

1 HOUSE OF REPRESENTATIVES
2 COMMONWEALTH OF PENNSYLVANIA

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4 BUDGET SECRETARY/GOVERNOR'S EXECUTIVE OFFICES

5 House Appropriations Committee

6
7 Main Capitol Building
8 House Chamber
9 Harrisburg, Pennsylvania

10 Wednesday, March 4, 2021

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12 MAJORITY COMMITTEE MEMBERS PRESENT:

13 Honorable Jesse Topper, Actin Majority Chairman
14 Honorable Rosemary Brown
15 Honorable Lynda Schlegel-Culver
16 Honorable Torren Ecker
17 Honorable Jonathan Fritz
18 Honorable Keith Greiner
19 Honorable Doyle Heffley
20 Honorable Johnathan Hershey
21 Honorable Lee James
22 Honorable John Lawrence
23 Honorable Zach Mako
24 Honorable Natalie Mihalek (virtual)
25 Honorable Tim O'Neal (virtual)
Honorable Clint Owlett
Honorable Chris Quinn
Honorable Greg Rothman (virtual)
Honorable Meghan Schroeder
Honorable James Struzzi
Honorable Ryan Warner
Honorable Jeff Wheeland (virtual)
Honorable Dave Zimmerman

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1 MINORITY COMMITTEE MEMBERS PRESENT:

2 Honorable Matt Bradford, Minority Chairman
3 Honorable Amen Brown (virtual)
4 Honorable Donna Bullock
5 Honorable Morgan Cephas (virtual)
6 Honorable Austin Davis (virtual)
7 Honorable Elizabeth Fiedler
8 Honorable Marty Flynn (virtual)
9 Honorable Patty Kim (virtual)
10 Honorable Emily Kinkead (virtual)
11 Honorable Stephen Kinsey
12 Honorable Leanne Krueger (virtual)
13 Honorable Benjamin Sanchez (virtual)
14 Honorable Peter Schweyer
15 Honorable Joe Webster

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11 NON-COMMITTEE MEMBERS:

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12 Honorable Bob Merski (virtual)
13 Honorable Perry Warren (virtual)

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1 STAFF MEMBERS PRESENT:

2 David Donley
3 Majority Executive Director

4 Ritchie LaFaver
5 Deputy Executive Director

6 Ann Baloga
7 Minority Executive Director

8 Tara Trees, Esquire
9 Minority Chief Counsel

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Budget Secretary Jen Swails

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1 ACTING MAJORITY CHAIRMAN TOPPER: Good
2 morning, everyone. Welcome to our final day of
3 appropriations hearings. Chairman Saylor,
4 regrettably, will be unable to attend today. He is
5 attending a family funeral, but he sends along his
6 regrets and well wishes for a final day with Budget
7 Secretary Jen Swails.

8 So, welcome, Madam Secretary. If you
9 would please rise at this time, raise your right
10 hand and be sworn in, and then we'll begin.

11 (Budget Secretary Swails was duly sworn
12 by Acting Majority Chairman Topper).

13 ACTING MAJORITY CHAIRMAN TOPPER: Thank
14 you very much.

15 Before we begin questions, just a
16 reminder to the Committee that this is the only
17 hearing today, and we will try and continue on and
18 not break for lunch. If you have lunch in your
19 respective caucus rooms, that can be what you grab
20 on your way back to your districts.

21 Chairman Bradford is still engaged in
22 eating breakfast, so he probably won't be very
23 hungry then.

24 SECRETARY SWAILS: He's more of a
25 grazer, I hear.

1 ACTING MAJORITY CHAIRMAN TOPPER: With
2 that, we will begin our questioning with the lady
3 from Monroe, Miss Brown.

4 REPRESENTATIVE R. BROWN: Thank you, Mr.
5 Vice Chairman.

6 Good morning, Madam Secretary. Thank
7 you for being here personally.

8 Yesterday, I questioned Secretary Miller
9 from DHS regarding the \$941 million in
10 supplementals; you know, the basics, who, what,
11 where, when, why, and how, of all these
12 supplementals. And the frustration of the details
13 on our part of the spending and of some of the
14 details of each line item, it can be very
15 frustrating.

16 Although the Administration has level
17 funded and in some cases reduced many line items in
18 this year's budget proposal, there are double-digit
19 increases in some areas that remain and that are --
20 that are questionable in some manner.

21 In your materials, most of these
22 increases are described as necessary to continue
23 existing operations, and, once again, with very
24 little detail on supporting these double-digit
25 increases.

1 As Secretary of the budget, you have a
2 very strong responsibility, of course, to ensure
3 costs are controlled and properly managed. Yet, we
4 are seeing these year-over-year increases, and some
5 of them being very, very large.

6 Is it your responsibility to ensure that
7 these details are given to us, especially as a
8 legislature? How do you think this could be done
9 better for us?

10 SECRETARY SWAILS: Well, I think --

11 As you know, the budget book is very
12 large. And, generally, the continued operations if
13 it's in a general government operations line, just
14 for example, are simply going to be the increase of
15 standard pay increases and benefits and things of
16 that nature. If it's a grant line or operating,
17 it's a contract increase.

18 As you mentioned, we haven't been
19 increasing operating over the last year. We have
20 held flat. We have eliminated most vacancy
21 funding. So, we do -- we are contractually
22 obligated to have union pay increases.

23 But, I think if there's a specific line
24 that you have extra concern, we can get you those
25 details broken out outside of just continuing

1 operations. Detailing them out in a book of that
2 size is somewhat tedious, but certainly those
3 details can be provided to you if you have specific
4 questions.

5 REPRESENTATIVE R. BROWN: Thank you for
6 that. And, you know, there are, throughout this
7 budget, like you said, in the general government
8 operations, you have DDAP is 14 percent increase.
9 Education is 18 increase. DEP is a 11 percent
10 increase, and Department of State is actually at
11 thirty -- almost 37 percent increase. So, when you
12 look at those GGOs, and you kind of say what's
13 happening here --

14 And I know that that's really difficult
15 and that's a very large book already, the Office of
16 the Budget, but for us as legislators, again, as
17 what I stated with Secretary Miller, it's extremely
18 frustrating and very difficult for us to be able --
19 to know these details, but to have to sort of dig
20 for them, or just, you know, ask -- ask here, and
21 that's pretty much the answer that we get.

22 Do you think the best way for
23 legislators to get those line item details without
24 having to say, I just have a question on this one
25 item, is there some process that you would support

1 that would be, whether it's a legislative task
2 force for each agency or each line item, that, you
3 know, that we have a task for each agency and then
4 that task force is responsible for each line item
5 that would work with your office or work with those
6 agencies?

7 SECRETARY SWAILS: That seems excessive
8 to me. But, I think, generally, if you ask for
9 information, we provide it. I don't have any
10 issues providing it.

11 I mean, something we could think about
12 doing instead of saying continue current operations
13 would be to break it out by personal operating
14 grants, if that's helpful.

15 But, again, for me to know what's in
16 each and every detail of each and every line is not
17 something that, at this level, I dig into. But
18 certainly, again, if you request information on an
19 appropriated line that we are asking for funding,
20 we are happy to provide that information.

21 REPRESENTATIVE R. BROWN: Okay. Thank
22 you.

23 And, you know, I definitely don't think
24 everything is ever considered excessive as
25 legislators. We have very strong responsibilities

1 and we have to get the details, and it's a tough
2 job on our end.

3 I have one last question for you. When
4 you do meet with each agency regarding their budget
5 proposal or their increases, or what they're asking
6 for, how often is that meeting done? Is it a
7 one-time exchange where they give you their
8 proposal, they give you what they're asking for?
9 How does that work and how detailed is that
10 process?

11 SECRETARY SWAILS: Absolutely not a
12 one-time exchange. Our office is in communication
13 with agency budget offices on a regular basis
14 throughout the year to monitor expenses overall.
15 In each month as we look at expenditures in all the
16 lines, however, when they submit their information,
17 they submit it in October and we have ongoing
18 conversations until we finalize the budget for
19 preparation in January.

20 REPRESENTATIVE R. BROWN: Thank you,
21 Madam Secretary. I'm out of time. But as you can
22 see, I'm digging and really hope that we can get
23 more details and make it easier for us to get
24 details. Thank you so much.

25 Thank you, Mr. Chairman.

1 ACTING MAJORITY CHAIRMAN TOPPER: Chair
2 thanks the lady, and recognize the gentleman from
3 Philadelphia, Mr. Kinsey.

4 REPRESENTATIVE KINSEY: Good morning,
5 Madam Secretary.

6 Madam Secretary, according to an MIT
7 Living Wage Calculator study, the minimum wage in
8 Pennsylvania, as we know, \$7.25 per hour. The
9 living wage for a family of four, with two working
10 parents and two children, is at least \$9 per hour
11 higher than the minimum wage, and that's in every
12 county. But in some counties, it's as high as \$13
13 per hour higher than the minimum wage.

14 We're all aware that Pennsylvania has
15 not raised the minimum wage since 2009. And I want
16 to emphasize that again, since 2009. The reason
17 I'm emphasizing that is because, I think about the
18 seniors and constituents all across the
19 Commonwealth of Pennsylvania, folks that take
20 medication. And I'm talking about medication
21 something as simple as Lipitor, which helps with
22 high cholesterol; helps to address high
23 cholesterol.

24 And as I think about seniors and others
25 who are taking medication, my question to you is,

1 do you know how much medication like Lipitor cost
2 back in 2009, since the last time the minimum wage
3 was raised?

4 SECRETARY SWAILS: I do not.

5 REPRESENTATIVE KINSEY: You do not.
6 There's probably a lot of other folks that don't
7 know that either. So let me just share this with
8 you, Madam Secretary. A bottle of Lipitor
9 medication that seniors and folks take, in 2009,
10 the average cost was \$11.15. In 2020, the average
11 cost for Lipitor medication, \$15 a bottle. Madam
12 Secretary, when you do the math, that's a
13 34 percent increase since the last time we raised
14 the minimum wage.

15 It makes me wonder how our seniors and
16 other folks who are taking medication, how can they
17 exist if we're seeing the cost of prescription
18 drugs going up. But, yet, those earning the
19 minimum wage, their wages and salaries aren't going
20 up.

21 Madam Secretary, that leads into my
22 support for Governor Wolf and his investment in
23 public health. Pennsylvania is the 45th ranked
24 state in the country in regards to our investment
25 in public help. I know that Governor Wolf has

1 proposed some -- I think about \$14 million going
2 towards the public health industry.

3 Are you familiar with what that is going
4 towards and how that can help the economy, as well
5 as the Pennsylvanians across -- all across the
6 Commonwealth?

7 SECRETARY SWALES: Are you speaking to
8 local health departments?

9 REPRESENTATIVE KINSEY: Yes, I am.

10 SECRETARY SWAILS: Okay. You know, we
11 -- Certainly through this pandemic, we have
12 realized how important the local health departments
13 are to assisting the state health departments in
14 managing the needs of the Commonwealth. This
15 budget adds Delaware County. They requested to
16 have their own. They were a joinder health
17 department. They requested to have their own.

18 We also proposed to increase the
19 statutory maximum of \$6 per person. That was much
20 lower prior to this budget, so that we can provide
21 additional funds and the most funds allowable under
22 statute to support the health departments in these
23 counties.

24 REPRESENTATIVE KINSEY: Thank you for
25 sharing that, and I appreciate that information.

1 Again, Madam Secretary, I just want to
2 thank you for your time. I can't stress, I can't
3 stress enough the importance of us supporting the
4 Governor, raise the minimum wage to support our
5 seniors and other individuals who are taking
6 medication.

7 And again, just to put it out there, 34
8 percent increase in the cost of medication of
9 Lipitor from 2009, since we last raised the minimum
10 wage, to 2020. There's nothing else I need to say.
11 But thank you very much for being here.

12 ACTING MAJORITY CHAIRMAN TOPPER: Chair
13 thanks the gentleman. Recognize the gentleman from
14 Venango, Mr. James.

15 REPRESENTATIVE JAMES: Thank you, Mr.
16 Chairman.

17 Good morning, Madam Secretary.

18 SECRETARY SWAILS: Good morning.

19 REPRESENTATIVE JAMES: So, this year in
20 the Governor's budget proposal, as in, actually,
21 previous years, the proposal includes an
22 elimination from 10 health care line items. For
23 the benefit of folks who may be dealing with some
24 of these, I'm gonna quickly list them. They
25 include diabetes programs, cancer institutes, lupus

1 research, poison control centers, trauma
2 prevention, epilepsy support, biotech research,
3 Tourette's syndrome, ALS, and leukemia.

4 Can you -- And, by the way, they total
5 about \$12 million in expenditures. Can you please
6 explain the rationale behind these eliminations?

7 SECRETARY SWAILS: Throughout the
8 budget, not just in these line items, there are
9 grant programs that are generally negotiated with
10 the legislature as part of the final budget. And
11 as you mentioned, general practice is to remove
12 them from the initial request and negotiate them
13 with the legislature as we move forward to a final
14 budget.

15 REPRESENTATIVE JAMES: Okay. Well, on
16 behalf of those 10 line items, I'd like to say that
17 the health department's current mission includes
18 promoting healthy behaviors, preventing injury and
19 disease, and assuring the safe delivery of quality
20 health care for all Pennsylvanians. I believe they
21 should be put back in the budget, and I think,
22 perhaps, they were put out simply because they were
23 a dealing point.

24 I'd like to turn to debt refinancing, if
25 I may, please. Interest rates at present are

1 historically low. But, as you probably are more
2 aware than most, they are beginning to creep up in
3 2021. In November 17th, 2020, in a bond buyer
4 article from, at that time Treasurer Joe Torsella,
5 indicated by refinancing 2.4 billion of outstanding
6 Pennsylvania bonds, Pennsylvania could reduce cost
7 by up to \$180 million in present value savings.
8 And some of that debt is general obligation debt
9 issued through your state budget office.

10 Can you -- Can you bring us up to speed
11 on what your office may be doing at present or has
12 been doing since that article to look into
13 refinancing these bonds?

14 SECRETARY SWAILS: Yes. The budget
15 office does have plans to refinance, if you will,
16 the GO bond debts in the spring.

17 REPRESENTATIVE JAMES: About where are
18 you in that process, if you could, please? Real
19 early, or you're ready to sign the papers?

20 SECRETARY SWAILS: We're in March. I
21 believe it's slated to occur end of April,
22 beginning of May.

23 REPRESENTATIVE JAMES: Excellent.

24 Mr. Chairman, I have no more questions
25 for the Secretary. Thank you very much.

1 ACTING MAJORITY CHAIRMAN TOPPER: Chair
2 thanks the gentleman, and recognizes the gentleman
3 from Lehigh, Mr. Schweyer.

4 REPRESENTATIVE SCHWEYER: Thank you, Mr.
5 Chairman.

6 Madam Secretary, how are you today?

7 SECRETARY SWAILS: Super.

8 REPRESENTATIVE SCHWEYER: Are you?

9 SECRETARY SWAILS: Love being here.

10 REPRESENTATIVE SCHWEYER: We love having
11 you.

12 SECRETARY SWAILS: Thank you.

13 REPRESENTATIVE SCHWEYER: How was your
14 breakfast, Mr. Chairman?

15 Excellent. Thank you.

16 SECRETARY SWAILS: Did you bring him
17 more breakfast?

18 REPRESENTATIVE SCHWEYER: No. It was a
19 cheeseburger. And if you are interested, you may
20 certainly have it.

21 However, Madam Secretary, do you know
22 what the cost of a McDonald's cheeseburger, double
23 quarter pounder with cheese, to be exact, was in
24 2009?

25 SECRETARY SWAILS: I do not.

1 REPRESENTATIVE SCHWEYER: I think the
2 mustard, the ketchup, and all that stuff was
3 included. In 2009, the cost of said cheeseburger
4 was \$4.75. Today, said cheeseburger, despite the
5 fact it might not be the healthiest option for you,
6 would be \$6.49. That's a 37 percent increase.

7 Now, since 2009, I know you already know
8 this answer, but the minimum wage has gone up --
9 has it gone up by 37 percent?

10 SECRETARY SWAILS: It has not.

11 REPRESENTATIVE SCHWEYER: Gone up by
12 zero percent.

13 SECRETARY SWAILS: Zero percent.

14 REPRESENTATIVE SCHWEYER: And zero is
15 less than 37 percent.

16 SECRETARY SWAILS: If I'm doing my math
17 right, yes, it is.

18 REPRESENTATIVE SCHWEYER: I went to
19 college and everything to be able to do this. So,
20 thank you very much, although I was a political
21 science major and not a finance major.

22 Interestingly, earlier today I was
23 curious, because we have heard -- trying to make a
24 more serious one, we have heard throughout these
25 legislative processes that a minimum wage actually

1 hurts consumers. The minimum wage is going to
2 drive out jobs. Increase the minimum wage is
3 somehow, some way going to make it difficult for
4 senior citizens and poor folks to be able to enjoy
5 a double quarter pounder with cheese, with onion,
6 mustard, ketchup, pickles.

7 Yet, the CEO of McDonald's earlier this
8 year said the 15-dollar minimum wage has had
9 virtually no impact on the company; hasn't driven
10 up cost to consumers; hasn't changed their rate
11 structure. The only thing he asked was that, if
12 we're going to be achieving a higher minimum wage,
13 including a 15-dollar minimum wage, or up to a
14 15-dollar minimum wage, that it gets phased in.

15 If you could, looking at the CEO of the
16 companies that provide this delicious double
17 quarter pounder with cheese, the phased-in proposal
18 that the Governor talked about with the minimum
19 wage, can you explain and outline sort of the
20 minimum wage the way the Governor hopes to
21 structure that in this particular budget?

22 SECRETARY SWAILS: The proposal would be
23 \$12 starting July 1 and increase \$0.50 every
24 July 1st until it reaches \$15.

25 REPRESENTATIVE SCHWEYER: So we are

1 actually following the model of what corporate
2 America is looking for in terms of a staggered
3 mandatory wage increase for those folks at the very
4 bottom of the -- of the wage scale?

5 SECRETARY SWAILS: Yes.

6 REPRESENTATIVE SCHWEYER: Okay. That's
7 interesting. Thank you.

8 I'd like to pivot, if I could. We have
9 a lawsuit, and I'm not going to ask you to wager an
10 opinion on the education lawsuit. I'm not going to
11 ask you to wade into it. But, if the lawsuit on
12 education equity were to somehow some way go
13 against the Commonwealth, what kind of financial
14 impact would that have on us?

15 Do we have any sort of estimates or any
16 sort of ideas about what that would do to our
17 budget; what kind of hole that would blow in our
18 budget?

19 SECRETARY SWAILS: I believe it would be
20 billions of dollars.

21 REPRESENTATIVE SCHWEYER: And so, and if
22 I'm -- But if I'm -- And correct me if I'm wrong.
23 The whole point of that budget is that we are not
24 adequately investing or appropriately investing in
25 equity across the Commonwealth between the school

1 districts that have financial means versus those
2 who do not, correct?

3 SECRETARY SWAILS: That is my
4 understanding, yes.

5 REPRESENTATIVE SCHWEYER: Okay. So the
6 Governor hopes to address that very same concern
7 without actually discussing the lawsuit, and again,
8 I want to be very clear about that, by doing -- by
9 increasing adequacy and equity across the school
10 district -- across our 500 school districts in this
11 budget.

12 So, it was one of the reasons why you --
13 why the Governor chose to make a significant
14 investment in public education, as a direct result
15 of this lawsuit, or was it something else?

16 SECRETARY SWAILS: It was not related to
17 the lawsuit. The Governor has long advocated for
18 fair funding. Currently, only 11 percent of the
19 BEF dollars go through the fair funding formula.
20 That was enacted several years ago. And, you know,
21 just adding dollars every year is just not growing
22 that amount going through the BEF. So, to just
23 kind of turn it on its head and run a hundred
24 percent through to make things fair is why he
25 proposed this.

1 REPRESENTATIVE SCHWEYER: But it's not
2 impacting those school districts that are
3 shrinking, right? It's not impacting those that
4 have typically been, I don't want to say
5 over-funded because that would be an inappropriate
6 way of describing it, but getting more dollars for
7 people than those growing larger school districts
8 by not maintaining hold harmless, but, in effect,
9 doing the same thing, correct?

10 SECRETARY SWAILS: Correct.

11 REPRESENTATIVE SCHWEYER: Can you
12 explain that just a little bit because I think
13 there's a little confusion how that works?

14 SECRETARY SWAILS: The proposal is
15 \$1.35 billion to the BEF line. 1.15 would go to
16 the school districts so that no harm was done to
17 them as a result of running the dollars through the
18 BEF so, essentially, they would be reduced by 1.15
19 if we didn't provide those dollars. And there's an
20 additional 200 million proposed to add to the BEF
21 to run through the fair funding formula.

22 REPRESENTATIVE SCHWEYER: Madam
23 Secretary, thank you. I see my time is up. I
24 appreciate your answers.

25 Mr. Chairman, thank you for the -- for

1 the recognition.

2 ACTING MAJORITY CHAIRMAN TOPPER: Chair
3 thanks the gentleman, and recognizes the gentleman
4 from Lancaster, Mr. Greiner.

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

7 Thank you, Madam Secretary, for being
8 here today. A couple of these hearings I have been
9 discussing the personal income tax proposal for
10 small businesses. And 80 percent -- And I think
11 you would -- you have these figures too.
12 Eighty percent of the businesses in Pennsylvania
13 operate as a small business, meaning that their
14 income is reported on personal income tax returns
15 of the owners, members, and the shareholders of
16 those pass-through entities of the business income
17 they earn.

18 When speaking with the Departments of
19 Revenue and DCED and Labor and Industry--I think I
20 spoke to all three about -- to them--I asked them
21 about the specific impact of the proposed changes
22 to the personal income tax on those small
23 businesses, they said they'd have to get back to
24 me, and they did. They got back to the Committee.

25 And the response to such questioning,

1 the Department of Revenue, in particular, provided
2 the following data in a letter to Chairman Saylor
3 and Chairman Bradford dated February 26th. And in
4 that -- in that information they said, 45 percent
5 of small businesses operating in Pennsylvania will
6 pay higher taxes under this proposal. And
7 38 percent of taxpayers reporting as full
8 proprietorships will be paying higher taxes, and
9 that 53 percent -- 53 percent of taxpayers
10 reporting partnership or S Corporation income will
11 be paying higher taxes.

12 I guess this is what I've been having an
13 issue with the whole time, and I guess we can
14 disagree on this philosophically, but I don't see
15 the advantage of a tax policy which increase costs
16 to approximately 50 percent of our businesses
17 through higher taxes here in the Commonwealth.
18 I've said before, I said these other hearings, we
19 need new policies in this Commonwealth to attract
20 new business and to increase jobs.

21 I think we either heard through talking
22 to Aging, and what have you, we have an aging
23 population, more benefits are needed. We need to
24 create high-sustaining paying jobs for younger
25 people and keep them here in the state. They're

1 moving out.

2 I guess what I'm wondering is, do you
3 really think it's a good -- In this environment
4 with everything going on, do you really think it's
5 a good time to increase taxes on our small
6 businesses here in the Commonwealth, our job
7 creators? I mean, they are. You go, it doesn't
8 matter what county, our small business people,
9 they're the driver.

10 You know, people think of corporations
11 they think of Comcast or IBM or some someone like
12 Disney, or somebody big like that, but the reality
13 is, it's our small companies that are our economic
14 engine here in the Commonwealth.

15 All I want to know is, do you think it's
16 correct -- I mean, I want to know your explanation
17 how you can justify us raising taxes as we try to
18 get through this pandemic. And like I said, the
19 restrictions and the shutdowns that have occurred
20 have been really problematic. I just wanted to get
21 your input on that.

22 SECRETARY SWAILS: Sure.

23 So the proposal that the Governor has
24 presented would actually not raise taxes or reduce
25 taxes for 67 percent of Pennsylvanians and increase

1 it on 33 percent. So those small businesses would
2 be no different and treated no differently if
3 they're making more than -- if they're a family of
4 four making more than 84,000; if they're going to
5 pay the proposed 4.49, if they're making more than
6 a hundred thousand. And that's the same regardless
7 of if you're doing a Schedule C or you're getting a
8 W-2 from a company. It's based on your income; not
9 where you work.

10 REPRESENTATIVE GREINER: All I'm saying
11 is, we're talking about nearly a 50 percent tax
12 increase on our small business owners in the
13 Commonwealth in an environment like this. And I
14 know people can say, well, when is the right
15 environment to do this? But, I do think it's
16 problematic.

17 We've talked about this before.
18 Chairman Bradford talked about, we need to start
19 working together. Chairman Saylor made it too, we
20 need to start getting serious about job creation in
21 this Commonwealth and about getting jobs here so
22 that we can -- so that we can, you know, get this
23 economy going because I think it's key.

24 Because I will say as a side note, and I
25 really didn't want to go there. But after I saw

1 the hamburger, I kind of have to go there.

2 Increasing the minimum wage doesn't get
3 people out of poverty. I mean, we need -- we need
4 to have a serious economics class or Economics 101
5 for people here in this legislature. You can talk
6 about raising the minimum wage, but if you think
7 that that's going to get us out of poverty, it's
8 not. It's going to be creating good jobs, getting
9 people to come to Pennsylvania, being competitive
10 with other states and creating that environment to
11 do so. I just wanted to share that.

12 But I do think, like I said, I have
13 discussed this with most of the secretaries. I
14 personally do not agree with the increase in taxes
15 on our small businesses, particularly in this
16 environment today. Like I said, we can have
17 discussions. We can continue to have discussions
18 about the increase in the minimum wage. We can
19 continue to have discussions based on economic
20 growth and job creation, and we need -- we need to
21 have construction --

22 I was going to say, the rhetoric has to
23 stop. Going to a 15-dollar minimum wage is --
24 Anyway, it is what it is.

25 Thank you, Mr. Chairman.

1 ACTING MAJORITY CHAIRMAN TOPPER: Chair
2 thanks the gentleman, and recognizes the lady from
3 Philadelphia, Ms. Bullock.

4 REPRESENTATIVE BULLOCK: Thank you, Mr.
5 Chairman.

6 Good morning, Ms. Secretary. How are
7 you doing today?

8 SECRETARY SWAILS: Good.

9 REPRESENTATIVE BULLOCK: You know, once
10 upon a time, since I heard from some of my elders,
11 you could actually work your way through college on
12 a part-time job, at minimum wage, and graduate debt
13 free. Unfortunately, that's not true today, as the
14 minimum wage is not a livable wage and college
15 costs have skyrocketed. Many of my counterparts
16 have high student debt and Pennsylvania is, in
17 fact, one of the number 1 states when it comes to
18 student debt.

19 I know you went to Penn State. Do you
20 recall what tuition was for a year when you went?
21 I'm not gonna ask what year that was.

22 SECRETARY SWAILS: It was before 2009,
23 I'll tell you that. I don't recall. I'm going to
24 go with -- I don't know. I have no idea.

25 REPRESENTATIVE BULLOCK: Well, in 2009,

1 the last time we actually -- You probably have one
2 of these nice degrees.

3 SECRETARY SWAILS: Mine's not in a fancy
4 frame, no.

5 REPRESENTATIVE BULLOCK: Tuition was
6 \$14,416 in 2009. Maybe a little less when you
7 went. And today it is over \$18,000, a 28 percent
8 increase. And as I prepare for the next six years
9 at some point when my children will go to college,
10 I understand it will even be higher.

11 In 1985, when the minimum wage was just
12 \$3.35, you only needed to work about 22 hours to
13 pay your way through college. Today, if you wanted
14 to be that student who worked their way through
15 college on a minimum wage job, it will not be part
16 time. In fact, it will be 53 hours per week in
17 order to pay the average tuition in our country.

18 So, I hope that the Governor and our
19 colleagues understand that we need to raise the
20 minimum wage so that folks can go and get a quality
21 education and, possibly, actually get those other
22 higher-paying jobs that my colleague referred to.

23 I want to shift my question to equity,
24 which is a conversation that has been a part of
25 these hearings. I know it's a priority for the

1 Governor. I have introduced several bills to
2 address equity with my colleagues, one to require
3 an equity officer in each department; another to
4 codify the office of health equity; and the last to
5 create a joint legislative committee on equity with
6 staff.

7 Do you think the Governor, or are there
8 ways that we can invest in an actual office of
9 equity to implement all of the initiatives I know
10 that the Governor and the departments are committed
11 to?

12 SECRETARY SWAILS: Yeah, I think -- What
13 the Governor is doing now is meeting with all the
14 agencies on what they're doing related to racial
15 inequities and funding inequities on a very regular
16 basis across the agencies. Certainly, I think it's
17 led from the Governor's Office, so I would say it's
18 centrally being managed. But certainly happy to
19 discuss some different approach.

20 REPRESENTATIVE BULLOCK: Great.

21 I wanna shift back to education, because
22 I am a parent. I have two young boys, one in 5th
23 grade and the other -- well, actually, 4th grade
24 and one in 7th grade. I am very encouraged by the
25 Governor's effort to right-size our fair funding

1 formula to create a more equitable education system
2 here in the Commonwealth, and to make sure that we
3 don't leave black and brown children behind.

4 Can you share a little bit more about
5 the fix to the fair funding formula that the
6 Governor is proposing and how that will improve
7 education for communities of color across the
8 Commonwealth?

9 SECRETARY SWAILS: Yeah. I mean, it's
10 really, again, trying to focus on where the
11 children are based on several different factors
12 that are included in the fair funding formula, and
13 providing the funding from the state that is equal
14 across the state. So, we're looking at -- we're
15 trying to --

16 As I said, \$1.3 billion invested; not
17 hurting any other school district, but driving
18 dollars to where they need to be to make those
19 funding equal. We had talked about, you know, when
20 we're looking at increasing the state funds that is
21 going to grow opportunities in those schools that
22 have really been under-funded for some time.

23 REPRESENTATIVE BULLOCK: Thank you.

24 And I think that is also important and
25 ties back to equal access to not just K through 12,

1 but also our higher education system, so that those
2 young people can have an opportunity to attend
3 those schools, whether they are working their way
4 through school or they, you know, secure funding or
5 finances aid or scholarships, and they can walk
6 away from school in four years with a degree and
7 not a mountain of debt.

8 Thank you very much.

9 ACTING MAJORITY CHAIRMAN TOPPER: Chair
10 thanks the lady, and recognizes the gentleman from
11 Chester, Mr. Lawrence.

12 REPRESENTATIVE LAWRENCE: Thank you, Mr.
13 Chairman.

14 Good morning, Madam Secretary. Madam
15 Secretary, the number 1 issue I hear about from
16 constituents right now is COVID vaccines. It's all
17 day, every day in my office. You can hear the fear
18 in people's voices over the phone. And people are
19 savvy. They look at the CDC website which, as of
20 yesterday, said the federal government has
21 delivered 4.2 million COVID shots to Pennsylvania,
22 but only 2.9 million have been administered.

23 Where are the remaining 1.3 million
24 shots they ask me? Why isn't Governor Wolf doing
25 this or that they ask me? Why is Pennsylvania

1 doing such a lousy job they ask me? Why can't we
2 get it together like Delaware they ask me?

3 Madam Secretary, I listened to the
4 Governor's budget address. This is the Governor's
5 opportunity to lay out his big priorities to the
6 legislature and the people of Pennsylvania, his big
7 plan, his big vision.

8 The Governor talked about marijuana. He
9 talked about a community college in Erie. He
10 talked about mold, but he never once talked about
11 COVID vaccines. He never even mentioned it.

12 Now, I took a look through the
13 Governor's proposed budget, all 916 pages. And in
14 all 916 pages the Governor does not allocate a
15 single dollar to COVID vaccinations. In fact,
16 COVID vaccinations are barely mentioned at all. I
17 did find some information on page 355 about
18 vaccinations. Specifically, it talked about how
19 the Department of Agriculture is keeping on top of
20 rabies vaccinations for dogs.

21 There's no robust discussion of the
22 biggest issue on people's minds. No funding
23 allocated for distributing COVID shots. No special
24 COVID vaccination line item. Nothing.

25 Now, as the Governor's Budget

1 Secretary--I'm sure you had a lot to do with his
2 budget address and this proposal before the House
3 today--I'd like to know why COVID vaccinations, the
4 top issue on people's minds today, didn't even get
5 a mention in the Governor's budget address?

6 SECRETARY SWAILS: Vaccination is a
7 federal effort. It's being paid for by federal
8 dollars. So that is why you don't see -- It came
9 with CARES Act and those stimulus bills that have
10 been passed. We received federal allocations for
11 testing and contact tracing and now vaccinations.

12 REPRESENTATIVE LAWRENCE: So your answer
13 then is that, this is entirely -- It sounds like a
14 Dodge. It sounds like this is entirely a federal
15 issue, and we as a state can just sit back. We
16 don't need a special line item.

17 I mean, there's been a great deal of
18 bipartisan concern, as I'm sure you've heard. The
19 Governor's budget allocates funding for Lyme
20 disease, for cystic fibrosis. There's a hundred
21 thousand dollar line item for Cooley's anemia, but
22 not a single dollar, not a single line item for
23 COVID vaccinations?

24 SECRETARY SWAILS: Because there's
25 significant dollars coming from the federal

1 government, so we don't need to invest state
2 dollars in that effort.

3 However, to say that we're not using any
4 state dollars towards vaccine is not accurate given
5 that the entire Department of Health is working on
6 this.

7 REPRESENTATIVE LAWRENCE: So again,
8 don't you think it would be, at a minimum, common
9 sense to outline that as a priority in his budget
10 address?

11 SECRETARY SWAILS: I think we talk about
12 it often enough it doesn't need to be in every
13 address that we have.

14 REPRESENTATIVE LAWRENCE: But I say with
15 respect, Madam Secretary, I think the people of
16 Pennsylvania will find that shocking that the
17 Governor talks about it enough. In the biggest
18 speech of the year, the biggest platform he has in
19 the year, in the midst of a global pandemic where
20 we're all wearing face masks, or we're supposed to
21 be wearing face masks, it's nothing -- it's the
22 number 1 issue on people's minds, but he didn't
23 have time for it in his budget. He did have the
24 time to mention mold, but he never mentioned COVID
25 vaccinations.

1 SECRETARY SWAILS: But the address
2 speaks to state investments; not federal
3 investments.

4 REPRESENTATIVE LAWRENCE: Madam
5 Secretary, I'd like to ask a question about
6 something that was in the Governor's budget
7 address. I'm going to quote directly from the
8 address.

9 Governor Wolf said, quote: If you've
10 had enough of being told why your government can't
11 solve your problems, make it crystal clear that
12 this time you don't want to hear that anymore, and
13 you won't accept anymore excuses.

14 Now, I have to say, Madam Secretary,
15 this is exactly what people in my area tell me
16 every day. We don't want to hear anymore excuses.
17 They can't get COVID shots. We don't want to hear
18 anymore excuses. So how can people take the
19 Governor up on his advice? How can they make it
20 crystal clear to him they don't want to hear that
21 anymore?

22 For months the Governor's phone line
23 forwarded callers directly to voicemail at the
24 Department of Health. Trying to actually get
25 someone at the Governor's Office was impossible.

1 How can people in this state let the Governor's
2 Office know they won't accept anymore excuses?

3 SECRETARY SWAILS: I think there's
4 plenty of ways to communicate to the Governor's
5 Office. I'm sure there were phones being picked up
6 in the Governor's office on a call line. There's
7 people that call --

8 REPRESENTATIVE LAWRENCE: Are you --

9 SECRETARY SWAILS: -- every day.

10 REPRESENTATIVE LAWRENCE: Are you
11 unaware that the Governor's phone line was
12 forwarded to the Department of Health for months?

13 SECRETARY SWAILS: On the constituent
14 line?

15 REPRESENTATIVE LAWRENCE: Yes.

16 SECRETARY SWAILS: To answer COVID-
17 related questions?

18 REPRESENTATIVE LAWRENCE: To answer any
19 question at all. You dial the Governor's phone
20 number, it didn't even pick up. It went directly
21 to a voicemail at the Department of Health. Are
22 you unaware of that?

23 SECRETARY SWAILS: Obviously, I'm not in
24 charge of that.

25 ACTING MAJORITY CHAIRMAN TOPPER: Chair

1 thanks the gentleman, and recognizes the lady from
2 Philadelphia, Ms. Fiedler.

3 REPRESENTATIVE FIEDLER: Thank you very
4 much.

5 Thank you very much for joining us
6 today. I also don't want to hear anymore excuses,
7 specifically about why we can't raise the minimum
8 wage. So I wanted to ask you a question.

9 I have kids, and lots of people across
10 Pennsylvania also have to pay a lot of money for
11 their groceries. Every week, every two weeks,
12 milk. Do you know how much it cost in 2009, the
13 last time we raised the minimum wage, a gallon of
14 milk?

15 SECRETARY SWAILS: I do not.

16 REPRESENTATIVE FIEDLER: Do you want to
17 guess?

18 SECRETARY SWAILS: No.

19 REPRESENTATIVE FIEDLER: You don't have
20 to.

21 SECRETARY SWAILS: Two dollars and
22 something.

23 REPRESENTATIVE FIEDLER: Two dollars --

24 SECRETARY SWAILS: Price is right.

25 REPRESENTATIVE FIEDLER: Price is right,

1 yeah. 2009 cost \$3.03; 2020, 3.69. That's a
2 21 percent increase for a gallon of milk. I've got
3 two kids. I can't tell you, we go through this
4 faster than I ever imagined we could. Lots of
5 families pay a ton of money in groceries. 2009 to
6 2020, a 21 percent increase for a gallon of milk.
7 How much did we increase the minimum wage? Could
8 you remind me in that same period?

9 SECRETARY SWAILS: Zero.

10 REPRESENTATIVE FIEDLER: Zero percent.

11 So I am tired of hearing excuses about
12 why we can't raise the minimum wage, and I think
13 you are too. I'm tired of the families across the
14 Commonwealth being paid poverty wages that keep
15 them in poverty, to prevent them from being able to
16 reliably pay their bills, keep a roof over their
17 heads, feed their family. But gallons of milk, I'm
18 tired of it and so are they.

19 Can you remind us why it makes sense for
20 this Commonwealth to join so many other states,
21 including our neighboring states, including
22 Republican-controlled states in the south of the
23 United States? Why does it make sense for the
24 Commonwealth to raise our minimum wage?

25 SECRETARY SWAILS: I mean, every state

1 around us has raised the minimum wage above 7.25.
2 To think that whether you're a large company or a
3 small business that someone's -- our work is not
4 worth more than 7.25 is crazy.

5 When you're talking about -- 2021 has
6 been mentioned. I mean, many of the people on
7 medical assistance outside of those who are
8 disabled and elderly and children are the working
9 core. So, continuing to allow businesses to pay
10 7.25 and being subsidized by federal programs
11 shouldn't be, and it's time to raise the minimum
12 wage.

13 REPRESENTATIVE FIEDLER: I agree a
14 hundred percent. Thank you for that answer.

15 I want to also ask you, in addition to
16 raising the minimum wage, this Administration's
17 proposal for the budget makes a serious investment
18 in remediating school buildings, another thing I
19 feel really, really strong about, and I appreciate
20 that the Administration is taking a firm stance.

21 Can you tell us how the Administration
22 plans to do this, and why remediating toxic schools
23 is a good investment for the Commonwealth?

24 SECRETARY SWAILS: I mean, I don't think
25 anyone wants their children going to school in a

1 toxic environment. I feel like adding a billion
2 dollars to the RCAP program is a good way to start
3 and get these schools to where they're much more
4 healthy for children attending them.

5 REPRESENTATIVE FIEDLER: It certainly
6 will pay dividends not just in education and the
7 current health of our children and our educators,
8 but also long term, right, as we look at the public
9 health impact we're spending day after day in
10 conditions surrounded by lead, asbestos,
11 deteriorating conditions, rodents.

12 Can you share with us your thoughts
13 about the path forward when you look at the
14 Commonwealth's budget? How do we come out of this
15 pandemic in distributing our dollars more
16 equitably, distributing them across the
17 Commonwealth to help working families? How do we
18 do that in a way that will bring us out of this
19 tough economic time and this pandemic as a stronger
20 Commonwealth?

21 SECRETARY SWAILS: We have to focus on
22 real sustaining revenue and providing appropriate
23 funding and not having to look for one-time sources
24 so that we can have significant investments as we
25 presented in schools and programs that support

1 people getting back to work and just thriving.

2 REPRESENTATIVE FIEDLER: Thank you so
3 much. I hope when we're back here in a year, you
4 will be able to have a different conversation about
5 the minimum wage. Thank you very much.

6 ACTING MAJORITY CHAIRMAN TOPPER: Chair
7 thanks the lady, and recognizes the lady from
8 Northumberland, Ms. Culver.

9 REPRESENTATIVE SCHLEGEL-CULVER: Thank
10 you, Mr. Chairman.

11 Thank you, Madam Secretary, for being
12 here. I think we can agree that this last year has
13 been challenging for all of us, and that people
14 have had to make adjustments in their daily lives,
15 both personally at home and in the workplace.

16 SECRETARY SWAILS: Sure.

17 REPRESENTATIVE SCHLEGEL-CULVER: And
18 many employers have been analyzing the productivity
19 among employees that they have working from home as
20 compared when they were in the office. In many
21 instances, they're finding employees are more
22 productive and are more hours to the point there's
23 some concern about how many hours employees are
24 working from home. And while there are certainly
25 many Commonwealth employees that have been able to

1 successfully work at home, concerns have been
2 raised that some have not.

3 While many legislators and their staff,
4 county officials, municipal officials and taxpayers
5 have reported that communication with agencies is
6 the worst it's ever been. In some instances, calls
7 are answered slowly or not at all. Constituents
8 are unable to reach agency staff on their own which
9 has placed a really heavy burden on all legislative
10 offices.

11 So while work-at-home policy I think is
12 reasonable from a public health standpoint, I think
13 there have been concerns raised about response
14 times increasing and people not being answered at
15 all.

16 Can you maybe shed some light on me why
17 it's taking longer to answer e-mails and phone
18 calls?

19 SECRETARY SWAILS: I'm not sure. We
20 have -- Every office phone number should go
21 directly to the employee that they were trying to
22 call before, so there should be no reduction in
23 response time as far as --

24 You know, they have access to their
25 e-mails. They have access to their telephones,

1 through their computers. So I'm not sure I can
2 answer why that's reducing.

3 REPRESENTATIVE SCHLEGEL-CULVER: So I've
4 been getting calls daily, and I'm sure many
5 legislators have, from county officials and
6 municipal officials and, of course, constituents.
7 How is the Administration ensuring that state
8 employees are working full time from home?

9 SECRETARY SWAILS: You know, to your
10 point, from my own personal experience, I think
11 employees have certainly -- in the beginning of the
12 pandemic, people did work a lot. There was a lot
13 going on. There were needs that needed taken care
14 of.

15 Productivity overall hasn't increased.
16 I think when you look at, um -- The private sector
17 has been teleworking or working from home in many
18 instances for a long time. As you know, government
19 doesn't always catch up quite fast enough. So I
20 think this is a real -- We're gonna take a positive
21 moment out of what occurred over the last year.
22 It's really seen what does work really well
23 remotely and, perhaps, to your point what doesn't
24 and how we have to make some changes there.

25 So, I think there's an opportunity to

1 continue having people work from home. I think it
2 helps morale, in fact, and retention in some areas
3 that were difficult to retain employees.
4 Particularly, as I mentioned, when you're looking
5 at private sector, they have that option. Many
6 people, even if it's for a pay increase, will not
7 give up that flexibility that they have from
8 working from home to take a job that they have to
9 come into the office every day.

10 REPRESENTATIVE SCHLEGEL-CULVER: So, can
11 you tell me, since adopting the remote work
12 policies, has the Administration tracked employees'
13 productivity in a quantifiable manner?

14 SECRETARY SWAILS: I would have to check
15 with the Office of Administration if they're doing
16 that. I just personally know from my own
17 management team how we are doing it.

18 REPRESENTATIVE SCHLEGEL-CULVER: If you
19 check that and the answer is, yes, that we have,
20 can you find out, like, how does employee
21 productivity compare to pre-pandemic times when
22 employees were physically in their offices, and
23 then what metrics were used to measure this?

24 So, the Commonwealth, were we able to
25 realize any savings from having all of these

1 employees home this past year?

2 SECRETARY SWAILS: So we've talked to
3 Secretary Topper about this. And given that, from
4 his explanation to me, because from my thinking is
5 that we would see some utility savings. And when I
6 asked why we weren't, the answer is simply that the
7 buildings need maintained regardless of how many
8 people are in them. It's based on the weather
9 inside and outside that affects, you know, the
10 circulation of air and that has increased to make
11 sure it was circulating on a much more efficient
12 manner. So, we haven't seen that.

13 A lot of the Commonwealth buildings are
14 in long-term leases that are tied to city funding
15 that we would not be able to even reduce leasing,
16 although I know that they're looking at what
17 options are available on those that are not tied to
18 that.

19 The same with parking. Perhaps, we have
20 a contractual obligation for a long-term period,
21 but can we reduce some of them, and what does that
22 look like as we do return to work? Is there more
23 of a sharing policy going on and making sure that
24 we are looking across the state at opportunities to
25 reduce the lease space, but certainly the

1 Commonwealth's own buildings.

2 REPRESENTATIVE SCHLEGEL-CULVER: I'm out
3 of time. But that --

4 SECRETARY SWAILS: I saw the red light.

5 REPRESENTATIVE SCHLEGEL-CULVER: --
6 would have been my last question, was, are we
7 looking at ways to implement? I know this is a
8 transitional phase, and it just -- I would
9 encourage you to look at ways to save taxpayer
10 money as we go forward and take care of the
11 employees.

12 SECRETARY SWAILS: We are.

13 REPRESENTATIVE SCHLEGEL-CULVER: Thank
14 you for your time.

15 Thank you, Mr. Chairman.

16 ACTING MAJORITY CHAIRMAN TOPPER: The
17 Chair thanks the lady, and recognizes the lady from
18 Allegheny, Miss Kinkead.

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

21 Thank you, Madam Secretary, for being
22 here. As it was stated, I'm from Allegheny County
23 and I am a baby legislator. This is my first term.
24 So I, like many people who starts new jobs, have
25 found myself driving and on the road more than I

1 was in my previous job, especially in a pandemic.
2 I'm wondering if you can speak to how much gas cost
3 in 2009?

4 SECRETARY SWAILS: I'm not sure.

5 REPRESENTATIVE KINKEAD: One gallon of
6 gas, which this is now a necessary thing for me
7 driving from Allegheny County to make sure that I
8 actually get back and forth from Harrisburg. In
9 2009, one gallon of gas cost \$2.03. Can you say
10 how much it cost now?

11 SECRETARY SWAILS: I think I saw the
12 other day, 2.95.

13 REPRESENTATIVE KINKEAD: 2.89, which is
14 a 42 percent increase. Can you speak to how much
15 the minimum wage has been able to offset that
16 increase in that time period?

17 SECRETARY SWAILS: It has not increased
18 at all.

19 REPRESENTATIVE KINKEAD: Thank you.

20 And as we're looking at needing more and
21 more services for folks, especially as, you know,
22 we have this pandemic, we are constantly been
23 hearing over the last three weeks accusations of
24 purported mismanagement by the Administration, most
25 notably with the Department of Human Services,

1 because the request for -- there's been a request
2 for 941 million in supplemental appropriations in
3 the 2020-21 budget.

4 And I'm wondering if you can speak to
5 whether or not the 2020-21 budget enacted fully
6 funded the fall update for DHS that you submitted
7 to the legislature?

8 SECRETARY SWAILS: It did not fully fund
9 the request that we put forth in October-November
10 time frame. In addition to the normal growth that
11 DHS sees as part of the public health emergency,
12 they are required not to remove anyone from the
13 Medicaid roles, which is resulting in approximately
14 250,000 more individuals that would normally cycle
15 off for various reasons over the year on the roles.

16 So while we are getting enhanced FMAP,
17 which certainly helps offset that, it isn't a one
18 for one as it perhaps was. In 2008, '09, '10 we
19 received enhanced FMAP during the economic
20 downturn, and that was strictly additional dollars.
21 We do have some costs related to those additional
22 individuals we must carry to use those federal
23 dollars.

24 REPRESENTATIVE KINKEAD: Elderly
25 Pennsylvanians and Pennsylvanians with disabilities

1 account for 71 percent for DHS's medical assistance
2 budget, and most of DHS's budget is linked to
3 federal entitlement and state-mandated program.

4 Can you tell me what policy changes and
5 program cuts could be made especially in a pandemic
6 to DHS to eliminate the need for supplemental
7 funding requested in the executive budget?

8 SECRETARY SWAILS: Sure.

9 You know, as I mentioned, the public
10 health emergency does have a maintenance effort
11 requirement so we are not allowed to change any
12 benefits during the time we accept the enhanced
13 FMAP.

14 So moving forward out of the pandemic
15 and public health emergency, there's still, to your
16 point when you're talking about services that were
17 provided, there are mandated services and there
18 are, I don't know if you want to call them
19 optional, additional services.

20 You know, prescription jobs is one that
21 you could cut, but I don't think anyone is in favor
22 of that. So, reducing services that we're
23 providing to our seniors and disabled is an area
24 that you could cut, but difficult conversation to
25 have them, what services that would be. We

1 certainly -- If people are eligible, we must
2 provide the services.

3 REPRESENTATIVE KINKEAD: And just my
4 final question. The budget does not call for any
5 kind of increase in mental health funding for our
6 county systems. It also does not call for a budget
7 increase in the rates that providers are paid for
8 early intervention, birth to 3.

9 I'm wondering if you can speak to, sort
10 of why, when we're recognizing the greater
11 importance of mental health services, especially in
12 a pandemic, why those were not increased?

13 SECRETARY SWAILS: You know, I think, as
14 you mentioned, we had a pretty significant
15 supplemental already and, certainly, I've never had
16 any provider come to me to say that they think the
17 rates we provide are way too much.

18 But, also, taking into the fact that we
19 had a significant supplemental and adding to -- on
20 rate increases didn't seem like the time for that.
21 But, certainly, it's difficult to have a
22 conversation about the rates we pay and then also
23 difficult about the budget we have. So, if people
24 want to see the providers pay more, that means the
25 budget increases.

1 REPRESENTATIVE KINKEAD: Thank you. I
2 wish everybody safe travels home.

3 ACTING MAJORITY CHAIRMAN TOPPER: Chair
4 thanks the lady. Encourages safety on the House
5 floor with flammable objects. And recognizes the
6 gentleman from Carbon, Mr. Heffley.

7 REPRESENTATIVE HEFFLEY: Thank you.

8 Thank you, Madam Secretary, for being
9 here in person. I think it's so important that we
10 set an example that we can safely conduct business.

11 And I would agree wholeheartedly with my
12 colleague from Allegheny County. Gas prices in the
13 last two months with the new Administration in
14 Washington are up like \$0.35 a gallon. We're
15 definitely going to have to keep increasing
16 everything if we're gonna afford to drive back and
17 forth to work for those of us that do.

18 But, along those lines, looking at the
19 overall budget proposal that the Governor put out,
20 and I know you worked on it, it's a lot of work,
21 it's a lot of effort, billions of dollars.

22 As I look at the three priorities that
23 I'm hearing from the constituents that I represent,
24 unemployment compensation is a nightmare. We talk
25 about people never getting back to you, never

1 answering the phone, people waiting three months,
2 six months to get a check because they were
3 physically not allowed to go to work. And if they
4 were open, they're now harassing those businesses
5 through different agencies and departments, whether
6 they be the Department of Ag.

7 We look at the issue with the vaccine
8 rollout. The federal government provided us
9 \$1 billion, but yet, as highlighted earlier, the
10 Governor did not address at all the
11 Administration's plan to actually get the vaccine
12 out. 44th in all states, which is just, really,
13 not appropriate at all. That really leads to
14 everything getting back to normal; more people
15 getting vaccinated.

16 And then on top of that, the job
17 creators and businesses we're proposing a huge
18 46 percent increase on small businesses in their --
19 in their -- in their earned income tax.

20 So, I guess my question is, the budget
21 priorities, the \$7 billion tax increase on the
22 working men and women in this Commonwealth, that
23 you want to say it's an increase, but it's a
24 decrease, \$7 billion is \$7 billion. It's coming
25 out of the economy one way or another.

1 So, with that, there's not one dime that
2 L&I has asked for extra to resolve any of the
3 issues at the unemployment office, correct? They
4 haven't asked for any additional funding for
5 unemployment, but yet we have a huge problem there.

6 I know a lot of it is federally funded,
7 but we've heard it reiterated that the call center
8 is closing, which the Governor closed the call
9 centers a few years ago. Those closures, if they
10 were open, wouldn't have this problem. But not one
11 dime allocated to fixing the problem at
12 unemployment in this budget proposal with a
13 7-billion-dollar proposed tax increase, correct?

14 SECRETARY SWAILS: Well, let me correct
15 the 7-billion-dollar number. It is not \$7 billion.
16 When you take the entire proposal --

17 REPRESENTATIVE HEFFLEY: 3.5 in the
18 first year, right?

19 SECRETARY SWAILS: Right. You take the
20 entire proposal into consideration, it's 3 billion.

21 But yes, UC is federally funded. It is
22 -- As you mentioned, I'm not going to say that UC
23 is perfect. Certainly, we know there are issues
24 there and their Secretary is really trying to
25 address those. That doesn't make up for those

1 individuals who are having difficulty getting
2 through. We're working on improving that.

3 UC is federally funded. There are
4 federal dollars. I don't think it is a dollar
5 issue. It's maintaining staff and getting staff
6 in. We went from a very low unemployment rate to a
7 massive unemployment --

8 REPRESENTATIVE HEFFLEY: Quite honestly,
9 when the system -- when it was low employment,
10 because my district office still got calls from
11 people all the time when they would go through
12 periodic shutdowns for businesses that maybe had to
13 re-tool or change lines in production. Those --
14 those employees who got -- who had to file
15 unemployment were having issues when unemployment
16 was at, what, 4 percent or 3 percent. I mean -- So
17 the issues were always there.

18 And, quite honest, we need to be
19 prepared because we don't know -- they didn't ask
20 for any extra money to fix this problem. Now we
21 know there are new strains of the COVID virus in
22 South Africa and other places that we're still
23 concerned. And Lord only knows if the Governor is
24 gonna have another shutdown and mass closure of
25 businesses. Yet, we haven't done anything, nor

1 have they asked for extra money to address that.
2 And also, and with that, those -- what's one of the
3 problems that have been identified by the people
4 that I represent.

5 Then the next thing is the vaccine
6 rollout. Has the Governor released a plan? He
7 hasn't asked for any additional money to do that.
8 You got the billions of dollars, but yet, we're
9 hearing from folks every day who -- they're
10 calling. They can't get answers. They don't --
11 We're trying to direct them where to go to sign up
12 for the vaccine. But yet, it doesn't seem like
13 there's any plan for the distribution of the
14 vaccine. There wasn't any in the budget we can
15 talk about.

16 SECRETARY SWAILS: I'm not gonna speak
17 to the plan on vaccines. That's not my lane. But
18 there's significant funding coming from the federal
19 government, and I believe there is a plan, and it's
20 really comes down to availability of the vaccine to
21 the states.

22 REPRESENTATIVE HEFFLEY: We need more
23 vaccines, that's obvious. But I would just --

24 I'm disappointed that this budget
25 doesn't address any of the issues of unemployment

1 compensation. The Governor didn't talk anything
2 about a distribution plan. Again, at the same
3 time, we are out trying to penalize companies that
4 had to stay open to provide food for the family,
5 heat for the family.

6 Every job is essential. If it's a job
7 that provides you with a roof over your head or
8 food on the table, but that was lost in this
9 discussion and not being talked about in this
10 budget. And at the same time, we're trying to
11 propose a massive tax increase on those small
12 businesses that are providing those jobs.

13 Thank you, Madam Secretary.

14 ACTING MAJORITY CHAIRMAN TOPPER: Chair
15 thanks the gentleman. Recognizes the gentlemen
16 from Montgomery, Mr. Webster.

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

19 Welcome, Secretary. My intent this
20 morning, and I say this tongue and cheek, is to
21 bring home the bacon. And I'll talk about
22 inflation rates and minimum wage in just a minute.
23 But I want to talk sort of two sides of this, and
24 why the Governor's budget is so important for
25 Pennsylvania, because it is about wages and welfare

1 for working -- working families, and the other side
2 of it being how we manage, sort of, the corporate
3 side.

4 And I would say for at least 40 years of
5 my life, we watched the pendulum swing a little
6 bit. Instead of talking about workers, we talk
7 about jobs. Instead of protecting wages, we
8 protect the tax rates on major corporations and
9 those kinds of things. So -- So sort of two sides
10 to where I'm going on this.

11 If you'd like, I'll save you the math.
12 I'm going to do -- I'm going to date myself. I'm
13 sending you the inflation rate on bacon. Did you
14 get that, or should I say it out loud for everybody
15 else?

16 SECRETARY SWAILS: You can say it out
17 loud.

18 REPRESENTATIVE WEBSTER: I'm sure -- I'm
19 sure you did, right?

20 In -- Eleven years ago, in 2009, bacon
21 -- a pound of bacon sold for \$4.49, and today, a
22 pound of bacon, if you can find one. If it's not
23 12 ounces, it's actually 16 ounces, \$5.59, and
24 that's a 34 percent increase.

25 Meanwhile, we know the basic rate for

1 wages, minimum wage has grown zero percent, which
2 creates incredible pressures on our working
3 families.

4 The other side of that coin, and the
5 question I'd like to ask you about is, we
6 understand that, you know, we've done major
7 programs for agriculture. We talk about milk and
8 bacon, federally, in Pennsylvania, we take care of
9 the business. How about the worker? We take care
10 of these big, big businesses that come into
11 Pennsylvania, and then don't pay any tax at all.

12 So, I'm excited in the budget because we
13 can force that pendulum back towards wages, and
14 then talk about things like combined reporting,
15 enforcing the big companies to be fair in what they
16 bring to Pennsylvania. So I'd like, if you could
17 give us a little bit of feedback, about how
18 important that is and the revenue that's, you know,
19 that's available for investment in Pennsylvania and
20 if we can really be serious about combined
21 reporting?

22 SECRETARY SWAILS: Sure.

23 I mean, combined reporting in
24 conjunction with reducing the corporate net income
25 tax has been a goal of the Governor for several

1 years. This is not the first budget we have
2 proposed it.

3 You know, Pennsylvania has an extremely
4 high CNIT rate at 9.99, and the Governor would like
5 to see that go down to 5.99 over time. Obviously,
6 you know, his goal was to have it by the end of his
7 Administration, but that -- given that we have not
8 passed it yet, that would not happen. But the plan
9 is still to reduce it over time down to -- from
10 9.99 to 5.99, and again, through combined
11 reporting, make it fair for all companies, whether
12 they're Pennsylvania based or other state based to
13 pay their fair share in revenue.

14 REPRESENTATIVE WEBSTER: I thank you for
15 that. I think it's a very simple message. It's,
16 first, small steps in the right direction for all
17 Pennsylvanians. And I think the opportunity is to
18 create a dynamic environment, dynamic economy in
19 Pennsylvania that benefits every one of us; not
20 just, you know, the major corporations that come
21 out -- external to Pennsylvania.

22 Thank you very much for your time this
23 morning.

24 SECRETARY SWAILS: Thank you.

25 ACTING MAJORITY CHAIRMAN TOPPER: Chair

1 thanks the gentleman, and recognizes the lady from
2 Bucks, Miss Schroeder.

3 REPRESENTATIVE SCHROEDER: Thank you,
4 Chairman.

5 Thanks for being here, Secretary.

6 My question goes back a little bit to
7 the first question that was asked today. DHS is
8 requesting 941.1 million in fiscal year 2020-21
9 state fund supplementals and state fund increase of
10 759.4 million in fiscal year 2021-2022.

11 If the enhanced federal Medicaid funds
12 that directly offset state funds are included, the
13 fiscal year '21-22 increase is 1.46 billion, or 9.6
14 percent more than the revised fiscal year of '20-21
15 budget. The DHS and the Wolf Administration have
16 not proposed any meaningful cost containment
17 initiatives to control these increases that we can
18 see.

19 Did DHS provide the Governor with any
20 proposal to control costs that he did not want to
21 pursue?

22 SECRETARY SWAILS: No. I mean, given,
23 again, that we are in a public health emergency,
24 there's no places that really can be cut when we're
25 getting this additional federal dollars. So, you

1 know, we could -- We can't cut child care, because
2 we're getting federal dollars there, so there's a
3 maintenance of effort. We could cut domestic
4 violence. We could cut legal services. We could
5 cut rape crisis. But given --

6 REPRESENTATIVE SCHROEDER: I mean, the
7 trend that we've been doing I feel like we're
8 increasing every year.

9 Under Governor Wolf, I believe it's
10 4.4 billion that we've increased since he's taken
11 office, specifically DHS. So, did the department
12 ever look at ways to cut and to do more with less?

13 SECRETARY SWAILS: I think the, um -- I
14 think the Secretary spoke of ways in the managed
15 care contracts that they have tried to provide
16 efficiencies yesterday. But, again, we have an
17 aging population. They drive the cost in managed
18 care while we continue to see growth there. Had we
19 not gone to a managed care system and stayed at a
20 fee-for-service system, the growth would have been
21 exponential.

22 REPRESENTATIVE SCHROEDER: Did the
23 Governor ask DHS for any proposals that would help
24 control the rate of growth in DHS?

25 SECRETARY SWAILS: We discuss proposals

1 with DHS on a regular basis on where they can find
2 efficiencies. As I said, I think the department
3 has discussed with managed care some efficiencies
4 that they have included in their agencies. But,
5 given the constraints of the pandemic, there's not
6 much that can be done to reduce services. And I'm
7 not sure that the Governor would be supportive of
8 reducing services to seniors and disabled
9 population at this time.

10 REPRESENTATIVE SCHROEDER: But as a
11 mentality, is it a common practice within your
12 office to say, okay, you know, let's look at the --

13 SECRETARY SWAILS: Common practice for
14 us to ask everyone for any cost-saving initiatives
15 that they have.

16 REPRESENTATIVE SCHROEDER: And how often
17 do you do that?

18 SECRETARY SWAILS: Every year.

19 REPRESENTATIVE SCHROEDER: Per year?

20 SECRETARY SWAILS: Every year.

21 REPRESENTATIVE SCHROEDER: All right. I
22 just feel like, for the taxpayers, they deserve to
23 hear how we're trying to -- how we're spending
24 every penny and reviewing it every year, that we're
25 doing best practices.

1 But, that is all my questions.

2 Thank you, Chairman. Have a good day.

3 ACTING MAJORITY CHAIRMAN TOPPER: Chair
4 thanks the lady, and recognizes the lady from
5 Philadelphia, Miss Cephas.

6 REPRESENTATIVE CEPHAS: Thank you,
7 Mr. Chairman.

8 And good morning, Secretary.

9 SECRETARY SWAILS: Good morning.

10 REPRESENTATIVE CEPHAS: I have two quick
11 questions. This morning there was an article in
12 Philadelphia Inquirer that talked about the role
13 that our anchor institutions in Philadelphia will
14 be playing in our local recovery, anchor
15 institutions like University of Pennsylvania
16 Hospital, Temple University, Aramark. And there
17 also was a statistic about, in 2019, these anchor
18 institutions spent \$2 billion in Philadelphia, but
19 only 22 percent of that being spent with local
20 businesses and 11 percent being spent with under-
21 represented groups with local businesses.

22 So, my question is, as we continue to
23 receive federal dollars -- As you know, these
24 anchor institutions are receiving significant
25 dollars from the federal government, how are we

1 strategizing as a Commonwealth as we begin to
2 recover this economy?

3 As we're getting dollars, how are we
4 ensuring that the recovery just doesn't happen with
5 these anchor institutions, but with local
6 businesses and local economies? So, can you speak
7 to that, because we are not just going to get
8 COVID-19 dollars, but the federal government is
9 talking about a big infrastructure package.

10 I just want to get a sense from the
11 Governor's Office, how are we strategizing about
12 ensuring that recovery happens across all
13 businesses?

14 SECRETARY SWAILS: Yeah. I mean, when
15 we look at grants and dollars going out of DCED to
16 businesses and counties, we really focus on making
17 sure that they were focused on disadvantaged
18 communities.

19 I mean, when you're speaking of
20 Philadelphia, it's sort of an anomaly because they
21 get so much of their funding directly from the
22 federal government. Because of the size of the
23 county, we don't have a lot of control over those
24 dollars that are directed to those entities. But
25 across the state we are focused on that.

1 REPRESENTATIVE CEPHAS: So as we look at
2 potential federal infrastructure packages coming
3 down, how do you foresee the Administration
4 ensuring that we reach our diversity goals when it
5 comes to diverse businesses as well as local
6 businesses as well?

7 SECRETARY SWAILS: It's a priority of
8 the Governor and the agencies to focus on that
9 metric as we distribute dollars to try to be the
10 best and most fair that we can be.

11 REPRESENTATIVE CEPHAS: Great.

12 I mean, one other thing I mentioned to
13 DCED is that, if it's not measured, it's not
14 managed. So, ideally, I anticipate that the
15 Administration would set benchmarks and goals for
16 those types of diversity business investments as we
17 move forward, so again, we don't miss this recovery
18 opportunity to ensure that it touches all different
19 types of businesses.

20 I want to shift forward a little bit
21 into, we've constantly been having a conversation
22 about investing in businesses during this recovery
23 period. There's a lot of discussion about how Wall
24 Street is recovering, how Main Street is going to
25 recover. But, I want to talk a little bit about

1 how my street with everyday people are going to
2 recover.

3 So, I'm forever grateful for the federal
4 government recognizing that we need to put dollars
5 directly into people's hands. You see the
6 1200-dollar stipends that were issued, as well as
7 the 1400-dollar stipends that were issued, more
8 investment in unemployment.

9 But, I want you to talk a little bit
10 about how we strategize around a long-term recovery
11 plan for everyday people, which brings me to my
12 question around the minimum wage. Oftentimes, some
13 of my colleagues talk about going from 7.25, which
14 is \$15,000 a year, to \$15 which is \$30,000 a year
15 would not make a big difference. I'm not
16 necessarily sure why that wouldn't make a big
17 difference in a family, which brings me to, again,
18 my question this morning, coffee.

19 I don't necessarily see coffee on your
20 desk this morning, but I'm on about my second or
21 third cup, half of which I spilled on myself
22 earlier. But quick question, do you know what the
23 cost of coffee was in 2009 versus 2020?

24 SECRETARY SWAILS: No.

25 REPRESENTATIVE CEPHAS: Well, I'm

1 actually glad that you asked. But 2009, it was
2 \$1.63, and today it's \$2.10. For some reason my
3 chairman got me Starbucks. I'm more a Dunkin'
4 Donuts' drinker--it's a little bit cheaper--but
5 that is a 29 percent increase. Can you --

6 SECRETARY SWAILS: Also better I would
7 say.

8 REPRESENTATIVE CEPHAS: I think it -- I
9 think it's better, too. It keeps me up. I think
10 with Starbucks you gotta put 15 different espressos
11 in it, which takes it to about \$10.00.

12 But my question is, how does this budget
13 really reflect on how we are creating a long-term
14 strategy to recover for everyday people? Again,
15 there's been constant conversation about job
16 creation, about ensuring that our business
17 community recovers. But, how are -- how are we
18 creating a long-term strategy throughout this
19 budget, including the minimum wage to ensure that
20 everyday people are able to recover during this
21 pandemic?

22 SECRETARY SWAILS: Yes.

23 So, you know, as we have moved through
24 this pandemic and we talk about the businesses that
25 were, you know, essential workers, that were open,

1 groceries stores, gas stations, things of that
2 nature, in addition to the obvious medical --
3 medical entities that remained open, these are the
4 lowest paid wage earners and likely under the
5 15-dollar or a 12-dollar mark, and we need to do
6 better and pay them a fair wage. Many were paid
7 extra to come in during that time. I'm sure that
8 was significant to them to receive those -- those
9 extra dollars.

10 In addition, as we look to address the
11 needs of the Commonwealth, we have a PIT proposal
12 that makes our PIT progressive. Those lower income
13 wage earners would see a decrease and not an
14 increase in their taxes, and those who make more
15 would contribute more to make it, again, more fair
16 across the Commonwealth.

17 REPRESENTATIVE CEPHAS: I appreciate
18 that. I appreciate the Governor's focus on, again,
19 equity, and ensuring that the recovery is
20 experienced, not just again on Wall Street and Main
21 Street, but again, my street with everyday people.

22 ACTING MAJORITY CHAIRMAN TOPPER: Chair
23 thanks the lady. Recognize the gentleman from
24 Tioga, Mr. Owlett.

25 REPRESENTATIVE OWLETT: Thank you,

1 Mr. Chairman.

2 Thank you, Secretary, for being here.

3 I did not wake up this morning thinking
4 that I was going to talk about milk at a budget
5 hearing, but I'm going to. And since it was
6 brought up from my good colleague on the other side
7 of the aisle from Philadelphia, and bacon, two
8 great agricultural products, I feel that I do need
9 to talk about agriculture. And I sure hope that
10 milk was PA Preferred milk, one of the line items
11 that the Governor is talking about cutting in his
12 proposed budget. I think that's important to
13 mention.

14 But also I'd like to know, Madam
15 Secretary, how is the price of milk priced in
16 Pennsylvania?

17 SECRETARY SWAILS: I don't know.

18 REPRESENTATIVE OWLETT: You don't know
19 how a gallon of milk is priced retail in
20 Pennsylvania? You're the Budget Secretary and you
21 don't know how a gallon of milk is priced in
22 Pennsylvania.

23 Did you know -- And did you know, my
24 colleagues on the other side of the aisle, that
25 Pennsylvania has a milk marketing board that

1 dictates the price that we are going to sell our
2 milk at in our retail store? These farmers have no
3 decision. The retailers don't have a choice. This
4 is something that has to be fixed in Pennsylvania.

5 And to stand up and hold up a gallon of
6 milk as a prop is unbelievable in the midst of a
7 conversation in a pandemic where these farmers are
8 barely making it, the cost of producing that gallon
9 of milk was way more than they have been receiving
10 because of the State of Pennsylvania dictating what
11 that price is.

12 A pound of bacon, great prop, great
13 prop, wonderful prop, you know how much it cost for
14 a permit from DEP to actually build a pig farm?
15 Over \$30,000 for a permit, and you're gonna wait
16 probably nine months to build that -- to build that
17 farm.

18 These are real costs. And this budget
19 proposal that we see here from this Governor is
20 detrimental to agriculture. So, to use these as
21 props, especially milk, man, that one just -- If
22 you'd like to meet some of the hard-working men and
23 women that produced that milk--hopefully it was
24 from PA-- I would love for you to come to Tioga,
25 Bradford, or Potter County and I can introduce you

1 to these hard-working men and women, who are
2 hanging on by a shoestring trying to produce that
3 milk so that we can feed families here in
4 Pennsylvania. I would love for you --

5 Representative Burgess came up to my
6 district --

7 ACTING MAJORITY CHAIRMAN TOPPER: The
8 Chair is gonna stop. We will not have anybody
9 engage in direct debate with members. This is
10 questioning the Budget Secretary. So I'd --

11 REPRESENTATIVE OWLETT: I do apologize
12 --

13 ACTING MAJORITY CHAIRMAN TOPPER: -- ask
14 you to go back to that, please.

15 REPRESENTATIVE OWLETT: -- for my
16 passion about this. And I think it's important,
17 Mr. Chair, to talk about this in real budget
18 conversation.

19 So, Madam Secretary, last year we had a
20 conversation about pupil transport, and it was a
21 great conversation dialogue about being realistic
22 with our budget. Same conversation around
23 agriculture. This year, the Governor again took
24 out \$7.1 million for great line items like
25 agriculture promotion and education exports, and

1 exports hardwood development, lots of food and
2 marketing and research. These line items were
3 taken out of the budget again, \$7.1 million. We
4 talked about the health line items as well.

5 These are games. The Secretary of Ag
6 actually said this was a dance. Do you think the
7 people of Commonwealth enjoy this dance? I surely
8 don't, because we -- We need an actual realistic
9 proposal from the Governor. If we know that these
10 line items are important to the Governor, why
11 doesn't he put them in there?

12 SECRETARY SWAILS: As I said earlier,
13 these are line items that are negotiated as the
14 final product.

15 REPRESENTATIVE OWLETT: Why we do have
16 to negotiate them?

17 SECRETARY SWAILS: I don't know what
18 the -- who makes the rules. These are -- This is
19 the way we do it. These are the lines that we
20 discuss with the legislature and what the funding
21 should be, as with every line. So, it's a starting
22 point. We will negotiate through the next several
23 months, and we'll come up with the final product.

24 REPRESENTATIVE OWLETT: You make the
25 rules. You draft -- You work --

1 SECRETARY SWAILS: I wish that were
2 true. There would be a lot of things different if
3 I made the rules.

4 REPRESENTATIVE OWLETT: Well, I can tell
5 you, we got this budget from you and the Governor
6 --

7 SECRETARY SWAILS: The Governor.

8 REPRESENTATIVE OWLETT: -- and the
9 Secretaries, and it was not in there. The thing
10 that's creative about is -- Then we say it's a
11 balanced budget. So, knowing that these items have
12 to go back in there for the success of these
13 programs that everybody values, so, in a sense we
14 have to come up with \$7.1 million that has to come
15 out to be able to really make it a balanced budget,
16 right?

17 SECRETARY SWAILS: Yeah. I'm sure there
18 will be a lot of things that come out, given that
19 we generally don't get everything we ask for.

20 REPRESENTATIVE OWLETT: Right. So it is
21 -- it is a game. I think that's what one of the
22 Secretaries called this portion of it, a dance, a
23 game.

24 SECRETARY SWAILS: Game.

25 REPRESENTATIVE OWLETT: And I would hope

1 -- The Governor has one more budget address next
2 year, and I hope, just like the people at
3 transport, we had a very good dialogue about that,
4 and it was in there this year, we realized that
5 this is important.

6 If these items are truly important to
7 the Governor, please put them in the budget next
8 year. I think it would be important for the people
9 of Pennsylvania to see that passion for
10 agriculture.

11 That's all I have. And I apologize for
12 the passion for -- Actually, I don't apologize for
13 it. You know, it's my district. It's near and
14 dear to my heart. I grew up on a dairy farm. We
15 had to sell our farm, so -- because we couldn't
16 make it.

17 And so, when we talk about milk and we
18 talk about the families and those that are
19 producing these products and the agricultural
20 industry, we have to have a real conversation about
21 how we can make it feasible for them to stay in
22 this industry. They want to. They want to do it,
23 but here in Pennsylvania, and our pricing structure
24 where Pennsylvania literally sets the price in our
25 retail stores, you know, there's more mischief in a

1 glass of milk than a glass of whiskey here in
2 Pennsylvania. And we can do better.

3 Thank you for being here.

4 ACTING MAJORITY CHAIRMAN TOPPER: Chair
5 thanks the gentleman, and recognizes virtually
6 Representative Sanchez.

7 REPRESENTATIVE SANCHEZ: Thank you,
8 Mr. Chairman.

9 Good morning, Madam Secretary.

10 We've been talking a lot about beverages
11 this morning. Hopefully, you can see this one.
12 That's orange juice. Madam Secretary, would it
13 surprise you to know that in 2009, you could get a
14 bottle of orange juice like this for \$3.49. But in
15 2020, the average price was \$3.89?

16 SECRETARY SWAILS: No.

17 REPRESENTATIVE SANCHEZ: And I won't ask
18 you to do the math, Madam Secretary, but that is an
19 11 percent increase in price. I think we would
20 agree is kind of a basic statement at the breakfast
21 table here in Pennsylvania and probably the United
22 States.

23 In that same time frame I referenced,
24 has the minimum wage increased at all?

25 SECRETARY SWAILS: No.

1 REPRESENTATIVE SANCHEZ: So, in your
2 opinion, Madam Secretary, given all these products
3 and increases in prices, would a working person
4 supporting himself on the minimum wage, would they
5 seem to be able to bare the cost of these items and
6 those increases?

7 SECRETARY SWAILS: No.

8 REPRESENTATIVE SANCHEZ: Okay. Thank
9 you very much.

10 That's all I have, Mr. Chairman.

11 ACTING MAJORITY CHAIRMAN TOPPER: Chair
12 thanks the gentleman. Recognize the gentleman from
13 Fayette, Mr. Warner.

14 REPRESENTATIVE WARNER: Thank you,
15 Mr. Chairman.

16 Thank you, Secretary, for joining us
17 here today.

18 Let's talk about the Governor's
19 severance tax proposal. So, it's often quoted that
20 we need this severance tax so that natural -- so
21 that the natural gas industry pays their fair
22 share.

23 Are you aware of any other industries in
24 Pennsylvania that pay -- that currently pay an
25 upfront impact fee or impact tax like the natural

1 gas industry?

2 SECRETARY SWAILS: No.

3 REPRESENTATIVE WARNER: Okay. So, coal
4 mining, for example, doesn't pay an impact fee or
5 severance tax in Pennsylvania?

6 SECRETARY SWAILS: Okay.

7 REPRESENTATIVE WARNER: Limestone, do
8 they pay an impact fee or severance tax in
9 Pennsylvania?

10 SECRETARY SWAILS: No.

11 REPRESENTATIVE WARNER: No.

12 Timber extraction, number 1. We're the
13 number 1 producer of hardwood lumber in the
14 country. Do they pay an impact fee or severance
15 tax in Pennsylvania?

16 SECRETARY SWAILS: No.

17 REPRESENTATIVE WARNER: Okay. Does the
18 extraction of any other natural resource or
19 commodity industry in this Commonwealth currently
20 pay an impact fee or a severance tax?

21 SECRETARY SWAILS: Not that I'm aware
22 of.

23 REPRESENTATIVE WARNER: Okay. We'll get
24 back to that statement.

25 So this severance tax is a bipartisan

1 concern. When we get back to that, I want to read
2 you a statement that was just released from the
3 Pennsylvania House Democrat Southwest Delegation.

4 Does targeting a single industry with
5 another layer of taxes, our oil and gas industry
6 that employs tens of thousands of Pennsylvania is a
7 nonstarter. This industry was deemed an essential
8 industry by Governor Wolf last year; has produced
9 the materials to manufacture the PPE that allowed
10 us to respond to the pandemic, and is now producing
11 the by-products that are fueling the manufacturing,
12 storage and distribution of the vaccine to
13 Pennsylvanians.

14 This is not just a tax on the oil and
15 gas industry. It would be a tax on our pandemic
16 recovery. I don't have the vaccine for a prop, but
17 that might be what I'd use.

18 So, given that statement, and given what
19 we've mentioned, on top of the natural gas industry
20 already pay Pennsylvania business taxes, which are
21 some of the highest in the whole country, natural
22 gas extraction is charged with an upfront impact
23 tax that we've stated no other industry in this
24 state has to pay.

25 Madam Secretary, please explain to me

1 how then this industry is not currently paying
2 their fair share when they're already paying more
3 than all the others?

4 SECRETARY SWAILS: When you look at
5 other states, there is a severance tax in every
6 other state but Pennsylvania for this resource.

7 REPRESENTATIVE WARNER: Okay. Let me
8 stop you there.

9 SECRETARY SWAILS: So when we get
10 natural --

11 REPRESENTATIVE WARNER: That's correct,
12 Madam Secretary.

13 SECRETARY SWAILS: Okay.

14 REPRESENTATIVE WARNER: In Ohio, there's
15 a severance tax on natural gas, oil, salt,
16 limestone, clay, sandstone. In West Virginia
17 there's a severance tax. Coal, limestone,
18 sandstone, timber, oil, gas, they tax all their
19 natural resources and commodity industries.

20 So, in Pennsylvania, how are they not
21 paying their fair share? If we charge all the
22 other natural gas -- or natural resource industries
23 an impact fee or severance tax and weren't charging
24 natural gas, I would say they weren't be. Given
25 that we aren't, that the other states are, how can

1 you say that?

2 SECRETARY SWAILS: I'm happy to discuss
3 all revenue sources.

4 REPRESENTATIVE WARNER: I'm not -- I'm
5 not asking to discuss other revenue sources. I'm
6 asking --

7 SECRETARY SWAILS: Sort of are.

8 REPRESENTATIVE WARNER: -- how can the
9 Governor say that this industry does not pay their
10 fair share?

11 SECRETARY SWAILS: I answered that
12 question earlier.

13 REPRESENTATIVE WARNER: I don't think it
14 was answered. I'm asking you, how this industry
15 does not pay their fair share?

16 SECRETARY SWAILS: Because we believe
17 that a severance tax is fair.

18 REPRESENTATIVE WARNER: I'm gonna have
19 to move on just for -- just for sake of time. But
20 I think we've established a bipartisan concern
21 about pinpointing and only taxing this industry and
22 it actually not being fair.

23 What happens to the impact fee in the
24 Governor's current proposal? The current impact
25 fee --

1 SECRETARY SWAILS: No.

2 REPRESENTATIVE WARNER: -- does it stay?

3 SECRETARY SWAILS: Yes.

4 REPRESENTATIVE WARNER: Okay. So we're
5 going to put the severance tax on top of the impact
6 fee?

7 SECRETARY SWAILS: Yes.

8 REPRESENTATIVE WARNER: What's the
9 difference, impact fee, severance tax? Why -- Why
10 -- Why not just increase the impact fee?

11 SECRETARY SWAILS: It's our proposal.

12 REPRESENTATIVE WARNER: Why -- Why the
13 proposal? Why? I'm asking why. I know that's the
14 proposal.

15 SECRETARY SWAILS: We believe that --

16 REPRESENTATIVE WARNER: But why is that
17 the proposal?

18 SECRETARY SWAILS: Because we looked at
19 every other state and they have a severance tax --

20 REPRESENTATIVE WARNER: Okay.

21 SECRETARY SWAILS: -- increase that.

22 REPRESENTATIVE WARNER: So what happens
23 with the severance tax? Where does the money go?

24 SECRETARY SWAILS: The proposal is to
25 put people back to work, to have job training

1 programs.

2 REPRESENTATIVE WARNER: Will the
3 Governor support the severance tax if we had to pay
4 out the same as the impact fee?

5 SECRETARY SWAILS: I'm sorry. I didn't
6 hear you.

7 REPRESENTATIVE WARNER: Instead -- The
8 impact fee. I'm in an area that's directly
9 impacted, okay? So, the severance tax, my
10 understanding, the money is going to Harrisburg.
11 An impact fee, a majority of that money stays in my
12 district, in my region, that's being impacted. I
13 think with an impact fee, we get to keep our fair
14 share.

15 So I'm asking, would the Governor
16 support getting rid of the impact fee and keeping
17 the payout the same as the impact tax?

18 SECRETARY SWAILS: We're happy to
19 discuss all proposals in this budget.

20 REPRESENTATIVE WARNER: Okay. Well,
21 Madam Secretary, I am out of time.

22 I will -- I just want to reiterate
23 again, that no other commodity industries, no other
24 natural resource industries in this state pay any
25 other tax. They pay no impact tax, they pay no

1 severance tax. I would like to know from the
2 Administration why the natural gas industry?

3 ACTING MAJORITY CHAIRMAN TOPPER: All
4 right. The gentleman's time has expired.

5 REPRESENTATIVE WARNER: Thank you,
6 Madam Secretary.

7 Thank you, Mr. Secretary.

8 ACTING MAJORITY CHAIRMAN TOPPER: We'll
9 now move virtually to the lady from Delaware, Miss
10 Krueger.

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

13 Thank you, Madam Secretary. I'm joining
14 you virtually today. You can just look forward
15 because I think it's awkward to turn behind the
16 screen.

17 But, we have talking a lot about how
18 much it cost to live in Pennsylvania. And I was
19 thinking about glasses. Now, my glasses are
20 prescription glasses. I've worn prescription
21 glasses since I was in 4th grade, and my
22 prescription has definitely gotten stronger since I
23 have been in the legislature reading through bills
24 that are hundreds of pages long.

25 But, my mom still wears reading glasses,

1 the kind you can get in the grocery store or at the
2 drug store when you're checking out and pick them
3 up; the kind that helps to magnify reading, and
4 that don't require a prescription.

5 So, Madam Secretary, do you have any
6 idea how much it cost to buy a pair of reading
7 glasses back in 2009?

8 SECRETARY SWAILS: No.

9 REPRESENTATIVE KRUEGER: Well, I will
10 tell you that, back in 2009, it cost \$14.52, and
11 today we're at \$15.99. That's for a basic pair of
12 reading glasses. And this is a 10 percent increase
13 in cost over this period of time.

14 Madam Secretary, I just want to ask the
15 question again, when was the last time we raised
16 the minimum wage in Pennsylvania?

17 SECRETARY SWAILS: 2009.

18 REPRESENTATIVE KRUEGER: 2009. And how
19 many years has the Governor proposed a minimum wage
20 increase in his budget before the legislature?

21 SECRETARY SWAILS: I believe this is the
22 third.

23 REPRESENTATIVE KRUEGER: Okay. And so,
24 we've got folks who are having a hard time making
25 ends meet. And, once again, we are looking at a

1 reality where every state around us, including West
2 Virginia, has a higher minimum wage than
3 Pennsylvania. I really hope this proposal can get
4 some traction this year.

5 I wanna ask another question, Madam
6 Secretary, now. One of the things that I'm happy
7 about in this year's budget is the increase in
8 early childhood education. When I was elected to
9 the legislature, my son was in pre-K, and I saw
10 firsthand the importance of a high quality public
11 education. And every time I saw the Governor I
12 asked him about increasing that line item, to the
13 point where -- it got to a point where every time
14 he saw me he'd say, I know, I know, we need to do
15 more for pre-K.

16 So, can you talk about the Governor's
17 investment this year, what is he proposing to do
18 for early childhood education?

19 SECRETARY SWAILS: So, for pre-K and
20 Head Start supplementals, there's a
21 30-million-dollar proposed investment that will
22 provide an additional 30 -- about 3,300 slots to
23 those programs.

24 REPRESENTATIVE KRUEGER: So 3,300 more
25 kids would get access to pre-K if the Governor's --

1 -- if this line item passes; is that correct?

2 SECRETARY SWAILS: Correct.

3 REPRESENTATIVE KRUEGER: Okay. Madam
4 Secretary, my first year on the Appropriations
5 Committee a number of years ago, I was shocked to
6 learn that the average cost for someone in a
7 Pennsylvania state prison is \$45,000 a year. And
8 it's costing right now about \$9,000 a year to
9 educate a child in Pennsylvania in high quality
10 pre-K.

11 So, we could get five kids in an
12 educational environment that's gonna set them up
13 for success for the rest of their lives, higher
14 education outcomes, better access to a job that
15 will allow them to support a family and accomplish
16 their career goals, or we could pay to keep folks
17 in prison.

18 So, I am glad to see that the budget
19 again prioritized early childhood education, and I
20 hope this is something that we can fight for for
21 final enactment.

22 Thank you, Madam Secretary.

23 Thank you, Mr. Chairman.

24 SECRETARY SWAILS: Thank you.

25 ACTING MAJORITY CHAIRMAN TOPPER: Chair

1 thanks the lady. Now recognizes the gentleman from
2 Wayne, Mr. Fritz.

3 REPRESENTATIVE FRITZ: Thank you,
4 Mr. Chairman.

5 And good morning, Secretary Swails.
6 Pleased to see you.

7 Madam Secretary, I'd like to discuss a
8 little more in depth the severance tax. In
9 previous years, Governor Wolf had supported a
10 severance tax, and like Groundhog Day, we're seeing
11 it again this year. The proposal, year after year,
12 lacks detailed information. So if I could ask you
13 a couple of, perhaps, technical questions, I would
14 appreciate a response.

15 Madam Secretary, can you provide a
16 specific description, specific description of this
17 tax proposal?

18 SECRETARY SWAILS: Um, I -- I do not
19 have that with me. I would have to provide that at
20 a later date.

21 REPRESENTATIVE FRITZ: Okay. I'll look
22 forward to that.

23 Madam Secretary, will this revenue be
24 securitized?

25 SECRETARY SWAILS: Yes.

1 REPRESENTATIVE FRITZ: We're gonna issue
2 a bond; in other words, take on debt. And this is
3 going to provide the revenue in order to pay off
4 that bond.

5 SECRETARY SWAILS: Yes.

6 REPRESENTATIVE FRITZ: So Pennsylvania
7 is taking on more debt. Okay.

8 Madam Secretary, do you have draft
9 language that you can provide?

10 SECRETARY SWAILS: I -- I don't know. I
11 have to check on that.

12 REPRESENTATIVE FRITZ: Okay. I'll look
13 forward to that as well.

14 So there's an easy graduation on this
15 topic to talking about Act 13. And I want to talk
16 specifically about how important Act 13 is, Madam
17 Secretary, to my district. Act 13 was the
18 introduction of an impact tax, and there was a
19 60-40 distribution of that tax. Sixty percent of
20 it goes to impact the community, such as
21 Susquehanna County, where we are lucky enough to be
22 host to that responsible industry known as natural
23 gas development. And the other 40 percent goes
24 elsewhere in the Commonwealth, places such as the
25 southeast and the center part of the state, south

1 central as well. But let me put some numbers to
2 that revenue.

3 In 2019, that revenue was 200 million.
4 That's Act 13 revenue, 200 million in 2019. In
5 2018, that revenue was 250 million. And I'll break
6 that down, Madam Secretary, even a little bit
7 further. That was 5.7 million for Susquehanna
8 County in 2009. That is a major subsidy to a rural
9 county.

10 And I'm also going to share with you
11 three townships in Susquehanna County: Auburn
12 Township, 889,000. This is 2009. New Milford
13 Township, 754,000; Springville, 740,000. That is a
14 true benefit to those townships and the residents
15 that reside in those townships.

16 I'll just mention, my good friend and
17 colleague, Representative Warner, talked about the
18 statement from our southwest Democrats that are
19 very, very critical of the introduction of a
20 severance tax, so I'm not going to recite that.
21 But I just want to mention that it speaks to how
22 disconnected this Governor and this Administration
23 is, even with his own party.

24 Now, Madam Secretary, I'm going to speak
25 to some very real trends in Pennsylvania. Our

1 overall population is decreasing. That means that
2 people consuming goods or seeking private sector
3 services, and fewer people paying taxes. And while
4 that trend manifests, another is occurring
5 concurrently.

6 Our senior population is growing.
7 Pennsylvania has the fifth highest elder population
8 in the nation. Now, seniors are drawn to
9 Pennsylvania. And listen, that's not a bad thing.
10 Our seniors deserve good care and piece of mind.
11 But that demand for care and those services, that
12 costs money. And I'll boil it down. The effect is
13 stagnant or downward trending revenue while,
14 conversely, there are growing needs and growing
15 costs associated with this demand for service.

16 Now, that dynamic added to the legacy
17 cost liabilities, the pension, pay raises in health
18 care, well, that paints a rather bleak picture for
19 Pennsylvania. Madam Secretary, I've got some good
20 news. I've got an antidote. Madam Secretary, that
21 antidote is growth of business and growth of
22 industry.

23 Madam Secretary, just 25 years ago,
24 Pennsylvania was home to 45 Fortune 500 companies.
25 We are now down to just six. Madam Secretary, do

1 you know why that is?

2 SECRETARY SWAILS: No.

3 REPRESENTATIVE FRITZ: Well, I will
4 assert that it is because Pennsylvania is
5 incredibly unfriendly to conduct business in. We
6 have the highest corporate net income tax rate of
7 9.99 percent. We have a punitive regulatory
8 environment. We have woefully meager incentives to
9 attract business.

10 Seriously, Madam Secretary, other states
11 are eating our lunch when it comes to attracting
12 business and attracting industry. Other states,
13 they roll out the red carpet. But not
14 Pennsylvania. We bust out the red tape.
15 Increasing taxes and scaring off business is a
16 losing formula, but year after year this
17 Administration proposes that very formula.

18 Madam Secretary, I'll part you with
19 this. I'm sick of losing. Thank you for your
20 time.

21 Mr. Chairman, that's it.

22 ACTING MAJORITY CHAIRMAN TOPPER: Chair
23 thanks the gentleman, and recognize the gentleman
24 from Lancaster, Mr. Zimmerman.

25 REPRESENTATIVE ZIMMERMAN: Thank you,

1 Mr. Chairman.

2 Thank you, Madam Secretary, for joining
3 us here today. I appreciate it. I'll change names
4 here for just a second.

5 So I'd like to switch gears a little bit
6 and talk about PennDOT. Back in November, PennDOT
7 requested 600 million in bonding -- bonding
8 authority for highway and bridge funding
9 shortfalls. Two days later, it became a
10 475-million-dollar request. The General Assembly
11 appropriated funding for PennDOT on May 28 of 2020,
12 for the entire '20-21 budget year. Yet, we never
13 heard from PennDOT on the Governor's -- or the
14 Governor's Budget Office on that point, all summer
15 long and into the fall.

16 So the question is, why did we not hear
17 from PennDOT or the Budget Office until November on
18 that issue?

19 SECRETARY SWAILS: Yeah. I mean, I
20 think we can say and look back that there should
21 have been communication long before November.
22 Certainly I agree with that.

23 Why it changed from 600 to 475 in a
24 matter of days was simply the 125 that was
25 allocated in the November budget. But, to say that

1 we could not have communicated sooner, I agree with
2 that wholeheartedly.

3 REPRESENTATIVE ZIMMERMAN: I appreciate
4 that, because I think that's one of the keys is
5 communication.

6 SECRETARY SWAILS: Absolutely.

7 REPRESENTATIVE ZIMMERMAN: So thank you
8 for that.

9 So, the upside, or the good part of it,
10 however, is that there's 407 million for highways
11 and bridges as part of the coronavirus response and
12 relief supplemental appropriations --

13 SECRETARY SWAILS: Yeah.

14 REPRESENTATIVE ZIMMERMAN: -- so that's
15 a good thing.

16 The Governor proposes nothing new,
17 though, for transportation within this budget
18 proposal. And so, again, my question there, can
19 you confirm, then, that you will not be asking the
20 General Assembly for more bond funding this year?

21 SECRETARY SWAILS: Yes.

22 REPRESENTATIVE ZIMMERMAN: Yes?

23 SECRETARY SWAILS: Yes, we will not.

24 REPRESENTATIVE ZIMMERMAN: You will not
25 be coming back at some point and asking the General

1 Assembly for additional bond funding?

2 SECRETARY SWAILS: Not this year. We
3 are monitoring the lettings and bills very closely
4 with PennDOT. We have communicated with them on a
5 very regular basis since November to make sure
6 we're all on the same page of tracking those
7 invoices and monitoring expenses and revenue as it
8 comes in.

9 REPRESENTATIVE ZIMMERMAN: Okay. Thank
10 you very much.

11 ACTING MAJORITY CHAIRMAN TOPPER: Chair
12 thanks the gentleman. Recognize the gentleman from
13 Adams, Mr. Ecker.

14 REPRESENTATIVE ECKER: Thank you,
15 Mr. Chairman.

16 And thank you, Madam Secretary, for
17 being here in person with us. I really appreciate
18 that.

19 I'm going to shift back again to the
20 Governor's proposed PIT increase. And, in that
21 regard, my former colleague spoke about
22 communication, how that's key, and how we're, you
23 know, getting out the appropriate message is really
24 important. You kind of answered this already and
25 alluded to it. But, generally speaking, a

1 household of four would recognize an increase in
2 tax around \$84,000 -- or above \$84,000.

3 SECRETARY SWAILS: Correct.

4 REPRESENTATIVE ECKER: A single person
5 around \$40,000, and I think a married couple
6 without children around \$64,000; is that correct?

7 SECRETARY SWAILS: Sounds right.

8 REPRESENTATIVE ECKER: Okay.

9 So, Madam Secretary, when Governors, or
10 even legislators for that matter, go and start
11 advocating for initiatives or new legislation, they
12 seek to find support, opposition; you know, who's
13 out there supporting their things. All governors
14 do this, all legislators do this.

15 And in this case, the Governor -- It's
16 no surprise the Governor is very supportive of the
17 PSEA and they're a close ally of his. And,
18 obviously, that organization has generally been
19 pretty supportive of the Governor's initiatives.

20 What's concerning is, when these
21 organizations, doesn't matter who they are, put out
22 information that sometimes isn't always accurate or
23 truthful, I know our side of the aisle has gotten
24 beat up a lot lately about not presenting
25 information that's otherwise truthful. But I think

1 it's important to know that in this case, the day
2 the Governor -- And we've had a lot of props today,
3 and I have my own prop, I suppose. But the day the
4 Governor put out his budget address, the PSEA also
5 put out a statement saying that--I'll just read
6 it--Governor Wolf unveiled his fiscal year 2021-22
7 budget proposal today which includes an historic
8 \$1.3 billion increase in education funding.

9 It goes on to say that, in order to pay
10 for this funding increase, he proposes an increase
11 in the state's personal income tax for those
12 earning more than \$133,000 a year.

13 Now, the way I think this reads is that,
14 those individuals -- that individuals or families
15 or somebody is not gonna pay an increase in
16 personal income tax unless they're making under
17 \$133,000, and that just simply isn't true. You
18 would agree with that, correct?

19 SECRETARY SWAILS: Agree with that, yes.

20 REPRESENTATIVE ECKER: Do you have -- I
21 mean, did the Governor have discussions with
22 organizations like the Pennsylvania teacher's union
23 or other entities before putting out these
24 proposals?

25 SECRETARY SWAILS: Nope, I'm not aware.

1 REPRESENTATIVE ECKER: Well, I think
2 it's really important that we look at this.
3 Obviously, the Governor has couched this as, is
4 that, we're taxing -- that we all need to kind of
5 pay our fair share. The Governor has made it very
6 clear that he has been very fortunate. As a higher
7 income he can pay more, and maybe that's true.

8 But I think -- And maybe I'll ask you
9 this as well. I mean, \$84,000 a year for a family
10 of four isn't -- I would not say wealthy. Would
11 you agree?

12 SECRETARY SWAILS: Agree.

13 REPRESENTATIVE ECKER: So, we're saying
14 that -- We have this message out there that the
15 wealthy or those that have done well or have a --
16 should pay more in Pennsylvania. I mean, that's
17 really what we're -- that's what the Governor is
18 advocating for here.

19 Where, at the same time the Governor is
20 advocating, I believe, for a minimum wage for
21 teachers of around \$45,000, correct?

22 SECRETARY SWAILS: Correct.

23 REPRESENTATIVE ECKER: So, a household
24 of two teachers, essentially, would be over that
25 threshold of income. So, I think it's really

1 important, and I hope the Governor would
2 communicate this as well to the PSEA, that putting
3 out information like that is dangerous. We've been
4 criticized on our side for doing those things. I
5 think, in this case, it's something we should also
6 be critical of each other.

7 So, but at the same time, I think we
8 need to stop being so focused here on the higher
9 incomes here. That this is all about higher
10 incomes or people that make a lot of money need to
11 be able to pay more in personal income tax.

12 However, this isn't really just -- This
13 is also affecting the middle class, wouldn't you
14 agree, that they're going to be paying more taxes,
15 correct?

16 SECRETARY SWAILS: Sorry. I didn't hear
17 that last.

18 REPRESENTATIVE ECKER: You would agree
19 that, generally speaking, the middle class here is
20 going to be paying some more taxes under this
21 personal income tax increase, correct?

22 SECRETARY SWAILS: If they're a family
23 of four over 84, it will start to increase at, you
24 know, 1 percent per -- not 1 percent. \$500
25 increase up to the 4.49, so it's progressive. It's

1 not a flat tax. That is, everyone gets the same
2 tax.

3 REPRESENTATIVE ECKER: Sure. And
4 without -- We're not going to go down the road of
5 whether or not progressive taxes are allowed in
6 Pennsylvania or not.

7 But, I guess here, my point here is
8 that, I think it's important that we recognize that
9 this is going to affect a lot of Pennsylvanians. I
10 know earlier you said that 67 percent of
11 Pennsylvanians will actually not be paying more or
12 will be paying less.

13 SECRETARY SWAILS: Will be paying the
14 same or less.

15 REPRESENTATIVE ECKER: Or paying --
16 Yeah, okay. I apologize for mischaracterizing
17 that.

18 But the point here is that, there's also
19 a wide selection of people that aren't paying any
20 taxes currently right now, which I think it's
21 important to note -- And I see my time has expired,
22 so I'll make my point.

23 But I think it's important to note that,
24 really, the IFO stated and I believe the Secretary
25 of Revenue also stated that, really, this only is

1 going to affect -- it's really 50 percent or even
2 less, and in the case of IFO maybe 40 percent said
3 that those individuals that already are paying
4 taxes will actually -- that's the break-even point,
5 not the 67.

6 So, I appreciate your time. Thank you
7 for answering my questions, and thanks for being
8 here in person.

9 ACTING MAJORITY CHAIRMAN TOPPER: Chair
10 thanks the gentleman. Recognize the gentleman from
11 Indiana, Mr. Struzzi.

12 REPRESENTATIVE STRUZZI: Thank you,
13 Mr. Chairman.

14 And good morning. I believe it's still
15 morning, Madam Secretary.

16 SECRETARY SWAILS: Tick-tock here,
17 10 minutes.

18 REPRESENTATIVE STRUZZI: So we'll keep
19 moving forward.

20 I want to ask you a little bit about
21 rural broadband. I think that if the pandemic
22 highlighted anything, it's the need for increased
23 broadband speeds, particularly in rural areas
24 across the Commonwealth, people working from home,
25 educating --

1 SECRETARY SWAILS: Definitely.

2 REPRESENTATIVE STRUZZI: -- from home,
3 all those sorts of things.

4 So, in the Governor's budget proposal,
5 there's a plan to, I guess expand the RCAP grants,
6 the Redevelopment Assistance Capital Program, to
7 include broadband. I'm sure you're familiar with
8 the initiative.

9 Can you tell me a little bit more about
10 that? How much will be allocated for this and
11 where those funds would come from?

12 SECRETARY SWAILS: It would just come
13 from the current allocation for RCAP and just be an
14 expanded use. In addition, the severance tax
15 proposal. Back to work would include funding for
16 broadband. And currently at the federal level,
17 there is funding for broadband for the purposes
18 that you mentioned earlier, coming to state to
19 expand that for telehealth, working from home,
20 education. So, hopefully, we'll receive those
21 dollars as well.

22 REPRESENTATIVE STRUZZI: So the funds
23 would come from current allocations for RCAPs?

24 SECRETARY SWAILS: Yes.

25 REPRESENTATIVE STRUZZI: So no increase.

1 Just reallocating, basically?

2 SECRETARY SWAILS: Correct. Adding
3 additional use for the dollars.

4 REPRESENTATIVE STRUZZI: I mean, there's
5 clearly a need there. Would you support additional
6 funding that's specifically for broadband?

7 SECRETARY SWAILS: Absolutely.

8 REPRESENTATIVE STRUZZI: I do want to
9 change subjects here a little bit. I guess the
10 theme of the morning has been props and things like
11 that.

12 The subject that I want to talk about
13 next, I don't have a prop for it, but it is all
14 around us, and it is electricity. I'm sure you're
15 familiar with the Regional Greenhouse Gas
16 Initiative, correct?

17 SECRETARY SWAILS: I know it exists,
18 yes.

19 REPRESENTATIVE STRUZZI: And the
20 Governor continues to push for that, this fight of
21 opposition from many advisory councils. The DEP
22 hopes to implement that early in 2022. Has your
23 office or have you considered the economic impacts
24 of Pennsylvania entering into the Regional
25 Greenhouse Gas Initiative?

1 SECRETARY SWAILS: The Governor's
2 supportive of the Regional Greenhouse Gas
3 Initiative. Other than that, I will have to check
4 with my staff on the economic impacts.

5 REPRESENTATIVE STRUZZI: I just want to
6 emphasize that I think you should be very concerned
7 with that because, we know it's going to cost
8 millions in taxpayer dollars, jobs going out of
9 this state. We have already seen that occurring.

10 And as I mentioned, electricity, you
11 know, as we talk about how things have increased
12 over the years, how the cost for families have
13 increased over the years, the Penn State Center for
14 Energy Law and Policy estimates that the cost of
15 electricity for the average home is going to
16 increase by 7.8 percent.

17 Independent energy users, over the next
18 10 years, if energy is implemented, estimates that
19 those costs to generate electricity are going to
20 increase for manufacturers by 2 billion. Their
21 overall costs will increase by 2.6 billion. To me,
22 that's going to have a clear, devastating impact on
23 Pennsylvania's economy.

24 So, I think that, you know, we have to
25 be concerned with the economic impacts of this

1 Regional Greenhouse Gas Initiative. And the fact
2 that it hasn't been mentioned, and we continue to
3 move forward on this path, I just don't understand,
4 you know --

5 In your position, you should be
6 concerned with this, I would think, because there's
7 going to come a time when it's going to impact the
8 budget, and that could be as soon as next year if
9 this is implemented.

10 So, I've asked throughout this --
11 throughout these hearings with various Secretaries
12 to consider the economic impacts of RGGI on
13 Pennsylvania, and that's not occurring. We're
14 continuing to push full speed ahead with no rhyme
15 or reason, and not fully understanding the impacts
16 of this multi-state compact that was entered into
17 unilaterally without any -- any discussion with the
18 General Assembly. And to me, that's just -- that's
19 short-sighted.

20 It's dangerous for Pennsylvania. It's
21 dangerous for our budgets. It's dangerous for our
22 families. Businesses, as we've heard throughout
23 the morning, are leaving Pennsylvania. People are
24 leaving Pennsylvania. And RGGI is going to add
25 another reason to not set up business, to not live

1 in Pennsylvania because it's going to cost more for
2 electricity.

3 So I urge you to consider that and keep
4 that in mind because it will impact our budget.
5 Thank you for your time.

6 ACTING MAJORITY CHAIRMAN TOPPER: Chair
7 thanks the gentleman. Recognize Representative
8 Mako.

9 REPRESENTATIVE MAKO: Thank you,
10 Mr. Chairman, and Madam Secretary for being here in
11 person. I appreciate that.

12 First off I just want to say, thank you
13 for the spirited dialogue that we've had. I really
14 do appreciate that. Made it entertaining.

15 Second --

16 SECRETARY SWAILS: I am entertaining,
17 for sure.

18 REPRESENTATIVE MAKO: That's what I'm
19 saying. I appreciate --

20 SECRETARY SWAILS: I mean, if you're
21 gonna talk budget, you might as well have a little
22 fun.

23 REPRESENTATIVE MAKO: I completely
24 agree. Thank you very much. I appreciate it.

25 The second thing I wanted to highlight

1 too, I appreciate your open dialogue up to this
2 point and willingness to have conversations with
3 other departments and with the General Assembly.
4 So I appreciate that in moving forward.

5 SECRETARY SWAILS: Certainly.

6 REPRESENTATIVE MAKO: I encourage you to
7 keep that up.

8 I apologize. I didn't -- As the
9 previous speaker mentioned, I didn't know that we
10 were doing props. All that just seemed to be --

11 SECRETARY SWAILS: There should have
12 been a memo sent out.

13 REPRESENTATIVE MAKO: I missed it. I
14 must have missed it. Mary Poppins' carpet bag over
15 there, things keep coming out. And I apologize --

16 SECRETARY SWAILS: See, you're funny,
17 too.

18 REPRESENTATIVE MAKO: I had to work on
19 the fly here because I didn't know this was going
20 on.

21 Madam Secretary, there seems to be a
22 theme on prices and services, so I figured I would
23 follow that line of thinking and line of
24 questioning.

25 SECRETARY SWAILS: Is that a doughnut

1 there on the zero?

2 REPRESENTATIVE MAKO: That's what I
3 thought, too. Great minds think alike.

4 SECRETARY SWAILS: For the price of
5 doughnuts, 2009.

6 REPRESENTATIVE MAKO: I'm going to put
7 this down now. Not critiquing my work.

8 So following the theme of pricing, do
9 you know how much a kilowatt hour was in 2009?

10 SECRETARY SWAILS: I sure don't.

11 REPRESENTATIVE MAKO: Yeah, I don't
12 either, so we're just going to keep moving.

13 SECRETARY SWAILS: We'll follow up.

14 REPRESENTATIVE MAKO: We'll follow up on
15 that one, too.

16 SECRETARY SWAILS: Give it to the
17 Chairman.

18 REPRESENTATIVE MAKO: But I can tell you
19 that right now it's \$0.13.

20 To follow up on the previous speaker on
21 the RGGI issue, 2022, obviously, we don't know
22 this, but what would be the, I guess the kilowatt
23 hour following the theme. What would the kilowatt
24 hour be for 2022, and how is that going to affect
25 us? That was part of the previous question. And

1 were you consulted on that moving forward with the
2 RGGI?

3 SECRETARY SWAILS: I'll have to look
4 into the details of that and get back to you. I
5 don't -- I don't have that with me.

6 REPRESENTATIVE MAKO: That's okay.
7 Well, I appreciate that. And thank you for coming
8 here today, and we'll look forward to getting the
9 kilowatt hour for 2022 --

10 SECRETARY SWAILS: I'll get it back to
11 you.

12 REPRESENTATIVE MAKO: -- getting an
13 answer on that.

14 SECRETARY SWAILS: All right.

15 REPRESENTATIVE MAKO: Thank you for
16 coming out.

17 SECRETARY SWAILS: Thank you.

18 ACTING MAJORITY CHAIRMAN TOPPER: Chair
19 thanks the gentleman. Now we'll recognize
20 virtually the gentleman from Philadelphia, Mr.
21 Brown.

22 REPRESENTATIVE A. BROWN: Good morning,
23 everyone. Sorry I couldn't be there in person
24 today.

25 Thank you, Secretary Swails, for joining

1 us in person.

2 But I have a question in reference to
3 the cost of postage stamps. Would you happen to
4 know the cost of stamps and how much it has gone up
5 since 2009?

6 SECRETARY SWAILS: No.

7 REPRESENTATIVE A. BROWN: The cost has
8 risen 25 percent. So, in 2009, it was \$0.44. It's
9 currently \$0.55.

10 SECRETARY SWAILS: \$0.55 is a lot.

11 REPRESENTATIVE A. BROWN: Yeah, it is.

12 So, what do you -- what do you think our
13 constituents are going through knowing that they
14 need stamps for -- for daily usage to send out
15 bills and things of that nature?

16 SECRETARY SWAILS: I'm sure they think
17 it's a lot too.

18 REPRESENTATIVE A. BROWN: Say that
19 again?

20 SECRETARY SWAILS: I'm sure they think
21 it's a lot too.

22 REPRESENTATIVE A. BROWN: So how do you
23 think we can assist them with this?

24 SECRETARY SWAILS: We have proposed a
25 minimum wage increase in our budget to \$12,

1 increasing to \$15 over time.

2 REPRESENTATIVE A. BROWN: All right.

3 Thank you.

4 ACTING MAJORITY CHAIRMAN TOPPER: It
5 would seem that the gentleman has concluded his
6 questions, so the Chair thanks the gentleman, and
7 recognizes now for the second time and our last
8 question before we move on to the closing questions
9 from the Chairman.

10 The gentleman from Chester,
11 Mr. Lawrence.

12 REPRESENTATIVE LAWRENCE: Thank you,
13 Mr. Chairman.

14 Madam Secretary, four weeks ago, on
15 January 25th, Governor Wolf addressed the Chamber
16 of Commerce for Greater Philadelphia by a Zoom
17 call. The next day the meeting was the subject of
18 an article in the Philadelphia Business Journal,
19 which stated, quote:

20 Pennsylvania Governor Tom Wolf expressed
21 reluctance Monday to support measures that would
22 increase -- that would raise taxes on wealthier
23 residents to help balance the state's budget.

24 The article goes on to quote the
25 Governor, saying, quote: You've got to be careful

1 about doing anything to make people more reluctant
2 to invest or consume.

3 Three days later an Associated Press
4 article by Mark Levy, previewing the Governor's
5 budget proposal, noted, quote: Governor Wolf has
6 not called to raise income or sales taxes to fix
7 the state's finances, and is predicting a strong
8 economic rebound in Pennsylvania.

9 The next day, June 30th, another AP
10 article stated, quote: Nobody in Harrisburg is
11 talking about tax increases. Less than 48 hours
12 later, the Governor's proposed 2021-2022 budget
13 dropped with the largest tax increase proposal in
14 the history of Pennsylvania. A family of four, as
15 we heard earlier here, making \$84,000 per year
16 would see their taxes increase. Under the
17 Governor's proposal, many small business owners
18 would see their income taxes increase 46 percent.

19 So to be clear, I am not in favor of a
20 46 percent income tax hike, and I realize not
21 everyone in this room agrees with me on that, and,
22 you know, there could be a policy debate on whether
23 that's a good idea or not.

24 But my question is, that it seems like
25 the Governor's position on this issue did a

1 complete 180-degree turn in a matter of hours. And
2 more than just doing a 180-degree turn, it seems
3 like the Governor was unaware that his upcoming
4 budget was going to rely on a huge income tax hike.
5 One day he's telling some of the most influential
6 business leaders in the state one thing. Then
7 hours later the Governor drops the budget proposal
8 that does the exact opposite.

9 So, Madam Secretary, what changed
10 between January 25th and February 2nd? When did
11 the Governor know that his budget proposal would
12 include a proposed income tax hike from 3.07 to
13 4.6 percent?

14 SECRETARY SWAILS: The Governor knew as
15 we were developing the budget with his priorities
16 in place.

17 REPRESENTATIVE LAWRENCE: I'm sorry.
18 What was that?

19 SECRETARY SWAILS: The Governor knew the
20 entire time as we were -- in January as we were
21 putting his budget together and putting his
22 priorities into place as part of the budget.

23 REPRESENTATIVE LAWRENCE: When was the
24 idea for a big income tax hike included in the
25 Governor's budget?

1 SECRETARY SWAILS: Um, January. Early
2 January.

3 REPRESENTATIVE LAWRENCE: So the
4 Governor knew about it early January?

5 SECRETARY SWAILS: Yes.

6 REPRESENTATIVE LAWRENCE: So it wasn't a
7 last-minute addition?

8 SECRETARY SWAILS: No.

9 REPRESENTATIVE LAWRENCE: And it was a
10 part of the development of this budget?

11 SECRETARY SWAILS: Yes.

12 REPRESENTATIVE LAWRENCE: So, my
13 question is then, why, when he had a conversation a
14 week before he gave his budget address via a video
15 in this chamber, did he tell a group of individuals
16 who were certainly going to be impacted by the
17 proposal the exact opposite; that he was reluctant
18 to do something like that?

19 SECRETARY SWAILS: I certainly can't
20 speak to why the Governor said what he said in a
21 meeting with someone when I wasn't there.

22 REPRESENTATIVE LAWRENCE: But,
23 certainly, you would have briefed him before going
24 into a meeting with -- I mean, this is not -- I
25 mean, the Governor annually addresses the

1 Philadelphia Chamber of Commerce. It's a, you
2 know, a recognized item on the schedule. I can't
3 believe you wouldn't have had a conversation with
4 him prior to that meeting.

5 SECRETARY SWAILS: I'm certain the
6 Governor didn't want to reveal what was in his
7 budget until budget day, which was February 2nd.

8 REPRESENTATIVE LAWRENCE: So maybe you
9 would just not even talk about it. But I'm very
10 concerned --

11 SECRETARY SWAILS: Again, I'm not going
12 to speak to what the Governor chooses to say. I'm
13 not in charge of that.

14 REPRESENTATIVE LAWRENCE: I understand
15 that. But my question is, why is the Governor --
16 It just -- I'll be candid with you. It makes it
17 seem like the Governor was unaware of his own
18 budget proposal.

19 SECRETARY SWAILS: That is not the case
20 at all.

21 REPRESENTATIVE LAWRENCE: So when he's
22 telling a group of prominent business leaders in
23 this Commonwealth, you know, we're not going to do
24 that. And then a week later, there's a budget
25 proposal that does that exact thing. Don't you --

1 Don't you see the inconsistency there?

2 SECRETARY SWAILS: Do you think he said
3 we're not going to do that?

4 REPRESENTATIVE LAWRENCE: So I'm quoting
5 from this article that appeared --

6 SECRETARY SWAILS: Articles in the
7 newspaper are always very factual.

8 REPRESENTATIVE LAWRENCE: I'm sorry?
9 What's that?

10 SECRETARY SWAILS: Articles in the
11 newspaper are always very factual.

12 REPRESENTATIVE LAWRENCE: So it would be
13 your contention, then, that this article is
14 incorrect?

15 SECRETARY SWAILS: I wasn't there. But
16 I can't imagine that the Governor would say that
17 I'm not going to do something a week before he knew
18 he was going to do something. Perhaps, the words
19 were construed as that, but I can't imagine he
20 actually said those words.

21 REPRESENTATIVE LAWRENCE: So my concern,
22 Madam Secretary, is that, it -- it -- And this is
23 not the first time I've seen this. I've seen it
24 also in the way the Governor's addressed some of
25 the questions recently with vaccines, some of the

1 concerns with nursing homes.

2 It seems likes the Governor is unaware
3 of his own policies; things that are very
4 controversial, things that are in the news; not
5 small details; big picture items, and then moments
6 later it's corrected. That is my concern here. My
7 concern is, why was he telling a group of prominent
8 business leaders one thing, when he, I assume,
9 would have known that a week later he was going to
10 drop a budget proposal with a huge income tax hike
11 proposal.

12 SECRETARY SWAILS: I think I answered
13 the question.

14 ACTING MAJORITY CHAIRMAN TOPPER: Chair
15 thanks the gentleman. That will conclude the
16 questions from the members. And now we'll
17 recognize Minority Chairman of the Appropriations
18 Committee, the gentleman from Montgomery County,
19 Mr. Bradford.

20 MINORITY CHAIRMAN BRADFORD: Thank you.
21 Thank you, sincerely, Representative Topper.
22 You've done a fine job this morning bringing this
23 to order and doing so with levity, and I appreciate
24 it.

25 I also want to thank both the Democratic

1 and Republican staff. Normally, we do it in
2 private. But I think in light of the amazing
3 extents that they've gone to make this, not only
4 productive but safe, has really -- speaks well to
5 their job and their work ethic and willingness to
6 do it under very difficult circumstances. As well
7 as our Chief Clerk, Dave Reddecliff, and all of his
8 staff, and the IT folks on both sides, have truly
9 done a great job and I want to thank them.

10 I also, even though he's not here, want
11 to thank Chairman Saylor who was responsive to
12 their request of our caucus, as well as the
13 Administration and those who testified, Chairman
14 Saylor desires tremendous credit and showed
15 tremendous leadership. And I don't know if it will
16 get him in trouble on his side, but there's a lot
17 of Democrats that are very appreciative for the job
18 he's done. I just want him to know, he checked
19 partisanship and his -- his part in this has been
20 much appreciated by many, and it would be wrong if
21 I didn't mention that.

22 I also want to thank the Secretaries and
23 the departments and the individuals who work at
24 these departments. There are things that we're
25 obviously on both sides frustrated with at a very

1 difficult time, but everyone recognizes the last
2 year has been very difficult for everybody
3 involved.

4 And people have been working from home
5 while juggling child care, day care, and just
6 unbelievably stressed -- unbelievable stresses at a
7 time of tremendous uncertainty in our world. And
8 they have done so many times with tremendous grace,
9 faced with tremendous frustration. I think whether
10 you're a Democrat or Republican, we all recognize
11 that.

12 I also would be remiss if I didn't thank
13 the members. Our members for asking some diligent
14 questions, all members for working together, for
15 doing, frankly, the things that we should be doing
16 for the last year, which is working together and
17 having an honest conversation. This has actually
18 had some levity today, in no small part thanks to
19 the great Budget Secretary, but also because
20 everyone was comfortable that we were doing this a
21 way there was buy-in from both sides, in terms of
22 everyone wearing masks when they weren't speaking,
23 distancing. And doing all of the things that,
24 frankly, make us humans and at a time of hyper
25 partisanship and our politics, a little bit of

1 humanity and humor goes a long way.

2 Now, let's check all the nice things.
3 This budget has a lot of good things in it, and it
4 has a lot of things that those will take issue
5 with. But one of the things that someone who's
6 been out there for some period of time, very
7 concerned about a structural deficit. It
8 recognizes the realities of our economic situation
9 here in the Commonwealth. And I have just one yes
10 or no question.

11 Does this budget finally deal with our
12 structural deficit in an intellectual honest way?

13 SECRETARY SWAILS: Yes.

14 MINORITY CHAIRMAN BRADFORD: And to me,
15 that is the most important question we need to
16 address.

17 We have lived beyond our means.
18 Typically, that sounds like a Republican talking
19 point. But I do believe in one of those rare
20 politicians who is willing to talk about both sides
21 of the ledger, and we've got to have an honest
22 discussion now about how we're gonna balance our
23 budget. And there are huge challenges, and
24 Democrats and Republicans have different views of
25 how to do that.

1 But, this is an honest budget. It
2 doesn't have payment rolls. It funds pupil
3 transportation. There's no intentional under-
4 funding of lines. It doesn't shift from one year
5 to another or, frankly, shift out of the General
6 Fund to deplete the spend number and make nice with
7 some political calculation that needs to be made.

8 No, it's not perfect. And there are
9 things, as Democrats, that we don't love in the
10 Administration's budget either, but it is a step in
11 the right direction towards dealing with our
12 structural deficit and honest budgeting.

13 And here's something I would have wanted
14 to say to Chairman Saylor if he was here, and he
15 deserves equal time because it's truly addressed to
16 him. He has said over the last couple days about
17 the issue of \$941 million supplemental. Either it
18 was always fraud and abuse or, conversely, no, no,
19 we did it intentionally because they overspend.

20 I do feel bad saying this because the
21 gentleman is not here. But, like, it can't be
22 both, right? Either you're intentionally
23 underfunding or, or, they're overspending. I'm not
24 a fiscal conservative, but I like to think I'm
25 conservative in the way I would budget. We have

1 gotten so far divorced from that.

2 When the progressive Democrat that you
3 all think is a liberal from Montgomery County has
4 to say, this is not conservative budgeting, where
5 are we as a Commonwealth? There needs to be some
6 sanity interjected into our budgeting.

7 I'm a father of four. Many of you are
8 parents and grandparents. What is the legacy we
9 will leave? We have different visions for this
10 Commonwealth, we recognize that, but we must start
11 with the same basic set of facts. In this budget,
12 in this Committee, we start with the facts of the
13 numbers. We gotta stop with the blame game.

14 Now, DHS is half of our state budget.
15 Let me just say something. This was not an
16 intended prop because, I've got to tell you, this
17 isn't my Highmark card. But let me tell you
18 something. Our own health insurance, our own
19 health insurance has gone up a hundred percent over
20 the last 10 years. So, to continue to use DHS as a
21 whipping boy is just totally detached from the
22 reality of health care cost in this country.

23 It's not a Pennsylvania thing. It's not
24 a DHS thing. It's not a Secretary Miller thing.
25 It's not a Budget Secretary thing. It's a reality

1 that we need to deal with. But denying it and
2 demagoguing it isn't going to solve it, and we've
3 got to do better.

4 People have said, where do we propose to
5 cut in DHS? Representative from Bucks says it
6 often. Here's what I say, give us a list because
7 this budget is a door opening. We have to --

8 You're in the Majority. We're in the
9 party that believes elections have consequences.
10 We want the list of cuts. We want to know what
11 they are. Real cuts. Not, hey, we're going to cut
12 the waste, fraud and abuse. What is the waste,
13 fraud and abuse, and detail that. We need to get
14 back to some sense of real budgeting in this
15 Commonwealth.

16 Now, part of that is, we've got to avoid
17 demagoguery. It is easy to do the parochial, this
18 region versus that region. I'm from the southeast.
19 I have a different take. I have a dairy farm in my
20 district, but I do not pretend to have grown up on
21 a dairy farm. But when we demagogue, we do
22 ourselves serious challenges.

23 People are losing their mind in this
24 country, and I don't say that flippantly. I worry.
25 People have become disconnected from reality. When

1 we don't tell people hard truths, whether it's in
2 the public health space about the need to wear a
3 mask or to take vaccines; when we do it in the
4 electoral space, when we tell people that elections
5 are rigged, bad things happen. And when we do it
6 in the budget space, you wind up with the insanity
7 that is our Commonwealth's current financial
8 situation.

9 I go back to something Chairman Saylor
10 said, the blame game is on both sides. He's not
11 wrong. Democrats and Republicans have culpability.
12 Administration is on both sides. Now, as a
13 Democrat I've got to point out, you guys have been
14 in the majority for a long time. But, as a
15 Pennsylvanian, it doesn't matter, guys. We've got
16 to get back to something that looks like balance.

17 This is becoming generational and
18 habitual without any recognition, and we have
19 budget hearings that don't list the actual cuts you
20 would propose, the actual revenues you would
21 increase. In fact, and too often, it dissolves
22 into pure parochialism, where members from rural
23 Pennsylvania talk about farm bills and critical
24 access hospitals and hardwoods and food marketing,
25 and they should and they're right.

1 For the same reasons that in my area, I
2 talk about innovation and big pharmaceuticals and
3 our meds and eds, and they are the heart of my part
4 of Pennsylvania. But, when we play this very
5 cynical game that we're going to cut SEPTA to save
6 northeastern PA, come on. We do ourselves a huge
7 disservice, and we make the big decisions that need
8 to be made in this Commonwealth impossible.

9 When we say you can have tolls all
10 across southeastern Pennsylvania, for me to go to
11 Bucks County, God knows how much it's gonna cost me
12 in tolls. But if you talk about tolling any bridge
13 anywhere outside of southeastern Pennsylvania, it's
14 the end of the world and the sky is falling. We
15 need a little bit of self-awareness in this
16 process.

17 And to one of the most thoughtful
18 members, who I am embarrassed to say I've never had
19 a conversation with, and Representative Struzzi,
20 the gentleman from Indiana, you speak so thoughtful
21 and sincerely much like your predecessor about your
22 concerns about RGGI. I come from a different
23 perspective, 100 percent. I worry very much about
24 climate change.

25 But here's the thing. I would say this,

1 people need to start offering an alternative. If
2 you think RGGI is the wrong solution for climate
3 change, this Governor didn't proposal RGGI out of
4 nowhere, and he didn't do it on the first day of
5 his Administration. There are climate deniers in
6 this building and in your caucus that for too long
7 haven't offered any other alternative, so this
8 Governor has gone a different route.

9 And many of us would admit, this isn't
10 the most stable route. A legislative solution is
11 preferable, but denial isn't a solution to climate
12 change. And if you don't like RGGI, what's your
13 legislative alternative other than obstructing
14 that?

15 If you want to be part of a solution,
16 you've got to come up with ideas. Real cuts, real
17 revenues, real policy alternatives, because oceans
18 will rise while we continue to wait. And if you're
19 not a climate denier, and I don't believe you are
20 for a minute, then you've got to have an
21 alternative to deal with carbon.

22 Now, the last thing, and I want to touch
23 on this gently because I think it's important to
24 cover, is motives and intent. For the last year,
25 emotions have been way too high in this building,

1 and at times I am partially to blame.
2 Self-awareness, there are good people on both
3 sides, and I say that recognizing the words of a
4 former president who used it in a space that should
5 never been used. But there are good sides, good
6 people on both sides. But whether it's in the
7 public health space, and you see, when we demonize
8 this Governor or this Administration in a way that
9 is completely detached from reality. We've all met
10 Tom Wolf. Seriously?

11 The ideas that are being passed for
12 policy and projected onto this man, at times, it's
13 totally detached from reality. We've got to get
14 the poison out of our body politic that was
15 injected over the last four years, and it is a job
16 of all of us to stop going down the rabbit hole of
17 crazy Internet rumors, and the worst in our
18 politics. It will do us no good.

19 So, let me say this in conclusion. This
20 Governor has clearly put himself in a difficult
21 spot and put Secretary Swails of defending this
22 budget proposal, but it is just that, a proposal.
23 There is an alternative for Representative Topper
24 and Chairman Saylor to engage on RGGI, on cuts, on
25 revenue, on tolls, on the size and shape of state

1 government.

2 We all know it's not going to happen
3 next year. Let me say something that most people
4 will only say in the newspaper. Next year is an
5 election year. God forbid we do anything crazy in
6 an election year. There's a moment, a moment in
7 time, that we can engage on these issues. But if
8 we demagogue --

9 And let's be clear. And this is another
10 one of those times where I wish I was addressing
11 Chairman Saylor, who said the federal money is a
12 bailout. I'm going to go out on a limb and say, if
13 we don't deal with revenues or cuts or innovation.
14 What we will do instead is take that federal money
15 and run. And what he now calls a bailout, and what
16 people have decried from the Great Recession where
17 we backfilled era money instead of filling lines,
18 we will make the same exact mistake.

19 We will leave a fiscal cliff that makes
20 the transportation challenge that we know exists
21 next year look like child's play. We will build up
22 a billions-and-billions-of-dollar cliff when that
23 money expires, because right now it may serve a
24 political purpose to demonize Joe Biden's COVID
25 1.9-trillion-dollar relief program.

1 But it is that FMAP enhancement that is
2 balancing Secretary Swails' budget. It is that
3 bailout money that will balance next year's and the
4 following year's budget if we don't take this
5 opportunity that the Governor has presented with us
6 to finally deal with this budget.

7 And that, my friends, is the opportunity
8 we have. Do we want to take it? Do we want to be
9 pragmatic? There are voices in both camps? People
10 more progressive than I who will say, ah, this
11 isn't enough. We should be more bold. Anything
12 less than \$15 on the minimum wage is surrender. We
13 have a President who's saying something very
14 different. We have a Governor who's saying, we
15 need to pass the minimum wage.

16 One of the members mentioned that there
17 may have been a deal last year for something
18 reduced from that number. So engage on minimum
19 wage. If you're embarrassed to defend the fact
20 that no one can afford a gallon of milk on an
21 hour's wage in this Pennsylvania under this minimum
22 wage, then offer an alternative. Come to this
23 Governor and say, what can we do, and this Governor
24 will come back.

25 There is an olive branch being extended

1 and an opportunity. But if we just fall back to
2 what we do, fight the good fight, put on the show,
3 props and all, cell phones, the whole nine yards,
4 we will solve no problem. We will continue to
5 demagogue, and we'll do it all again next year.

6 So, I was going to make a funny comment
7 about the need to have your pet population spayed
8 or neutered because everyone said it was a
9 price-is-right formulation today, but it seems like
10 this is a serious opportunity to have a discussion
11 and an opening to do that.

12 Before you demagogue this budget
13 proposal, think about whether you want a minimum
14 wage increase. What your vision for Pennsylvania
15 is. What your idea is to invest in education.
16 This Governor is proposing a way to finally fund
17 those schools that we all know, we all know in our
18 heart of hearts are historically and habitually
19 underfunded.

20 Schools -- And I apologize. This was
21 the point I wanted to make on this, on the equity
22 issues. We know those schools that are underfunded
23 in a room I believe right now doesn't have a single
24 person of color. We know those are schools that
25 largely have people of color. We know those are

1 children that don't look like us; that parents
2 don't make as much money as us.

3 And the idea that we're going to
4 continue to allow these schools to go underfunded;
5 these communities to be economically deprived
6 because those schools are viewed as inferior, those
7 communities will pay higher taxes because they
8 don't get the support from this body that they
9 constitutionally are obligated. That is not the
10 Pennsylvania that any of us should want to build.
11 There's a better opportunity.

12 This Governor's budget isn't perfect,
13 and it isn't the only solution, but it's an
14 opportunity. Why don't we take the opportunity in
15 front of us, and at least engage this budget, in
16 this year, when this window of opportunity to have
17 a real discussion about what a balanced budget
18 looks like for Pennsylvania that actually does the
19 people's business.

20 Thank you, Secretary Swails.

21 And thank you, Secretary -- Secretary --
22 Chairman Topper.

23 ACTING MAJORITY CHAIRMAN TOPPER: Chair
24 thanks the gentleman. There is a Secretary Topper.
25 We had him in front of us a little while ago, but

1 there is no relation.

2 I'd like to thank the gentleman from
3 Montgomery for his many thanks at the beginning of
4 his closing statement. And I also would like to
5 thank Chairman Saylor and the work and his staff
6 and the Minority staff as well for bringing us
7 together in this new format in this new place.

8 And with that being said, I'd also like
9 to extend thanks beyond even Chairman Bradford, to
10 the LBP staff and the House broadcasting system,
11 the work that you did to ensure the Secretaries who
12 did not feel comfortable coming before us in person
13 were able to do so virtually, as well as some of
14 the members, that work has been greatly
15 appreciated. And considering all the technical
16 snafus that could have occurred, I think we were
17 able to proceed with limited interruptions, and I
18 would like to thank all the staff that made that
19 possible.

20 Madam Secretary, I know your morning has
21 been long. I would like to ask a few questions.
22 One in relation to the General Fund revenue
23 estimates.

24 Obviously, you revised your estimates
25 for revenue to 535 million. We're already a little

1 over 900 million based on where we thought we would
2 be. The IFO is going to give a renewed estimate in
3 May.

4 Do we have any kind of revised estimate
5 coming from the Administration before then?

6 SECRETARY SWAILS: I don't believe so.
7 As you said, I do think when we looked at what the
8 IFO put out in November or December, whenever they
9 had their update, I mean, we thought they were a
10 lot more optimistic. Then the Department of
11 Revenue certainly was far more cautious given that
12 there's no playbook for what we are dealing with.

13 Rather than assume more revenue than
14 we were sure we would get, we did assume a more
15 cautious revenue estimate. We did see a very large
16 December CNIT deposit, and February had a little
17 bit of roll from January due to some COVID cases
18 and Department of Revenue. We are, to your point,
19 901 above estimate. Department of Revenue does
20 believe that they did increase their estimates for
21 the remaining four months, but we continue to be
22 optimistic that the economy is recovering a bit.

23 ACTING MAJORITY CHAIRMAN TOPPER: I
24 think we're seeing that the IFO's estimate was
25 fairly close and will probably be along those

1 lines. If there are any conversations of revised
2 estimates, if you'd let the Committee know, we
3 would be greatly appreciative.

4 Madam Secretary, the amount of the
5 supplemental appropriation that the Governor's
6 budget is requesting from the Medical Assistance
7 Community HealthChoices line item in the Department
8 of Human Services' budget, could you give us that
9 amount, please?

10 SECRETARY SWAILS: In the capitation
11 line, is that what you're asking?

12 ACTING MAJORITY CHAIRMAN TOPPER: The
13 Medical Assistance Community HealthChoices.

14 ACTING MAJORITY CHAIRMAN TOPPER:
15 Community HealthChoices?

16 ACTING MAJORITY CHAIRMAN TOPPER: Yes.

17 SECRETARY SWAILS: I should have brought
18 my glasses, probably. \$84 million. About
19 84 million point --

20 ACTING MAJORITY CHAIRMAN TOPPER: What
21 comprises or explains the need for that
22 supplemental appropriation amount?

23 SECRETARY SWAILS: Growth in the
24 program.

25 ACTING MAJORITY CHAIRMAN TOPPER: Is any

1 of that amount related to the payment cycle roll
2 included in the current year budget?

3 SECRETARY SWAILS: No.

4 ACTING MAJORITY CHAIRMAN TOPPER: Okay.
5 We had some questions, I think the good gentleman
6 opposite, as they say in parliament, had made a
7 reference to the payment cycle roll, and we wanted
8 to make sure, factually, we were speaking about the
9 same thing.

10 Yesterday, when the Human Services
11 Secretary was before the Committee, the Chairman
12 also referenced the Community HealthChoices payment
13 cycle we just talked about. He indicated that the
14 accounts were roughly one-third or over 300 million
15 of the 941 million of supplemental appropriations
16 included in the Governor's budget for the
17 Department of Services. So we just wanted to make
18 sure that that was -- that was on the record.

19 In addition, some of those factual
20 points that we need to clean up, I'd also like to
21 take a look back at last May. It was a very
22 difficult time. We knew that we had a budget
23 deadline coming up in June, but we had no idea of
24 what kind of impact COVID-19 was going to have on
25 our economy and certainly on our state budget.

1 I'd like to read your quote from the
2 Governor, after we were able to put together a plan
3 with the Administration that was passed. He said,
4 as the state's economy begins to reopen from the
5 public health emergency, there are still unanswered
6 questions about the state's finances. But this
7 agreement is an important step to stabilize our
8 schools and put Pennsylvania on a path to recovery.

9 Do you agree with that statement?

10 SECRETARY SWAILS: Yes.

11 ACTING MAJORITY CHAIRMAN TOPPER: As do
12 I. And the reason I mention that is to be able to
13 put together a budget, even as a placeholder until
14 we are able to get a better idea of our revenues.
15 That was governing. That was the Majority party
16 working with the Administration, with not one
17 single vote from the Minority party in an election
18 year; not one.

19 This Chamber has shown the ability to do
20 difficult work. The people of Pennsylvania
21 recognized that when they returned 113 members of
22 the Majority party to the General Assembly in this
23 House. And I think it goes to show that when we
24 talk about funding education, this was the caucus
25 that stepped up. When we talked about stepping and

1 governing in a time of crisis, this was the caucus
2 that stepped up. Governing is difficult, and there
3 were many difficult choices that had to be made.
4 None of them were easy during that time and I
5 acknowledge that.

6 And I will agree with the Chairman on
7 the other side, sometimes mistakes can be made and
8 we need to acknowledge those and we need to move
9 on, but that was something we were able to
10 accomplish that I think needs to be highlighted.
11 The fact that we were able to get a stable budget
12 in place, both partially through the year and then
13 come back in November and do it again is a
14 recognition of the hard work of this body that does
15 take governing very seriously.

16 These hearings have revealed examples of
17 miscommunication and mismanagement, and Secretaries
18 who were unable to answer some of the basic
19 questions about numbers, line items, and about the
20 word maintenance requests even within their own
21 budget. There are areas that we can cut costs in
22 state government, and those are revealed if the
23 government has gotten so big that not even
24 Secretaries in some departments can answer basic
25 questions to the Appropriation Committee about what

1 those numbers entail and why they're asking for it.

2 So, I do think there's opportunities
3 that we can have intellectually honest discussions
4 about ways that we can reduce the size and scope of
5 this government.

6 Many new lessons were learned throughout
7 this pandemic, but for me some long-standing ideals
8 about the roll of government were reinforced.
9 Overreaching an intrusive state government, no
10 matter how well-intended, will always, always
11 create more problems than it solves.

12 If you want a glimpse into what
13 government-run health care would look like, take
14 note of the vaccine rollout in this state, in this
15 country. If you want a glimpse into what happens
16 when government says it will take care of you and
17 provide for your needs, take note of the
18 ineffectiveness of our unemployment compensation
19 system. If you want a glimpse into what happens
20 when centralized government decides what businesses
21 are allowed to operate and which ones must close,
22 take a look at the flawed and disasterous waiver
23 system of this past year.

24 Yes, each loss of life has been a
25 tragedy. COVID-19 has been a tragedy. There will

1 always be tragedies, disease, natural disasters,
2 but government must and should never trade one
3 public health crisis for another, and must never
4 compound a tragedy by creating an environment where
5 the citizens of the Commonwealth are not permitted
6 to make a living, receive an education, or pursue
7 their dreams.

8 I believe in the resiliency and the
9 spirit of the people of this great Commonwealth.
10 Make no mistake, they will be the reason that
11 Pennsylvania comes through these trying times, and
12 government must have a supporting role; not a
13 primary one. So that the restaurant owner who has
14 turned that key day after day wondering if she'll
15 have enough money to make payroll, invested in
16 plexiglass to separate booths, had to adjust to
17 regulations that were different every day on her
18 industry, she will be able to rise from the ashes
19 and save not just her business, but her dreams.
20 She will be the reason that Pennsylvania comes
21 back.

22 The single dad who was laid off when
23 construction was shut down and spent every day
24 looking for a job to support the children that he
25 was teaching at home, who has found his way back

1 into the workforce by a pure will to provide for
2 his family. He will be the reason Pennsylvania
3 comes back.

4 I truly believe, I truly believe in my
5 soul, if we restore the freedoms of our citizens
6 and do not impose the largest tax increase in the
7 history of Pennsylvania, while they try to claw
8 back from these unprecedented times, we will see
9 the economic, emotional, and public health recovery
10 that we all so desperately desire.

11 The House Republicans fundamentally
12 believe that government action is not always the
13 answer. And when it is, it must be limited in both
14 its sky and its scope.

15 It's been a long three weeks of budget
16 hearings. It has now come to a close. I want to
17 thank all the members of the Committee and the
18 testifiers for their participation. I think we
19 have learned a great deal, and we know that we have
20 a great deal of hard work in front of us.

21 I would like to thank Chairman Saylor.
22 I know he regrets not being able to be here today.
23 But he is looking forward to working with each one
24 of you, both sides of the aisle, and the Governor's
25 Office and Secretary Swails on completing this 2021

1 budget.

2 So thank you for being here, Madam
3 Secretary. Thanks to all the members of the
4 Committee. Have a safe trip home. These hearings
5 are adjourned.

6 (At 12:33 p.m., the hearing concluded).

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