



2009-10 Budget Hearings

The Senate Appropriations Committee recently wrapped up its first week of public hearings on the state budget for the 2009-10 Fiscal Year. The Appropriations Committee heard detailed reports from several cabinet secretaries and other officials over the four-day period from February 23 through February 26. This special edition of the Senate Appropriations Committee newsletter provides day-by-day highlights from those hearings.

The Appropriations Committee's budget hearings continue from March 2 through 5. An upcoming special edition of the Senate Appropriations Committee Newsletter will provide updates from those hearings.

**Monday,
February 23, 2009**

DEPARTMENT OF LABOR AND INDUSTRY

10:00 a.m.

During the budget hearing with Acting Labor and Industry Secretary Sandy Vito, Appropriations Committee Chairman Senator Jake Corman, 34th District, and other committee members questioned how economic stimulus money from the federal government would be used to improve the job climate in Pennsylvania.

Senator John Gordner, 27th District and Chairman of the Senate Labor and Industry Committee, asked if the federal stimulus dollars would



Senator Jake Corman, chair of the Senate Appropriations Committee, comments on the need to thoroughly examine the usage of the Federal Stimulus monies on a department-by-department basis.

cover the increased costs to provide unemployment benefits to a larger number of individuals for a longer period of time. Senator Stewart Greenleaf, 12th District, asked what sectors of employment are suffering the greatest job losses and asked how the Department would use federal stimulus money to help create jobs. Senator Gordner also raised concerns about the solvency of the state Unemployment Compensation Trust Fund.

Several committee members expressed concerns about the funding cuts in the Governor's budget proposal. Senator Mary Jo White, 21st District, asked if the proposed reductions would impact the ability to help Pennsylvanians who rely on the Department's services. Senator Lisa Baker, 20th District, questioned the Administration's decision to eliminate the New Choices/New Options program.

Citing the proposed reduction in funding to Thaddeus Stevens College of Technology, Senator Lloyd Smucker, 13th District, asked what percentage of the Department's budget was devoted to workforce development. Secretary Vito agreed to provide that information to the Committee. Senator John Rafferty, 44th District, asked if the Department was coordinating with the Department of Education to ensure that small businesses would have access to a qualified and educated workforce.

Senator Pat Browne, 16th District, asked if the state would meet the federal standards for vocational rehabilitation and expressed concerns that the Department would not meet its projections due to proposed cuts in funding. Responding to questions from Senator Pat Vance, 31st District, Secretary Vito said that she would welcome a legislative review of the proposed Consumer Workforce Council.

Appropriations Committee Chairman Senator Corman called on the Senate Labor and Industry Committee to hold subsequent hearings to ensure that federal stimulus dollars would provide the maximum benefit to state residents.

OFFICE OF OPEN RECORDS

1 p.m.

Executive Director Terry Mutchler reported that the office has 100 pending "legitimate" appeals and has is-

sued six final determinations. The office is seeking a \$1.3 million budget (up from \$1.01 million) for a staff of 10, including three full-time attorneys.

Senator Gordner stressed that the office must be independent and asked if the Office of Open Records' budget was developed by the Administration. The Executive Director said the office drafted its own budget, with some help from the Department of Community and Economic Development. Senator Gordner asked if the office could outsource some legal expense. The Executive Director said it could hire hearing officers, but wants to use the hearing process sparingly and make as many decisions as possible based on submitted paperwork.

Senator Rafferty asked whether the Open Records Law needs to be amended to allow smaller municipalities with limited staff more time to comply with document requests. Executive Director Mutchler indicated she'd rather see how the situation played out over a year, adding that the law allows local governments to invoke a 30-day extension. Senator Rafferty encouraged the office to keep an open dialogue with small municipalities.

Senator Pat Vance asked who pays the costs of a court challenge if a local government refuses to release a document as directed by the office. The Executive Director said the citizens pay the costs initially, but agreed with the Senator that the office could enter the legal dispute as a "Friend of the Court" to assist the citizen. Senator Vance noted that she was concerned that the courts deem autopsy reports to be covered by Open Records requests, and hopes the media will respect family privacy and not exploit those items in the name of morbid curiosity.

Director Mutchler reported to Senator Greenleaf that the Office has

conducted 80 training sessions in Harrisburg and statewide. Senator Greenleaf said he was concerned that some letters he receives from constituents contain sensitive information and — if forwarded to a state agency to resolve a problem — they could be considered a public record and subject to release. The Executive Director said forwarded letters would be subject to the law, but depending on their content, could fall under one of the 38 exceptions the law provides.

Responding to Senator Greenleaf's concern about fees charged for copying documents, the Executive Director agreed that high copying fees are often used by local governments to deny access. Courts have ruled that 25 cents-per-copy is "not unreasonable," but the Executive Director said it seems high and noted that governments often tack on "redaction fees" which inflate costs further.

Senator Browne asked if computer technology will eventually reduce the cost of the Open Records Office by making more documents available online. The Executive Director said the Office would reduce costs as it reduces the number of right-to-know requests. Senator Browne asked which standards the Office would use to measure its performance. Executive Director Mutchler said the Office should be judged on how well it does its required tasks: conducting training, providing useful request forms and web assistance, and processing requests. She noted that the Office must provide annual reports to the legislature.

As a former township supervisor, Senator Smucker said he was concerned about the ability of local governments to comply with the requirements of the law. The Executive Director said there has been some confusion, "growing pains" and

lack of understanding about the rule requiring that a response to a request be provided in five business days. She said the Office is conducting training and providing ready-made forms local governments can use for either approval or denial of document requests, adding that municipalities can foster goodwill by simply responding to the request in a professional manner.

Appropriations Committee Chairman Senator Corman closed the hearing by agreeing with the Executive Director that it is too soon to think about amending the new law, and that it is important to "see how it works in the real world."

BUDGET SECRETARY AND REVENUE SECRETARY

2:30 p.m.

The Senate Appropriations Committee closed its first day of hearings on the Governor's proposed Fiscal Year 2009-10 budget with a session with Budget Secretary Mary Soderberg and Acting Revenue Secretary Stephen Stetler.



Senator Mary Jo White (R-21) urges the Administration to continue leasing out small portions of state park land to natural gas developers in the Marcellus Shale Natural Gas field.

Appropriations Committee Chairman Senator Corman opened the hearing by noting that the federal stimulus package has changed — with more funding for education and less for public safety — since the Governor unveiled his proposed budget. He asked whether the changes in the federal package would result in alterations in the Governor's proposal for Fiscal Year 2009-10. Senator Corman added that the Appropriations Committee plans to hold follow-up hearings to monitor the changes.

Senate Finance Committee Chairman Senator Browne noted a current balance of \$650 million in the Property Tax Relief Fund — not counting a \$100 million reserve balance — and asked whether the Administration has plans to use that money. "It seems to me to be a little bit too high," he said. Senator Browne also questioned the Administration's proposed tax increases. While the Governor said the increases were not "broad-based," the proposal to allow counties to increase sales taxes would in fact be broad-based if every county imposes it, Senator Browne said.

Senator Rafferty asked about the proposal to fund higher education assistance through legalized video poker. He noted that the chairmen of the two Senate committees that would have oversight over the initiative have not received any details about the proposals. "We have not seen anything or heard anything since the governor's pronouncement," Senator Rafferty said.

Senator Gordner asked if the Administration factored in the impact of the federal 61 cent-per-pack cigarette tax increase on the Governor's proposal to increase Pennsylvania's cigarette tax by 10 cents-per-pack. Senator Gordner noted that lottery fund revenues are down in counties

where gaming is permitted and asked whether the Department of Revenue is monitoring those trends.

Senator Vance read from a Legislative Budget and Finance Committee report showing a clear decline in lottery revenues in counties that have gaming facilities. Senator Vance added that the Administration's projection of a 7.9 percent increase in lottery sales in the upcoming fiscal year is likely unrealistic. Noting that surviving spouses ages 50 and over are eligible for the Property Tax/Rent Rebate Program, Senator Vance asked whether the Commonwealth should adjust that age requirement.

Senator Jane Orie, 40th District, asked how the Administration monitors "no-bid contracts" and the millions of dollars spent for legal and other services. Senator Orie asked Secretary Soderberg if she has had any discussions with the Governor on reforming the process to provide transparency and eliminate the appearance of impropriety.

Appropriations Committee Vice Chairman Senator Robert Tomlinson, 6th District, asked how the Administration selected a \$500 licensing fee for proposed video (poker) lottery terminals. Senator Tomlinson asked whether any of the existing gaming venues would be eligible to receive any refunds of their \$50 million licensing fees if the Commonwealth permits video poker.

Senator Mary Jo White asked about the proposal to raise \$107 million in revenue from a new severance tax on natural gas extraction. She noted that the current price of natural gas has dropped significantly and reached the lowest level in six years. Senator White also questioned the wisdom of placing a tax on an industry that is just beginning to start up operations in Pennsylvania.

Senator Baker asked if the Administration considered providing local municipalities with benefits from the severance tax on natural gas extraction. Acting Secretary Stetler said the Administration didn't consider local communities when developing the tax. Senator Baker also asked the Administration to make it easier for local emergency responders to take advantage of a new personal income tax credit.

Senator Smucker questioned the 4.6 percent increase in spending in the proposed Fiscal Year 2009-10 state budget considering the current difficult economic climate. Senator Smucker and Senator Mike Waugh, 28th District, raised concerns about the Administration's proposal to eliminate the 1-percent discount given to retailers for collection of the state sales and use tax. "Don't you think there will be some negative consequences?" Senator Smucker asked.

Senator Waugh noted the Administration's proposal to use 83 percent of the current balance of the Rainy Day Fund to balance the budget. "Is it a prudent move to deplete our Rainy Day Fund and not look ahead?"

Senator Greenleaf, noting that eviction for failure to pay property taxes is a problem particularly in Southeastern Pennsylvania, inquired about enrollment in the Property Tax/Rent Rebate Program. Senator Greenleaf asked whether the Department of Revenue is working to raise public awareness about the program.

Senator John Pippy, 37th District, noted the proposed new tax on Other Tobacco Products (36 cents-per-ounce on loose tobacco and 36 cents-per-10 cigars) and asked how the Administration set those rates. Senator Pippy asked for information on similar taxes imposed by other states.

Appropriations Committee Chairman Senator Corman said Pennsylvania must go beyond “treading water” and look toward protecting the fiscal stability of the Commonwealth into the future. Senator Corman said Pennsylvania must be careful in how it invests the federal funding. “Where I get nervous is money being pumped into the general fund for recurring costs. We are going to need some plan to phase ourselves off of it or we will be facing a tremendous (funding) hole.”

**Tuesday,
February 24, 2009**



Senator Lloyd Smucker (R-13) discusses the results of a recent DGS audit report with Secretary Jim Creedon.

DEPARTMENT OF GENERAL SERVICES

10 a.m.

During testimony on the proposed budget for the Department of General Services, several members of the Senate Appropriations Committee expressed concerns about the size, cost and oversight of the state’s vehicle fleet.

On the issue of cost-savings, Appropriations Committee Chairman Senator Jake Corman told DGS Secretary James Creedon that it might be more cost effective to rent cars in

some areas of the state rather than reimburse mileage.

Senator Lloyd Smucker wanted to know if DGS has studied the practices of other states when it comes to state-issued vehicles.

Senator John Rafferty noted that while there are many checks and balances involving state cars and their use by the legislative branch, that practice does not extend to the judicial branch of state government. He wanted to know why judicial fleets are independent of other state vehicles and their usage is not tracked or available for public scrutiny.

Noting that \$800 million is proposed to be spent on prison construction this year, Senator Mary Jo White raised the point that only \$130 million is proposed for construction projects at state-owned universities. She said the state must do more to provide intermediate treatment for non-violent offenders, rather than increasing the population at state prisons.

Building allocations and improvements for state universities were a main concern for Senator Lisa Baker, who asked the Secretary, “How do you go about improving the state schools and how is it decided which one will be improved and what projects will be taken on?”

Senator John Gordner asked Secretary Creedon about the COSTARS program, which allows local governments to obtain more competitive prices on certain products by piggybacking on state contracts. Senator Gordner asked why several municipalities that ran out of road salt last winter were unable to secure additional quantities at an affordable price.



Senator Jane Ori (R-40) discusses her proposed legislation to expand Alternative Courts with Secretary of Corrections Jeffrey Beard.

DEPARTMENT OF CORRECTIONS

1 p.m.

Pennsylvania’s recidivism rate and the costs of incarcerating illegal aliens were among the issues raised by the Senate Appropriations Committee during a Tuesday afternoon budget hearing with state Corrections Secretary Jeffrey A. Beard.

Appropriations Committee Chairman Senator Corman said the Committee is considering the effectiveness of state programs across the board. Senator Corman said that Pennsylvania’s recidivism rate is a measurement of the effectiveness of the Department of Corrections’ programs. He specifically asked about the effectiveness of training programs such as Operation Outward Reach, which provides training in construction skills. Funding for Operation Outward Reach was eliminated from the Department of Corrections’ proposed budget for Fiscal Year 2009-10.

Secretary Beard said those training courses are usually successful, in part because “better inmates take advantage of those programs.”

Senate Judiciary Committee Chairman Senator Stewart Greenleaf asked

whether recent incidents of violent crime in Philadelphia and Southeastern Pennsylvania could be attributed to “technical parole violators” and an insufficient complement of parole officers.

Senator Jane Orié requested documentation on illegal immigrants in state custody, including the number of inmates, the cost of incarceration and the amount of reimbursement from the federal government for holding those prisoners. Secretary Beard expressed support for Senator Orié’s legislation for alternative courts (mental health and drug courts) as expeditious and cost-effective options for criminal justice. Senator Orié also requested an update on State Correctional Institution (SCI) Pittsburgh and the use of state vehicles by the Department.

Senator John Rafferty asked Secretary Beard to detail physical plant improvements as well as staff and management programs that will be used at the new SCI Graterford — a new facility that will replace the existing maximum security facility at that site. Senator Rafferty asked how the Department treats inmates with serious medical conditions.

Responding to Senator John Pippy, Secretary Beard said it costs \$33,000 a year to incarcerate a prisoner in a SCI. Senator Pippy asked whether the Department is considering other more cost-effective measures for handling non-violent offenders.

Senator Pat Vance noted an increase in medical care costs and asked why the Department solicited separate contracts for physical health care, mental health care and pharmaceutical services. Responding to Senator Vance, Secretary Beard said the Department is holding about 300 to 400 violent predators or sexually violent predators who have served their

time, but remain incarcerated because they cannot be placed in a halfway house or other appropriate facility.

Senator Lloyd Smucker asked about crime trends and whether there is a noticeable increase in violent crime. Senator Smucker wanted to know how the Department monitors the effectiveness of its rehabilitation programs.

Senator Mary Jo White asked whether passage of legislation to address non-violent individuals (parole and sentencing reform) would reduce the inmate population enough to allow the Commonwealth to hold off on building one new prison. Senator White also asked about the costs of incarcerating older individuals (8,100 over age 50) and those with medical problems.

Senator John Gordner, asked whether the withholding of a COLA (\$4.2 million) and a freeze on step increases (\$1.6 million) for non-union employees was reflected in the proposed budget for Fiscal Year 2009-10. Senator Gordner also asked whether a new law banning mandatory overtime was increasing the Department’s costs.

Senator Mike Brubaker noted that 49,000 individuals are currently incarcerated in a system with a total capacity of just over 41,500. He asked whether that (7,000) overcapacity is in violation of any federal laws or guidelines. Senator Brubaker also asked how Pennsylvania’s recidivism rate matches up the national average, adding that he is not satisfied with Pennsylvania’s current recidivism rate.

Senator Lisa Baker discussed public awareness issues and concerns about illegal aliens in State Correctional Institutions, especially SCI Waymart in

her district. She asked about the Department’s efforts to deport those inmates and return them to their homelands. Senator Baker also requested information about the state and federal resources available to assist military veterans and the proper allocation of funding for services provided to those individuals.

Senator Pat Browne asked about a Department pilot program to assist prisoners in reentering society. Secretary Beard said it was not effective.

Noting that Bucks County taxpayers are paying \$5 million to house state prisoners in county facilities, Appropriations Committee Vice Chairman Senator Robert Tomlinson asked Secretary Beard about the efforts being made to address that issue.

PA COMMISSION ON CRIME AND DELINQUENCY

3 p.m.

During a hearing on the proposed Fiscal Year 2009-10 budget for the Pennsylvania Commission on Crime and Delinquency (PCCD), Senate Appropriations Committee members questioned PCCD Executive Director Michael Kane on a variety of issues including efforts to stop underage drinking, help juvenile offenders with “re-entry” after incarceration, and cut Pennsylvania’s recidivism rate.

Senate Judiciary Committee Chairman Senator Greenleaf said that faith-based organizations can be a major resource in helping young people who have been incarcerated to assimilate back into society.

Senator Mary Jo White applauded the PCCD for its efforts to help juveniles re-enter society. She said the state must look for more intermediate sentencing options for non-vio-

lent offenders, rather than placing them in state correctional institutions which are extremely costly to taxpayers.

Senator Lloyd Smucker echoed that concern, noting that the state's prison population is expected to increase by 32 percent, while population levels in Pennsylvania will rise by a fraction of that. "Not only is that unsustainable, it's depressing," Senator Smucker said.

Noting that the Attorney General's Office has been in the forefront of efforts to stop identity theft, Senator Jane Orié asked if PCCD consulted with the Attorney General's Office when developing its new website for victims of identity theft.

Senator Mike Brubaker wanted more information on Pennsylvania's recidivism rate — which Executive Director Kane said is currently around 50 percent.

Several Senators had questions about the state's "Weed and Seed Program" which seeks to stop juvenile crime. Senator Rafferty and Senator Browne wanted to see measurable results on its effectiveness in stopping recidivism and promoting community safety.

**Wednesday,
February 25, 2009**

DEPARTMENT OF AGRICULTURE

10 a.m.

Senate Appropriations Committee Chairman Senator Jake Corman focused on proposed cuts to vital agricultural programs during the Senate Appropriations Committee budget hearing with Department of Agriculture Secretary Dennis Wolff.

Senate Agriculture and Rural Affairs Committee Chairman Senator Mike Brubaker said the proposed cuts in the Department of Agriculture's budget were more serious than those made in other areas of the General Fund budget.

Senator Mike Waugh criticized the number of line items that would be reduced or eliminated under the Governor's proposal and urged Appropriations Committee members to consider if the cuts were appropriate in comparison to those made to budgets for other departments.

Senator John Rafferty expressed concerns about funding cuts for conservation districts. Senator Pat Vance asked Secretary Wolff to provide additional information on the possibility of conservation districts losing the ability to provide input on stormwater management.

Senator Lloyd Smucker questioned the potential impact of proposed cuts to the Animal Health Commission and the Crop Insurance Program.

Senator Lisa Baker asked for additional information on the state's ef-



Speaking to Secretary of Agriculture Dennis Wolff, Senator Mike Brubaker (R-36) expresses disappointment in funding cuts proposed by the Governor, despite the importance of the agriculture industry to the Pennsylvania economy.

orts to ensure food safety in light of the recent salmonella outbreak linked to peanuts. Senator Mary Jo White asked how the Governor's Interagency Council on Food and Nutrition was working to eliminate hunger.

DEPARTMENT OF TREASURY

1 p.m.

Transparency in state contracts and state borrowing were among the issues raised by the Senate Appropriations Committee during a Wednesday afternoon budget hearing with state Treasurer Rob McCord.

Senate Finance Committee Chairman Senator Pat Browne noted a \$2 million allocation in the Treasury Department's Fiscal Year 2009-10 budget to replace its antiquated computer system. Treasurer McCord said the \$2 million was a down payment toward replacement of the "computer that time forgot."

Citing that state contracts are to be posted on the Treasury web page under Pennsylvania's "Right to Know" law, Senator Jane Orié requested a list of the "no bid contracts" awarded under Governors Ridge, Schweiker and Rendell. Treasurer McCord said that "at first blush" he supported Senator Orié's "Pay-to-play" reform legislation. Under Senator Orié's legislation, the Treasury would use an open bid process for financial and investment contracts, but could select the "most-qualified bidder," which may not necessarily be the lowest bidder.

Senator John Gordner asked how the two options under the nowU college savings program (a guaranteed savings plan managed by the Treasury and an investment plan administered by Vanguard) matched up. Senator Gordner further asked about

the projected solvency of the tuition savings and investment program in the future.

Senator John Rafferty discussed the current financial status of Pennsylvania. "Should we be allowing for any more borrowing, or should we live within our means into the future?" Senator Rafferty asked. Treasurer McCord said the Commonwealth should "live within its means," but suggested consideration of issuing bonds now (while the market is favorable) to address an impending spike in pension costs to the state. Senator Rafferty also criticized the issuing of bonuses for investors.

Senator Pat Vance asked if the Commonwealth has invested in mortgage-backed securities. Senator Vance also asked if the Treasury would be pursuing "socially-conscious" investments in the future. She noted that some investments have high returns, but may not be favored by environmentalists.

Senator Lloyd Smucker asked Treasurer McCord if he has compared the amount of Pennsylvania's borrowing against that of other states. Treasurer McCord said he would look into this issue, but thought Pennsylvania was about 15th among states.

Responding to a question from Senator Mike Brubaker, Treasurer McCord said he did not know the current debt load or debt service level of the Commonwealth. Senator Brubaker also asked Treasurer McCord to determine the accuracy of the Administration's projection of \$97.9 million in additional revenue from new tobacco taxes.

Senator Mary Jo White asked if the Treasury used the same "risk assessment tools" for state investments that were used (unsuccessfully) by banks, particularly in mortgage lending.

Appropriations Committee Vice Chairman Senator Robert Tomlinson asked whether the investments of families who purchased guaranteed tuition credits were protected from the impact of the economic downturn on the fund.

Senator Stewart Greenleaf asked if there are additional investment opportunities available to the Commonwealth considering the current economic climate.



Senator Mike Waugh (R-28) calls on the Administration to treat all the River Basin Commissions across the state equally with regard to budget cuts.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

3 p.m.

Senate Environmental Resources and Energy Committee Chairman Senator Mary Jo White asked why applications are not currently available for \$10 million in consumer energy grants and loans (the enabling legislation was enacted eight months ago) and noted that draft guidelines for the program were "significantly changed" from the finalized legislation.

Department of Environmental Protection Acting Secretary John Hanger said applications will be

available beginning March 2, and that he met with Senate Majority Leader Dominic Pileggi and the Department will restore the "solid fuel" omission to the guidelines.

On the Marcellus Shale natural gas fields, the Acting Secretary reported that no drilling has begun on state forest land, but he was not sure if permits had been issued for such properties.

Senator White noted that Acting Secretary Hanger was serving as Budget Secretary Mary Soderberg's designee to the Commonwealth Financing Authority even though the Legislature did not authorize the DEP Secretary to serve on that board and urged him to reconsider the decision.

Senator Jane Orié asked why DEP halted payments to municipalities seeking reimbursement for the costs of septic system inspections. Acting Secretary Hanger said the need for the program exceeds its budget and in such cases the money is spent until gone and remaining projects are put on a waiting list.

On federal "stimulus" funds, the Acting Secretary admitted that there are strings attached for Pennsylvania to access those monies, including spending the money within one year. Senator Orié urged DEP to give priority to municipalities working cooperatively.

Senator John Gordner noted that more than 800 applications have been received for H2O PA water/wastewater infrastructure grants, and wanted to know whether Chesapeake Bay municipalities facing federal mandates would have a better chance at approval. Acting Secretary Hanger said municipalities under consent order agreements and facing federal obligations such as those in the watershed would be given priority status.

Senator Gordner asked why the Recycling Fund was reduced significantly, and the Acting Secretary said that a decline in trash was generating less revenue from tipping fees. He added that the program is due to sunset in three years, which also impacts funding. Acting Secretary Hanger said he supports reauthorizing the program.

Noting that the heart of the Marcellus Shale field was in her district, Senator Lisa Baker said she was hearing concerns from drillers who say the application process is lengthy and burdensome. The Acting Secretary said DEP is working with other agencies involved — such as the Susquehanna River Basin Commission — to streamline the process. On the proposed hike in permit fees, the Acting Secretary said the increase for smaller wells covers inflation and the larger drillers, while not happy about the increase, have not actively opposed them. The new fees will support 37 new employees to handle permits.

Senator John Rafferty urged the Administration to practice caution when projecting \$107 million in revenue from a 5-percent Marcellus Shale severance tax, noting that people are using less energy and the projection should not be used to balance the budget. The Senator noted new federal and state funds for water and sewer infrastructure and asked how much more funding would be necessary to meet the needs. Acting Secretary Hanger said that there is a \$30 billion gap over 20 years.

Senator Pat Browne said the budget projects that electricity use in the Commonwealth will remain flat through 2014, while conservation efforts would suggest a decline. The Acting Secretary noted that use has traditionally gone up each year and a leveling off would mark an improve-

ment. The Senator asked when DEP would issue its rating process for high-hazard dams applying for H2O PA funding, and was told that money will begin being dispersed in May. On the proposed Marcellus Shale severance tax, the Senator stated that the only thing the tax can do is hurt economic opportunity.

Senator Pat Vance said she learned that DEP is telling county conservation districts to stop local review of stormwater plans. The Acting Secretary said that DEP is trying to streamline the permitting process. The Senator noted that delays in permit processing are most often caused by DEP, not the conservation districts.

Senator Lloyd Smucker requested more information on how the 5-percent Marcellus Shale severance tax was arrived at, noting that the price of natural gas has declined since the number was set. The Senator said the real income potential is in royalties from land leased for drilling, and that DEP must consider two questions: 1. Does it even make sense to impose a severance tax at some point; and 2. When is the right time when a fledgling industry is at stake and could the state wait a few years? The Acting Secretary said the tax should be imposed this year, adding that Pennsylvania's gas reserve is attractive because much of it is "pipeline ready" and exists in large volumes.

Senator Mike Brubaker urged the Acting Secretary to reconsider proposed cuts to conservation district funding, noting that they are a cost-effective technical partner with the state. The Senator also urged support for the CREP program. He also noted the ongoing challenge of getting the Chesapeake Bay watershed into state compliance. The Acting Secretary said DEP was committed to working with the Senator and others in setting new,

achievable milestones regarding the Chesapeake, perhaps as early as May.

Noting that the purpose of federal "stimulus" money is to create jobs, Senator Stewart Greenleaf asked if the funding clashed with the priority of state environmental programs, which are supposed to protect the environment. Acting Secretary Hanger said the state will follow state and federal statutes in using the funds, but that they could have both economic and environmental benefits.

Senator Mike Waugh asked if it would be better to have conservation districts funded through one agency instead of two: DEP and the Department of Agriculture. The Acting Secretary said he would have to look into it first. The Senator noted that proposed cuts in funding to basin commissions are uneven, with the Susquehanna River Basin Commission facing a 32-percent cut and the Delaware River Basin Commission facing a much smaller reduction. The Acting Secretary said the proposed cuts were the start of budget negotiations.

Appropriations Committee Chairman Senator Jake Corman made it clear to the Acting Secretary that the Committee will not consider the 5-percent severance tax on Marcellus Shale drilling until the permitting process is settled, so that companies can be successful and the environment is protected.

*Thursday,
February 26, 2009*

GAMING CONTROL BOARD
10 a.m.

Senate Appropriations Committee Chairman Jake Corman and several committee members questioned



Senator Robert Tomlinson (R-6) raises concerns to PGCB Chair Mary DiGiacomo Colins about the impact of granting smaller gaming licenses to bars and restaurants in Philadelphia as Senator Pat Vance listens in.

Pennsylvania Gaming Control Board (PGCB) Chairman Mary DiGiacomo Colins about the Administration's plan to legalize video poker machines. Chairman Colins said the PGCB has not looked into the impact that the Governor's proposal would have on slots revenue. Senator Corman said legislators are looking to the PGCB for that analysis and that the panel should draft one soon.

Senator Robert Tomlinson said video poker will put "at great risk" the revenue from slot machines that pay for property tax relief and other initiatives. Senator Tomlinson wanted assurances that the PGCB asks applicants if they were involved in any illegal activity and asked if such activity would be a reason for denial.

Citing a study indicating that Pennsylvania has the highest regulatory costs for gaming in the nation, Senator Jane Orié took issue with the PGCB's request for a budget increase.

"You are the most expensive gaming board in the country. I don't think you can justify the need for the increase when the study shows you

are clearly out of synch and should be downsizing," Senator Orié said. She noted that 15 percent of the PGCB staff makes more than \$100,000. "This is a red flag to me. People are making lateral moves and doubling their salaries — it's offensive and wrong," Senator Orié said. "You are charged to protect the taxpayers."

Senator Orié was also concerned about the "revolving door" syndrome where attorneys leave the PGCB and immediately seek outside employment with the casinos that they were previously regulating. She said the board should require lawyers to sign a contract to prohibit this practice. She criticized a hefty severance package given to a former gaming official and condemned a decision by the board to issue licenses to vendors with felony convictions.

Senator John Rafferty raised the issue of convicted felons and those with expunged records applying for licenses. "Doesn't that bother you at all? Doesn't this rise to some level of concern before awarding these licenses?" he asked Chairman Colins. "I hope that we can work together to rectify some of these situations. I'd like to see us tighten up the law and reform the law."

Senator Rafferty and Senator Mike Waugh wanted to know why local agencies are not going after local law enforcement grants, which help to crack down on illegal video poker operations. Chairman Colins conceded that only 20 percent of the funds are being utilized and the remainder is being held by the PGCB.

Senator Lloyd Smucker had concerns about how the expansion of gambling will impact the number of compulsive gamblers. "Revenue raised is often done so at the expense of those who are least able to afford

it. So it is a regressive tax," Smucker said "What demographic data do we have on compulsive gaming? As we are discussing expanding gambling through video poker, that information would be helpful to those of us making decisions."

On that same issue, Senator Pat Vance asked why the PGCB spent only \$18,000 on compulsive gaming programs, while paying the two staff people who administer them more than \$150,000. Senator Vance also called it a "contradiction" that people age 18 and older can work in the casino and serve alcohol, but cannot gamble.

Senator Stewart Greenleaf had questions about smoking in casinos, noting that in many cases, non-smoking areas are relegated to areas far away from the greatest activity and most popular games. In one case, smoking was only allowed on the third floor of a facility and non-smoking areas are not clearly marked.

Senator Pat Browne questioned the approval of roulette machines for Pennsylvania casinos. The Senator noted that the defense of adding the machines — that they are "profitable and marketable" — is not stipulated in statute as a reason for putting such machines in casinos.

Senator Corman closed the hearing by noting that, while he opposed the legalization of slot machines in Pennsylvania, they are probably here to stay and the state must do all it can to ensure that the system is cost efficient and free of corruption.

OFFICE OF ADMINISTRATION, GOVERNOR AND EXECUTIVE OFFICES

1 p.m.

Concerns about Pennsylvania's statewide radio system and the appearance of impropriety in "no-bid" contracts were among the issues raised by the Senate Appropriations Committee during a Thursday afternoon budget hearing with Secretary of the Budget Mary Soderberg and Secretary of Administration Naomi Wyatt.

Senator Mary Jo White noted the delays, glitches and cost overruns that have plagued the development of the statewide radio system. Senator White particularly criticized the lack of coverage in northwestern Pennsylvania.

Senator Lisa Baker, Chairman of the Senate Veterans Affairs and Emergency Preparedness Committee, said she was pleased to hear that progress has been made in implementing the statewide radio system, but added that she is concerned about the increasing costs of the system and interoperability issues. Senator Baker added that the State Police have informed her of problems with "dead zones" in several areas of her Senatorial District, including on interstate highways.

Senate Appropriations Committee Chairman Senator Corman requested a list of state and federal funds used for the statewide radio program.

Senator Rafferty, Chairman of the Senate Law and Justice Committee, said he does not share the Administration's optimism about the progress of the statewide radio system and asked if Secretary Wyatt if she would participate in a hearing by

his committee on the issue.

Senator Smucker asked about the capability of the statewide radio system to interoperate with systems used by county and local agencies. He noted problems with radio signals in several areas of Lancaster County. Senator Smucker asked whether the Office of Administration tracks reports of coverage problems.

Noting the millions of dollars spent by the Commonwealth for "no-bid" contracts for legal and other professional services, Senator Orié asked Secretary Wyatt and Secretary Soderberg how the Administration tracks and monitors those deals. "There is an appearance, whether we like it or not, of impropriety," Senator Orié said. Senator Orié is pushing legislation to increase transparency and accountability in the bidding process.

Senator Greenleaf asked, "What is most effective and productive cost-saving item? Was it personnel? Are you looking at attrition as opposed to layoffs?" He asked if the Administration has determined how many jobs would be eliminated under the proposed Fiscal Year 2009-10 budget.

Senator Vance said she was distressed about a cut in funding for public television. Senator Vance asked about the hiring of about 200 new employees — several earning over \$100,000 — that have taken place since the Governor instituted a hiring freeze on September 17, 2008.

Noting the elimination of funding for the Governor's School for Excellence, Senator Mike Brubaker asked whether the Administration considered looking for partial funding from applicants for the school and/or their families. Senator Brubaker asked if there is a check and balance system in place to ensure that federal

stimulus funding is properly invested. He asked if Secretary Soderberg and Secretary Wyatt would be accountable for the proper use of that money.

Citing a \$25,000 reduction in state funding for the Advisory Council on Rural Affairs, Senator Mike Waugh said rural Pennsylvania was "taking it on the nose" from the Governor's proposed budget cuts.

Senator Browne noted significant cuts in funding for law enforcement programs in the Administration budget and asked for the rationale for making those reductions. Senator Browne asked if performance measures and evaluations were used in determining which areas of the budget would see funding reductions. Senator Browne added that he would like to see the Legislature have a greater say in developing performance standards.

Citing testimony provided by state Treasurer Rob McCord from Wednesday, Senator Corman asked why the Governor did not provide the funding needed to replace the Treasury Department's antiquated computer system.

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