the home is the
5 first line of protection against COVID-19. And so it is
6 even more precious and even more important to renters now to
7 keep their housing than it has been prior to the pandemic.

8 And what we've seen, at least with our
9 clients, is that they're, nobody is interested in putting
10 themselves in a place of housing insecurity for the purpose
11 of taking advantage of a moratorium. Everybody wants to be
12 housing secure right now.

13 And so I just wanted to speak to that earlier
14 point because it's just not reflective of what we're seeing
15 on the ground. We are seeing people who are deeply
16 concerned with keeping their housing, with being able to pay
17 so that they're not out on the streets and exposed to COVID.

18 MAJORITY CHAIRWOMAN DELOZIER: Representative
19 Jones.

20 REPRESENTATIVE JONES: Thank you, Madam
21 Chairwoman.

22 Ms. Osa-Edoh, I just want to clarify, I want
23 to make sure I heard something you said correctly.

24 Is it your position that when a lease has
25 expired and run its term, that landlords be required to

1 retain that tenant even after the lease has expired
2 independent of whether or not they paid their rent for the
3 last five or six months? Did I interpret that correctly?

4 MS. OSA-EDOH: Representative Jones, what our
5 position is is that right now the most important thing for
6 Philadelphians, for renters, is to have stable housing.

7 So one of the issues that we've seen since
8 the pandemic is that even tenants who would like to move out
9 of their properties for whatever reason are having a lot of
10 trouble doing so because of the emergency orders and the
11 stay-at-home orders. Tenants are not able to view
12 properties in-person like they were before, the paperwork
13 required is a lot more strenuous now because people who are
14 renting properties have concerns around the ability to pay
15 long-term because of COVID. So even when tenants do want to
16 leave the property, we're finding that that mobility, it's
17 just harder in this climate.

18 And so if -- the most important thing, then,
19 that we can advocate for is housing stability, which means
20 keeping tenants in their home until we are free of COVID.

21 REPRESENTATIVE JONES: That's a heck of an
22 answer for landlords.

23 Thank you, though, for answering the
24 question. I appreciate it.

25 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank

1 you very much.

2 At this point, we don't see any other
3 questions. So with that, I appreciate the two of your
4 input. And we will move on to the next panel in dealing
5 with the utilities panel.

6 In this panel we have Chairman Gladys
7 Dutrieuille from the Pennsylvania Public Utility Commission,
8 we have Cathy Buhrig from the Pennsylvania Department of
9 Human Services, and we have Terry Fitzpatrick, president and
10 CEO of the Energy Association.

11 So with that, I will hand it off to Chairman
12 Dutrieuille.

13 MS. DUTRIEUILLE: Thank you very much.

14 And good afternoon, Chairman Delozier and
15 Chairman Galloway and members of the House Commerce
16 Committee. It truly is a great opportunity to be here with
17 you today to provide some information in terms of the impact
18 of the COVID-19 pandemic on, not only on the commission, but
19 our utilities and utility customers.

20 I do want to note that I have one of our
21 directors, our director of technical utility services, also
22 here with me today for purposes of answering any questions
23 that I may not be able to answer for you.

24 So in terms of the impact of the virus on the
25 commission, let me just quickly say that we have, our staff

1 has done a yeoman job in terms of being able to continue our
2 operations at the commission. As you know, we are a
3 quasi-judicial agency holding a lot of hearings and things
4 of that nature. And we have been able to continue our
5 operations remotely with almost all of our staff, if not all
6 of our staff, allowing for, not only for consumers, but
7 utilities to file any necessary petitions and complaints and
8 things of that nature. And we have been able to keep up
9 with our time line. So I do thank our staff for that.

10 In terms of our utilities, you know, this
11 pandemic has not been an easy one. But I do want to say
12 that I am pleased to report that the fixed utilities have
13 taken extraordinary steps to protect their workforce and the
14 public while still appearing to be on track to largely meet
15 their benchmark infrastructure improvement metrics. I know
16 that the commission has not received any requests for relief
17 from an electric, natural gas, water, or wastewater utility
18 seeking to revise its infrastructure placement targets for
19 this year. Additionally, the regular utilities continue to
20 respond productively to outages and adverse weather while
21 maintaining safety of its employees and the public.

22 In terms of some of our smaller utilities, I
23 will say that some have availed themselves of the funds from
24 the Federal Small Business Administration's Paycheck
25 Protection Plan and these funds are being utilized to ensure

1 utilities with less working capital can meet their payroll
2 without having to terminate or furlough employees.

3 In terms of our transportation utilities that
4 we regulate, they have revised procedures and rules and put
5 them in line with the guidance from the Department of
6 Health. That includes mandates for the tax season
7 Transportation Network Company drivers, making sure that
8 they wear their masks and do not permit passengers in the
9 front seat.

10 To date, I can say that the commission has
11 observed a fairly robust and effective response to the
12 pandemic from regulated utilities that is to be commended.
13 Further, of important note, is the limited cases of COVID-19
14 affecting utility employees and contractors. While we can't
15 provide official figures, we can communicate that the number
16 is nominally low. And I believe this is a testament to the
17 effective response measures taken by the utilities.

18 Now, many of our utilities are experiencing
19 lower revenues due to the pandemic. While the circumstances
20 manifest themselves differently from utility and industry,
21 there are a number of key trends at the root of this. These
22 trends include a decrease in industrial and commercial
23 operations in the economy and an increase in customers'
24 inability to pay due to income reductions. In response to
25 the latter, the commission ratified an emergency order which

1 placed a moratorium on the discontinuance, or the
2 disconnection of service for customers. This meant -- this
3 moratorium presently remains in place.

4 It is logical to assume that this policy will
5 increase the uncollectible expenses realized by utilities.
6 Consequently, the commission took complimentary action,
7 which provides utilities a potential avenue to recover
8 incremental costs associated with uncollectible expenses,
9 real life, during the moratorium on service disconnections.
10 As we continue to navigate the pandemic, the commission is
11 committed to working cooperatively with all the utilities to
12 ensure that safe and reliable service is maintained.

13 In preparation for this testimony, we did
14 request additional information from our utilities, more
15 specifically our energy utilities, the gas and electric side
16 of it, comparing August from 2019 to August of 2020. And I
17 believe you have that in your full testimony which shows
18 that chart there and shows an increase in not only the
19 number of customers in arrears from 2019 -- August 2019 to
20 August 2020, but it also shows an increase in the amount of
21 money owed. But it also reflects in that chart that you
22 have a certain number of residential customers that are
23 above what is normally the low income, which is 150 percent
24 or below. So we have a larger number of consumers that are
25 in arrears and owing money on their bills because of the

1 pandemic.

2 You know, we're a big proponent of utilizing
3 all the utilities available to assist at-risk customers in
4 getting back on track with their utility bills. And many of
5 you know that this consists of our different customer
6 assistance programs or those programs put in place by the
7 utilities that we regulate. That also includes low-income
8 usage reduction programs, buyer hardship programs, and
9 Low-Income Home Energy Assistance Program, LIHEAP, which you
10 will hear from later.

11 We note that not all customers may be
12 eligible for those programs, however. Especially programs
13 that are expressly tailored for the low-income customers or
14 those that are tailored to residential customers and not
15 available to small businesses. So I do note that small
16 businesses appear to be affected substantially by this
17 COVID-19 pandemic, which is likely a significant component
18 of the increase in the at-risk accounts that are shown in my
19 testimony in the commercial category.

20 Let me just say that the commission has sent
21 communication to the general assembly by letter saying that
22 we support the utilization of CARES funds to assist
23 customers that are in arrears. We appreciate the funding
24 that came earlier from the general assembly in terms of
25 LIHEAP funds through the CARES Act and we know that there

1 are other pieces of legislation that are out there that may
2 be considered by the general assembly and we are in support
3 of that.

4 So at this point, I will be available to
5 answer any questions you have of me at the end of this
6 panel.

7 MAJORITY CHAIRWOMAN DELOZIER: Thank you,
8 Chairman.

9 Next we have Cathy Buhrig with the Department
10 of Human Services.

11 MS. BUHRIG: Yes.

12 Good afternoon. My name is Cathy Buhrig and
13 I work for the Department of Human Services Office of Income
14 Maintenance. The Office of Income Maintenance oversees
15 numerous (inaudible) programs, both federal and mixed
16 federal and state benefits.

17 For the purposes of this panel, we are
18 talking about the Low-Income Home Energy Assistance Program.
19 While the department does not have formal comments for this
20 particular panel, we are here and available to answer any
21 questions.

22 As the Chairwoman mentioned, LIHEAP is
23 available to assist people with their home heating and
24 utility bills. We do serve individuals generally up to
25 150 percent of the federal poverty income guideline. We do

1 have around three different programs. One is a cash
2 assistance program, which provides funding anywhere from a
3 minimum of \$200 upwards of \$1000 to help people defray the
4 cost of energy bills. We also have a crisis program which
5 is available for people who are either facing termination or
6 are within 10 days of being without a deliverable fuel. We
7 work with the Department of Community and Economic
8 Development where we have a program for crisis
9 weatherization which provides assistance for people if they
10 have or need repairs to their home heating equipment, such
11 as furnaces. And we also provide funds to the Department of
12 Community and Economic Development to do some weatherization
13 so that low-income individuals are able to do repairs and
14 weatherization to reduce their home utility costs.

15 So with that, I am available for any
16 questions anybody has and I appreciate your time.

17 MAJORITY CHAIRWOMAN DELOZIER: Thank you very
18 much.

19 And lastly we have Terry Fitzpatrick, the
20 president and CEO of the Energy Association. And he is here
21 in person.

22 Welcome. Braving the in-person.

23 MR. FITZPATRICK: Thank you, Chairman
24 Delozier, Chairman Galloway, members of the House Commerce
25 Committee. I'm Terry Fitzpatrick, president of the Energy

1 Association of Pennsylvania. We're a trade group comprised
2 of electric and natural gas utilities operating in the
3 Commonwealth. We really appreciate this opportunity to come
4 before you and talk about what comes next in the COVID
5 crisis with regard to utilities.

6 Utilities haven't been hit as hard as some
7 other industries I'm sure you're hearing from. We're not
8 airlines, we're not restaurants. At the same time, we do
9 still have some challenges.

10 Early in the pandemic, there were two major
11 governmental actions which impacted the utilities. The
12 first was the Governor's Executive Order in March that
13 allowed life-sustaining businesses to remain open with some
14 restrictions, while closing other industries. Utilities
15 were designated life-sustaining and continued operations.
16 However, construction activities involving utility
17 infrastructure were not considered life-sustaining and only
18 emergency repairs were authorized.

19 In later conversations with the
20 Administration, this restriction was eased so that work to,
21 for example, replace natural gas pipes, electric poles, and
22 wires was allowed. Utilities were given some leeway to use
23 their discretion in continuing at least some of those
24 projects. The other major decision was an emergency order
25 by the PUC back in March that placed a moratorium on all

1 service terminations by regulating utilities for the
2 duration of the Governor's emergency proclamation unless
3 otherwise determined by the commission.

4 Because the Governor's emergency proclamation
5 has been extended a couple of times for additional 90-day
6 periods, that now runs until the end of November of this
7 year. Since the PUC has not taken action to lift the
8 moratorium, that moratorium on service connections also goes
9 until November 30th, when it meets up with another
10 moratorium under existing regulations, the winter
11 moratorium, that bans terminations during the winter period
12 for lower income customers.

13 After these decisions in March, through the
14 spring and summer, utilities found a new normal way of
15 operating. Infrastructure projects picked up, as Chairman
16 Dutrieuille talked about. Although some projects may lag a
17 little bit behind their original schedule, we've really been
18 able to keep up with those projects by and large.

19 Also the PUC issued an order giving
20 regulatory flexibility to utilities to manage this. For
21 example, we could minimize personal contacts with customers
22 because that's something everybody has been trying to avoid.
23 Utility administrative and support staff transitioned to
24 working remotely and they continue to do so.

25 During this period, utilities maintained safe

1 and reliable service to customers. That's been particularly
2 important during a time of anxiety and also social unrest
3 and as many customers have been compelled to stay home. As
4 Chairman Dutrieuille recognized, utilities on their own also
5 authorized or took a number of steps to help customers.
6 These policies have not been uniform. They have varied
7 among utilities because the circumstances facing utilities
8 and their customers have differed across the Commonwealth,
9 based on a number of factors, including the particular
10 industry involved in the area of the Commonwealth that they
11 serve.

12 Some of these policies include enhanced
13 efforts to outreach to customers to inform them of available
14 assistance, special payment arrangements that are not linked
15 to the income levels of the customers, empathy training for
16 the call center employees, waiver of late payment and
17 reconnection fees, and payment agreements with business
18 customers who have fallen behind. Over the longer term
19 utilities face a major challenge as customers struggle to
20 pay their bills and as customer debt grows.

21 The PUC took action in May of this year to
22 authorize utilities to create what's called a regulatory
23 asset for uncollectible or bad debt expense. And what that
24 means is that there's a possibility the utilities will be
25 able to collect that in the future. But the questions

1 regarding recovery of it are deferred until the utilities'
2 next rate case or a separate filing.

3 The utilities are also at some risk for
4 decreased revenue as a result of the economic downturn that
5 was caused by the pandemic. So these factors cast some
6 shadows over the future financial prospect of utilities and
7 it's important for utilities to maintain a stable financial
8 outlook in order for them to continue investing in their
9 infrastructure and ensure safe and reliable service down the
10 road.

11 So from the perspective of utilities as we
12 move into the fall, the continuation of the moratorium is a
13 major concern. You know, it's clear we believe that the
14 moratorium itself is causing the accelerated cumulation of
15 debt and bad debt expense. Chairman Dutrieuille went over
16 some of the numbers we've collected that do show that
17 arrearages, of course, are up from what they were before.
18 And really, this is a bad situation for the customers who
19 are falling behind because eventually they're going to have
20 to try to climb out of that debt. It's bad for the other
21 customers in the utility because they're going to have to
22 pick up some portion of that bad debt expense and it's bad
23 for utility shareholders because they're facing the risk
24 that the utility is not going to be able to collect some of
25 this money.

1 The PUC has considered on a couple of
2 occasions during the summer, perhaps three occasions,
3 lifting the moratorium, but it's deadlocked each time on a
4 two-to-two vote. The key sticking point is over inserting
5 additional procedural protections into the utilities'
6 collection process, some of which go beyond the commission's
7 statutory authority under the Public Utility Code.

8 We have two thoughts to offer on adding
9 additional procedural protections as a solution to this
10 problem.

11 First of all, the essential problem facing
12 customers is that they lost income because of the pandemic
13 and the business downturn. The most direct solution to that
14 is to provide them with financial assistance to make up for
15 that lost income, not to weigh down the already heavily
16 regulated utilities collection process which I'll describe a
17 little bit.

18 There's already -- with regard to financial
19 assistance, there's already been a lot provided by the
20 federal government in the form of enhanced unemployment
21 benefits and grants to small businesses. There was also a
22 special LIHEAP program in the summer, \$35 million was
23 authorized for that.

24 I will note that that program closed at the
25 end of August with a \$15 million balance, which shows that

1 despite the moratorium, many customers -- or with the
2 moratorium in place, many customers don't feel an incentive
3 to apply for the assistance programs that are out there.

4 Utilities also administer what are called
5 universal service programs. These provide a number of
6 different programs that help customers, the biggest being
7 what are called Customer Assistance or CAP programs, which
8 provide discounted bills to customers based on their ability
9 to pay.

10 In 2018, the total amount statewide that was
11 spent on these universal service programs, which are
12 generally funded by ratepayers themselves, was 383 million.
13 I mean, that is a very large amount of money. In fact, it's
14 more than what New York and New Jersey spend combined on
15 similar types of programs. So I want to emphasize the
16 amount of assistance that's already available. That number,
17 too, could grow as the needs of customers grow.

18 With regard to procedural protections,
19 Pennsylvania also has robust procedural protections already
20 in place. These things include multiple notice requirements
21 before termination of service, the mandatory availability of
22 payment agreements with the utilities, and also the
23 availability of a PUC ordered payment agreement, budget
24 billing, which spreads costs over an entire year to avoid
25 peaks and valleys, an automatic stay on termination whenever

1 there's a dispute between the customer and a utility,
2 availability of medical certificates that preclude
3 termination when a member has a serious medical condition,
4 and the winter moratorium which I had mentioned, and also
5 special protections for victims of domestic abuse.

6 Now, a majority of the PUC commissioners have
7 recognized that continuing the moratorium is itself making
8 the problem of bad debt expense worse. Utilities have
9 monitored this and recorded that actually, despite what you
10 might expect in these financial times, fewer customers than
11 normal are reaching out to their utilities and trying to
12 make agreements to pay their bills when they fall behind.
13 Fewer than normal. You would expect more, but it's actually
14 fewer than normal.

15 In addition, utilities normally see that when
16 the winter moratorium ends in the spring, customers become
17 more active in seeking assistance and entering into payment
18 agreements. That did not happen in the spring of 2020. And
19 I think the reason for this -- there's maybe not just one
20 reason, but at least one big reason for that is a lot of
21 customers don't feel an incentive to take action to deal
22 with their arrearages when they know that the utility is
23 going to be compelled to serve them whether they pay or
24 whether they don't.

25 The extended moratorium has also put utility

1 customers at a disadvantage in being able to receive
2 available federal energy assistance. The summer program,
3 LIHEAP Program, run by DHS that I had mentioned, had a rule
4 in place saying that a past due utility bill was sufficient
5 to serve as evidence of a crisis in order to be able to
6 access those funds. However, the regular LIHEAP Program,
7 which opens on November 1st, does not have that
8 accommodation. A termination notice is typically required
9 to prove a crisis -- (inaudible).

10 (Interruption.)

11 MR. FITZPATRICK: -- because the moratorium
12 is -- (inaudible).

13 (Interruption.)

14 MR. FITZPATRICK: Okay, as a result of this,
15 the LIHEAP customers won't be able to access that money in
16 November of this year.

17 Now, one thing I think all, everybody here
18 agrees with that is going to testify is, we all support
19 further efforts to provide financial assistance to
20 customers, that includes utilities. We've been out front in
21 advocating that additional funding from the CARES Act be
22 used to provide income, or provide grants to low-income
23 customers, customers with incomes a little bit above what's
24 normally considered low income, and also the small business
25 customers. And there's some bills out there, including

1 House Bill 2816, Representative Quinn, Senate Bill 1307,
2 Senator Killion. They would achieve this result and we
3 support that legislation.

4 So thanks again for the opportunity to be
5 here. I'm happy to answer questions.

6 MAJORITY CHAIRWOMAN DELOZIER: Great. Thank
7 you very much.

8 Actually, if I can go back just real quick
9 and -- we had a little bit of interference when you were
10 talking about it, but that was the area of my question. And
11 I know with the PUC, as well as DHS, all three entities
12 might have a comment on it.

13 And some of the information that I've
14 received was this -- we find sometimes all of our
15 constituents in a vicious cycle and one of these cycles that
16 we're seeing right now deals with LIHEAP. And we want folks
17 that typically would either apply that need the assistance
18 over the winter months -- so if I have this correct, many of
19 you did the time lines accurately and across the board. But
20 we're talking about March and now where we are standing
21 right now, we're soon to be going into that winter
22 moratorium. So it will be for some customers that haven't
23 been able to pay for almost a year, that they have not paid
24 because of the timing of the winter moratorium, even if the
25 PUC would raise the moratorium.

1 My question is this -- and the understanding
2 of what defines a crisis. So while the summer program, you
3 mentioned, could use a delinquent bill, the regular program
4 does not allow for that. So can I get some perspective from
5 those of you on the panel as to the fact of, if the PUC
6 would raise -- and you mentioned there was an issue and why
7 it's two to two. But if the PUC would raise the moratorium
8 and allow the companies, recognizing they can't shut off
9 because we're going into the winter times, but allow that
10 termination to at least inform the customer as to where they
11 stand with their bill. Because I think sometimes, it is --
12 we all live in tunnel vision and we kind of look at what's
13 right in front of us. But have that as a communication,
14 almost, tool with the client to be able to say, "Look, this
15 is building and we need to deal with this." As well as the
16 fact of, obviously, if we don't have termination and we
17 can't apply for LIHEAP, that's a vicious cycle for them, as
18 well.

19 Could you guys comment on that?

20 And DHS, I know, running the program and
21 dealing with moneys that are coming in. We're obviously
22 going to get another federal infusion of dollars that go
23 directly to that LIHEAP, not CARES money, but regular funds
24 that will go in. Can you kind of talk about how we're going
25 to use that money efficiently, get it out to the people who

1 need it, but allow them the tools to apply for it, which
2 some of them are hamstrung and caught in this cycle.

3 MS. BUHRIG: Yeah, so this is Cathy Buhrig
4 with DHS and I would like to just offer a correction and
5 maybe some additional information for you.

6 So during the summer program that we had,
7 which was the LIHEAP Crisis Recovery Program, we accepted
8 past due utility bills if it would have resulted in a
9 termination, but for the moratorium. So I know that doesn't
10 seem really important, but it is a very important
11 distinguishing factor.

12 The other thing I want to say is, we are
13 waiting to see what decision ultimately comes from the
14 Public Utility Commission regarding the continuation of the
15 moratorium. We are perfectly willing to continue the policy
16 that we had over the summer if the moratorium is planned to
17 continue through the winter moratorium. We had waited for
18 the initial decision to be made. I understand there's a
19 hearing to be had October 7th, and we'll be waiting for the
20 outcome of that.

21 If the outcome of that is the moratorium is
22 going to continue, I would assume we would likely keep the
23 policy that we had over the summertime, where if people have
24 past due bills that would have resulted in termination, but
25 for the moratorium, we would go ahead and treat that as a

1 crisis. So I do understand the concern and people being
2 caught within this vicious cycle.

3 As far as utilizing funds, we have announced
4 in general our terms for the opening of the season. Some of
5 the things that we've done in order to try to outreach to
6 folks are we usually do preseason applications which will
7 start to be mailed on September 28th. This gives people the
8 opportunity to apply prior to the opening of the regular
9 season on November 2nd. We are including in that preseason,
10 not only people who received LIHEAP last year, but anybody
11 who applied over the summer.

12 So for that summer program, we had received
13 approximately 120,000 applications and we were able to
14 approve somewhere between 55 and 60,000 of those. Many of
15 those people who did apply over the summer, one of two
16 things, they likely have a change in circumstance from
17 income because, as has been mentioned throughout this
18 hearing, many folks did receive an additional \$600, which
19 may have prevented them from receiving LIHEAP over the
20 summer. But because those payments have ended, they could
21 qualify beginning in the preseason.

22 The other reason for that is they may, to
23 your point, have had a past due bill, but it wouldn't have
24 resulted in termination, so they didn't meet the criteria.
25 But now that we are several months past that, they may

1 actually qualify for a payment.

2 So we're doing some additional outreach to
3 folks that we would not normally outreach to to ensure that
4 we're trying to capture people who may not have qualified
5 over the summer, but do qualify here as we move into the
6 fall.

7 MAJORITY CHAIRWOMAN DELOZIER: Okay.

8 Can I ask a real quick question? You
9 mentioned that you're going to extend the policy of using
10 those bills, but if I understand the regulation with LIHEAP
11 that's in place, that is not acceptable. So do you have the
12 authority to extend that policy to the program outside of
13 the summer program that you had administered?

14 MS. BUHRIG: Yeah. So what we're saying is
15 if they would have resulted in a moratorium -- or would have
16 resulted in a termination, but for the moratorium.

17 MAJORITY CHAIRWOMAN DELOZIER: Okay.

18 MR. FITZPATRICK: If that's the case, the
19 question I would have, based upon the conversation I've
20 heard, Chairman, is why the different policy for the summer
21 program versus a regular program? I mean, I don't think
22 it's the same. If it were -- I'll accept the correction,
23 it's a past due bill that would have resulted in moratorium.
24 The question is, why can't that same policy apply during the
25 regular LIHEAP Program that opens in November? And we would

1 advocate that it should.

2 MAJORITY CHAIRWOMAN DELOZIER: Well,
3 according to what was just mentioned, it does. They can
4 have that, if I understood it correctly. Did I
5 misunderstand?

6 MS. BUHRIG: No, that is what we plan
7 provided the moratorium remains in place. So if the
8 moratorium remains in place, it is our intention to continue
9 that policy.

10 MAJORITY CHAIRWOMAN DELOZIER: Okay. And why
11 would you not use that normally? Is there something, some
12 reason for not using that on a normal basis if it's
13 acceptable during the moratorium?

14 MS. BUHRIG: So I think these are very
15 special circumstances. In general, we need a termination
16 notice to meet the criteria for a definition of a crisis per
17 many of the federal regulations. The federal regulation
18 says the definition of a crisis is somebody is going to be
19 without heat.

20 During a moratorium, most people are not in
21 danger of being without heat because -- you know, unless
22 they go to the PUC and the PUC approves a termination
23 between the months of December and April, they are not in
24 danger of being without heat.

25 What we've done is because this is an

1 unprecedented circumstance and because we know that there
2 are people who are accumulating bills and do need this
3 assistance, we're trying to broaden that a little bit to
4 help, just because of the emergency. So we're trying to be
5 a little flexible based on the current circumstances. But
6 we are bound, because they are federal dollars, to follow
7 federal rules.

8 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
9 you for the explanation. I appreciate it.

10 And then, I am glad that we are able to
11 expand on what it is that is acceptable. And I'm glad we
12 are able to do that during this crisis, as well. And we can
13 look at if there's other avenues in order to assist those
14 that are dealing with the LIHEAP Program.

15 Representative Ciresi.

16 REPRESENTATIVE CIRESI: Thank you.

17 I just have -- I'm sitting here listening to
18 testimony, just a quick question regarding -- I don't know
19 if anyone can answer this -- where are we seeing
20 profitability for these companies, the utilities? While we
21 may be down on collections, it doesn't mean that the people
22 who are paying aren't paying more and using more of the
23 service. So is there almost an equal loss as there is gain?
24 I mean, I know we've been in the house for six months, my
25 electric bill nearly doubled. You know, I freaked out when

1 I saw it.

2 But, you know, where are we as far as what is
3 going on within the industry itself's loss, real loss, to
4 the number of what the profitability of the company would
5 be?

6 MR. FITZPATRICK: It's probably too early to
7 really say in terms of profitability, Representative.

8 But, you know, part of this problem is -- I
9 think you're right. Residential use, particularly on the
10 electric side, has been up. With gas, you know, this thing
11 all hit at the end of the heating season, so it's a little
12 hard to evaluate that. But electricity, home electricity
13 use has been up. There has been some decrease as far as the
14 business use goes.

15 But the other side of the ledger is what's
16 happening with customer debt. And that's where there's the
17 uncertainty. And as I said, we're given at least some
18 protection by the PUC action to create this regulatory
19 asset, but that's not a guarantee for recovery. So we don't
20 know what's going to happen down the road.

21 Even if the utility is allowed to recover it,
22 the terms of that are important. Over what period of time
23 do you have to recover it? Do you get any kind of a return
24 on it? Because time is money, you know. So those are the
25 uncertainties that are hanging over us and we won't know the

1 answer to some of those things until down the road.

2 MAJORITY CHAIRWOMAN DELOZIER: Representative
3 Dunbar.

4 REPRESENTATIVE DUNBAR: Thank you, Chairman.

5 I'm trying to figure this all out. I'm a
6 little bit confused, to tell you the truth. But I think
7 there's one thing we can all agree on, is no matter what
8 dollars we're talking about coming through what programs, we
9 would like to ensure that our consumers have access to those
10 dollars to help them out of their problems and help them
11 with their debt, and it also helps the utility companies, as
12 well, because they can eventually get paid.

13 Based upon our whole conversation that just
14 took place, I have like three separate questions. First
15 off, the conversation about the catch-22 situation about
16 moratoriums and crisis grants -- and I heard past due bills
17 that would have resulted in termination can be utilized to
18 apply for crisis grants, how does one know that a past due
19 bill would result in a termination if it wasn't for the
20 COVID moratorium? That's one question.

21 Secondly, I have concerns about -- I had
22 heard somebody mention about the summer program had
23 \$15 million left over in it. Why wasn't it all utilized
24 and do we have any risk of that having to go back to the
25 federal government in any way, shape, or form?

1 And lastly, when we discussed the House Bill
2 2816, I believe it's \$100,000,000 in there and I believe
3 most of it goes to LIHEAP. Is there a better target than
4 LIHEAP, somewhere else we may need to target those dollars
5 towards?

6 So I'll stop there and listen for the
7 answers.

8 Thank you.

9 MS. BUHRIG: Okay. So this is Cathy Buhrig
10 from DHS. I think many of those, but not all of those
11 questions are directed at me, so I'll do my best to answer
12 them for you.

13 As far as the catch 22 and how people know,
14 what DHS did was, we sent out many press releases. We
15 engage in a group called the LIHEAP Advisory Committee.
16 Many of the utility companies, in fact, all the major
17 utilities that I'm aware of, are part of the LIHEAP Advisory
18 Committee. They also helped us get word out to people so
19 that they would know to apply. Applying was the only way
20 folks knew. And it was a crisis-only program during the
21 summer.

22 I want to try and make sure that folks
23 understand. As I said earlier, there is a cash program, a
24 LIHEAP cash program, and it has none of the requirements
25 about having to be in crisis or having past due bills, it is

1 based solely on the household's income, the heat -- the type
2 of heat that they use, the number of people in their
3 household, and so forth. And if they're eligible, payment
4 is made.

5 So there is a little bit of additional
6 funding that will be available to folks here in the fall
7 when the cash program reopens.

8 I'm not sure if that answers your question,
9 but the best way to know if you qualified was to apply.

10 That's part of the reason, too, that we're
11 doing this preseason mailing to people and including people
12 who did not previously qualify. Because as I've said,
13 they've had several months now where they may have had a
14 continuation of bills accumulating and we want to make sure
15 that they have an early opportunity to apply for this small
16 program, where they could receive not just a crisis grant,
17 but also potentially a cash grant. And LIHEAP cash grants
18 can be a minimum of \$200 and a maximum of \$1,000. That
19 would be in addition to a potential crisis grant of \$800
20 that would be available.

21 As to the 15 million that was left over, that
22 was part of CARES Act funding that was allocated to LIHEAP
23 by the federal government. Those funds are good through
24 September 30th, 2021. And so we will be opening the season
25 with those additional \$15 million. And what we have planned

1 to do with those dollars is we increased the crisis grants.
2 Last year they were \$600 as a maximum. This year, because
3 of that additional funding being available, we will offer
4 crisis grants up to \$800.

5 And to be clear, so everybody has an
6 understanding, crisis grants are up to 800 and that's for as
7 many times or as many utilities as you need those funds for.
8 So if I owed \$300 to my gas company and 500 to my electric
9 company, I could apply for and receive crisis grants for
10 both of those, in addition to the minimum 200 and the 1,000
11 maximum cash grants that I could receive during the LIHEAP
12 season.

13 As to the extra 100 million to LIHEAP, we
14 have looked at the bills. I think one of the things that
15 does concern the Department of Human Services regarding
16 those funds is the time period which they need to be used.
17 So in a normal LIHEAP season -- and I know nothing lately is
18 normal, but in a normal LIHEAP season, the federal
19 government allocates approximately \$200,000,000 to
20 Pennsylvania to distribute to people who are eligible.

21 We generally open in November and we close
22 somewhere in April. And during that time period, we
23 generally issue somewhere in the 150 to \$180 million to
24 folks. And so the concept of trying to expend a hundred
25 million dollars in a period between now and November 30th is

1 a daunting task for us. However, I believe that we have a
2 plan if that were to occur to ensure that the lowest income
3 people that we have records for would be able to receive
4 funds.

5 I would say, however, you know, we are a
6 little limited as to how we could distribute those funds and
7 I leave it to others to speak to the best way in which to,
8 other than LIHEAP, the best way to distribute those moneys.

9 MS. DUTRIEUILLE: I want to jump in here a
10 little bit, Chairman Delozier, to talk also about the
11 (inaudible), because my understanding -- this is something
12 that we haven't talked about here at this hearing, but it's
13 my understanding that there's additional funds in this CARES
14 legislation for water and waste water customers, which is
15 also very important during the time of this pandemic, which
16 the emphasis has been to continue to wash your hands and
17 things of that nature, to protect one's self from the virus.

18 So that was something that was discussed
19 earlier in the year when they were looking at different
20 funds under the CARES Act, that it could not go under the
21 current LIHEAP Program for water and wastewater customers.
22 But it's my understanding, so correct me if I'm wrong, that
23 some of that funding in the bill would go towards those
24 customers in need.

25 MR. FITZPATRICK: Just one other point,

1 Chairman. I think that's a good point that Chairman
2 Dutrieuille raised.

3 We've had some discussion internally within
4 the Energy Association, among our members, about what's the
5 best way to get money out to customers. And we've had a
6 debate about whether LIHEAP or some other way of
7 distributing it would be best, such as there's
8 organizations, nonprofits such as the Dollar Energy Fund,
9 which helps and gives grants to customers.

10 But it's a tough call because you have an
11 existing program with existing parameters. Other things
12 being equal, it's easier to use something you have rather
13 than try to create something, but, you know, that's a
14 trade-off. And I would say we'll be happy to cooperate in
15 any discussion with the general assembly about what's the
16 best way to get the help to customers because that's what
17 we're all trying to do.

18 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
19 you very much.

20 And the only thing that I would add
21 question-wise is -- and this might be aimed more at DHS --
22 has there been any consideration of increasing -- since
23 we've modified what qualifies as crisis, have we been able
24 to consider possibly expanding the percentage of
25 eligibility? Is there an issue with doing that? Or if so,

1 any comments you might have on that. Just to serve more
2 people, since most of those that might be just over the
3 percentage that are served right now still might find
4 themselves in need.

5 MS. BUHRIG: Yeah. So you're aware, we did
6 have a discussion regarding that. We do have some
7 limitations from a federal level.

8 So the federal government says that the
9 maximum income level that states can use is 60 percent of
10 the state median income, which is about \$10,000 a year more
11 than the 150 percent of the federal poverty income
12 guideline. I think there are two concerns with doing that.

13 First, if we raise it, we would raise it for
14 everybody, which means the funds that we have available,
15 they would have to be available for everybody at that income
16 limit. So there is the possibility that we could run out of
17 money if we don't get enough from the federal government and
18 we're not able to serve everybody between now and the
19 November 30th deadline for the \$100,000,000 CARES Act
20 dollars.

21 I think the second concern with that is,
22 generally, with LIHEAP, we try to remain in concert with the
23 customer assistance programs that the utilities have which
24 are capped at 150 percent. I think that's less of an issue.
25 I think the larger concern with increasing up to the

1 60 percent of the state median was ensuring that we did not
2 bankrupt the program before we were able to help as many
3 people as possible.

4 MAJORITY CHAIRWOMAN DELOZIER: Sure. And I
5 can appreciate that.

6 Is there any estimation as to if you went up
7 that \$10,000, how many more Pennsylvanians that would
8 possibly be eligible? Do we have a number on that, by any
9 chance?

10 MS. BUHRIG: I think we have an estimate
11 number from when we had the discussions; however, I don't
12 have that in front of me, so we're happy to get that to you.

13 MAJORITY CHAIRWOMAN DELOZIER: Okay. I
14 appreciate that. Thank you very much.

15 I don't believe I see any other questions, so
16 I appreciate everybody's time from this panel.

17 MS. DUTRIEUILLE: Thank you.

18 MAJORITY CHAIRWOMAN DELOZIER: Okay. Our
19 next panel is the Consumer Advocate, Tanya McCloskey, she is
20 the Acting Consumer Advocate. And with that, an in-person
21 here.

22 So thank you for being here.

23 MS. McCLOSKEY: You're quite welcome. Thank
24 you for having me.

25 Yes. Thank you very much for inviting me to

1 testify today regarding the impacts of COVID-19 on
2 Pennsylvania utility consumers. Let me first introduce the
3 members of the committee to the Pennsylvania Office of
4 Consumer Advocate.

5 The OCA was established by the general
6 assembly in 1976 to fill a gap that had long existed in
7 representation of utility consumers, particularly
8 residential consumers, before the Pennsylvania Public
9 Utility Commission and other state and federal agencies and
10 courts that regulate the activities of Pennsylvania's public
11 utilities. Traditionally, utilities have always been well
12 represented at the PUC by lawyers and expert witnesses who
13 could advocate for utility investors in matters such as rate
14 increase requests for utility services. Our office was
15 created so that consumers who have to pay those utility
16 bills would be represented by professional attorneys and
17 experts who could advocate for the consumer interest.

18 I recognize that this hearing has a primary
19 focus on the impacts of COVID-19 on homeowners and renters,
20 but I commend the committee for including the topic of
21 utility service in this important discussion.

22 Utility service is essential to the health
23 and safety of all residents and businesses in the
24 Commonwealth. It's particularly essential to homeowners and
25 renters in maintaining a safe and habitable place to live.

1 Next to the mortgage or the rent, utility bills is one of
2 the most important bills that a household faces.

3 In a survey by the National Energy Assistance
4 Directors Association, it was found that in order to pay the
5 utility bill, 24 percent of LIHEAP recipients went without
6 food for at least one day, 37 percent went without medical
7 or dental care, 34 percent did not fill a prescription or
8 took less than prescribed, and 23 percent kept their home at
9 a temperature that was unsafe or unhealthy.

10 Customers go to great lengths to pay their
11 utility bills, as they recognize the importance of
12 maintaining utility service. The impact of the loss of
13 utility service cannot be overstated. The loss of electric
14 or natural gas service has led to fatal fires in
15 Pennsylvania as families try to use candles for light or
16 alternative unsafe sources of heating. The loss of water
17 and wastewater service compromises necessary sanitation and
18 cleanliness. These impacts are greatly heightened during
19 this pandemic, where a critical part of slowing the spread
20 of the pandemic is to have citizens stay at home as much as
21 possible for health and safety of school and work.

22 Utility arrearages can also have a long-term
23 negative impact on customers. Even before a termination of
24 utility service, several of our utilities report late
25 utility payments to the credit reporting agencies, which can

1 negatively impact a customer's credit score. A lowered
2 credit score can have a negative impact for years to come on
3 a customer's ability to secure housing either through rental
4 or ownership. A lowered credit score can also make it more
5 costly for a household to secure necessary items or make
6 necessary repairs to homes and apartments. For municipal
7 utility debt, the municipality is often able to place a lien
8 on the property for the amount of arrearage, which can
9 jeopardize home ownership. The PUC regulates two large
10 municipal entities, the Philadelphia Gas Works and the
11 Pittsburgh Water and Sewer Authority, that have this
12 authority as municipal entities.

13 Despite customers' recognition of the
14 importance of keeping current on their utility bills, we
15 know that it is becoming more challenging for customers
16 during this pandemic to pay those bills. While my office
17 does not have complete information from the utilities, some
18 public reporting of information to the Public Utility
19 Commission reveals that there are approximately 800,000
20 electric and natural gas customers eligible for termination.
21 In addition, recent information provided to the commission
22 indicated that there were approximately 50,000 regulated
23 water and wastewater customers eligible for termination.

24 I want to pause for a moment and emphasize
25 the point that these numbers only represent customers whose

1 service is regulated by the Public Utility Commission. For
2 water and wastewater customers in particular, the great
3 majority of customers do not receive service from a PUC
4 regulated entity, but are served by municipal water and
5 wastewater entities or municipal authorities.

6 I do not have information on how many
7 customers of municipal entities or authorities or rural
8 electric cooperatives serving electric customers may be
9 facing termination. Recent press reports, however, indicate
10 that some municipal entities have resumed termination of
11 water service.

12 Recent data provided to the commission about
13 arrearages for electric and gas utilities showed that
14 arrearages in terms of dollars were increasing for
15 residential customers. But for most utilities, as well,
16 customers were deeper in debt than they were a year ago.
17 That is, the average amount of the arrearage had increased,
18 making it more difficult for a customer to pay off the debt.

19 It does not appear that the economic
20 circumstances for households will improve very soon.
21 Unemployment remains high and nearly 50 percent of
22 Pennsylvania households reported a loss of at least some
23 employment income since March 13th. More than 22 percent of
24 Pennsylvania's workforce is expected to suffer additional
25 income loss during the upcoming four-week period of

1 September.

2 Without assistance, for both regulated and
3 nonregulated utility service providers and a fair and
4 comprehensive plan to address utility arrearages, utility
5 arrearage and termination issues could impact homeowners and
6 renters for many years to come.

7 I'm sure that my colleagues here today have
8 identified the need for state and federal assistance for
9 rent and mortgage payments, but equally important will be
10 state and federal assistance to address utility arrearages.
11 Without such financial assistance, eviction moratoriums or
12 even assistance to allow homeowners and renters to get
13 current on rent or mortgage payments will be for naught.

14 For this reason I strongly support the use of
15 a portion of the federal CARES Act funding for reducing
16 utility arrearages, as has been proposed in recent bills.

17 In my view, it will be critical for any state
18 and federal assistance to be broadly based, as our
19 traditional definition for low-income household, that is, a
20 household with an income at or below 150 percent of the
21 federal poverty level, does not capture many of the
22 struggling families in Pennsylvania. For much of
23 Pennsylvania, a sustainable income for a household is nearly
24 250 percent of the federal poverty level.

25 One in four Pennsylvania households, over

1 846,000 households, lack the necessary income for
2 self-sufficiency. For a household of three in the
3 Philadelphia County, a household would need a gross annual
4 income of \$53,820 for sustainability. For the same
5 household in Allegheny County, the household would need a
6 gross annual income of \$46,366. Households below these
7 income levels are not considered self-sufficient, yet many
8 of them do not qualify for additional assistance, such
9 LIHEAP utility customer assistance programs, or utility
10 hardship funds.

11 Existing state and federal assistance alone
12 is not likely to return arrearages to prepandemic levels or
13 to enable many Pennsylvanians to retain essential utility
14 service.

15 I must stress, though, that the burden of
16 COVID-19 pandemic cannot fall solely on the customers of
17 utilities, whether residential, small business, large
18 commercial, or industrial. All consumers are greatly
19 affected by this pandemic, whether through the loss of
20 income, increased utility bills due to work and school
21 conducted from home, or health issues that have increased
22 the expense of daily living.

23 It must be recognized that the proper
24 balancing of interest in setting just and reasonable rates
25 may require a close scrutiny of any request for a rate

1 increase or cost recovery and a sharing of this burden
2 between utility shareholders and consumers. A fair and
3 equitable sharing of the burden, along with a comprehensive
4 plan for addressing utility arrearages, would be in the
5 public interest.

6 Before closing, I would be remiss if I did
7 not acknowledge the assistance that many of our utilities
8 have voluntarily provided to consumers. These voluntary
9 actions are commendable and have assisted many consumers.
10 In recent comments filed by my office with the Public
11 Utility Commission, we have recommended that the commission
12 require a full (inaudible) of consumer protections and a
13 comprehensive plan for addressing utility arrearages to
14 ensure that all consumers are treated fairly and equitably
15 across the Commonwealth.

16 If the commission finds that it is without
17 authority to provide these protections, I would respectfully
18 urge the general assembly to consider providing such
19 authority to the commission.

20 Thank you again for having me here today to
21 provide information on this important topic. I look forward
22 to continuing to work on these issues and to your questions.

23 MAJORITY CHAIRWOMAN DELOZIER: Thank you very
24 much for being here.

25 One question that I would have is -- and you

1 have spent many years looking at all of the different types
2 of things, especially within the utility atmosphere -- the
3 ability for us to take a look at our consumers and you made
4 some suggestions in here. (Indicating.)

5 As we've talked about the LIHEAP and one of
6 the suggestions I had mentioned about increasing the
7 percentage and those types of things, are you seeing any --
8 with the LIHEAP Program as it exists -- any suggestions as
9 to being able to make sure that our consumers see those
10 LIHEAP dollars and put them to good use, which is what we
11 want -- and I think we can all agree that that's -- when
12 these dollars come through, we want to see them go all the
13 way to the customer. And obviously, they're going to be
14 paying their bills to the utilities, but they need to be
15 getting themselves out of debt in that regard. Any
16 suggestions in making, in ways that we could possibly get
17 those LIHEAP dollars to our constituents in any other ways?

18 MS. McCLOSKEY: Sure.

19 And I also serve on the LIHEAP Advisory
20 Committee that you've heard of earlier today.

21 But I would agree with the comments that
22 Mr. Fitzpatrick made earlier today. I think it's going to
23 be essential to redefine what is a crisis for utility
24 customers as we move into the regular LIHEAP season. We
25 were able to address that, and I would commend the

1 Department of Human Services, as well, for working with the
2 LIHEAP Advisory Committee and the utilities to redefine that
3 for the summer period COVID Relief Program. But I think
4 that's going to be essential going forward, as well, to be
5 able to get those dollars out.

6 In my view, too, I think, as I mentioned, I
7 think we have to look at this as being broader based. We
8 can't limit it to 150 percent of federal poverty because
9 those customers above that level and all the way up to
10 250 percent of poverty still struggle. They will also, the
11 customers between 150 and 250, will be most impacted by the
12 utility arrearages as those costs begin to hit the bills of,
13 the uncollectible arrearages and the CAP Programs costs
14 begin to hit the bills of customers.

15 MAJORITY CHAIRWOMAN DELOZIER: Is there --
16 would you suggest one of the issues that come into play are
17 when something is shut off and being started back up again,
18 when they make a good faith effort to get back on, they're
19 paying, one of the things that hurts many of the consumers
20 is the fact of having that shut-off notice and having that
21 on their record?

22 MS. McCLOSKEY: Correct.

23 MAJORITY CHAIRWOMAN DELOZIER: On not only
24 their credit, but also just in moving to, getting another
25 account or getting another place to live and then opening a

1 new account.

2 Is there anything from your office that you
3 would suggest in the sense of being able to --

4 MS. McCLOSKEY: Sure.

5 In terms of some of the protections that
6 we've put into our comments that we provided to the
7 commission, we had two things that would go to that.

8 One is that we suggested that the commission
9 stop any adverse credit reporting at this time for late
10 utility payments. As I mentioned, some of our utilities do
11 adverse credit reporting. Some do not, but some do. But I
12 think it's going to be important during this time that we
13 stop that.

14 The second thing is that there are some
15 restrictions within Chapter 14. There are some restrictions
16 on the commission's ability to issue more than one payment
17 agreement. And I think at this time, the commission has to
18 have that discretion and flexibility. There's also, there
19 have been some provisions about bringing back bills from
20 other addresses, that type of thing, that flow through the
21 Chapter 56 regulations that need to be looked at and waived
22 during this time, that the customer should be dealing right
23 now with the debt that they have as a result of the
24 pandemic.

25 One of the other things we did recommend in

1 our comments is that each utility establish a pandemic
2 relief program where they would provide some arrearage
3 forgiveness for those customers that have fallen behind
4 since March. Many of those customers are not necessarily
5 going to be in a long-term payment difficulty and may not
6 have as low an income, but they still have a need for a
7 long-term payment plan and an arrearage forgiveness program.

8 MAJORITY CHAIRWOMAN DELOZIER: Okay. Thank
9 you.

10 I know many of the companies and those that
11 we've talked to, even though it's one, only one payment plan
12 that is required, I know many of them go beyond that many
13 times to be able to do that, but having it more official
14 might be a better idea as to the fact -- but I know a lot of
15 the companies try very hard to work with -- that they have
16 good intentions for the consumer.

17 MS. McCLOSKEY: Yeah. They certainly do.
18 But I think in this time period, it may be helpful to have
19 it uniform across the state, what that requirement would be.

20 MAJORITY CHAIRWOMAN DELOZIER: Okay. Great,
21 appreciate it. Thank you.

22 I don't see any other questions. Thank you
23 very much for your testimony.

24 MS. McCLOSKEY: Oh, great.

25 MAJORITY CHAIRWOMAN DELOZIER: That was easy.

1 MS. McCLOSKEY: Thank you very much.

2 MAJORITY CHAIRWOMAN DELOZIER: Our final
3 testimony will come from Elizabeth Marx, executive director
4 of the Pennsylvania Utility Law Project. And she is
5 virtual.

6 MS. MARX: Good afternoon, Chairman Delozier,
7 and I'm not sure I see Chairman Galloway any longer, but
8 good afternoon, members of the committee. Thanks so much
9 for the invitation to testify before you this afternoon.

10 My name is Elizabeth Marx. I'm the executive
11 director of the Pennsylvania Utility Law Project. I'm also
12 chairman of the LIHEAP Advisory Committee that you've heard
13 mentioned today.

14 PULP is the statewide legal services project
15 which serves the needs of Pennsylvania's low-income utility
16 consumers. I'm actually here today on behalf of our clients
17 at the Coalition for Affordable Utility Services and Energy
18 Efficiency in Pennsylvania, which is an unincorporated
19 association of low- and moderate-income Pennsylvanians who
20 seek to improve access to all Pennsylvanians to safe and
21 affordable utility services in their home.

22 I think we can all agree that COVID-19 is
23 unprecedented and has caused unimaginable health and
24 economic losses. But these losses have fallen undeniably
25 hardest on our low-income communities and communities of

1 color, which are experiencing the most profound economic
2 losses and job losses as basic living expenses increase
3 while we stay at home every day.

4 I'd like to diverge a bit from the written
5 testimony you have before you to try and paint a picture for
6 what our clients are facing.

7 Last night I pulled the first three cases
8 from our case files to share with you a bit about a picture
9 of what our clients see. I've changed the names and
10 identifying information, but it's their stories that really
11 matter most.

12 So Joe is a homeowner, a widower, and a
13 father of two adult children with intellectual disabilities
14 who live with him in the home. When his wife was alive she
15 managed all of the bills, but since she passed, Joe has
16 fallen way behind on his electric bill. In part because, on
17 the promise of savings, he signed up for a competitive
18 supplier that charged him multiple times the price to
19 compare.

20 Joe's income is just \$48 over the limit for
21 LIHEAP and the Customer Assistance Program. So his only
22 option to address mounting debt is a deferred payment
23 arrangement. Joe's monthly electric bill is now \$300 with
24 that payment arrangement, or roughly 12 percent of his total
25 household income.

1 Jane, an elderly and disabled woman, lives
2 and relies on oxygen to breathe. She lives alone in her
3 home that she once shared with her husband, who is now
4 deceased. Jane called our office because she received
5 notice that she was behind on her bill, which she was very
6 well aware of, and had no way of fixing. She's been
7 terrified since July that she would lose service.

8 Fortunately, she was able to access the
9 LIHEAP Crisis Assistance Program, but to enroll in CAP,
10 because of some of the technical program rules, she needs to
11 come up with another \$200, or 18 percent of her \$1100
12 monthly Social Security check.

13 Then there's Tammy, a newly singled mother of
14 two school-age children. In February, just before the
15 pandemic, Tammy fled her home with her two children in tow
16 after her husband beat her for what she hoped would be the
17 last time. She obtained a Protection from Abuse Order and
18 was able to move into a new safe home in March, and then the
19 pandemic hit, leaving her without child-care and out of work
20 with bills mounting very quickly. If she can't make this
21 work, she is worried that she will have no choice but to
22 move back in with her husband in order to keep her children
23 and herself off the street.

24 There's unfortunately nothing particularly
25 unique about Joe or Jane or Tammy's stories. Each month,

1 PULP assists dozens of other Joes and Janes and Tammys with
2 stories just as compelling. Utility affordability has posed
3 a palpable threat to the economic well-being of low- and
4 moderate-income Pennsylvanians for years, but it's
5 unfortunately greatly exacerbated by the pandemic.

6 My colleagues have highlighted for you a
7 number of, the number of customers eligible for termination,
8 over 800,000 by early June, and the amount of debt owed,
9 which is truly staggering. It continues to grow as
10 temporary benefits and programs begin to dry up.

11 I want to address briefly the earlier
12 suggestion that households are not taking action to address
13 their arrears. This is not our experience.

14 Many households that are behind are also
15 facing food insecurity, housing insecurity, and other
16 extreme challenges in these times. These families are
17 trying, but there are few resources available to help.

18 The utility debt crisis that we collectively
19 face today poses an acute threat to the health, safety, and
20 well-being of individuals, families, and really, our
21 community at large.

22 Lack of stable utility services to a home
23 exacerbates negative health outcomes, interrupts family
24 unity and child custody, interferes with child learning and
25 child development, and has long-term impacts on consumer

1 credit, making it difficult for an individual to connect to
2 utility service in the future or to one day become a
3 homeowner.

4 Critical to the discussion today, the loss of
5 utility service has an immediate destabilizing impact on
6 housing and is often a catalyst for eviction and foreclosure
7 proceedings, and for many, leads to long-term financial
8 stability, which undermines their ability to remain safely
9 housed.

10 Utility debt poses a unique threat to
11 homeownership for municipal utility customers, as well, as
12 unpaid utility debt can result in lien attachments, which
13 encumber the property, prevent refinancing, damage credit,
14 and ultimately result in foreclosure. Likewise, termination
15 of water and wastewater service can and often does force
16 families from their homes as a result of condemnation, which
17 can in turn lead to increased blight and erosion of the tax
18 base, particularly in communities with concentrated
19 property. This is a real problem.

20 Renters also face unique consequences as a
21 result of utility unaffordability and termination.
22 Maintenance of utility service is a standard lease term for
23 both public and private housing and termination of service
24 can trigger an eviction and loss of public housing
25 assistance notwithstanding the current federal moratorium on

1 evictions, which only prevents eviction for nonpayment of
2 rent, not the failure to maintain utility service. In fact,
3 the very existence of unpaid utility debt can and often does
4 make a family ineligible for both public and private
5 housing, which results in long-term housing instability.

6 Unfortunately, through the pandemic, we have
7 also seen an increase in cases where landlords have
8 voluntarily stopped utility service to a home or stopped
9 paying the bill in an attempt to circumvent the eviction
10 process. These practices are already illegal, but there is
11 an unfortunate gap in implementation and enforcement in
12 these laws and we've seen an increase in cases through our
13 office.

14 The emergency moratorium on regulated utility
15 terminations has served a critically important role in
16 protecting Pennsylvania families since March and it remains
17 of the utmost importance as we move quickly into cold
18 weather months. But these emergency protections cannot last
19 forever and we need a statewide plan to equitably address
20 the unprecedented debt crisis and avoid far-ranging impacts
21 which I just discussed.

22 I want to acknowledge that several utilities
23 have voluntarily pursued policies to address rising utility
24 costs, and we commend those efforts, but a patchwork
25 approach is insufficient to address the overwhelming

1 challenges of the day. And it's critical we have strong
2 statewide policies and procedures in place to address and
3 ensure the household's ability to remain housed and not
4 contingent on their ZIP Code.

5 I want to give a couple of points for what we
6 believe an equitable statewide plan should include. First,
7 it's really critical that the moratorium for utility
8 terminations continue and be expanded to provide protections
9 for unregulated utilities, particularly as we enter the cold
10 months, to prevent the severe consequences I've already
11 outlined above.

12 Second, we desperately need additional
13 resources to tackle this problem and we strongly support the
14 efforts in the House and Senate to appropriate additional
15 CARES Act funding to provide critical debt relief to low-
16 and moderate-income consumers. In my written testimony, I
17 provide a number of additional recommendations for how to
18 structure assistance and access those who lack access to
19 current programs.

20 Third, we have to strengthen the consumer
21 protections and improve debt collection policies. The
22 current statutory tools in the toolbox for regulated and
23 unregulated utility debt collection are inadequate to meet
24 the demands of the current crisis.

25 With regard to regulated utilities, Chapter

1 14, which currently governs residential billing, collection,
2 and termination standards, was adopted at the end of 2004.
3 Since its adoption, the law has proven to have a punitive
4 effect on those who simply cannot afford to pay.

5 Attached in my written testimony are two
6 charts which show residential and low-income termination
7 rates since 2001. As these charts show, average termination
8 rates have increased dramatically since Chapter 14 was
9 adopted, especially for low-income consumers. Notably the
10 spike in termination rates for low-income consumers during
11 the Great Recession in 2008 and the Polar Vortex in 2014 are
12 particularly foreboding and show that Chapter 14 is
13 ineffective at shielding vulnerable low-income customers
14 from harm during a financial crisis.

15 During the recession, one in five low-income
16 electric customers were involuntarily terminated. By most
17 estimations, the economic challenges we're facing today are
18 many times worse than the prior recession.

19 Critical reforms to Chapter 14 are needed
20 now. Some of the most pressing reforms, as I detail in my
21 written testimony, include allowing the commission to issue
22 additional payment arrangements which are based on the
23 ability to pay, not a formula, permitting customers enrolled
24 in a customer assistance program to also access payment
25 arrangements, improving emergency protections for medically

1 vulnerable customers, and enhancing post-moratorium
2 termination procedures.

3 With regard to unregulated utilities, we face
4 perhaps even more substantial need. Reforms are necessary
5 to address the lack of basic consumer protections for
6 unregulated utility customers. We recommend that these
7 include prohibitions on excessive reconnection fees and
8 security deposits, standardized termination notices, payment
9 arrangement standards, winter protections, and protections
10 for medically vulnerable and victims of domestic violence.
11 We also need a clear process for disputing a utility bill.
12 None of these protections currently exist for unregulated
13 consumers, or consumers of unregulated utilities.

14 Fourth, we have to strengthen and expand
15 existing universal service programs. There are a number of
16 critical gaps and barriers to these existing programs. I
17 believe they're best addressed, many of these, by the
18 commission, which has a nuance policy expertise and the
19 necessary authority to make these adjustments to individual
20 universal service programs. That said, the legislature can
21 and should act to address the lack of comprehensive
22 assistance programs for both regulated and unregulated water
23 and wastewater utilities.

24 Fifth and finally, it should not be a
25 foregone conclusion that ratepayers should shoulder the

1 entire financial burden created by the massive job losses
2 and economic devastation caused by the pandemic. It's
3 critical for the legislature to establish cost recovery
4 parameters for how utilities may recover costs associated
5 with the pandemic to ensure that costs are recovered in a
6 just, reasonable, and equitable manner.

7 Ultimately, our collective action to address
8 the impending utility debt crisis in a just and equitable
9 manner will write our future and will determine whether
10 Pennsylvania emerges from this crisis as a healthier, more
11 vibrant community. Without substantial resources and bold
12 policy solutions, we're likely to see unprecedented utility
13 termination and staggering ripple effects on housing
14 stability, community health, and economic well-being.

15 Thank you again for the invitation to testify
16 before you today. I'm happy to answer any questions you
17 have. And I note that my team and I stand ready to assist
18 as we move into the next phase of our recovery.

19 Thanks.

20 MAJORITY CHAIRWOMAN DELOZIER: Thank you very
21 much. I appreciate your testimony.

22 On the graphs, I just have a quick question.
23 On the graphs that you had provided to us, 2018 seemed to
24 see a reduction, almost to one of the lowest points in gas
25 termination --

1 MS. MARX: Yes.

2 MAJORITY CHAIRWOMAN DELOZIER: -- for low
3 income. Was there a reason for that necessarily? The other
4 one is economy, and I get that, but -- and you said Chapter
5 14 -- but what was that in particular?

6 MS. MARX: There is a data anomaly that is
7 noted on that chart. I believe one of the larger gas
8 companies was not conducting regular terminations during
9 that period. But I also believe it's attributable to
10 declining gas costs, which likely have played a role in that
11 particular decline.

12 So I think we have yet to see whether or not
13 that decline was a yearly spike and we won't receive the
14 2019 numbers until the end of 2020. So we're anxiously
15 awaiting that to see what has happened over this last year.
16 Though I suppose now that I'm saying that, we'll actually
17 see a vast improvement in termination rates given there have
18 been none since March, or last December, rather.

19 MAJORITY CHAIRWOMAN DELOZIER: Sure. And
20 along the theme that we've been asking in many of the
21 questions as to, have you seen with educating our consumers
22 and educating our constituents as to the fact of what
23 programs are out there? Are you seeing more folks come your
24 way inquisitively, like asking what is out there to help
25 them take care of what it is? I know we are seeing some of

1 the documentation from the PUC as to increases in what
2 people will owe and we've established that just with folks
3 that can't pay right now.

4 Have you seen an increase in folks seeking
5 out that information?

6 MS. MARX: We have not seen an increase in
7 calls. Our calls -- we have a utility hotline that fields
8 those who are in imminent risk of termination. So our
9 hotline numbers have declined. We are getting a number of
10 requests just for referrals to various programs, but that's
11 not our primary function. Our primary function is to work
12 on the large scale policy and litigation before the PUC on
13 matters affecting low-income consumers.

14 I can say that we've increased our education
15 efforts. We're providing "train the trainers" on a regular
16 basis to ensure that those on the ground that see a larger
17 volume of individuals seeking assistance have the tools and
18 information about the programs.

19 And I can say some evidence I've seen of an
20 increase in folks seeking assistance is the fact that the
21 Hardship Fund Programs, which provide grant assistance, have
22 largely depleted in many of the utility service territories.
23 There's a high demand for those and we are starting to hear
24 from some of our customers, or clients, that the number of,
25 the wait times for assistance processing have been longer,

1 which suggests to us that there is a demand.

2 There is undoubtedly a lot of people out
3 there who are dealing with whatever is in front of them and
4 not actively dealing yet with their utility crisis. We find
5 working with low-income communities that many times it's a
6 which, how much of my hair is on fire at this given time and
7 how fast do I have to respond to the current crisis? So
8 given utilities have been, you know, not beating down their
9 door, there is a sense that folks can focus on ensuring they
10 have enough food and that they can pay for their medical
11 expenses, all of which have increased through the pandemic.
12 And I -- it's not lost on me that one of the members noted
13 earlier that the utility bills have gone up and that's, you
14 know, a pretty big issue across the board. Food expenses
15 have also gone up as people stay at home all day and have no
16 supplemental resources to help handle that.

17 MAJORITY CHAIRWOMAN DELOZIER: Sure. Okay.
18 Thank you very much. I appreciate your testimony and all
19 the information.

20 And with that -- we don't have any further
21 questions.

22 So with that, I will say thank you to all the
23 panelists that were here and sharing all the information and
24 entertaining the questions that we had from the members and
25 providing any information to follow up. I appreciate that.

1 And with that, I will adjourn the committee
2 hearing, and thank you for everyone being here. Thank you.

3 (The hearing concluded at 3:49 p.m.)
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

C E R T I F I C A T I O N

I hereby certify that the proceedings are contained fully and accurately in the notes taken by me on the within proceedings, and that this copy is a correct transcript of the same.

Summer A Miller

Summer A. Miller, Court Reporter
Notary Public