

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE
BUDGET HEARING

STATE CAPITOL
HARRISBURG, PENNSYLVANIA
HOUSE CHAMBER

OFFICE OF THE BUDGET

THURSDAY, MARCH 10, 2022
10:00 A.M.

BEFORE :

HONORABLE STANLEY SAYLOR, MAJORITY CHAIRMAN
HONORABLE MATTHEW BRADFORD, MINORITY CHAIRMAN
HONORABLE LYNDA SCHLEGEL-CULVER
HONORABLE TORREN C. ECKER
HONORABLE JONATHAN FRITZ
HONORABLE KEITH J. GREINER
HONORABLE DOYLE HEFFLEY
HONORABLE R. LEE JAMES
HONORABLE JOHN A. LAWRENCE
HONORABLE ZACHARY MAKO
HONORABLE TIMOTHY J. O'NEAL
HONORABLE CLINT OWLETT
HONORABLE LOUIS C. SCHMITT, JR.
HONORABLE MEGHAN SCHROEDER
HONORABLE JAMES B. STRUZZI, II
HONORABLE JESSE TOPPER
HONORABLE RYAN WARNER
HONORABLE JEFF C. WHEELAND
HONORABLE DAVID H. ZIMMERMAN
HONORABLE ELIZABETH FIEDLER
HONORABLE MANUEL GUZMAN
HONORABLE PATTY KIM
HONORABLE EMILY KINKEAD
HONORABLE STEPHEN KINSEY
HONORABLE KYLE J. MULLINS

*Pennsylvania House of Representatives
Commonwealth of Pennsylvania*

1 BEFORE (continued):

2 HONORABLE BENJAMIN V. SANCHEZ
3 HONORABLE PETER SCHWEYER
4 HONORABLE JOE WEBSTER

5 NON-COMMITTEE MEMBERS PRESENT:

6 HONORABLE DAN K. WILLIAMS

7 COMMITTEE STAFF PRESENT:

8 DAVID DONLEY
9 REPUBLICAN EXECUTIVE DIRECTOR
10 RITCHIE LAFAVER
11 REPUBLICAN DEPUTY EXECUTIVE DIRECTOR
12 ANNE BALOGA
13 DEMOCRATIC EXECUTIVE DIRECTOR
14 TARA TREES
15 DEMOCRATIC CHIEF COUNSEL
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25 *Pennsylvania House of Representatives
Commonwealth of Pennsylvania*

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I N D E X

TESTIFIERS

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SUBMITTED WRITTEN TESTIMONY

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(See submitted written testimony and handouts
online.)

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

2 * * *

3 MAJORITY CHAIRMAN SAYLOR: I call the
4 Appropriations Committee to order. And we're
5 glad to welcome from the Office of the Budget,
6 the Budget Secretary, Gregory Thall.

7 Mr. Thall, if you would, Mr. Secretary,
8 rise and raise your hand.

9 * * *

10 (Whereupon, the testifier was duly sworn
11 by Majority Chairman Saylor.)

12 * * *

13 MAJORITY CHAIRMAN SAYLOR: Thank you.

14 With that, our first questioner is going
15 to be Representative Jonathan Fritz.

16 REPRESENTATIVE FRITZ: Well, thank you,
17 Mr. Chairman.

18 And good morning, Mr. Secretary.

19 SECRETARY THALL: Good morning.

20 REPRESENTATIVE FRITZ: Mr. Secretary, a
21 primary focus of our hearings is to scrutinize
22 the Governor's unsustainable spending practices
23 and the budgetary contradictions pointed out by
24 the Independent Fiscal Office. For example, the
25 budget request for the Department of

1 Environmental Protection is proposing an overall
2 increase of \$42 million, or 25 percent, over the
3 current year. Now, also keeping in mind the
4 Governor's budget proposal specifically states to
5 spend \$450 million of American Rescue Plan Act
6 funds to invest in conservation, recreation,
7 preservation, and revitalization projects, along
8 with addressing the threat of climate change.

9 So question, Mr. Secretary, is the
10 Governor's budget proposal for DEP based on an
11 one-time injection of Federal funds?

12 SECRETARY THALL: The second part you
13 said, it is. Those 400-and-odd million dollars
14 are part of a Growing Greener III proposal. The
15 additional -- the first part that you talked
16 about, the \$42 million, those are supported by
17 State funds, especially \$5 million in one of the
18 operating lines to hopefully speed up some of the
19 permitting processes in the Department.

20 REPRESENTATIVE FRITZ: Okay. Great. And
21 we're going to get to that in a little bit.

22 But Mr. Secretary, before we go there,
23 can you explain why your budget shows increasing
24 amounts for future years and is -- is different
25 than the Governor's presentation that are all

1 flat, assuming or allowing for no growth?

2 Do you truly believe that's an example of
3 responsible and honest budgeting?

4 SECRETARY THALL: I believe -- yes.

5 REPRESENTATIVE FRITZ: Okay.

6 Interesting.

7 Mr. Secretary, DEP's environmental
8 program increase is \$8.1 million, or 24 percent,
9 compared to fiscal year '21-22, which includes
10 \$2.4 million to continue current operations and a
11 new -- a new \$5 million initiative for 41 new
12 staff positions and resources, which I believe
13 you just referred to. Now, the Governor's
14 Executive Budget says these 41 positions are to
15 support clean water, waterways, and wetlands
16 programs. But on February 10th of 2022, and even
17 just right now, you indicated that the -- you
18 indicated to the PA Chamber, as well, that the \$5
19 million and the 41 DEP positions go towards
20 filling and expanding the complement for purposes
21 of permit reviews and improving permit review
22 timeframes, which I'm telling you are drastically
23 haggard and unacceptable right now.

24 So can you clarify the 41 positions in
25 the final --

1 SECRETARY THALL: Yeah. I mean, there's
2 -- I don't think anyone in this building would
3 argue that DEP has the funding or the complement
4 that they need. They are giving -- we're
5 proposing to give them 41 additional complement,
6 which they can use on each of their lines.

7 Water permits are part of -- I mean, part
8 of development. They're going to be becoming
9 increasingly important as we start to draw down
10 the Federal Infrastructure and Job Act dollars.
11 And the \$5 million for those 41 positions is
12 continued in each year of the plan.

13 REPRESENTATIVE FRITZ: Okay. Good. So
14 again, critically important.

15 But going forward, Mr. Secretary, how do
16 we continue to fund those 41 positions?

17 SECRETARY THALL: They're funded -- it's
18 -- the line moving out is funded at the same
19 level. So the funding is continued through all
20 four of the plan years.

21 REPRESENTATIVE FRITZ: Okay. Well, I'm
22 standing up for the taxpayers, the folks footing
23 the bill. We appreciate your efforts.

24 Thank you, Mr. Chairman.

25 MAJORITY CHAIRMAN SAYLOR: Our next

1 questioner is Representative Webster.

2 REPRESENTATIVE WEBSTER: Thank you,
3 Mr. Chairman.

4 And good morning, Secretary.

5 SECRETARY THALL: Good morning.

6 REPRESENTATIVE WEBSTER: I wanted to go
7 first this morning. Obviously, I'm on the wrong
8 side of the chamber to go first, but to set a
9 tone this morning. And I have to admit, over the
10 last two weeks, we've spent a lot of time and
11 I've been impressed by those issues that are
12 interdepartmental or across departments and
13 relate to the themes of the budget.

14 Minimum wage, right, that obviously
15 impacts revenue. It also has a direct impact on
16 our direct care providers in the Department of
17 Human Services. We've talked a lot about nurses.
18 The Department of Human Services has initiated
19 some proposals for recruiting and retaining
20 nurses, and that impacts licensure. It impacts
21 the Office of Administration. And it could
22 impact the Department of Corrections, which
23 hasn't put forward the same proposals, though
24 they do have similar vacancies and retention
25 issues.

1 So themes, right, we just talked about
2 maybe there's a one-time chance with moneys in
3 place right now to do some things for
4 Pennsylvania and fair funding of schools and, you
5 know, big themes. It leads me to just ask that
6 question, your opportunity to tell us, what is
7 the big theme?

8 What is it that you want this chamber to
9 know and understand that's really vital to
10 Pennsylvania right now with this budget?

11 SECRETARY THALL: Yeah. I think I would
12 echo what the Governor said when he stood here in
13 front of the entire chamber and the Senate. Now
14 is the time we've been granted this opportunity
15 that we can invest in Pennsylvania.

16 The Governor wants to invest in a way
17 that is fair for all taxpayers. That is why he
18 wants to raise the minimum wage from, you know,
19 to \$12.00 on the path to \$15.00. That is why he
20 wants to set the corporate net income tax on a
21 path down to 4.99. He doesn't want it to be a
22 one-size-fits-all.

23 He also hopes that by providing a
24 historic investment of \$1.55 billion in new basic
25 education funding that we can reduce the reliance

1 on local taxpayers to foot the increasing school
2 property bills. It's -- I think the Governor
3 wants to stress two things: one, we have the
4 money. You see we are leaving an ending balance
5 of \$6.4 billion in the current year. We are --
6 our proposed budget leaves the next two years
7 with ending balances of \$3.4 billion and \$1.3
8 billion dollars. So the money is there, and it's
9 the time to invest in our people.

10 I would also like to highlight some of
11 the important early stage technology investments
12 that the Governor is proposing to put forward: a
13 significant increase into personal care homes of
14 \$50 million dollars to get the day rate from
15 \$39.00 to \$70.00. That is an important
16 investment for our lease cost facilities and
17 lease-restrictive facilities as well as a big
18 investment in the Ben Franklin Technology
19 partners to help enhance early stage development
20 to recruit, enhance, and retain important
21 technologies in the Commonwealth.

22 REPRESENTATIVE WEBSTER: All right.
23 Thank you for that.

24 I'll just hammer it home one more time
25 then, particularly in education, since I've had

1 my long list, but there's things we can do for
2 Pennsylvania's public schools, it's reforms, it's
3 investment, and it's about making sure that every
4 child in Pennsylvania has access to a quality
5 education.

6 Thank you, sir.

7 SECRETARY THALL: Sure.

8 REPRESENTATIVE WEBSTER: Thanks,
9 Mr. Chairman.

10 MAJORITY CHAIRMAN SAYLOR: All right.
11 Next questioner is Representative Clint
12 Owlett.

13 REPRESENTATIVE OWLETT: Thank you,
14 Mr. Chairman.

15 And thank you, Secretary, for being here.
16 I want to follow up on a question that my
17 colleague from Susquehanna County asked you about
18 responsible and honest budgeting practices. I
19 was shocked to hear you say that it would be
20 responsible and honest to not project increases
21 for the future years. I -- that seemed really
22 odd to me to hear you say that that is
23 responsible, especially given, you know, a
24 40-year high inflation and what we're seeing
25 going on in the world today.

1 If you were working for a private
2 company, and would you actually submit a budget
3 to the board of directors of a private company
4 and say, oh, your future -- your future line
5 items are going to be flat lined?

6 would you do that in today's climate?

7 SECRETARY THALL: I mean, I think it
8 depends on what the lines are and where you're
9 focusing. Our proposed budget --

10 REPRESENTATIVE OWLETT: I mean, that's a
11 great --

12 SECRETARY THALL: Right. But our --

13 REPRESENTATIVE OWLETT: We have inflation
14 and we have mandates here in the State. It seems
15 irresponsible to me to not have increases in the
16 budget here in Pennsylvania moving forward.

17 SECRETARY THALL: We do have increases.
18 Our four plan years increase more than the actual
19 General Fund spend did over the entire Corbett
20 Administration. So to say they're not increases
21 is incorrect. We shift some General Fund
22 expenditures to other funds that are sustainable.
23 We shift some Lottery Funds, money to support
24 CHC.

25 I mean, it's -- I mean, I'm happy to talk

1 to you about specific lines or specific things,
2 but I feel this budget is sustainable.

3 REPRESENTATIVE OWLETT: Well, I think
4 we'll have to agree to disagree on that.

5 SECRETARY THALL: Okay.

6 REPRESENTATIVE OWLETT: And I think
7 nobody in this chamber says that it's honest and
8 responsible budgeting to just say, hey, we're not
9 going to have any increases with 40-year
10 inflation. I think we're all being fairly honest
11 with each other, but I want to change gears and
12 talk about the vaccine mandate a little bit.

13 we talked -- we've talked to everybody
14 about this. And I'm pretty sure you're probably,
15 you know, locked and loaded, ready for these
16 questions, which is good. So the Governor's
17 proposal, you know, November 1st was to give a
18 cash payout or time off for those that would be
19 vaccinated, or were vaccinated or were going to
20 be vaccinated during that time period.

21 What's the total cost -- we heard \$45
22 million a while ago, like three weeks ago, but we
23 weren't sure on the final number.

24 What's the final number?

25 SECRETARY THALL: Well, the final

1 number -- and that's -- that's just the leave
2 payout amount -- is still to be determined
3 because we don't know the -- they have until the
4 end of this month to use the leave or get the
5 payout. What is not factored into that leave
6 payout number is the vaccinated employees use on
7 average 3.4 4 less sick days a year than the
8 unvaccinated. So that loss of time is not
9 included as additional --

10 REPRESENTATIVE OWLETT: I just want to
11 know the number.

12 SECRETARY THALL: Yeah, I'm getting you
13 the number.

14 REPRESENTATIVE OWLETT: Is \$45 million
15 close to where we're going to be at? That's
16 what --

17
18 SECRETARY THALL: I mean, yeah, but --
19 I'll give you the leave payout number, but the
20 other important thing to understand is each
21 hospitalization for COVID is about \$42,000. And
22 that's also not going to be reflected in the
23 number I'm about to give you, but --

24 REPRESENTATIVE OWLETT: No. We're
25 talking about the policy and the initiative and

1 the effectiveness of it. That's what I --

2 SECRETARY THALL: Right.

3 REPRESENTATIVE OWLETT: That's what I'm
4 trying to get at.

5 SECRETARY THALL: And I'm trying -- and
6 I'm trying to give you a full answer that will
7 give you the entire universe of all the cost
8 avoidance that will not be included in the leave
9 payout number that I think needs to be continued.
10 The policy is about the overall health of the
11 workplace, and so that needs to be considered.
12 That being said --

13 REPRESENTATIVE OWLETT: well, it also
14 needs to be considered where this money comes
15 from. So that's my question. When we talked to
16 Secretary Topper, he said -- and I'll quote -- he
17 said, "uh, um, so, uh, we will work with the
18 Budget Office in order to ensure we have the
19 funding to be able to make sure those payments
20 when -- when we are required to make those
21 payments."

22 So is that how this works? They're just
23 going to like come up with a deal with you, where
24 to come up with this money?

25 SECRETARY THALL: No. I mean, it's --

1 each agency has an operation line of which they
2 have to make tough decisions. Sometimes
3 decisions are dictated by the agency head;
4 sometimes they're dictated by outside forces.
5 There -- it's no secret there is a hiring issue
6 all across the Commonwealth, not just within
7 Commonwealth government, but within the private
8 sector, which makes recruitment and retention of
9 employees very hard.

10 That being said, there is money that
11 would have already been spent on salary and
12 benefits that is available. Enterprise-wise, the
13 number I got this morning was \$40 million. For
14 the executive offices, it's about \$3 million.
15 And for the Governor's Office, it's \$23,000.

16 REPRESENTATIVE OWLETT: So no programs
17 were cut through this whole process. When we
18 asked each agency, they said no programs were
19 cut. This was money that they had left over in
20 their GGOs. Yeah, I believe all of them -- and
21 you can correct me if I'm wrong -- all of them
22 came with an -- asking for an increase in their
23 GGO; is that correct?

24 SECRETARY THALL: Not -- nope.

25 REPRESENTATIVE OWLETT: Not all of them.

1 Most?

2 SECRETARY THALL: Most, yes.

3 REPRESENTATIVE OWLETT: A vast majority
4 did.

5 SECRETARY THALL: Yes.

6 REPRESENTATIVE OWLETT: So I'll end with
7 this. I have a lot more questions.

8 SECRETARY THALL: Yeah.

9 REPRESENTATIVE OWLETT: And maybe I can
10 do a second round on this, but if we -- did we
11 over-appropriate \$45 million last year?

12 I mean, I've been in some of these
13 conversations where we'll argue over \$500,000 in
14 the budget.

15 SECRETARY THALL: Yeah.

16 REPRESENTATIVE OWLETT: So my question
17 is, did we over-appropriate \$45 million last year
18 in the budget to make sure -- because obviously,
19 these departments have the extra money,
20 apparently, to be able to make this cash payment.

21 Did we over-appropriate \$45 million
22 dollars last year?

23 SECRETARY THALL: Well, I mean, I think,
24 technically, our request shows an over --

25 REPRESENTATIVE OWLETT: If you could pull

1 the mic closer.

2 SECRETARY THALL: Oh, sorry.

3 I think technically the -- our budget
4 requests shows an over-appropriation of \$1.1
5 billion, which we requested in a negative
6 supplemental.

7 REPRESENTATIVE OWLETT: So in my mind, I
8 think that this money should have come through
9 this chamber. It should have been voted on here.
10 If there was extra money, it would have been nice
11 if you'd have brought a check to the
12 Appropriations table, to this hearing today for
13 extra money today that they had left over. That
14 would have been nice, so that we could
15 appropriate it and the people of the Commonwealth
16 could have a voice in how their money is spent in
17 the Commonwealth. That's the point, is the
18 process is important.

19 Thank you, Mr. Chairman.

20 MAJORITY CHAIRMAN SAYLOR: Our next
21 questioner is Representative Sanchez.

22 REPRESENTATIVE SANCHEZ: Thank you,
23 Mr. Chairman.

24 Good morning, Mr. Secretary.

25 SECRETARY THALL: Good morning.

1 REPRESENTATIVE SANCHEZ: I wanted to go
2 off of distinct budget line items for a moment
3 and take this opportunity to ask you, in what
4 ways is the Commonwealth responding to the
5 Russian invasion of Ukraine and its humanitarian
6 impacts?

7 SECRETARY THALL: That's a great
8 question. We're doing a number of things. We're
9 looking at the investments and contracts we've
10 had in -- in with Russia. As a board member of
11 SERS, I know there is about \$20 million -- I
12 mean, this was two weeks ago, I'm sure the value
13 has gone down. And SERS and PSERS has looked to
14 reduce, when they -- when it's fiduciary
15 appropriate to do so.

16 we applaud the Treasurer for -- she was
17 able to take steps to divest from her -- from the
18 Russian holdings that she was in control of. We
19 are working with the General Assembly to try to
20 figure out if we can make money available through
21 an appropriation for Ukrainian resettlement
22 operations. And we are -- we also undertook
23 analysis of whether we had any contracts with
24 Russian control entities, and we do not.

25 REPRESENTATIVE SANCHEZ: So it sounds

1 like the Administration -- and you know, feel
2 free to comment on this, but the position would
3 be to divest.

4 SECRETARY THALL: Uh-huh.

5 REPRESENTATIVE SANCHEZ: And can you
6 comment on any costs? Have there been any
7 projections made for the cost of divesting or is
8 it too new and --

9 SECRETARY THALL: I mean, the cost of
10 divesting will vary. I mean, the issues that the
11 Retirement Systems are going through is that the
12 Russian markets are, with good reason, closed.
13 So the ability to divest as fastly as some -- as
14 quickly as we would like is -- frankly, we're
15 just not able to do so.

16 I know Representative Benninghoff has put
17 out a co-sponsorship memo to add Russia to the
18 list of entities where the Commonwealth is banned
19 to do business with. Currently, it's Iran and
20 Sudan. We would be supportive of that proposal
21 to -- and that -- what that would help us do is
22 that would help us to clarify the positions of
23 all the trustees that are of the Retirement
24 Systems that are fiduciaries to their board to be
25 able to divest even quicker than they otherwise

1 would be able to.

2 REPRESENTATIVE SANCHEZ: And you
3 mentioned in your previous answer about some of
4 the efforts to help the humanitarian aspect of
5 it, the humanitarian crisis. And Pennsylvanians
6 have long risen to the challenge of welcoming
7 people that are fleeing war and oppression.

8 Do you -- can you comment on the steps we
9 would take to help refugees coming to
10 Pennsylvania?

11 Is that something that the Administration
12 is anticipating, thinking about, planning?

13 SECRETARY THALL: Yes. I mean, I think
14 we would like to work with the General Assembly
15 to make resources available for any Ukrainian
16 refugee that may come here. It is usually a
17 Federally mandated and funded program. So for us
18 to commit state dollars before that, before the
19 Federal decree comes, we would need and welcome
20 support from the General Assembly.

21 REPRESENTATIVE SANCHEZ: And just one
22 last question, but it may be a longer answer.
23 Energy policy, obviously a big topic. Gas prices
24 rising.

25 Does that signal the Governor, you know,

1 pursuing -- continuing to pursue clean energy to
2 avoid shocks like we're experiencing now?

3 SECRETARY THALL: Yeah.

4 REPRESENTATIVE SANCHEZ: What are the
5 thoughts of the Administration on that?

6 SECRETARY THALL: Yeah, I think a robust
7 energy policy that includes clean energy,
8 includes natural gas is something that a
9 diversified portfolio is needed to help reduce
10 energy shocks. We need to be careful in how we
11 go about it and not hamstring us with the ability
12 to spend Federal dollars moving forward in how we
13 are able to help our -- help the citizens of the
14 Commonwealth deal with the rising cost of energy,
15 gas. Yes.

16 We -- that's why the Governor put forward
17 his opportunity fund proposal using Federal funds
18 that could offset these types of expenses,
19 including gas energy costs.

20 REPRESENTATIVE SANCHEZ: Okay. Thank you
21 very much, sir.

22 SECRETARY THALL: Thank you.

23 REPRESENTATIVE SANCHEZ: No further
24 questions.

25 Thank you, Mr. Chairman.

1 MAJORITY CHAIRMAN SAYLOR: Next is
2 Representative Lynda Culver.

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

5 Thank you, Secretary Thall, for being
6 here.

7 As you know, funding for the Pennsylvania
8 roads and bridges is always challenging and has
9 been at the forefront of conversation for at
10 least a decade in the Commonwealth. So I will
11 disclose that I actually sit on the
12 Transportation Committee, and I sat on a
13 committee within the House Republicans to look at
14 ways to increase funding in transportation.

15 So it was encouraging for me to see
16 Pennsylvania is expected to receive just under \$4
17 billion in Federal funds from the Infrastructure
18 Investment and Jobs Act over five years for our
19 highways and bridges. This includes \$705 million
20 for '21-22 and \$748 million for '22-23.
21 According to PennDOT, the additional state match
22 needed over the five years is going to be \$930
23 million or about 23 percent.

24 While I see the appropriation for highway
25 and safety improvements increases by \$260 million

1 for the '22-23 budget, I'm assuming that is to
2 ensure the state match. I didn't see any
3 increase in dollars for '21-22 to meet that
4 match.

5 SECRETARY THALL: So the increase in --
6 the increase in the plan year, in the current
7 year, to meet that match is a reduction of the
8 supplement for State Police from Motor License
9 Fund. We're reducing that from \$173 million from
10 the current year to the cap or the cap that was
11 proposed by then Transportation Chairwoman Ward,
12 now Majority Leader Ward to \$500 million.

13 REPRESENTATIVE CULVER: Okay. The
14 Governor's proposed budget for '22-23 recommends
15 the acceleration of the reduction of the State
16 Police payments -- of which I'm an author of the
17 legislation in the House here, so completely
18 agree with that -- from the Motor License Fund
19 from \$500 million in '22-23 by shifting those
20 payments over to the General Fund.

21 This would allow for the additional match
22 for the new Federal dollars. By accelerating
23 this State Police drawdown, this would generate,
24 I'm believing, \$386 million to match these
25 Federal dollars. That said, I'm a little

1 concerned that we're not long range planning in
2 the budget as the proposal still leaves a
3 shortfall of roughly \$544 million in
4 State-matching funds. So do you -- is there a
5 plan on how we are going to meet those in the
6 outlying years?

7 SECRETARY THALL: Yeah. Yes. The
8 Transportation Secretary has come forward with a
9 -- it's the tolling plan. That's going to
10 accelerate the amount allowable for -- to draw
11 down match those funds.

12 REPRESENTATIVE CULVER: So that's
13 probably why the Governor is not planning for
14 that, that -- explain that a little bit to me
15 what Transportation is trying to do.

16 SECRETARY THALL: So the -- there's the
17 nine bridges, and I think it's down to seven now,
18 that are going to be tolled as bridge
19 replacements. And that's going to bring in -- I
20 will probably say the wrong number here, and if I
21 do, we'll get a correction -- but I believe it's
22 \$2.1 billion in additional funding. And that
23 will -- a portion of that will go to replace
24 those bridges, and a portion of it will go as a
25 match.

1 REPRESENTATIVE CULVER: Is there any
2 chance you think that may not happen?

3 SECRETARY THALL: Of course.

4 REPRESENTATIVE CULVER: And if that
5 doesn't happen, then what do we do?

6 SECRETARY THALL: I think that -- well,
7 you know, we can either talk about reducing the
8 reliance of the Motor License Fund for State
9 Police below \$500, the TROC Commission came
10 through with a number of different
11 recommendations, including switching to a mileage
12 fee, switching to a delivery fee, all of which, I
13 think, are conversations Secretary Gramian and
14 the Governor and I are willing to have, if the
15 General Assembly wants to entertain them.

16 REPRESENTATIVE CULVER: So my concern
17 with some of what was in that plan is none of it
18 will be immediate. We won't be able to recover
19 those dollars quickly. So I guess my concern is,
20 will the Commonwealth lose Federal dollars if
21 we're unable to meet the \$544 million match to
22 the Federal dollars?

23 SECRETARY THALL: No. That's a fair
24 concern. I don't believe we will because the
25 nature of road construction needs a ramp-up. So

1 I'm confident that the money that we propose in
2 the first two years are going to be sufficient to
3 fully draw down the money that's available then,
4 and that gives us time to figure out, if the
5 tolling doesn't happen, where do we go from
6 there.

7 REPRESENTATIVE CULVER: So we don't
8 really have a definitive match at this point.

9 SECRETARY THALL: Well --

10 REPRESENTATIVE CULVER: We could go here,
11 we could go there, we're just not positive?

12 SECRETARY THALL: Well, I mean, it's --
13 it's hard to -- our year -- we feel that there
14 is. Year three is hard to predict with
15 certainty, especially when there can be
16 intervening General Assembly action.

17 REPRESENTATIVE CULVER: I'm a little
18 concerned, I mean, because this money is
19 imperative to our roads and bridges. Obviously,
20 we've seen infrastructure collapse recently. If
21 we're not appropriately planning, and we're
22 going, well, maybe we'll try this, maybe we'll
23 try that, we didn't leave room or there wasn't
24 much room left in the budget for growth in the
25 coming years, I'm not sure how we rectify that

1 difference.

2 SECRETARY THALL: Yeah. I mean, so the
3 Governor's proposal is the tolling plan that is
4 on the table and was -- and you know, is
5 continuing to be followed. I share your concern
6 if we decide to go in a different direction.

7 REPRESENTATIVE CULVER: Appreciate your
8 sharing my concern.

9 SECRETARY THALL: Yeah.

10 REPRESENTATIVE CULVER: It panics me just
11 a smidge just to think we, A, could lose those
12 dollars, or B, we don't have that match and we're
13 going to have to figure out where that comes
14 from. I encourage you to keep working on that.
15 I appreciate your time.

16 Thank you, Mr. Chairman.

17 SECRETARY THALL: Happy to do it.

18 MAJORITY CHAIRMAN SAYLOR: Mr. Secretary,
19 I just need to clarify. You mentioned about a
20 supplemental when it comes to the State Police on
21 highway funds. You mentioned that you were going
22 to be requesting a supplemental on the current
23 year.

24 Do you mean this year or you're going to
25 -- you're talking about next year?

1 SECRETARY THALL: No. Next year.

2 MAJORITY CHAIRMAN SAYLOR: Okay. We were
3 just confused because we hadn't seen that.

4 SECRETARY THALL: Yes. I -- yeah, I
5 apologize.

6 MAJORITY CHAIRMAN SAYLOR: So I just
7 wanted to make sure.

8 SECRETARY THALL: No, I apologize. It's
9 -- I mixed up my years. It's in our plan year.

10 MAJORITY CHAIRMAN SAYLOR: No problem.
11 Our next questioner is Representative
12 Kinkead.

13 REPRESENTATIVE KINKEAD: Thank you,
14 Mr. Chairman.

15 Thank you, Secretary, for being here. I
16 just have a couple quick questions to start out
17 with.

18 Is the government a private business?

19 SECRETARY THALL: It is not.

20 REPRESENTATIVE KINKEAD: Does the
21 government budget like a private business?

22 SECRETARY THALL: I cannot -- I don't
23 have the knowledge to answer that.

24 REPRESENTATIVE KINKEAD: In your
25 experience, do you believe that the government

1 budgets in a different way, that there are unique
2 challenges to governing -- to budgeting for a
3 government as opposed to a business?

4 SECRETARY THALL: I would agree with
5 that.

6 REPRESENTATIVE KINKEAD: Okay. Thank
7 you.

8 I wanted to give you an opportunity to
9 follow up on my colleague's questions about the
10 vaccine incentive program. You were talking
11 about the cost offsets, and I wanted to give you
12 an opportunity to more fully explain that.

13 Can you do that?

14 SECRETARY THALL: Sure, happy to.

15 The cost offsets of the vaccine, while
16 there is a cost to leave payout, what is not
17 included in that number is the reduction in sick
18 days taken by employees who are vaccinated, as
19 well as the reduction in overtime for the 24/7
20 facility for the reduce of those -- of those use
21 of sick times, as well as we are a self-insured
22 Commonwealth. We all on the executive side, our
23 health care is secured through the Pennsylvania
24 Employee Benefit Trust Fund. So any
25 hospitalizations and increased use of medicine is

1 borne by the agencies.

2 REPRESENTATIVE KINKEAD: Would you be
3 able to -- and I don't expect you to have this
4 number here, but would you be able to get the
5 Committee an estimate of how much you think that
6 that would -- those costs would have cost the
7 Commonwealth without a vaccine incentive?

8 SECRETARY THALL: Sure. I can get those
9 numbers.

10 REPRESENTATIVE KINKEAD: Thank you.

11 And just kind of broadly, given that the
12 Governor is elected by the entirety of
13 Pennsylvania, do you believe that the Governor's
14 decisions are also reflective of the will of the
15 people, the decisions that he makes are with the
16 will of the people of Pennsylvania?

17 SECRETARY THALL: He tries to be. I
18 mean, the Governor has a -- he was elected with a
19 very clear statement of what he believes in. He
20 wants Pennsylvania to be fair to all taxpayers,
21 and he believes in a robust investment in our
22 State's education system. So I believe at least
23 those are reflective of the voters that sent him
24 here.

25 REPRESENTATIVE KINKEAD: Thank you.

1 Getting a little bit into policy.
2 Pennsylvania is one of only two states that
3 doesn't fund, at the state level, indigent
4 defense. And I was wondering if you could talk
5 about -- the Governor's budget proposes a million
6 dollars to support indigent defense in the state.

7 Can you talk about why the Governor
8 believes that that is important and what some of
9 the costs to the counties and the state are that
10 are caused by underfunding of indigent defense?

11 SECRETARY THALL: Sure. I -- I can't
12 speak to the costs that are caused by the
13 underfunding, but the -- yeah, I think it's --
14 we proposed a million dollars for indigent
15 defense to be run through PCCD. The -- some
16 counties do a very good job of funding their
17 public defender system; some counties not as
18 much.

19 It's important. It's a staple of our
20 country that everyone gets a free defense, if
21 they can't afford it. And it's imperative that
22 that defense be well prepared and well
23 represented. I know the minority leader spent
24 her time as a member of the defenders in
25 Philadelphia, which is an incredible organization

1 and is well-funded by the county. They can
2 always use more funding.

3 But the importance of making sure that
4 people who are not guilty of crimes are able to
5 stay out of our correctional facilities is a cost
6 savings for the Commonwealth and for the
7 counties.

8 REPRESENTATIVE KINKEAD: Thank you.
9 Finally, last year, we talked to the previous
10 Budget Secretary, as our caucus, about the
11 increasing cost of various staples that our
12 citizens throughout the Commonwealth are facing.
13 So the cost of gas was one of them. And I kind
14 of wanted to go back to that.

15 Could you tell me when the last time that
16 we raised the minimum wage in Pennsylvania was?

17 SECRETARY THALL: Oh, I cannot. I think
18 the last increase was when the Federal minimum
19 wage was raised to \$7.25.

20 REPRESENTATIVE KINKEAD: And given the
21 current inflation rates, do you believe that
22 people in Pennsylvania making \$7.25 an hour are
23 more capable or less capable of funding their
24 lives and buying staples, making that amount of
25 money?

1 SECRETARY THALL: Less.

2 REPRESENTATIVE KINKEAD: Thank you.

3 MAJORITY CHAIRMAN SAYLOR: Our next
4 questioner is Representative Lou Schmitt.

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

7 And welcome, Secretary. It's nice to
8 meet you.

9 Is this the first time you've been
10 through this process?

11 SECRETARY THALL: It has -- well, in this
12 chair, yes.

13 REPRESENTATIVE SCHMITT: I've got to tell
14 you, I would never be able to tell. You're doing
15 very well.

16 SECRETARY THALL: Thank you.

17 REPRESENTATIVE SCHMITT: I've got a
18 couple questions for you, but before I get to
19 them, I'd like to give you just a very brief
20 history so that I can contextualize them a little
21 bit for you. Over the past three weeks, we've
22 heard from quite a number of witnesses. And I
23 have to say that my favorite witness by far --
24 and it's not even close -- was Secretary Mike
25 Newsome from the Office of Administration.

1 I found him to be refreshingly honest. I
2 found him to be forthright. I found him to be
3 credible. I also found him to be lost in space.
4 He didn't seem to have much information about
5 anything when he was being questioned.

6 When he was asked about the increase in
7 the Office of Administration's line item, which
8 is the general operating budget for his Agency,
9 and why there was an increase of \$1 million or 10
10 percent, he didn't know about the increase that
11 had been requested. Didn't seem to know about
12 the line item. Didn't seem to understand his
13 Department had a line item. I don't know if he
14 understood that his Department had a budget.

15 And the reason I'm asking you these
16 questions and pointing these things out to you is
17 that when we kept going back to him and saying,
18 you know, asking a question, he would say, I
19 don't know. We'd ask another question, he'd say,
20 I don't know. We'd ask about his Department. He
21 would say, I don't know. We would ask about his
22 budget. He would say, I don't know.

23 You know, sometimes you wonder maybe they
24 do know, you know, maybe they just are saying
25 they don't know. I don't think anybody here

1 thought that he knew when he said he didn't know.
2 And one of the things that he did was when we
3 kept pressing him, he finally kind of threw it
4 back on the Governor's Budget Office. He said,
5 you know, ask them about it. They'll know about
6 it.

7 So what I wanted to find out from you --
8 and that's the reason I'm kind of asking you the
9 question -- was considering that he clearly did
10 not request this increase, didn't really know
11 anything about it, did the Governor's Budget
12 Office communicate with anybody in his Department
13 about that increase?

14 SECRETARY THALL: Yes.

15 REPRESENTATIVE SCHMITT: Okay.

16
17 SECRETARY THALL: Yeah. I mean, the
18 Office of Administration's budget has changed
19 slightly through the last four years. It has
20 gone from being two lines in the General Fund
21 budget to one, with the rest of the funds being
22 picked up through a billing model with HR and IT
23 billed out to each individual agency.

24 REPRESENTATIVE SCHMITT: The \$1 million,
25 the 10-percent increase, could you give us a

1 little bit of an explanation of what the basis
2 for that particular increase is?

3 SECRETARY THALL: Sure. It's an increase
4 based on salaries. And about half of it is
5 increased in -- the increase in the REHP, the
6 retirement -- the payments needed to make the
7 retiree health plan.

8 REPRESENTATIVE SCHMITT: Listen, I really
9 -- I know it's not your department, so I really
10 appreciate you coming in and kind of clearing
11 this up for me.

12 SECRETARY THALL: Happy to do it.

13 REPRESENTATIVE SCHMITT: No further
14 questions.

15 MAJORITY CHAIRMAN SAYLOR: Our next
16 questioner is Representative Schweyer.

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

19 I guess after three weeks, I should know
20 the rules by now. So thank you very much for
21 coming here. One of the -- Mr. Secretary, one of
22 the things -- we have been hearing media reports.
23 We have heard our friends and colleagues from the
24 other chamber talk about fiscal responsibility.
25 They're talking about long-term projections of

1 our -- for our budgets.

2 You know, what does it look like in three
3 years? What does it look like in five years?
4 What will it look like in 10 years? And I find
5 that to be an important conversation. I also
6 don't necessarily know that I believe their
7 projections that we're going to have massive
8 deficits because of an impending crisis with our
9 population, our aging population, those sorts of
10 things in the next, you know, six months, 12
11 months, two years, five years, whatever it is,
12 what have you.

13 Can you discuss a little bit more about
14 what the Governor and your office and the
15 Administration is seeing for our long-term fiscal
16 outlook?

17 And I just want to say, I think this is
18 important because I think it will influence a lot
19 of the decisions about what we ultimately decide
20 for this particular budget.

21 SECRETARY THALL: No. Yeah, thank you.
22 That's a -- that's a good question.

23 So what we're seeing -- and especially, I
24 will compare it to the IFO because that's going
25 to be the basis of comparison -- is actually, in

1 most areas, not that far off. We're seeing
2 robust growth. We are -- we are projecting to
3 have a General Fund balance at June 30th of about
4 \$13 billion, which is way over anything that I've
5 had in my 15-plus years in the building. But the
6 major difference we have with the IFO is our
7 projections on the sales and use tax is a growth
8 percentage of about 2.9 percent. Revenue got
9 that number from IHS and Moody's, while the IFO
10 has a growth projection for next year of negative
11 3.2 percent year over year.

12 It's important to understand that even in
13 the Great Recession, sales and use tax has never
14 gone negative. So since 2007, there's always
15 been a growth in the sales and use tax year to
16 year. So we are -- I am puzzled by that
17 reflection. The other thing that is not included
18 either in DOR's or IFO's, which I continually
19 harp on to anyone that's talked to me, is that
20 we're seeing a six-percent increase this year in
21 social security, which will also increase
22 spending, I believe, continue it over estimate.

23 REPRESENTATIVE SCHWEYER: Okay. So the
24 combination of the increase of social security
25 checks, the actual money that's going in the

1 hands of senior citizens, coupled with
2 prospective growth from -- that is based on
3 historic findings and outside third-party
4 entities in the historic growth in the sales and
5 use tax makes you confident that our revenues are
6 going to continue to go up with additional money
7 going into the hands of folks who tend to turn
8 around and spend it right away, coupled with the
9 sales and use tax.

10 Now, on the flip side, on the spend side,
11 what are we seeing or what are your projections
12 long term for our DGS budgets, for our other
13 social service budgets when it comes to
14 population changes for the Commonwealth?

15 SECRETARY THALL: Yeah. I mean, there
16 are going to be changes. We think there are
17 going to be increases in the out years. I think
18 that a lot of them get shifted to growth in the
19 Lottery Fund. We show growth from the Lottery
20 Fund out of the traditional Aging, but it serves
21 senior in the DHS lines.

22 REPRESENTATIVE SCHWEYER: So there is a
23 -- but the overall growth in those funding -- in
24 those expenses, which again, doesn't pay for one
25 more nurse, it doesn't pay for one more State

1 Trooper, it doesn't pay for one more teacher in a
2 classroom, but those -- but your general sense is
3 that over the course of the next two to five to
4 10 years, if we continue on this path, we're
5 going to still see continued, you know, obviously
6 not knowing what's going to happen in the global
7 market, not going to know if we are facing a
8 great recession, not going to know if the war in
9 Ukraine spins out of control, things that are
10 outside of our knowledge or control, but given a
11 neutral year, we're going to continue to see
12 surpluses in our budget, with the historic growth
13 in sales tax, the additional funding that's
14 coming in, social security, coupled with growth,
15 but not as extreme growth in the cost for helping
16 our aging -- our aging population.

17 SECRETARY THALL: Uh-huh.

18 REPRESENTATIVE SCHWEYER: Okay. So
19 that's really important because I keep hearing
20 over and over and over again that we need to be
21 fiscally responsible. In the seven years that
22 I've been a legislator, this is my eighth budget
23 as a member, I hear that we need to continue to
24 do it. It feels to me, and it seems to me that
25 we have been fiscally conservative.

1 We haven't done some of the spending
2 things that, frankly, I think we should have
3 done. And the result of which is we are now
4 looking at a surplus. I -- isn't that the whole
5 point of, perhaps, taking our medicine before, so
6 we have the ability to do some of the things that
7 we'd like to do, like -- like a level-up, like
8 more funding, like more money for college
9 education and those sorts of things?

10 SECRETARY THALL: Yeah. I mean, I think
11 that's also why the Governor's proposal leaves
12 \$3.4 billion on the table unspent after the plan
13 year. It gives us a buffer zone, as well as for
14 the first time in my history in the building, we
15 sent over a -- we have a negative supplemental in
16 excess of \$1 billion.

17 REPRESENTATIVE SCHWEYER: Very good.

18 Thank you so much, sir.

19 MAJORITY CHAIRMAN SAYLOR: Our next
20 questioner is Representative Lee James.

21 REPRESENTATIVE JAMES: Thank you,
22 Mr. Chairman.

23 Good morning.

24 SECRETARY THALL: Good morning.

25 REPRESENTATIVE JAMES: So the Governor

1 recently announced an initial award was granted
2 the Commonwealth of Pennsylvania in the amount of
3 \$25 million, specifically to be used in the oil
4 patch in the plugging of orphaned and abandoned
5 wells.

6 Have we received that initial injection
7 yet?

8 SECRETARY THALL: I am not sure.

9 REPRESENTATIVE JAMES: Okay.

10 SECRETARY THALL: I'm not sure if we have
11 the cash in hand. We can get that to you.

12 REPRESENTATIVE JAMES: Okay. Well, those
13 dollars will be very welcome when they do arrive.
14 And I'm wondering if you're aware that many of
15 the families who have survived and are still in
16 the conventional well drilling business are
17 actually voluntarily plugging some of those
18 orphaned wells when they're discovered in the oil
19 patch.

20 will folks like that, who are
21 professionals at what they do, and have the
22 equipment in place, be considered for -- on a
23 contractual basis when those dollars do get
24 deployed, do you know?

25 SECRETARY THALL: I do not know, but I

1 also know that this is a program that is new to
2 DEP, is my understanding. They have not had a
3 lot of money to do this in the past. So I would
4 assume that they would be eligible, but I will
5 verify that for.

6 REPRESENTATIVE JAMES: Well, for your
7 knowledge, there are actually oil well drillers
8 in the field now that plug more wells -- a single
9 company plugs more wells annually than DEP in its
10 entirety do. And I would hope that they would be
11 considered going down the road.

12 Your staff is known to recently have
13 indicated that it might be helpful to have a
14 legislative change here in the Capitol to
15 establish possibly a grant program to deploy
16 dollars.

17 Is that a correct statement? Your staff?

18 SECRETARY THALL: Sure.

19 REPRESENTATIVE JAMES: Great. Do you
20 have --

21 SECRETARY THALL: If they have --

22 REPRESENTATIVE JAMES: -- a vision for
23 how that program would be set up.

24 SECRETARY THALL: For the well plugging?

25 REPRESENTATIVE JAMES: Yes.

1 SECRETARY THALL: Me personally, I do
2 not. I would welcome the input from you and your
3 constituents that have experience doing it
4 because I most certainly do not.

5 REPRESENTATIVE JAMES: Okay. Let me
6 reverse that.

7 will you be willing to work with the
8 General Assembly here in the Capitol to establish
9 such a program?

10 SECRETARY THALL: Absolutely.

11 REPRESENTATIVE JAMES: Great answer.
12 I yield back my time.

13 Thank you, sir.

14 MAJORITY CHAIRMAN SAYLOR: Our next
15 questioner is Representative Mullins.

16 REPRESENTATIVE MULLINS: Thank you,
17 Mr. Chairman.

18 And Mr. Secretary, I've -- we've known
19 each other for a very long time, going back to
20 our staff days. And it felt -- it feels good to
21 call you that. So congratulations.

22 SECRETARY THALL: Thank you.

23 REPRESENTATIVE MULLINS: And it's great
24 to see you again.

25

1 SECRETARY THALL: Good to see you.

2 REPRESENTATIVE MULLINS: You're doing a
3 fine job.

4 To that end, I think this is my first
5 year on Appropriations. So I wanted to just
6 personally thank you for being here, but of
7 course, my colleagues and our Chairmen and very
8 capable staffs on both sides of the aisle. Greg,
9 you remember sitting in these hearings in the
10 staff role, so you know the work that goes into
11 this. So my sincere appreciation to everyone for
12 these last few weeks.

13 The first thing I wanted to touch on,
14 going back to our staff days together and the
15 things I wish we were able to do relative to
16 property tax relief, the proposals, we've seen
17 them come and go. And sessions have come and
18 gone without any ironclad relief for those who
19 are being squeezed by the growing -- by the
20 growing weight of property taxes.

21 I'm very delighted to see that the
22 Governor, in his proposal, included a one-time
23 bonus payment in the Property Tax Rent Rebate
24 Program that would double the rebate sent to each
25 recipient. Would love to just know more about

1 that, how it was developed, and how we in the
2 legislature can work with you to see that
3 through.

4 SECRETARY THALL: Yeah. I mean, I think
5 it's an important and needed -- needed program.
6 It's obviously very popular and very well
7 received. It is the ask of the Department of
8 Revenue and us, frankly, if this is something
9 that the legislature wants to do, we should do it
10 as close to April 1 as we can so we can get
11 everyone in a single check.

12 But yeah, we -- we appreciate the, you
13 know, that program and your support of it.

14 REPRESENTATIVE MULLINS: Thank you very
15 much. Because that, making sure that we're
16 adequately funding basic education is only half
17 the battle of mitigating the reliance on property
18 taxes. So I'm delighted and appreciative of you
19 and the Governor for efforts there. Let us know
20 how we can -- how we can help.

21 Switching gears to the opioid crisis. I
22 saw that Attorney General Shapiro has been
23 sharing his progress relative to the settlement
24 that was worth over a billion dollars with
25 Johnson & Johnson and three distributors for

1 their roles in fueling the opioid epidemic.
2 There's no other way to characterize it. I
3 understand the bulk of those funds will be passed
4 to counties and local governments, but about 15
5 percent of those funds will be placed in the
6 hands of the State as early as next month.

7 Are you involved in these discussions?
8 You know, how routinely is the administration
9 engaged in those conversations around how those
10 funds should be invested to do the most good and
11 help people who have been affected?

12 SECRETARY THALL: I have -- the
13 administration is in conversation pretty
14 regularly with a working group of members and
15 staff of the General Assembly as well as
16 attorneys at the Attorney General's Office. I
17 believe it was -- we've done a number of budgets
18 over the last couple of years, so forgive me if
19 I'm wrong, but I believe it was last June's
20 budget, the General Assembly included the
21 foresight of creating a fund to -- for an account
22 where the receipts of that -- of those proceeds
23 will reside.

24 And it is my hope to work with the
25 General Assembly to figure out the best way to

1 get those funds out of the -- or the funds out of
2 that account into the highest and best use.

3 REPRESENTATIVE MULLINS: Excellent.

4 Thank you, Mr. Secretary.

5 Thank you, Mr. Chairman.

6 REPRESENTATIVE TOPPER: The Chair thanks
7 the gentleman and recognizes the gentleman from
8 Lycoming, Mr. Wheeland.

9 REPRESENTATIVE WHEELAND: Thank you,
10 Mr. Chairman.

11 And thank you, Secretary, for joining us
12 here today.

13 Since adopting remote work policies, has
14 the Governor's Budget Office tracked employee
15 productivity in a quantifiable manner?

16 And the reason I ask this is I know it's
17 not just State Government, but it's industry all
18 across the board is really, really struggling
19 with how to track this. And I thought maybe
20 you'd have a magic wand and you figured it out.

21 SECRETARY THALL: I wish I had a magic
22 wand. I do want to take some credit for -- or at
23 least direct it to my predecessors. Controller
24 operations, a good portion of them, have been
25 remote working since before the pandemic even

1 started. And their productivity has skyrocketed.

2 In the remote environment, I think my
3 office has put together seven different executive
4 budget proposals and gotten them through to
5 enactment. So I think that speaks volumes to
6 their productivity. As far as an official
7 tracking, I don't have it, but it is an important
8 tool for workforce recruitment, retention, and it
9 is an enhancement of the lives of the workers who
10 work directly for me.

11 REPRESENTATIVE WHEELAND: Well, I think I
12 can speak to, I would assume, most Reps if not
13 all -- and of course I've talked to a few
14 Senators and their staff. And the frustration
15 pre-pandemic versus post-pandemic with getting
16 information, you know, to the agencies. And I
17 think this is why it's going to be so critical
18 that at some point we're going to really have to
19 dig deep and find out how this productivity
20 currently does actually compare to the
21 pre-pandemic because there certainly is a
22 frustration level amongst the taxpayers, the
23 citizens not being able to reach, not being able
24 to talk to anybody.

25 And of course, then it gets directed to

1 our district office. And then, you know, it's
2 just very, very frustrating.

3 So I guess how does the administration
4 ensure that State employees are actually working
5 full days at home?

6 SECRETARY THALL: I mean, it's just by
7 the work assignments and getting the work done.
8 I know my team is responsive to requests they get
9 from myself, from Appropriations staff from both
10 chambers. And it is -- even when I attempt to
11 get questions, it's reduced on the weekends. Not
12 naming names, but it's not this chamber, but it's
13 usually the Senate that offends with making
14 requests over the weekends to my staff, but they
15 still get them done.

16 REPRESENTATIVE WHEELAND: It's good to
17 know that the Senate -- no comment.

18 I guess -- and again, you know, I just
19 question, when it comes to not getting someone to
20 answer the phone -- and it's not, obviously, your
21 department as much as it's the other ones that
22 our actual taxpayers interact with.

23 Do they have the capability of taking
24 phone calls from home?

25 SECRETARY THALL: Absolutely.

1 REPRESENTATIVE WHEELAND: Are those
2 numbers transferred?

3 SECRETARY THALL: They absolutely do
4 have --

5 REPRESENTATIVE WHEELAND: Nobody answers.

6
7 SECRETARY THALL: They absolutely --

8 REPRESENTATIVE WHEELAND: -- and that's
9 the problem.

10 SECRETARY THALL: That's a problem.
11 Yeah.

12 REPRESENTATIVE WHEELAND: That's the
13 problem. So how do we, you know, dig deep and
14 confirm that these people are actually -- they're
15 on the payroll, they're getting paid taxpayer
16 money, but are they actually working?

17 And I know it's a frustration, you know,
18 for not only state government, but the private
19 industry, as well. And I would look forward to
20 anything that your office could provide us as to
21 how you're going to track this in the future --

22 SECRETARY THALL: Okay.

23 REPRESENTATIVE WHEELAND: -- because it's
24 not a healthy situation when you have taxpayers
25 screaming at you because they can't reach a --

1 SECRETARY THALL: Right.

2 REPRESENTATIVE WHEELAND: -- particular
3 person or they get a, you know -- we will call
4 you back, you know, and it never occurs or it's
5 several days later. So I'm about ready to run
6 out of time, but I want to thank you very much
7 for attending today.

8 And one final question because I think I
9 do have a few more seconds here left.

10 Do you believe -- has there been talks in
11 the administration about with the tremendous
12 increase in gas prices with apparently no end in
13 sight, will you be increasing the work-at-home
14 policies to help our State employees that are
15 going to be faced with tremendous transportation
16 costs.

17 SECRETARY THALL: The -- yeah.

18 REPRESENTATIVE WHEELAND: Are there talks
19 going on now about expanding this or continuing
20 it or --

21 SECRETARY THALL: I can only speak for my
22 Department. There's not been an administrative
23 -- an administration-wide discussion. My
24 Department is from -- is in a work-from-home
25 environment. There's no plan to change that.

1 The Governor did sign on to a letter to
2 the -- to the Biden White House calling for a
3 Federal gas tax holiday, so but there has not
4 been an administration-wide talk about changing
5 that.

6 REPRESENTATIVE WHEELAND: Okay. Thank
7 you very much.

8 SECRETARY THALL: Sure.

9 REPRESENTATIVE WHEELAND: Thank you, Mr.
10 Chairman.

11 REPRESENTATIVE TOPPER: The Chair thanks
12 the gentleman and recognizes the lady from Bucks,
13 Ms. Schroeder.

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

16 Good morning.

17 SECRETARY THALL: Good morning.

18 REPRESENTATIVE SCHROEDER: Mr. Secretary,
19 today I would like to talk to you about the UC
20 benefit modernization system which went live back
21 in June.

22 What was the cost of that system?

23 SECRETARY THALL: I'm going to have to
24 get -- I don't know off the top of my head.

25 REPRESENTATIVE SCHROEDER: Okay.

1 SECRETARY THALL: Are you talking about
2 the cost overall or the cost within a fiscal
3 year?

4 REPRESENTATIVE SCHROEDER: Total, yeah.

5 SECRETARY THALL: I will have to get that
6 to you.

7 REPRESENTATIVE SCHROEDER: Okay. So
8 would you like to see more money at that with the
9 Secretary of Labor & Industry, see us invest more
10 money into the system, so it's operating as it
11 was promised to us because it's not right now?

12 SECRETARY THALL: Yeah. I mean, the --
13 the UC system has historically seen -- seen
14 challenges. Going back to we recently got a
15 check from IBM that -- for the conclusion of, I
16 think, the last modernization project, which was
17 before my time started in State government. But
18 there needs to be more to be done with the -- in
19 the UC system. There needs to be more to prevent
20 fraud.

21 I know my office, as well as L&I, have
22 talked to the Treasurer about their use of AVS
23 software, which we currently use in controller
24 operations, and whether that can be ramped up to
25 be a benefit to the UC system.

1 REPRESENTATIVE SCHROEDER: So are you
2 saying there should be more money to make it
3 better?

4 And if so, did the Governor include that
5 in his budget materials? I don't know if you
6 have his book in front of you. I don't -- I
7 don't think I see it, but do you know if there
8 are -- there is anything from the Governor on
9 that?

10 SECRETARY THALL: There's a continuing
11 investment in the UC system in order to make it
12 -- to make it. The AVS cost is not included in
13 the system, but that is a -- we estimate that to
14 be about \$80,000 a year.

15 REPRESENTATIVE SCHROEDER: Okay. So in
16 the hearing with the Secretary of Labor that we
17 had this last week, the minority Chair accused
18 the majority party of failing to fund UC
19 administration. Fortunately, the Secretary of
20 Labor & Industry corrected the minority Chair to
21 inform him that funding for UC administration is
22 actually through the Federal government.

23 However, Federal appropriations were
24 slightly reduced in the early 2010s. Therefore,
25 the General Assembly and the prior administration

1 enacted Act 34 of 2013, which was providing UC
2 administration from calendar year 2013 through
3 2016 with the creation of the Service
4 Infrastructure and Investment Act.

5 ACT 1 of 2017 reauthorized funding for
6 calendar year 2017. And Act 60 of 2017
7 authorized funding from 2018 through the end of
8 2021. Clearly, funding has been abundant for the
9 past nine calendar years. We know that the UC
10 system is not working. I even got told by my
11 staff this week there was a blurb that it was
12 down again.

13 So if there is so much concern over the
14 funding sources of this program, where is the
15 Governor with this issue?

16 Is the administration suggesting that we
17 address State funds to a Federally-funded
18 function of government?

19 And if so, how much? And where will that
20 revenue actually come from?

21 SECRETARY THALL: We are -- I mean, we
22 are suggesting to continue with the Federal
23 funding of the program. We are hopeful that the
24 new system, which as you've mentioned went live
25 in June, their admittedly have been some kinks in

1 rolling it out. Part of it due to the changes in
2 the Federal unemployment guidelines, but we, you
3 know, we're committed to working with the
4 Department of Labor & Industry to make sure that
5 they have the implementation they need.

6 I know controller operations works with
7 them on the back-end to the make sure that the
8 interface that we have with our Commonwealth
9 systems can work. There have been flags,
10 frankly, raised there and they are currently
11 working through those processes.

12 REPRESENTATIVE SCHROEDER: So we are
13 looking to spend more State dollars, but we don't
14 know how much or where it's going to come from,
15 right?

16 SECRETARY THALL: We are -- I mean, we're
17 funding the administration of the program. There
18 are State positions that part of them are to help
19 support. They have -- they can help support in
20 an audit capacity of the UC. We think that is a
21 worthy use of their time.

22 REPRESENTATIVE SCHROEDER: Okay. In the
23 Governor's budget address, the Governor talked
24 about paying our bills on time, fiscal
25 responsibility. Isn't that a thing?

1 However, he did not address the
2 unemployment compensation debt and the looming
3 tax increase on employers within his budget
4 address or his budget proposal. The Governor has
5 made decisions that will increase that debt load,
6 and employers will face increased taxes as a
7 result if we don't come up with roughly \$700
8 million by November. The Federal government
9 allocated ARPA funds to the states to address
10 fallout from the pandemic, which includes paying
11 off the unemployment compensation debt.

12 Why has the Governor been silent on this
13 issue?

14 Does he not have a proposal on this
15 issue?

16 The Governor is planning on ignoring this
17 matter and simply passing a tax increase to
18 businesses as he leaves offices going out the
19 door; is that what we're looking at?

20 SECRETARY THALL: No. I mean the --
21 unlike the Great Recession of 2010, there
22 actually is a Federal law in plan to pay it.
23 That being said, you're accurate that it is a
24 point -- I think it's a 30 basis point increase
25 on the employers.

1 The Governor is interested in fairness
2 for all taxpayers, including raising a minimum
3 wage, and he welcomes a conversation with the
4 General Assembly on how best to increase fairness
5 for all taxpayers.

6 REPRESENTATIVE SCHROEDER: Okay. While
7 we've been sitting here for the last three weeks
8 doing these hearings, I think it's really
9 important that the math adds up. And we keep
10 seeing, you know, we -- I'll call it fuzzy math
11 to try to find numbers. There needs to be a plan
12 of how to approach this.

13 SECRETARY THALL: There --

14 REPRESENTATIVE SCHROEDER: And it should
15 be on the priority list, I think, for the
16 Governor and the entire --

17 SECRETARY THALL: Respectfully, there is
18 a plan in current Federal law. It may not be the
19 perfect plan, but we are, you know, we're open to
20 a conversation with the General Assembly if you
21 want a different plan.

22 REPRESENTATIVE SCHROEDER: Okay. Thank
23 you so much. I see my time has expired.

24 Thank you, Chairman.

25 MAJORITY CHAIRMAN SAYLOR: Our next

1 questioner is Representative Tim O'Neal.

2 REPRESENTATIVE O'NEAL: Thank you,
3 Mr. Chairman.

4 Mr. Secretary, thanks for being here.

5 Just a second ago, a few minutes ago, you
6 referenced the letter that the Governor actually
7 signed on to with several other Governors from
8 around the country calling for a Federal gas tax
9 moratorium. So I want to take a second and just
10 read some quotes right off of the letter.

11 It says money saved at the pump
12 translates into dollars back in consumers'
13 pockets for grocery, child care, rent and more.
14 I don't think anybody disagrees with that. It
15 goes on to say -- and it ends by saying, at a
16 time when people are directly impacted by rising
17 prices on everyday goods, Federal gas tax holiday
18 is a tool in the toolbox to reduce costs for
19 Americans. And we urge you to give every
20 consideration to this proposed legislation.

21 But the reality is, sending a letter to
22 Congress requesting that the Feds do something is
23 the easy thing to do. You know, the fact of the
24 matter is, our State gas tax right here in
25 Pennsylvania is three times that of the Federal

1 rate, over three times.

2 So have there been conversations in this
3 administration to support a State gas tax
4 moratorium?

5 SECRETARY THALL: There -- we have had
6 conversations. The issue becomes that where does
7 the hole come for the Motor License Fund?

8 I'm intrigued by Senator Corman's
9 co-sponsorship memo. He is trying to do a
10 one-off because we cannot use ARP money to fund
11 that hole. We try -- my concern with his
12 proposal is we tried to do something similar with
13 Federal money to fill in the property tax relief
14 fund when -- in the first pandemic when there was
15 no money there.

16 Unfortunately, the Federal government
17 denied that use of Federal funding. And I
18 suspect that their answer would be the same.

19 REPRESENTATIVE O'NEAL: well, it's
20 interesting. And I think some of my colleagues
21 earlier certainly referenced kind of this
22 Administration's ability to talk out both sides
23 of an issue. You know, we talk about potentially
24 having conversations, and we call on the Federal
25 government to reduce the burden of costs on

1 Pennsylvanians. And yet, we're proceeding -- as
2 a matter of fact, today or yesterday, I believe
3 it was yesterday, we just issued a contract for
4 \$3.3 billion for an international company to toll
5 our roads and actually make it more expensive to
6 drive vehicles.

7 So which is it? I mean, does this
8 administration actually want to lower costs on
9 consumers, or do we want to continue to go down
10 these policy initiatives that continue to take
11 more and more money out of our Pennsylvanians'
12 pockets?

13 SECRETARY THALL: I think there's, as I
14 said to the previous speaker, there's a fairness
15 issue for -- the Governor is very -- he wants
16 fairness for all taxpayers. Eliminating \$500
17 million to a billion dollars from the Motor
18 License Fund creates a huge infrastructure whole
19 that we -- frankly, we're behind in
20 infrastructure.

21 we literally have bridges falling down.
22 So anything we do, and we agree there needs to be
23 relief to taxpayers. That's why we proposed the
24 opportunity fund. But the issue -- we cannot
25 give money out in a way that harms the ability of

1 the Commonwealth in the future.

2 REPRESENTATIVE O'NEAL: Well, that's --
3 that's a great point. And I agree with that.
4 And yet, this Governor's proposal is to increase
5 the General Fund expenditures by -- I think it's
6 3 -- over \$4 billion. That is a burden on the
7 taxpayers indefinitely into the future.

8 So why -- why -- again, how can we talk
9 about both ends of this issue when we want to
10 continue to increase revenues -- or excuse me,
11 increase expenditures, but at the same time say
12 we want fairness for all?

13 I'm sorry. Again, several of my
14 colleagues referred to it earlier about -- I
15 believe Representative Schroeder said the fuzzy
16 math. I call it voodoo math. It doesn't -- it
17 doesn't work. You can't do both things. You
18 can't say both things. So which one is it?

19 Do we want to raise taxes?

20 Do we want to increase spending, or do we
21 want to provide relief?

22 SECRETARY THALL: Yeah. I mean, I find
23 it -- right. So we want to be fair to all
24 taxpayers. The Governor has proposed in this
25 budget a two point reduction in the corporate net

1 income tax. He has proposed a minimum wage
2 increase. He wants to be able to fund programs
3 in a way that doesn't make your local taxpayers.

4 REPRESENTATIVE O'NEAL: We have --

5 SECRETARY THALL: Can I please answer the
6 question?

7 REPRESENTATIVE O'NEAL: Actually, no.
8 It's my time to ask the questions. So I got the
9 answer. You're just regurgitating the exact same
10 thing you said a minute ago. So --

11 SECRETARY THALL: I was until you cut me
12 off.

13 REPRESENTATIVE O'NEAL: -- this morning,
14 7.9-percent inflation. People are hurting right
15 now. Right now. And the fact of the matter is,
16 this administration doesn't care. They want to
17 take the easy way out and send a letter to
18 Congress because they've done something, they've
19 sent the message that they want to help. But
20 they can help right now, right here within the
21 Commonwealth.

22 It's unacceptable that we sit there and
23 we do our virtue signalling over social media and
24 we play these games about how we want fairness
25 for all. You have -- we have an opportunity to

1 do it right now, and the Governor is silent on
2 it. You have not answered the question of
3 whether or not the administration supports this.
4 You've said, sure, you like Governor or Senator
5 Corman's proposal, but at the same time, there's
6 all kinds of -- do we want to help the citizens
7 of Pennsylvania or not? That is the question.

8 Thank you, Mr. Chairman.

9 MAJORITY CHAIRMAN SAYLOR: Very good.

10 MINORITY CHAIRMAN SAYLOR: Chairman
11 Saylor, I don't know if the good gentleman was
12 asking his questions rhetorically or actually
13 wanted an answer. I know every time --

14 MAJORITY CHAIRMAN SAYLOR: Representative
15 Bradford, why do you rise?

16 MINORITY CHAIRMAN SAYLOR: Because the
17 gentleman was asked a question and was never
18 afforded an opportunity to answer it. I believe
19 that's a common objection.

20 MAJORITY CHAIRMAN SAYLOR: I believe that
21 the gentleman has five minutes. He is able to
22 use those five minutes as he wished, such as I've
23 allowed on your side of the aisle. I don't think
24 it's a good thing for us to continue to be
25 interrupting those kinds of things,

1 Representative Bradford.

2 The gentleman has five minutes. He gets
3 to ask. Whether he gets an answer or not is up
4 to him or any member here.

5 MINORITY CHAIRMAN BRADFORD: Chairman, I
6 apologize. I assumed that was a question. If it
7 was a rhetorical statement and not a question, I
8 apologize. Let the gentleman have a five-minute
9 rant. I'm fine. I thought there was a question.
10 I thought we were going to let the Secretary
11 answer. That was my misunderstanding of what was
12 going on.

13 MAJORITY CHAIRMAN SAYLOR: I don't manage
14 the five minutes of time that they have, on your
15 side or my side. They get to ask, say, make a
16 statement. So I don't understand why --

17 MINORITY CHAIRMAN BRADFORD: Yes, but
18 normally, people --

19 MAJORITY CHAIRMAN SAYLOR: -- you rose.

20 MINORITY CHAIRMAN BRADFORD: But we let
21 people answer the question normally; do we not?
22 Or are we just beyond that now?

23 MAJORITY CHAIRMAN SAYLOR: That is your
24 judgment as to whether there's a question or not
25 there. The gentleman makes his decision.

1 Again, Representative Bradford, please
2 sit down --

3 MINORITY CHAIRMAN BRADFORD: No.

4 MAJORITY CHAIRMAN SAYLOR: Let us move
5 on.

6 MINORITY CHAIRMAN BRADFORD: No.

7 MAJORITY CHAIRMAN SAYLOR: You do not get
8 to interrupt members and question their judgment,
9 and you just did that. I'm telling you right
10 now, you --

11 MINORITY CHAIRMAN BRADFORD: Chairman
12 Saylor, nobody is interrupting.

13 MAJORITY CHAIRMAN SAYLOR: You have done
14 this every day, Representative. I am telling
15 you, the gentleman has five minutes, just as
16 every member has five minutes. You're sitting
17 here trying to make a judgment on what that
18 gentleman was doing. That is not your right to
19 do that.

20 MINORITY CHAIRMAN BRADFORD: Chairman,
21 the gentleman was sitting when I rose to speak.
22 I was wondering if we were giving the Secretary
23 an opportunity to answer.

24 MAJORITY CHAIRMAN SAYLOR: Representative
25 Bradford, we're going to move on to the next

1 questioner.

2 MINORITY CHAIRMAN BRADFORD: Feel free.
3 I'm fine with that.

4 MAJORITY CHAIRMAN SAYLOR: Then please
5 sit down. Let's move on.

6 Representative Lawrence, you are the next
7 questioner.

8 Thank you.

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

11 Maybe I should yield some of my time so
12 the gentleman can answer Representative O'Neal's
13 question.

14 SECRETARY THALL: I mean, I offered to
15 answer his question and he told me no, so --

16 REPRESENTATIVE LAWRENCE: Does the
17 gentleman from Montgomery have anything he would
18 like to add before I begin?

19 Well, then. Good morning, Mr. Secretary.

20 SECRETARY THALL: Good morning.

21 REPRESENTATIVE LAWRENCE: I'm sure you've
22 been listening carefully to the budget hearings
23 over the last few weeks. My colleagues and I
24 have posed a variety of thoughtful inquiries on
25 both sides of the aisle, I think.

1 So from my perspective, a bright spot for
2 the administration in these hearings was
3 Secretary Klinepeter in the Department of Health.
4 She was straightforward and answered our
5 questions and brings, I think, some sorely needed
6 leadership to a department that had lacked it.

7 But I asked PennDOT to address widespread
8 systemic internal issues in performing basic
9 functions, processing titles, getting new
10 registrations to vehicle owners. They refused to
11 even acknowledge these problems on the record,
12 although afterwards, they admitted them. In
13 fact, in this hearing, they tried to blame --
14 shift the blame to their outside vendors.

15 I asked the Department of Community and
16 Economic Development to explain to me why they've
17 been saying one thing and doing quite another
18 when it comes to the sale of the Chester Water
19 Authority. No one answered my questions. I was
20 stonewalled.

21 I asked the Secretary of Aging he wasn't
22 exercising his oversight authority over a vendor
23 of the Associated Press cited in an investigation
24 with gross negligence. He told me he couldn't
25 comment.

1 I asked the Secretary of Education to
2 apologize for a threatening and grossly
3 misinformed letter he sent to elected school
4 board members in this Commonwealth suggesting
5 they could be personally sued for a vote they
6 made at a school board meeting and to check their
7 personal insurance policies. A letter that, by
8 the way, turned out to be completely incorrect,
9 but he did not apologize.

10 I asked the Secretary of Labor & Industry
11 if she would follow Joe Biden's example and ask
12 for the appointment of a special prosecutor to
13 investigate half a billion dollars in
14 Pennsylvania unemployment compensation fraud.
15 She wouldn't.

16 I asked the Secretary of the Department
17 of Human Services if she was exercising her
18 oversight authority over children and youth
19 services in this State after it came to light
20 that three innocent foster children were placed
21 with a sexual predator in the City of
22 Philadelphia, an egregious situation that the
23 Department was unaware of until being informed by
24 a reporter from the Philadelphia Inquirer. I
25 asked if the Secretary was using her oversight in

1 a similar situation existing in the other 66
2 counties in this Commonwealth. My question was
3 met with blank stares and an eventual admission
4 that no one had, in fact, formed that kind of
5 follow-up.

6 This is, regrettably, a pattern. I've
7 never gotten satisfactory answers from this
8 administration about how Lyme Timber, a private
9 equity fund from New Hampshire received a \$50,000
10 State-backed loan at 1 percent interest to buy
11 60,000 acres of private timberland for their
12 investors, for which Lyme alone was the only
13 applicant and has attracted the attention of the
14 Auditor General.

15 Now, the administration is asking me to
16 support the Governor's record budget increase, a
17 billion, 16-percent spending hike, when the
18 administration cannot -- cannot or will not --
19 answer basic oversight questions on existing
20 services. I'm being asked to believe the
21 administration's very rosy and optimistic revenue
22 projections. And the administration, as I
23 mentioned, hasn't been able to answer these
24 questions for me.

25 So as policymakers, we have to make a

1 decision at the end of the day. Are we going to
2 trust the Independent Fiscal Office and their, in
3 my view, more realistic revenue projections? Or
4 am I going to trust this administration with the
5 track record that I just went through?

6 Now, in today's hearing, I've heard you
7 give two reasons for the differences between the
8 IFO's more conservative revenue projections for
9 the next few years and the administration's more
10 generous projections. First, the two of you have
11 a difference of opinion on sales tax revenue.
12 Second, I heard you say that social security
13 checks are going up and that is going to
14 contribute more tax revenue to the State.

15 I have to say the people that I talk to
16 tell me that their social security increases go
17 right to Medicare premiums. And I wish I could
18 share your optimism, but I don't that sales tax
19 revenues are going to continue to increase with
20 today's supply shortages and the uncertainty that
21 we see in today's world.

22 So here's my question for you. I'm
23 looking at your revenue projections and the IFO's
24 revenue projections. And they're not just a
25 little different; they're billions of dollars of

1 differences over the next few years. If the
2 General Assembly takes your revenue projections
3 at face value and it turns out the IFO is
4 correct, leaving us billions of dollars short
5 down the road, where are those billions of
6 dollars going to come from?

7 SECRETARY THALL: You can just not cut
8 the CNIT.

9 REPRESENTATIVE LAWRENCE: So your
10 solution is that we are not going to cut the
11 corporate net income tax if we are, in fact,
12 billions of dollars short?

13 That's your solution?

14 SECRETARY THALL: That's one of the
15 solutions. The Governor is also leaving \$7
16 billion on the table that is available, that is
17 not spent in these two -- in the next two fiscal
18 years.

19 REPRESENTATIVE LAWRENCE: All right. So
20 it's clear you and I have a difference of
21 opinion, and I respect that. But I don't -- and
22 I'm not trying to be rude, I'm not saying that
23 you're being flip with that answer, but to
24 suggest that if we're billions of dollars short
25 in the out years that we'll solve that problem by

1 not reducing a tax, that is -- I will say that is
2 a first for me.

3 If we are billions of dollars -- I've
4 been, and I think you've been in this position,
5 too. You've been in this building for a long
6 time. I can remember budgets under this
7 administration where we were short billions of
8 dollars. I remember being here past budget day.
9 I remember budgets that we passed that the
10 Governor wouldn't even sign, and then has
11 subsequently taken credit, by the way, for the
12 good things that have happened in those budgets.

13 But I remember sitting downstairs in the
14 caucus room when we had to come up with \$1 1/2
15 billion. And I sure wish I could have given a
16 cute answer, oh, why don't we just not cut taxes?
17 When we have to face these real challenges, when
18 frankly, this Governor will be long since out of
19 this building, and we -- it turns out if we base
20 today -- we can't make those kind of decisions.
21 We can't make decisions today based off of rosy
22 projections for tomorrow.

23 We have to be more conservative and more
24 thoughtful with the taxpayers' resources that
25 they send to this chamber. I see that my time is

1 up. I don't want to belabor the point. I
2 appreciate your answer.

3 Thank you, Mr. Chairman.

4 MAJORITY CHAIRMAN SAYLOR: Our next
5 questioner is Representative Keith Gillespie --
6 or Keith Greiner. Sorry.

7 REPRESENTATIVE GREINER: Thanks. Thanks,
8 Mr. Chairman.

9 And thank you, Mr. Secretary.

10 I wanted to start with agriculture. My
11 area is a very strong agriculture area, and it --
12 similar questions.

13 I've been on the theme -- probably I've
14 been the most consistent even in my own caucus
15 talking to the secretaries about this, but we
16 notice that if you look at the agriculture budget
17 and then look at the out -- you know, we can talk
18 about this year and the 17-percent increase. And
19 I guess that's part of the negotiation.

20 I've been on this, by the way, longest of
21 anybody in this caucus, eight years now. And I
22 do think it's a little bit disingenuous for the
23 other side to say they've kept the budgets when
24 the Governor hasn't signed three of them. We've
25 had massive tax increases.

1 Chairman Bradford last year talked about
2 how we need to raise taxes 46 percent on the
3 taxpayers because there's going to be a fiscal
4 cliff. And we didn't do that. We stashed money
5 in the Rainy Day Fund. My question is, with the
6 agriculture budget, 7.9-percent inflation. I
7 knew it was at least 7.

8 How can we do a projection as we did and
9 not have any increases in the out years for
10 agriculture?

11 SECRETARY THALL: I mean --

12 REPRESENTATIVE GREINER: How do we not --
13 that's my question. I mean -- and I'm, I guess,
14 going back to, I know, Chairman Bradford talked
15 about question latitude. I'm going to give a
16 little bit of background. I served in public
17 accounting full-time for nearly 23 years, and
18 part-time probably with my part-time experience
19 over a quarter of a century.

20 And I sit here -- and I'm not going to --
21 I understand -- I understand you can talk about
22 the differences in the revenue projections. I
23 would tend to be with my former colleague who was
24 on before. I do disagree with -- I agree more
25 with him than I do with the administration on

1 where the revenues are going.

2 But the expenditure side --

3 SECRETARY THALL: Yeah. I mean, so --

4 REPRESENTATIVE GREINER: Because it is --

5 I mean, agriculture -- I was focused on

6 agriculture, but the reality is, most of the line

7 items in the budget don't have increases. And we

8 need -- and we need --

9 SECRETARY THALL: So a lot --

10 REPRESENTATIVE GREINER: Oh, by the way,

11 I only had a little cup of coffee today. I'm

12 glad I didn't have three because I don't

13 understand -- I just don't understand in this

14 inflationary environment -- and I'll be upfront

15 with you. If I had a staff person or even

16 myself, if I would have done a projection like

17 this, I think I would have been called in the

18 office and asked about the quality of work that I

19 did when it comes to the expenditure side of this

20 budget for the out years.

21 Because as one of the prior individuals

22 said earlier, that is where we have a

23 responsibility to look at the out years in order

24 to do this year, as well. And I think everybody

25 knows that because of the Federal dollars, but

1 I'll let you go back to --

2 SECRETARY THALL: Okay.

3 REPRESENTATIVE GREINER: -- the
4 projections, and maybe you can provide an
5 explanation on why that is.

6 SECRETARY THALL: Yeah. A lot of the
7 agriculture lines have been level funded for
8 years, including the hardwoods, youth -- the
9 youth shows. There's actually a double counting
10 in the agriculture budget. There's a \$1.5
11 million dollar General Fund solution to the Dog
12 Law restricted account shortfall that we also
13 believe is going to be picked up in a bill,
14 hopefully.

15 And going back to the budgets, you've --
16 this chamber has made the point a number of times
17 that the Governor has allowed a budget to go into
18 law without his signature. That does not mean he
19 does not agree with it. He could have taken
20 other action. He could have returned it to this
21 chamber or the Senate, whichever chamber sent it
22 to him without a signature, and it would have
23 been a different conversation.

24 So there was action taken by the Governor
25 in that inaction of not signing it.

1 REPRESENTATIVE GREINER: I just want to
2 make a point because I have been the one that's
3 been probably hitting most of these agencies more
4 than others, whether it's health -- there's a
5 couple others that we looked at and we've
6 examined. And I'm going to be upfront. I mean,
7 I look at the IFO, look at some of the others,
8 they're projecting a three-percent increase, I
9 believe, if I'm not mistaken over the next four
10 years or so.

11 If I was doing that -- if I was preparing
12 a projection myself as a CPA, we know the
13 projections aren't always accurate, but you give
14 it your best shot. And I think -- and I think we
15 need to be pragmatic, and I think we need to be
16 honest with the taxpayers to come up with
17 something that we think is genuine on that side.
18 And that's all I'm saying. And I know emotions
19 are running high, voodoo math, whatever.

20 I'm just saying that I -- I'll just be
21 more honest with you. I don't think it's
22 realistic and I do think there needs to be an
23 honest conversation about we can talk about the
24 revenue side, but my focus is on the expenditure
25 side.

1 And for me, I'm a little bit disappointed
2 in what I see in the budget book moving forward
3 as we try to make decisions this year. And I
4 just wanted to -- I wanted to let you know that.
5 Agriculture, of course, was one of those line
6 items, but it's many.

7 Thank you, Mr. Speaker -- Mr. Chairman.
8 You called me Keith Gillespie, now I
9 called you Mr. Speaker.

10 MAJORITY CHAIRMAN SAYLOR: I don't think
11 Speaker Cutler would appreciate that.

12 Anyway, we'll move on to Representative
13 James Struzzi.

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

16 Good morning, Secretary.

17 SECRETARY THALL: Good morning.

18 REPRESENTATIVE STRUZZI: I'd like to talk
19 a little bit about the Governor's initiative to
20 enroll Pennsylvania in the Regional Greenhouse
21 Gas Initiative, otherwise known as RGGI. But I
22 want to talk about it from an economic
23 perspective.

24 In the budget book, the Governor says
25 that he's going to use this carbon tax to help --

1 let me put my glasses on so I can quote it
2 exactly -- to support communities and employees
3 impacted by energy transition.

4 Can you -- can you explain how exactly he
5 is going to do that?

6 SECRETARY THALL: The Governor has been
7 consistent in that he would like the help of the
8 affected communities to come in and figure out
9 the best way to direct that revenue from the
10 Clean Air Fund.

11 REPRESENTATIVE STRUZZI: And that revenue
12 is, I assume, this \$410 million that is quoted as
13 the CO2 budget trading line?

14 SECRETARY THALL: Yes.

15 REPRESENTATIVE STRUZZI: How -- how did
16 you arrive at \$410 million?

17 SECRETARY THALL: That was the
18 projections that we took when we were putting the
19 budget book together of what the costs -- or the
20 estimated option would yield.

21 REPRESENTATIVE STRUZZI: Now, in previous
22 years, I guess it was called the Energy
23 Communities Trust Fund; is that correct?

24 SECRETARY THALL: I believe so.

25 REPRESENTATIVE STRUZZI: And I've heard

1 different numbers. I think the first number was
2 \$180 million. Then I think it was \$300 million,
3 then \$120 million. Now, it's \$410 million.

4 I don't understand -- again, I'm not
5 going to say voodoo math, but how do we get from
6 all these numbers every year changing to \$410
7 now?

8 SECRETARY THALL: Just -- it all depends
9 on what the best known information we have to us
10 on the time. The market, as the previous speaker
11 had pointed out, is volatile. It's been volatile
12 even since February and January when this budget
13 was put together. So what we strive to do, and
14 what we feel we do do, is give the best estimate
15 that we have.

16 REPRESENTATIVE STRUZZI: So if, in fact,
17 and we're already seeing this, these electric
18 generation plants are going out of business,
19 shutting down, you're not going to have the \$410
20 million. So you're not going to be able to help
21 these communities that will be impacted by this
22 shutdown. So with all due respect, you've
23 mentioned fairness to all taxpayers over and over
24 again here this morning. This is not going to be
25 fair to all taxpayers, specifically not fair to

1 the people I represent in Indiana County who are
2 going to lose their jobs, who are going to see
3 their property taxes increase when these power
4 plants shut down.

5 And in all honesty, experts across the
6 board say RGGI is going to cause electric bills
7 to increase for everyone, everyone in
8 Pennsylvania. So at a time when we're looking at
9 gas prices like they are, we're looking at
10 inflation, we're looking at ridiculous burdens on
11 working families, senior citizens who are on
12 fixed incomes aren't going to be able to afford
13 this. I mean, RGGI is going to impact everyone
14 across the board, and that is a common-known
15 fact.

16 So from an economic perspective, do you
17 think it's wise to continue to move forward with
18 RGGI?

19 SECRETARY THALL: I do. I believe it
20 enhances the diversification of the energy
21 portfolio within the Commonwealth. Since 2016,
22 our natural gas production has gone up by 50
23 percent. We would like to continue to see
24 natural gas. We'd like to see expansion to
25 solar, wind, other sources of energy in order to

1 make Pennsylvania not only continue to be a
2 leading energy exporter, but to be as insulated
3 as it can be from the global environment.

4 REPRESENTATIVE STRUZZI: I have to
5 disagree that, you know, shutting down our
6 coal-fire electric generation plants creates a
7 diversified energy portfolio. You know, I drive
8 past the Homer City Generating Plant on my way
9 here every week. And throughout the winter
10 months, it does not stop. It is powering the
11 east coast. And shutting it down, I think, is
12 not just foolish, it's a danger to our energy
13 production here in Pennsylvania.

14 And I really -- I just can't understand
15 why we're continuing to move forward with this at
16 this time when we're talking about the gas tax
17 being rolled back for temporarily to give relief
18 to working families. And you know, the Governor
19 is pushing for this to move forward even at a
20 more accelerated rate. And it's just going to
21 cause more burden on everyday Pennsylvanians.

22 So I just -- I can't understand why we're
23 continuing to do this. And I wish that someone
24 from an economic perspective would speak up in
25 this administration and admit that this is not a

1 good idea, from an economic perspective. Because
2 you're not going to have these taxes. You're not
3 going to be able to collect these allowances if
4 you don't have these plants in business anymore.

5 And that's not just going to affect
6 electric generation. It's going to affect
7 manufacturing. It's going to affect everything
8 across the board. I'm almost I'm almost out of
9 time, but I had to make that point because I
10 just, I wish someone would realize that this is
11 going to affect everyday consumers, families, and
12 everyone across the board.

13 So thank you.

14 MAJORITY CHAIRMAN SAYLOR: Our next
15 questioner is Representative Jesse Topper.

16 REPRESENTATIVE TOPPER: Mr. Secretary,
17 good to see you.

18 SECRETARY THALL: Good to see you.

19 REPRESENTATIVE TOPPER: I don't know if
20 you were able to collect a little bit of the
21 exchange yesterday with the Department of Human
22 Services when we asked about the procurement of
23 the -- the reprocurement of the MCO contracts and
24 some of the concerns that I have about the
25 language surrounding what I kind of see as forced

1 collective bargaining or at least around the work
2 stoppages.

3 Is that language something that the
4 administration at this point can still revisit or
5 do you feel like that's too far down the road?

6 SECRETARY THALL: Now, I'm not an expert
7 on this issue in any sense of the form, so
8 forgive me. But my understanding is that this is
9 in the process where this was out to the
10 community to be returned. And once it's
11 returned, there is going to be a determination by
12 the Department on network adequacy.

13 REPRESENTATIVE TOPPER: I would
14 specifically, around the work stoppages, because
15 I was looking last night doing some research, and
16 there were -- there are many work stoppages that
17 take place in healthcare facilities, even when
18 there is a CBA or a unionized staff in place.
19 It's not simply -- and a lot of times those work
20 stoppages actually affect a wider range of
21 services because you have more people not going
22 to work.

23 It's not like a six-person department or,
24 I think, you know, 10 people. And this would
25 really affect -- for example, there's been a work

1 stoppage in the local area that I represent over
2 -- there were issues over the vaccine mandate and
3 workers not coming to work. And there were work
4 stoppages there.

5 So that language concerns me. Because in
6 an area like I represent, Bedford and Fulton
7 County, each one have one main medical provider.
8 And those counties span, as you know, hundreds
9 and hundreds -- thousands of miles.

10 So the ability to try and have that
11 access to care is critically important. And
12 that's really the heart of where we're trying to
13 get to and how did this language come about, and
14 if it is something that we can go back and look
15 at it and understand that in areas like mine,
16 that access could become severely limited.

17 SECRETARY THALL: Yeah. I think that's
18 -- I think Secretary Snead said that. And I
19 think -- I know that our position is that we --
20 the -- we need the access to the best, most
21 affordable and easiest care possible. As to the
22 genesis of the language, I have no idea. I
23 cannot begin to speak with that. I am happily
24 not engaged in any way in DHS's contractual work,
25 but I think the -- I think everyone is trying to

1 arrive at the same point, the ability to deliver
2 the best care to the individuals that are
3 affected.

4 REPRESENTATIVE TOPPER: I think as we
5 look at the government-that-works theme, there is
6 a concern among members, I think, of perhaps both
7 caucuses that the communication could be better
8 from one department to the other. Particularly
9 in the Department of Human Services, that
10 Department -- and this is something I believe you
11 are qualified to answer, at least in my opinion,
12 looking at your qualifications.

13 Is this something we need to look at in
14 terms of restructuring?

15 Has the Department become so large and
16 kind of so unwieldy that we just can't get our
17 hands around whether there's duplicative
18 services, whether there are services that are
19 being performed in other areas or funded in other
20 areas?

21 Has that Department -- I mean, when we
22 have a secretary come before us, and as many
23 people as she brought with her, I'm just not sure
24 that that can be done within the confines of one
25 department.

1 What are your thoughts on that?

2 SECRETARY THALL: It's interesting
3 because that was part of, five years ago, we were
4 going to combing Health, DDAP, and DHS under one
5 agency for -- to try to get cost savings and
6 efficiencies. So I think -- and I welcome, and I
7 know the Governor and Secretary Snead will
8 welcome any conversation of the best way to
9 facilitate cost effective services, whether it is
10 -- whether revisiting, taking, you know, a
11 proposal that changes the way the Department is
12 currently formed. I think, you know, we'd be
13 open to that conversation.

14 I don't know what, you know, what the
15 right answer is. I don't know what the best way
16 to deliver those services are. While I do have
17 some experience in the operation and organization
18 of government, I have zero expertise in health
19 care.

20 REPRESENTATIVE TOPPER: And I think
21 that's what my question was.

22 SECRETARY THALL: Yeah.

23 REPRESENTATIVE TOPPER: The operation of
24 government. In my opinion, as we move forward,
25 because we can talk about what the out years are,

1 but I think we all understand that that is
2 continuing -- that will continue -- that balance
3 will continue to shrink over the next few years.
4 Those are all the projections that we're seeing.

5 So in my opinion, in a few years, we will
6 have one of two choices. We will either be
7 restructuring how this government operates,
8 particularly in the most expensive areas like the
9 Department of Human Services, or we will be
10 raising taxes. There is no, in my opinion, third
11 alternative. And I stand firmly behind the idea
12 that we can make this work better. We can make
13 it work more efficiently.

14 That's going to take some difficult
15 conversations, some difficult decisions, but we
16 need to start that process now in how we
17 restructure some of these departments, including
18 Department of Human Services, so that they can be
19 -- I mean, we've seen the inefficiencies. We've
20 seen some of the problems that have been exposed
21 here through these hearings.

22 Now, it's time to make sure these
23 departments are the size and the scope that they
24 can actually function, that they can function
25 well, and they can function affordably. And I

1 think that's the discussion that we need to have.

2 Thank you, Mr. Chairman.

3 MAJORITY CHAIRMAN SAYLOR: Our next
4 questioner is Representative Torren Ecker.

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

7 Good morning, Mr. Secretary.

8 Good to see you again.

9 SECRETARY THALL: Good morning.

10 REPRESENTATIVE ECKER: I'm going to kind
11 of lead off a little bit where the last gentleman
12 was speaking. And just kind of talking, going
13 back really where this all started. And for us,
14 that was with the Department of Revenue. And in
15 that hearing, we talked with the Secretary there.
16 And we also talked with the IFO that same day.
17 And we talked a lot about revenue projections and
18 where things are heading.

19 And you know, the Governor seems to think
20 things are, you know, really, really positive
21 this year and things are moving -- revenue
22 projections are really high. I think Director
23 Knittel from the IFO commented that, you know, he
24 thinks the Governor's proposal is optimistic at
25 best. The Chairman -- the minority Chairman even

1 suggested that, you know, these are projections,
2 obviously, revenue projections are something that
3 are -- there's some speculation involved, maybe
4 even alluded to we don't have crystal balls to
5 figure this out.

6 You, Mr. Secretary, have been pretty
7 critical of the IFO and their work. In fact,
8 this week, I believe you sent a letter to the IFO
9 really criticizing their work. And I guess I'm
10 just wondering, Mr. Secretary, do you have a
11 crystal ball?

12 How is -- where are you getting to where
13 you are?

14 How is the Governor's proposal the best
15 one? why is -- what is his crystal ball?

16 SECRETARY THALL: Well, I wish I had a
17 crystal ball. But we're -- while I don't have a
18 crystal ball, we have the Department of Revenue.
19 And we are relying on national experts, IHS,
20 Moody's. We get monthly updates on the global
21 environment and what they predict it will affect
22 in Pennsylvania.

23 The IFO has access to the same
24 information, but for whatever reason, they did
25 not choose to follow it as I outlined in my

1 letter. So while I don't have a crystal ball, I
2 gladly defer to experts in areas where I do not
3 have it -- that expertise or a crystal ball, and
4 I rely on their opinions.

5 REPRESENTATIVE ECKER: And thank you,
6 Mr. Secretary.

7 You know, I would disagree with you. You
8 know, I think part of this is, as I think even
9 the Chairman of the other side even suggested, is
10 that some of this is speculation. And there's
11 data research behind this. And the IFO, being
12 the Independent Fiscal Office, came up with their
13 report. You know, you folks have come up with
14 your own, but I guess let me take a step now to
15 where we were last year at this time.

16 And last year when the Governor was here,
17 and your predecessor was here, she commented that
18 we have fiscal cliffs that will make this year
19 look like child's play, so much so that the
20 Governor was proposing a 46-percent, roughly,
21 increase in income tax in the middle of a
22 pandemic. This was just a year ago.

23 Now, the only thing that seems to have
24 changed between then and now is a massive influx
25 of Federal funding, which sure is great, we could

1 spend that money. That can be spent, but there's
2 no long-term sustainability there in projections.

3 And just looking at -- I think you have
4 even commented, and I may be wrong there, but I
5 think roughly six -- at the end of this year,
6 we'll have roughly \$6 1/2 billion, then it goes
7 to \$3.2 the next year, then \$1.3, kind of out.
8 To me, that doesn't sound like a long-term
9 success plan.

10 You know, if I see my bank account going
11 down that dramatically over a few year --
12 three-year period, I have concerns. So I'm just
13 -- I'm just wondering, Mr. Secretary, how -- how
14 is this a responsible budget moving forward in
15 the sense that our budget revenues are going
16 down. Representative Topper just spoke about
17 some of the long-term issues we have with DHS.

18 How is this truly a sustainable budget
19 moving forward?

20 SECRETARY THALL: I mean, it's -- it is.
21 I mean, we've got -- we have a stepdown in
22 revenues that's getting carried forward until the
23 revenue projections hit what we -- where it picks
24 up the General Fund spent.

25 REPRESENTATIVE ECKER: Mr. Secretary, if

1 your budget -- if your personal budget was going
2 down year over year, dramatically over the course
3 of what the Governor is proposing, you would
4 consider that to be a good revenue projection, a
5 good path forward for your personal finances?

6 SECRETARY THALL: Yeah. Because they're
7 -- I mean, as much as we, you know, we're trained
8 to be pessimistic in here, we're actually doing
9 well. And while Federal funding has helped,
10 General Fund revenues have continued to surpass
11 anyone's wildest expectations, and they continue
12 to do so. We're \$1.2 billion over estimate since
13 November.

14 We have -- we're projecting a General
15 Fund ending balance of \$13 billion. The money is
16 here.

17 REPRESENTATIVE ECKER: Well,
18 Mr. Secretary, there's a lot -- there's a lot in
19 that, obviously, with the Federal funding that's
20 come in. I think long-term growth, we haven't
21 seen growth in certain areas, which I think
22 generally lends itself to economic growth.

23 I see my time is up. I appreciate the
24 answers to my questions, and I appreciate the
25 process.

1 Thank you, Mr. Secretary.

2 Thank you, Mr. Chairman.

3 MAJORITY CHAIRMAN SAYLOR: Going into the
4 second round, we have Representative Clint
5 Owlett.

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

8 I just wanted to follow up a few more
9 questions on the vaccine cash payout.

10 SECRETARY THALL: Sure.

11 REPRESENTATIVE OWLETT: During this
12 vaccine verification process, were vaccine cards
13 presented to be able to verify that the
14 individual received the vaccine.

15 SECRETARY THALL: Not -- not for all.
16 There was an attestation form as well as a random
17 selection of people who applied to show their
18 card.

19 REPRESENTATIVE OWLETT: So not everybody
20 had to show verification, like, completely?

21 SECRETARY THALL: They had to attest.
22 And when you sign a document for the State, there
23 are penalties involved if you are lying.

24 REPRESENTATIVE OWLETT: Why not show the
25 card?

1 SECRETARY THALL: The determination was
2 made that the attestation was the most -- was the
3 better way to go.

4 REPRESENTATIVE OWLETT: Did they have to
5 provide the date that they were -- they received
6 the vaccine on the attestation?

7 SECRETARY THALL: I am not certain of
8 that.

9 REPRESENTATIVE OWLETT: So we don't know
10 the effectiveness of this program.

11 SECRETARY THALL: We do know the
12 effectiveness of the vaccine to keep our
13 working --

14 REPRESENTATIVE OWLETT: Well, not if we
15 -- not if we don't know the dates of when people
16 were vaccinated. If we don't -- if we don't even
17 have the cards, I mean, did people have to prove
18 the date at some point?

19 The goal would be, in my mind, to
20 understand how many were vaccinated from November
21 1st to December 30th, correct?

22 If we want to the know the effectiveness
23 of this cash payout, the incentive to get people
24 vaccinated, we would need to know the date.

25 SECRETARY THALL: I mean, we know the

1 vaccine has been effective. As one who has not
2 gone through the attestation process, I cannot
3 speak to what was required. I can find that out,
4 but the -- I mean, I'll quibble with your
5 description of it. It is a -- this program came
6 out when there was three options on the table,
7 including the OSHA requirement of vaccine or
8 test.

9 Our goal, as it always is, is to protect
10 our workforce and make them the most productive
11 as we can. In light of staffing shortages,
12 especially in some of our corrections facilities,
13 PSP, we thought that a more rigorous
14 administrative action, including termination
15 would be wholly against the goal of the
16 Commonwealth. And we didn't want to weekly test
17 our 70,000 employees when there was a question of
18 whether private enterprise would also have to do
19 a weekly vax or test.

20 REPRESENTATIVE OWLETT: The Department of
21 Corrections knew their effectiveness. They
22 thought it was around three to four percent. So
23 none of the other agencies or departments were
24 tracking that.

25 I guess maybe the last question -- maybe

1 there's another one. I don't know.

2 SECRETARY THALL: I'm here all day.

3 REPRESENTATIVE OWLETT: Yeah. Great.

4 SECRETARY THALL: I'm here for as long as
5 you need.

6 REPRESENTATIVE OWLETT: I can be here all
7 day, too.

8 I guess we brought it up the other day,
9 do you really think that this is fair, this whole
10 process was fair for non-State employees?

11 SECRETARY THALL: For non --

12 REPRESENTATIVE OWLETT: Non-State
13 employees. I've had people reach out from my
14 district and say, so State employees get this
15 extra cash payment, but nobody else does, and
16 there's no incentive. So I guess my question is,
17 I would say, they're saying it's not fair.

18 would you say it's not fair?

19 SECRETARY THALL: I would say -- I could
20 give a flippant answer of, you know, then we
21 would welcome them to become employees of the
22 Commonwealth. I mean, but I think that's -- in
23 seriousness, that's the point. We're trying to
24 figure out how we can become the premier employer
25 and the employer of choice. So having the

1 flexibility and the ability to do things that
2 enhance the quality of lives of our employees,
3 including protecting them by having them and
4 increased people around them that have protection
5 against COVID-19 is a win-win.

6 REPRESENTATIVE OWLETT: I think all the
7 private industries in the Commonwealth are going
8 to be interested to hear that.

9 SECRETARY THALL: Okay.

10 REPRESENTATIVE OWLETT: But I mean,
11 they're doing their best and they're taking care
12 of their employees, as well.

13 Are there any other payments, cash
14 payments, that are being talked about using prior
15 payments for state employees for, say, the flu
16 vaccine or any other -- are there any other,
17 using prior money that you have left over in your
18 budgets to give cash to state employees?

19 SECRETARY THALL: Not that I'm aware of.

20 REPRESENTATIVE OWLETT: I want to change
21 gears a little bit and continue to talk about
22 inflation. We talked to the Ag Secretary a
23 little bit about inflation in fuel and
24 fertilizer. Wheat prices, I believe, have hit an
25 all-time high.

1 We are really entering into an
2 interesting section of our, you know, time of our
3 agriculture in the Commonwealth. What are some
4 ideas or thoughts from the Budget Office in where
5 we're headed as far as inflation?

6 And I mean, we have farmers that are
7 really trying to decide whether they are even
8 going to plant crops this year. And I guess my
9 biggest question is, if a lot of farmers aren't
10 able to because of the cost this year, to plant
11 crops, where does that put us in the fall and
12 with our food prices?

13 I mean, wheat prices are through the
14 roof. So what can we expect to see in our
15 grocery stores moving forward?

16 SECRETARY THALL: Yeah. I mean, the
17 Department of Agriculture is tasked -- and
18 Secretary Redding does a very good job of working
19 with farmers to try to get -- to get them the
20 resources and avenues they need. The milk
21 marketing board is proactive in trying to reflect
22 the price of milk, so that the dairy farmers are
23 continuing to operate as well as trying to make
24 sure it's as affordable as it can be for
25 everyone. It's, you know, it's a -- it's an

1 unprecedented time for many, many reasons. You
2 know, the Department of Agriculture, we look
3 forward to working with the farmers to help them
4 in any way we can.

5 REPRESENTATIVE OWLETT: You're exactly
6 right. It is unprecedented right now. And our
7 farmers -- nobody is really talking about the
8 reality on the ground. And farmers are having
9 those conversations around their kitchen tables
10 right now with fertilizer being through the roof,
11 fuel being through the roof, seed corn being
12 through the roof. They're making hard decisions.
13 And the decisions that they're making right now
14 are going to affect our food prices not only
15 currently, but a whole lot more in the fall when
16 we find ourselves with less crops and less food
17 out there.

18 So you know, we have got to keep this in
19 our focus. And I it needs to be something that
20 we finally talk about out loud down here in
21 Harrisburg.

22 Thank you.

23 SECRETARY THALL: Yeah.

24 MAJORITY CHAIRMAN SAYLOR: Our next
25 questioner is Representative Lynda Culver.

1 REPRESENTATIVE CULVER: Thank you,
2 Mr. Chairman.

3 Thank you, Secretary Thall, for taking my
4 second question.

5 SECRETARY THALL: Of course.

6 REPRESENTATIVE CULVER: I just want to
7 talk about the ID community waiver program and
8 the waiting list initiatives. I have several
9 folks back home in the district that are very
10 active with this waiting list, with getting
11 people services. And they watch this line item
12 fairly closely. And there have been some
13 concerns when looking at the budget for that
14 specific area.

15 So each year, as you know, the Governor's
16 budget includes an initiative to move individuals
17 with intellectual disabilities off of the waiting
18 list. And each year, the General Assembly funds
19 that initiative. It's one of the areas that we
20 are in complete agreement, we need to keep
21 investing in it.

22 Generally, the annual cost of these
23 initiatives is about \$30 million in the ID
24 community waiver program appropriation. So I had
25 the constituents contact me because they were

1 looking at the outlying years, not this year and
2 not next year. So they're looking at the budget
3 for the fiscal year '25-26, which is a projected
4 increase of \$338, 000. And then in '26-27, there
5 is absolutely no increase, zero, none.

6 So extremely concerning to the folks back
7 home. And I pulled it because I hadn't looked
8 that far out in the budget. So since you expect
9 no increases in this appropriation in the out
10 years, is -- am I to assume there is no waiting
11 list?

12 Will that be taken care of at that time?

13 SECRETARY THALL: We -- that would be
14 terrific if it was. I mean, you're correct.
15 We're proposing a \$32.3 million initiative, \$18.8
16 million of State funds in order to provide for
17 the waiting list initiative. We're also
18 continuing a \$400 million HCBS line that was
19 started on January 1 for rate increases, which I
20 understand is less than what the provider
21 community would like, but it is one we felt was
22 affordable in continuing on.

23 I think as the previous speaker who spoke
24 said, we are in an unprecedented time. We are
25 projecting a General Fund balance -- or not a

1 balance, but a General Fund available cash
2 balance of over about \$13 billion at the end of
3 this year. If we are, you know, if we want to --
4 we would be happy to squirrel some of that
5 available balance away for '26-27, if we think
6 that is a prudent thing to do.

7 REPRESENTATIVE CULVER: I'm sorry. Can
8 you -- I didn't hear the last part of that.

9 SECRETARY THALL: We'd be willing to work
10 with you guys if you want to take some of the
11 almost \$13 billion that will be at the end of
12 this year to squirrel it away to '26-27 in order
13 to provide additional waiting list funding in
14 that year.

15 REPRESENTATIVE CULVER: So I just --
16 according to the Governor's budget, so the '25-26
17 year would be the last year, the final year. And
18 that's what the message is that's being received
19 by the community that uses these waivers or have
20 been on waiting lists for years. The projection
21 is that will just be the final one or -- I know
22 you say you want to work with us.

23 I'm just -- the message being given is
24 not being well received back home.

25 SECRETARY THALL: Understood. It's -- I

1 mean, if I had a crystal ball to be able to see
2 out that far, I'd be happy to tell you with
3 certainty what's going to happen in that year. I
4 think that you can -- the community can rest
5 assured the Governor is committed to it and
6 that's why he's investing \$33.2 million in the
7 waiting list for the current year -- or for the
8 proposed year.

9 REPRESENTATIVE CULVER: I just want to --
10 I mean, I know we're talking numbers and it's so
11 easy to get lost in numbers, what will we say to
12 the 10,000 people that remain on the waiting list
13 because I'm already getting calls on this. I
14 would love to see the day where there is
15 absolutely no more waiting list, but it would be
16 my hope that, I guess, that we don't forget or
17 just decide we're not going to fund this anymore.

18 I don't know if you've talked to any of
19 these families and what it means to them. It
20 means independence. It means being well taken
21 care of. It means survival. So I would
22 encourage you either, A, to sit down with members
23 of this legislative body on both sides of the
24 aisle, and we can tell you what we're hearing
25 back home. And secondly, I encourage you and the

1 Governor maybe to sit down with some of the folks
2 who are currently using the program, and then sit
3 down with the folks who have been waiting for
4 years to get on that program.

5 They will tell you the hardships that
6 they face every day, unimaginable to the rest of
7 us.

8 SECRETARY THALL: Yep.

9 REPRESENTATIVE CULVER: So that would be
10 my hope for you as we go forward.

11 SECRETARY THALL: All right.

12 REPRESENTATIVE CULVER: But this is a
13 really important line item.

14 SECRETARY THALL: I agree.

15 REPRESENTATIVE CULVER: Thanks for your
16 time.

17 SECRETARY THALL: I've met with the
18 community.

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

21 SECRETARY THALL: And I agree.

22 REPRESENTATIVE CULVER: Thank you.

23 MAJORITY CHAIRMAN SAYLOR: Our next
24 questioner is Representative Patty Kim.

25 REPRESENTATIVE KIM: Thank you,

1 Mr. Chairman.

2 Thank you, Mr. Secretary.

3 So during Governor Wolf's time here, I
4 guess the last eight years, the prison population
5 has been significantly reduced. And I think I
6 credit a lot of the programming for the inmates
7 in prison and then having them transition out
8 into the real world.

9 Do you see this as a pattern in terms of
10 the population decrease in the future?

11 SECRETARY THALL: Yes. We hope to -- we
12 hope to be able to continue to decrease. And we
13 agree, it's been a collaboration with the General
14 Assembly and our Department of Corrections under
15 current Secretary Little and under previous
16 Secretary Wetzel. We're down about 11,000
17 inmates.

18 And it's -- we hope to continue to see
19 the decline. We are curious to see -- the court
20 admittance has been varied due to COVID and the
21 halting of certain local court cases and also the
22 parole.

23 REPRESENTATIVE KIM: Can you talk a
24 little bit more about the compassionate release
25 proposal made by the Governor.

1 SECRETARY THALL: Yeah.

2 REPRESENTATIVE KIM: Yeah. Go ahead,
3 please.

4 SECRETARY THALL: Yeah, it's about a \$7
5 million initiative in order to get people to
6 skilled nursing beds and to the Warren State
7 Hospital. These are individuals that would
8 otherwise not be able to be placed in the
9 community because there's nowhere to take them.
10 We believe that is a worthwhile investment in
11 getting these individuals out of -- out of the
12 institutions when they are, you know, when they
13 are ready to be released and placed into a
14 skilled nursing care, so they can continue on
15 with their life.

16 REPRESENTATIVE KIM: I think there's
17 another thing that we can point to. There's no
18 doubt that addiction and imprisonment, there is a
19 connection.

20 With Attorney General Shapiro working
21 with the settlement, do you think that \$1 billion
22 from Johnson & Johnson will make an impact?

23 SECRETARY THALL: I -- I hope it does.
24 The need is great. The stories you hear are
25 heartbreaking. We are hopeful that the counties

1 can use their money in a way that's effective and
2 we look forward with working with the General
3 Assembly on how to use the funds that come to the
4 Commonwealth.

5 REPRESENTATIVE KIM: All right. Thank
6 you, Mr. Secretary --

7 SECRETARY THALL: My pleasure.

8 REPRESENTATIVE KIM: -- for being here.
9 Thank you, Mr. Chairman.

10 MAJORITY CHAIRMAN SAYLOR: And our last
11 questioner is Representative O'Neal.

12 REPRESENTATIVE O'NEAL: Thank you,
13 Mr. Chairman.

14 Mr. Secretary, you know, since Chairman
15 Bradford was so concerned about you answering my
16 last question, I figured I would ask you
17 directly, does this administration support the
18 General Assembly sending a State gas tax
19 moratorium to his desk?

20 SECRETARY THALL: The General Assembly
21 can do what it chooses. The issue becomes what
22 are we doing with infrastructure?

23 Does the General Assembly -- is the
24 General Assembly in a position that we can find
25 another \$2 billion in order to support the needed

1 roads and bridges in the current year?

2 If the answer to that is yes, then I
3 think it is something that the Governor can
4 achieve. I think the issue we've gotten into in
5 transportation is always we're relying on a
6 volume metric tax on a -- on a vehicle fleet that
7 is getting more and more efficient. Efficiency
8 is good, but we need to figure out another way to
9 fund our infrastructure.

10 If the gas tax holiday comes with a way
11 to fund that, I am sure the Governor would be
12 very receptive.

13 REPRESENTATIVE O'NEAL: I agree. That is
14 one of the issues with transportation funding, is
15 that fuel -- that vehicles are becoming more and
16 more fuel efficient. And that is primarily the
17 way we do fund our transportation here in
18 Pennsylvania. So I'm not sure exactly why it
19 makes sense for the administration to focus so
20 heavily on electric vehicles, if that's the way
21 we fund our transportation system, but that's
22 really an aside, Mr. Secretary.

23 I want to shift gears back to my
24 colleague's questions from earlier, specifically
25 about the hearing yesterday with DHS and the

1 contract language that we became aware of. And I
2 understand, you know, you're not over DHS. But,
3 you know, specifically, I guess my question would
4 be, the situation we've now seen here in this
5 contract with DHS for the MCO renewal, is that
6 we've seen a special interest write specific
7 language into a State contract that benefits that
8 special interest directly.

9 So my question is, how many other State
10 contracts have a special interest written
11 language into that benefits that special
12 interest?

13 SECRETARY THALL: I mean, I think that's
14 an unfair question. I don't know. I mean,
15 that's an impossible question. And that's --
16 that is not something that happens. The -- I
17 mean --

18 REPRESENTATIVE O'NEAL: It does happen.
19 The Secretary of Human Services admitted so
20 yesterday.

21 SECRETARY THALL: But I mean, the
22 important thing to remember in a contractual
23 agreement is that it needs to be -- multiple
24 parties need to agree to it, right. It's not --
25 I could write whatever contract I want, like take

1 the budget, for example. We wrote it.

2 Are you guys going to agree to it? I
3 don't have a crystal ball, but I think the answer
4 is no. I mean, it's --

5 REPRESENTATIVE O'NEAL: You're pretty
6 good at predicting the future.

7 SECRETARY THALL: Right. Right. The
8 lottery number tonight will be 736. Play the
9 daily number.

10 I mean, it's unfair. I mean, it's --

11 REPRESENTATIVE O'NEAL: Okay. But here's
12 the reality of this situation. And the acting
13 Secretary Snead sat here yesterday and admitted
14 so, that we've had a special interest group write
15 language that this administration put into a
16 contract to benefit -- for the benefit of \$2.3
17 million people in the State of Pennsylvania and
18 has put the entire program at risk because of the
19 desires, not of the administration, but of this
20 special interest.

21 So you're telling me that's -- that's
22 just okay and, like, this is just the way it
23 works because we'll negotiate through that?

24 SECRETARY THALL: No. I'm saying that it
25 would be -- it would be horrible for us to sit up

1 here and dictate what happens. We need the input
2 of --

3 REPRESENTATIVE O'NEAL: But the State
4 does.

5 SECRETARY THALL: No. We --

6 REPRESENTATIVE O'NEAL: The Governor --
7 the DHS put out a request for contract
8 negotiation with this language included. They
9 said, this is the contract that you need to bid
10 on.

11 SECRETARY THALL: Okay. I -- if you say
12 so. I have no knowledge of that, but the -- but
13 my point is, I'm sure they talked to the people,
14 the workers. I'm sure they talked to UPMC. I'm
15 sure they talked to the Hospital Association of
16 Pennsylvania. That's -- that's our job.

17 We need to be able to talk to the
18 affected community in order to put forth a
19 proposal that's right. Candidly, I'm not sure if
20 I'm supposed to tell you this, but when I first
21 proposed this budget to the Governor, it was a
22 CNIT reduction year one to 899. We spoke with
23 the chamber, and they were persuasive to the
24 Governor in that the first year should be down to
25 799. We did it. We agreed with them.

1 Does that make our proposal better or
2 worse? Who knows.

3 But the point is, we need to have that
4 input from the community that is affected. It's
5 something important. Representative James was
6 talking about the important, you know, his
7 constituencies that have the impact of natural --
8 of traditional oil drilling. We absolutely need
9 to be able to talk to them in order to get more
10 effective --

11 REPRESENTATIVE O'NEAL: Yeah. There's a
12 difference between going to the chamber and
13 saying, hey, what do you think about this
14 proposal and writing actual -- well, not the
15 administration writing, but the special interest
16 writing actual language that ends up in the
17 actual contract that is being bid on. That is a
18 much different situation, Mr. Secretary, than --
19 of course, absolutely you need the input of the
20 constituency groups of everything you do. And
21 we're not doing our jobs if we don't do that.

22 It is much different when you say, here's
23 the contract you have to agree to. Tell me how
24 much you can bid on it. And by the way, a
25 special interest has written language included in

1 that contract that solely benefits them.

2 It's wrong. It needs to be taken out of
3 that contract immediately, and that practice
4 needs to not continue moving forward.

5 Thank you, Mr. Chairman.

6 MAJORITY CHAIRMAN SAYLOR: Very good.

7 Next, Representative Bradford.

8 MINORITY CHAIRMAN BRADFORD: Thank you,
9 Secretary.

10 I think you've done a fine job this year
11 presenting the Governor's budget. I had a
12 question for you on the education side. The
13 education proposal is pretty dynamic and puts
14 forward what we believe to be a historic
15 opportunity, not just to make investments in
16 students, but deal with the way we fund
17 education, both on the equity and the adequacy
18 side.

19 And I just was hoping that you could give
20 a little synopsis of what you see as the benefits
21 of the Governor's proposal.

22 SECRETARY THALL: I'm happy to. I think
23 we talk about the top line number of \$1.55
24 billion. But before we even get there, we need
25 to talk about the investment of over \$100 million

1 in early education as well as the \$200 million
2 into the special education formula, which is a
3 cost that I hear often from school districts is
4 not -- is not -- is not sufficiently funded with
5 State dollars. It is a Federal requirement.

6 But the \$1.55 billion in the basic
7 education funding line is split into two ways.
8 One, through two historic legislative
9 accomplishments. The first one through the fair
10 funding formula.

11 Full disclosure, I was a member of the
12 first basic education funding commission, but
13 that is a \$1.25 billion investment as well as
14 \$300 million through the recently-enacted last
15 year level-up formula, which will direct those
16 dollars to the 100 districts that are most in
17 need.

18 Even if the -- and an important aside to
19 that is even if that number is agreed to, that
20 would put our basic education funding line at
21 about \$8.7 billion, I believe. It's over \$8
22 billion, but that's not even half of what our
23 locals pay in property taxes, which is \$15.8
24 billion.

25 So the Governor's hope is that providing

1 this money in the most flexible way possible will
2 help reduce the burden on the local taxpayers.

3 MINORITY CHAIRMAN BRADFORD: One of the
4 portions of the Governor's budget -- and I know
5 he's made this proposal in the last several -- is
6 charter school funding reform.

7 Can you talk briefly about that for me?

8 SECRETARY THALL: I -- sure. So there's
9 \$373 million that will be saved by local
10 taxpayers by reducing charter funding. It is in
11 a two separate portions of it. One is a
12 statewide rate for cyber schools to be -- so the
13 tuition rate for that charter -- cyber charter
14 school is based on a statewide average and not
15 what the spending -- the spending district spends
16 per student.

17 The second -- the second portion is
18 providing or applying the Special Education
19 Funding Commission's three-tiered weighted formula
20 to all public schools. Currently, charters --
21 well, most charter schools are not included.
22 Chester Community Charter school and the other
23 community schools in the Chester Upland School
24 District are -- already pay this under an
25 agreement with -- under the receivership.

1 MINORITY CHAIRMAN BRADFORD: So the
2 special ed and the cyber charter has been an
3 issue that has frustrated many of us, and I know
4 the administration, for some time. And I want to
5 point out an article from February -- actually,
6 it's from 2015, but goes on to quote our former
7 colleague, Bernie O'Neill.

8 The title of the article Big For-Profit
9 Schools, Big Donations. The influence of charter
10 schools on Pennsylvania politics. It's a really
11 interesting read. And let me go on to begin
12 quoting a little bit from the article.

13 It's no secret that Harrisburg is a hive
14 of lobbyists, each representing industries and
15 interests that spend millions to persuade State
16 lawmakers to bend the laws in their favor. But
17 perhaps what makes the charter school lobby
18 unique among the pact, says State Representative
19 Bernie O'Neill, Bucks County -- and we're glad to
20 have you instead; no, I kid -- a Republican from
21 Bucks County, is its ability to deploy resources.

22 It goes on to say, according to a
23 PennLive analysis of donations on Follow the
24 Money, a campaign donation database, charter
25 school advocates have donated more than \$10

1 million to Pennsylvania politicians over the last
2 nine years. The names are quite interesting, and
3 the impact on legislation is devastating.

4 Now, again, I don't think we should be
5 going down this road. I think we should have an
6 honest discussion about how we fund campaigns in
7 Pennsylvania. But today we're going to talk
8 about the budget. We're going to talk about
9 charter school reform.

10 Big schools, big donations, it goes on.
11 In Pennsylvania, a charter school has to be set
12 up as a non-profit. However, a charter school
13 company can get around that by setting up a
14 foundation to file the application and then
15 contracting with the foundation to run the
16 school.

17 Secretary, have you been alarmed by some
18 of these? And you mentioned one of the charter
19 schools in particular.

20 Are you concerned at all about how these
21 charter schools have been administered in the
22 Commonwealth?

23 SECRETARY THALL: I am. And what
24 frustrates me, from where I sit, is it's a
25 dilution of local control. So Philadelphia --

1 the School District of Philadelphia has done a
2 wonderful job of rightsizing its traditional
3 operation. I think it's closed 23 school
4 buildings in the last six years.

5 They will -- 40 percent of their budget,
6 I believe, at least two years ago, was directed
7 to charter schools. And that's out of their
8 costs. So I -- I think education as a whole,
9 it's a huge expenditure, both on the State and
10 local level. And I think there needs to be an
11 ability for the local -- if we are a truly local
12 control state, for the locals to be able to
13 control their costs.

14 MINORITY CHAIRMAN BRADFORD: Well, I want
15 to go on to talk about the power of inaction.
16 And this is actually right again from the same
17 article.

18 Critics of the lobbying interests of
19 charter school groups say one of the biggest
20 goals of the lobby, more often than not, is
21 inaction on bills that might affect them rather
22 than action. O'Neill, the Bucks County
23 Republican, said he was besieged by the lobby
24 after he co-chaired a commission that
25 investigated flaws and how special education

1 students were funded. As a former special
2 education teacher, the issue was close to his
3 heart.

4 Now, again, I don't want to belabor the
5 point, but when you look at the impact of these
6 individuals and you read through these lists of
7 how it impacted public policy, it's heartbreaking
8 that seven years, and after the retirement of
9 Bernie O'Neill, we're still having Budget
10 Secretaries come forward to ask, why is this
11 legislation not moving?

12 It is heartbreaking to quote my former
13 colleague and Representative O'Neill. But it
14 really must ask the question, why year after
15 year, when we're able to finally make these
16 historic increases in education funding?

17 Are we sitting here again -- and again, I
18 don't mean to put anyone on the spot because, you
19 know, it's all a matter of public information,
20 you know, Commonwealth Children's Choice Fund,
21 Excellent Schools PA, Students First, these
22 groups have been out there advocating against any
23 attempts to do real charter reform. And the
24 names of the contributors and donors are publicly
25 available.

1 It is not a good way to do public policy.
2 In fact, it has stopped good public policy from
3 ever reaching our desks. We need to do far
4 better in the issue of education reform. And
5 this is disgraceful. I'm embarrassed that we're
6 here again having this discussion.

7 Now, I want to talk about an issue that I
8 think should bring Democrats and Republicans
9 together. In fact, I think it should bring all
10 Pennsylvanians together, which is because of the
11 stewardship, the strong financial stewardship of
12 this administration, we now find ourselves in a
13 position to talk about corporate tax reform in
14 the Commonwealth.

15 You rightfully mentioned, Secretary
16 Thall, the opportunity we have in front of us to
17 cut the corporate net income tax. And you
18 mentioned that your original proposal was not as
19 aggressive as the proposal that's in this budget.

20 Can you tell me a little bit about what
21 your CNI proposal plans to do for the state of
22 Pennsylvania?

23 SECRETARY THALL: Happy to do it. The
24 Governor has been very clear that the sticker
25 shock of having a rate at 9.99 is unattainable.

1 So the Governor has an immediate jump down to
2 7.99 and puts us a path down to 4.99.

3 Now, the Governor is clear in that he
4 does not think it should be a straight cut.
5 There should be certain add-backs, including
6 economic nexus changes to our corporate laws to
7 better capture corporate activity that occurs
8 within Pennsylvania.

9 MINORITY CHAIRMAN BRADFORD: I believe
10 that when the Revenue Secretary came forward, he
11 said it would be a tax cut for 90 -- 95 percent
12 of businesses; and whatever rate we picked, you
13 could never get it low enough for the five
14 percent of businesses that are probably using
15 avoidance mechanisms to pay almost any level of
16 corporate taxation.

17 Is it really possible that we can cut
18 corporate taxes for 95 percent of Pennsylvania,
19 and do so dramatically, and cut the rate to stop
20 being, as you put it, a giant stop sign on
21 business coming into the Commonwealth?

22 SECRETARY THALL: I think it's very
23 possible.

24 MINORITY CHAIRMAN BRADFORD: Well, I got
25 to tell you, our caucus has been proud to be out

1 there championing this idea of cutting corporate
2 taxes. One of the things I've heard -- and I
3 know the good gentleman from Indiana County and
4 others have talked about the issue of job growth
5 in western Pennsylvania and the population loss
6 which was on such dramatic display in the most
7 recent redistricting process, where you see
8 populations hemorrhaging out of the western and
9 northern parts of our State.

10 If we're ever going to be probusiness, if
11 we're ever going to change the demographic
12 declines and changes in our Commonwealth, and if
13 we're going to have a truly sustainable long-term
14 budget, I think it's time to take a page out of,
15 whether it was Jack Kemp or Ronald Reagan, who
16 talked about cutting taxes, broadening the base
17 that allows us to cut rates.

18 That used to be Republican orthodoxy. My
19 Republican colleagues have seemed to have
20 forgotten their way a little bit ideologically
21 and that this is an opportunity to cut taxes and
22 say once and for all that Pennsylvania is open
23 for business and do so in a bipartisan way.

24 It amazes me that we would allow five
25 percent of businesses that are using avoidance

1 schemes to prevent us from cutting taxes for the
2 vast majority, the vast majority, let's be
3 honest, all corporations that are doing the right
4 thing. It strikes me that it's about time to do
5 that.

6 I also would be remiss if I different
7 bring up the issue of UC and the trust fund. And
8 I think the good lady from Bucks County
9 rightfully brings this up. I sensed in your
10 response that there's a willingness to have a
11 discussion about how we pay back the trust fund;
12 is that a fair assessment?

13 SECRETARY THALL: Yes.

14 MINORITY CHAIRMAN BRADFORD: So what
15 you're saying is this administration wants to
16 talk about corporate tax cuts. It wants to talk
17 about the UC trust fund. And it wants to talk
18 about things like education, so long term we have
19 the workforce that we need and the business
20 climate we need to put these people to work and
21 to grow our long-term economy here in the
22 Commonwealth?

23 SECRETARY THALL: That's correct.

24 MINORITY CHAIRMAN BRADFORD: That strikes
25 me -- and I think this is a good place to

1 conclude these budget hearings this year. We
2 obviously have historic revenues. We don't just
3 have historic Federal money. Let me repeat what
4 I just said. We have historic revenues.

5 And again, we give credit where it is
6 due. The legislature deserves some. The
7 Governor deserves some. But now that we are in
8 this position to make these smart long-term
9 investments -- and we've talked about our
10 structural challenges. And I will tell you, you
11 can't talk about out years far enough when you
12 have the demographics of this Commonwealth
13 because of age and because of other concerns.
14 You can't ever be structurally balanced if you
15 don't deal with investment, if you don't deal
16 with making sure that we have the type of
17 business climate and young people that want to
18 stay here and invest and prosper in this economy
19 and this Commonwealth.

20 The only way to make that happen is use
21 this moment in time where, yes, we have Federal
22 money and we have to make smart decisions,
23 one-time decisions about where to invest that,
24 but while we have these revenues, if we're going
25 to talk about how we reverse these population

1 declines, if we want to talk about how we grow
2 this budget for the next Governor -- that I know
3 we share a bipartisan concern that he is a
4 success -- if -- and I wish it was a she. I
5 don't know if we have a female candidate, so I
6 apologize if we do.

7 I want to make sure that we leave
8 ourselves in good financial hands. And the right
9 time to make sure we do that is now. We have the
10 financial wherewithal to make long-term
11 investments in the kind of economy we want to
12 build. And I think this budget put forward by
13 this administration shows us the way.

14 So thank you, Secretary Thall, for your
15 work this year, and thank the administration and
16 all the secretaries that came before us.

17 SECRETARY THALL: Thank you.

18 MAJORITY CHAIRMAN SAYLOR: So I love
19 revisionist history. The issue of charter
20 schools legislation has passed the House multiple
21 times without any support from the other side of
22 the aisle.

23 Now, you know, if you know -- understand
24 the legislative process, the Governor, the
25 President, the Speaker of the House or President

1 pro tempore of the Senate never get what they
2 want -- exactly what they want. Secretary, you
3 know that. You've been around a while.

4 SECRETARY THALL: Sure.

5 MAJORITY CHAIRMAN SAYLOR: You understand
6 the process, and I give you credit for that. It
7 isn't because this side of the aisle or that side
8 of the aisle necessarily. It's because we
9 haven't found a way to get a compromise that
10 passes here. And I hope at some point we will on
11 charter schools, but to act like charter schools
12 are a failure in this State is just unbelievable.

13 It's very clear -- in York City alone, we
14 have two outstanding charter schools that test
15 scores far exceed that of the public school
16 there. So let's not paint these, whether it's
17 home schools, charter schools, religious schools
18 as being bad schools. They're all good schools.

19 Are there bad ones? Of course. There's
20 bad public schools, and there's bad charter
21 schools possibly, however you want to classify
22 them. But I don't like when we generalize and
23 make it sound like all of these institutions have
24 problems.

25 Tax cuts, we're in an election year and

1 the Governor after seven years of proposing to
2 increase taxes -- last year, 46 percent tax
3 increase, even though we had a surplus last
4 year -- this year he comes along in an election
5 year and proposes to cut taxes. And I commend
6 him on that. It's long, long over time to do
7 that, but we've been working on that for a long
8 time.

9 And it wasn't the Governor's proposal in
10 last year's budget to create a Rainy Day Fund.
11 That was nowhere to be seen in his fund. We
12 actually had to fight for that when we passed the
13 budget last year. And we got an agreement with
14 the Governor to finally create one. And so now
15 we're sitting on some dollars there.

16 Mr. Speaker, there is a tax in this
17 budget. It's a carbon tax, RGGI, which will
18 create higher electric and heating bills on low
19 and middle class families, seniors, handicapped
20 individuals. So while one proposal is to cut
21 taxes, there's another tax to hurt those that are
22 most vulnerable in this Commonwealth.

23 It's funny because, you know, just today,
24 yesterday it was reported today that nickel,
25 which is a big part of creating electric cars,

1 doubled yesterday to \$100,000. Thereby, the cost
2 of electric cars in this Commonwealth and nation
3 are going to rise tremendously.

4 Those are just some of the issues, but
5 let me conclude here today that after three weeks
6 of budget hearings on the Governor's proposed
7 budget for '22-23 fiscal year, I want to thank
8 all of the Committee members for their
9 participation on both sides of the aisle and
10 their insights and their questions. I think we
11 learned a lot.

12 The Governor's proposed nearly a
13 20-percent increase in spending in the '22-23
14 fiscal year and has been telling people of
15 Pennsylvania that it's a responsible and
16 sustainable budget, yet we know differently. The
17 Governor's budget presents phony numbers in the
18 out years of the budget, obligations that we
19 normally have every year, and for the new
20 obligations proposed to create in this budget as
21 we go forward, as well.

22 Over the course of these hearings, we
23 heard this concern highlighted by the Secretary
24 of Corrections in regard to the natural growth in
25 the Corrections budget. We also heard the

1 Commissioner of the State Police indicate he had
2 no idea why the Governor's budget would show the
3 State Police won't need another increase in their
4 budget after '22-23.

5 Yet the Governor's budget magically shows
6 that these department line items will remain flat
7 or even decline in the next four years after the
8 '22-23 fiscal year. why? we know why.

9 why? To make the Governor's budget
10 appear to work on paper.

11 we heard from the Secretary of General
12 Services that he had no idea why the Governor's
13 budget would show the newly proposed \$30 million
14 child care reimaging appropriation as only one
15 year line item in the '22-23 fiscal year, when it
16 is intended to be an ongoing program.

17 we even heard from one of the cabinet
18 secretaries who basically indicated he didn't
19 even bother to review the Governor's budget. I
20 can only presume because he also knows it's not
21 responsible or realistic. well, the House
22 Republican Caucus will be here to go to work on a
23 budget that doesn't just work on paper, but works
24 for the citizens and the taxpayers of this
25 Commonwealth, just as we have been doing for the

1 last seven years.

2 In the early years of this -- his first
3 term, Governor Wolf was taking a pass on signing
4 budgets, three years in a row. When the House
5 Democrats took a pass in May of 2020, did not put
6 up a single vote to get a five-month emergency
7 budget in place at the start of this pandemic,
8 the House Republicans weren't passing on that.
9 We acted and passed an emergency budget to let
10 people in education know that we had their back
11 during this pandemic.

12 The House Republican Caucus again stands
13 ready to be the adult in this room as we work to
14 enact a fiscally responsible budget that is in
15 the best interest of the people of Pennsylvania
16 and stands up for our hardworking taxpayers.
17 Again, I want to thank the members and the
18 testifiers who appeared before us.

19 Mr. Secretary, all of your secretaries
20 did a fine job. We had our disagreements and our
21 arguments, but they at least appeared and took
22 the heat for what we believe, at least on this
23 side of the aisle, were problems in this budget.

24 I also want to thank the Speaker's Office
25 and the Chief Clerk's Office for making our

1 hearings work for the second year in a row here
2 on the House floor. And a special thank you to
3 all of the audio/video and Core staff who have
4 pitched in to make these hearings a success.
5 They've done an amazing job standing here
6 listening to all of this.

7 So Mr. Secretary, I want to thank you.
8 And with that, these hearings are adjourned.

9 SECRETARY THALL: Thank you.

10 (Whereupon, the hearing concluded.)

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C E R T I F I C A T E

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

Tiffany L. Mast

Tiffany L. Mast, Court Reporter

