

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE HEARING

STATE CAPITOL
MAJORITY CAUCUS ROOM
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HARRISBURG, PENNSYLVANIA

THURSDAY, MAY 21, 2009
12:02 P.M.

PRESENTATION ON
SENATE BILL 850

BEFORE:

HONORABLE DWIGHT EVANS, MAJORITY CHAIRMAN
HONORABLE TIM BRIGGS
HONORABLE EUGENE DePASQUALE
HONORABLE DAN FRANKEL
HONORABLE WILLIAM C. KORTZ
HONORABLE DEBERAH KULA
HONORABLE TIM MANHONEY
HONORABLE KATHY MANDERINO
HONORABLE JAKE WHEATLEY
HONORABLE JEWELL WILLIAMS
HONORABLE MARIO J. CIVERA, JR., MINORITY CHAIRMAN
HONORABLE GORDON DENLINGER
HONORABLE BRIAN L. ELLIS
HONORABLE JOHN R. EVANS
HONORABLE MAUREE GINGRICH
HONORABLE DAVID R. MILLARD
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JEAN M. DAVIS, REPORTER
NOTARY PUBLIC

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P R O C E E D I N G S

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MAJORITY CHAIRMAN EVANS: I would like to reconvene the House Appropriations Committee. We have the County Services. Introduce yourselves for the purpose of the record.

COMMISSIONER TOKAR-ICKES: Good afternoon, Chairman Evans, Chairman Civera, and members of the House Appropriations Committee.

My name is Pamela Tokar-Ickes, and I am a County Commissioner in Somerset County where I serve as Chairman of the Board of Commissioners. I also serve as chair of the County Commissioners Association of Pennsylvania's Human Services Committee.

On behalf of CCAP, I thank you for the opportunity to present testimony today on county budget issues.

I am joined today by some of my colleagues and fellow CCAP leaders from counties of different sizes located throughout the Commonwealth. And before I begin my remarks, I would like to ask each of them to introduce themselves to you.

MAJORITY CHAIRMAN EVANS: Okay.

COMMISSIONER HARTWICK: George Hartwick, III, Dauphin County.

COMMISSIONER COZZONE: Kathi Cozzone, Chester County.

COMMISSIONER ASURE: Donna Asure, Monroe County.

MR. DOUGHERTY: And I am Percy Dougherty from Lehigh County, past President of CCAP.

COMMISSIONER TOKAR-ICKES: Thank you, all. You will hear from each member of our panel today, and we will all be happy to answer your questions at the conclusion of our testimony.

First, I am going to begin by offering some general remarks on one of our largest budget areas, which is funding for county human services.

County leaders are very well aware of the difficult task that faces State leaders in this budget. We are also keenly aware that the decisions you make in balancing this budget will have far-reaching impacts on people in need as well as local taxpayers.

Remember that all the counties except one operate on a calendar fiscal year, so your decisions will impact budgets mid-year and differences will be accounted for in the next fiscal year.

Our message on human services funding is very clear: Adopt a budget that spares additional cuts to

county human services beyond the cuts presented by Governor Rendell in his proposed budget. This is our minimum request, and we believe it is grounded in reality.

Historically, we come to you asking for increases in funding to reduce waiting lists, provide COLAs, and generally increase the State's commitment to funding mandated, necessary, and entitlement services. But this year we are trying to hold the line against further cuts from those proposed in February.

We, in our representative counties, will be working to educate the public and raise awareness that a State budget that cuts funding for core government services and shifts costs to local government is really not cost savings.

The Federal Government can pass costs to the States and the State has the option to pass costs on down to the local level. But we believe that the State has a responsibility to hold the line and to minimize negative impacts on the people back home.

Just like the State, counties must adopt a balanced budget. When costs are passed down to counties, property taxpayers, our local revenue base, suffer the consequences.

Last year, nearly one-third of our counties passed a millage. Many more spent down their reserve funds. They will face millage increases this year if our State leaders are not held accountable.

As you continue budget deliberations, we urge you to think about the budget bill not only in terms of what tax cuts you do or do not have to put up at the State level but also the consequences of those actions and what they will be at the local level.

We argue that the General Assembly cannot be proud of a no-tax-increase budget if the result of cuts needed to fill the \$3 billion gap is passed down to the local level where the difference can only be made up through the property tax.

Make no mistake, even the Rendell budget proposal means pain for counties. There are cuts in county mental health programs and drug and alcohol treatment. This means that fewer residents will be served.

In all other areas, the Rendell proposal only maintains last year's funding levels. While this stands out as a positive in the context of sweeping cuts to other line items, it falls short of existing needs. It does nothing to make counties whole for cuts imposed in the first half of fiscal year

2008-2009. There are no COLAs, no additional dollars to reduce waiting lists, and no additional flexible dollars to fill budget gaps.

The General Assembly should view the Rendell proposal as the absolute floor in acceptable funding for human services, including Children and Youth, juvenile detention, mental health and mental retardation, drug and alcohol prevention and treatment, tobacco cessation, the Human Service Development Fund, and long-term care. Where these programs have been cut in last year's budget amount, we support restoration.

Counties seek a commitment to restore funding to human service areas that have sustained cuts as well as offset increasing costs once the economy improves. Flat funding is certainly not optimal and should only be considered a temporary measure with full funding to be restored when the economy improves.

Flat funding equates to a cut when costs and service demands are up. Flat funding puts county government at a deficit on day one, but it is a stop-gap measure that counties will accept.

We ask that the Legislature and the Governor not forget that even with flat funding, county budgets will immediately have to absorb increased costs. And

with the growing demand for human services in these difficult economic times, the situation could get much worse.

Let me begin to address the specifics. Long-term care. Nursing homes and other long-term care services are affected by Senate Bill 850. Under the legislation, there is no increase to nursing home rates, and \$10 million budgeted for acuity increases next year is removed.

This follows last year when nursing homes only received a 1 percent increase in their rates while trying to deal with increased costs far in excess of that 1 percent figure. If that \$10 million cut remains in the final budget, there might have to be some sort of recalculation downward of those rates to save the necessary money.

That is because the April 2009 rates, which are the most current, could not be sustained throughout all of next fiscal year. It is unclear how the Administration would seek to recover the \$10 million, but regardless of that, it needs to be restored.

If not, the safety net of the remaining county nursing homes will continue to erode, placing in jeopardy needed nursing home services for thousands

of persons.

Senate Bill 850 also eliminates 2,000 slots for additional home- and community-based services. Planned increases in funding for capitated long-term care initiatives were also not included.

In addition, State funding was reduced as a result of increased home- and community-based services and tobacco settlement funding available as a result of the increase in Federal matching funds being used to offset State fund costs for long-term care.

State long-term care funding was also adjusted to reflect the change in the State/Federal split as a result of higher FMAP due to ARRA.

It is truly a Catch-22 scenario. Funding is stagnant for nursing homes and reduced for home- and community-based programs, so individuals can't leave nursing homes because of a lack of waiver programs and nursing homes cannot survive on dwindling reimbursement rates.

Turning to mental health. Cuts in mental health services are unlikely to result in savings for anyone. During an extended economic downturn, the demand for mental health services increases with unemployment, loss of private insurance plans, and the stress caused by loss of resources.

We often see increases at the county level in domestic violence, crime, and suicide. Costs are likely to be shifted to courts, prisons, homeless shelters, and hospitals which might not be paid for their services. Significant costs will be devolved to county governments.

Senate Bill 850 would reduce State and Federal dollars in the mental health budget by \$9.8 million. The Office of Mental Health and Substance Abuse Services, OMHSAS, has estimated that this will require the elimination of services to over 4,000 Pennsylvanians.

County programs are beginning to document a growing number of individuals applying for treatment who are recently unemployed and have no health insurance, veterans who return home and need immediate access to treatment, and people with significant anxiety related to economic instability.

The mental health services allocation funds State hospital operations as well as community-based services that are provided by county governments. OMHSAS anticipates restricted admissions to State hospitals. That will result in people remaining in community hospitals for extended periods or being discharged without ongoing treatment.

If the cuts proposed by Senate Bill 850 are enacted, the Department of Public Welfare will be unable to fulfill its obligation to persons who were discharged from Harrisburg and Mayview State Hospitals when they were closed. Most of these former patients are living successfully in their communities with supports and services funded under the mental health services budget line.

Turning to mental retardation. Senate Bill 850 proposes wide and deep cuts for the community mental retardation system. It will significantly delay services and supports for some Pennsylvanians while others will be removed from services and essentially abandoned by State government. In the meantime, costs will be shifted to county government.

All of this is happening at a time when the mental retardation system is involved in massive changes forced by the Federal Government. To conserve funds, counties and the Department of Public Welfare may find it necessary to make personnel reductions that will reduce their ability to meet Federal requirements and will endanger Federal funding for the person- and family-directed services waiver for years to come.

Senate Bill 850 would reduce community-based

funding by \$12.1 million. The Office of Developmental Programs, ODP, estimates that this will require counties to remove approximately 3,000 individuals with mental retardation from services they are now receiving.

Funding for base dollars has been limited for several years, as the Department of Public Welfare has tried to provide services that earn Federal financial participation.

Funds that are allocated to counties as base funds in accordance with the Mental Health/Mental Retardation Act of 1966 are used to provide limited services to people who are not included in waivers. Waivers are programs that earn Federal funds based on Federal Medicaid waivers. Individuals who are waiting for waiver services often live with severe hardships and are desperate.

Senate Bill 850 would reduce waiver funding by \$32 million in State and Federal dollars. This would completely eliminate the emergency waiting list initiative for fiscal year 2009 and 2010. ODP had planned to serve 760 people during the next fiscal year.

Currently, 20,924 Pennsylvanians and their families are waiting for mental retardation services

and supports. Of those, 4,523 are on the emergency waiting list. Meanwhile, the waiting list will continue to grow. This situation should not be acceptable to anyone.

The Office of Developmental Programs has told us that Senate Bill 850 would require them to cut an additional 550 people who are currently enrolled in waiver-funded services. All of these would be removed from the consolidated waiver. That waiver provides the most expensive services, including residential placements.

If reductions were made from the Person and Family Directed Services Waiver, the number of affected individuals would be significantly higher. The Person and Family Directed Services Waiver provides support to individuals in their own homes or the homes of family members. Therefore, less money is spent on each individual.

All waiver services are Federal entitlements, and the needs of each person who is enrolled in a waiver must be fully met. Their services cannot be reduced, but the Department can completely remove them from the waiver.

I will now turn our testimony over to my colleague, George Hartwick, of Dauphin County.

COMMISSIONER HARTWICK: Good afternoon.

I'm going to make a quick opening statement and then I'll read from some unprepared testimony and then also I'll go to some of the prepared testimony.

And the first comment is, we all know the economic situation of today. We all know that government officials are forced to make significant choices. We also know that the Legislature has given counties one vehicle by which to provide funding for local government services, and that's through the property tax, probably a tax system that is as antiquated as when the King of England used to tax you for how many windows you have in your home, not for anybody -- or based upon anybody's ability to pay.

Unlike the State, which is able to draw revenue from areas that are based upon user fees, somebody's ability to make and earn income, the counties are forced to deal with one system; and absent the ability to have meaningful tax reform, you cannot continue to pass costs down to the local level and onto property tax owners who can ill-afford to pay for it.

The blame game really needs to end. We need to start to deal with some of these structural budget deficits from a larger and broader level rather than

just passing the buck.

That being said, while I prepared some written testimony that deals with the specifics of the budget, I want to use my time today to talk about the potential human impact of the proposed budget cuts. I'd like to talk faces and not just facts and figures.

There's obviously a large State cut that's on top of the 14 percent cut that was already included in the Governor's proposed budget to the C&Y system, and you may be making a decision today that may be penny-wise but pound-foolish.

More important than any immediate savings, your decision to drastically slash the investment to children and families could place our most vulnerable children at risk for abuse, neglect, and, God forbid, in the worst situation, death.

I, for one, as a County Commissioner, understand the legal requirement to provide a balanced budget every year. I know the importance of fiscal discipline and understand the current budget shortfalls facing the State of Pennsylvania.

But just as a County Commissioner must do every day, the General Assembly must make decisions that will protect our taxpayers but also take care of the most critical needs within our community.

Putting children at risk and in harm's way would not only be socially and morally reprehensible but would inevitably have huge financial consequences that would reverberate throughout our prison system, educational system, mental health system, health care system, and every other system that we're required to pay and we're required to deliver Federal- and State-mandated services. The long-term price tag far outweighs any knee-jerk reaction to slash and save immediately.

More kids in out-of-home placement means higher costs to taxpayers and poor outcomes for the future of our families and our kids. Ripping a child out of a home because of inadequate resources will eventually groom a generation of kids who may end up being a farm team for our adult system, a system for which property tax owners foot the entire bill from the county's perspective.

This is not the foundation that we should lay for our future, the future of our children and our next generation, not to mention the social and financial cost that we would ultimately bear.

That does not even take into account the more immediate risk of failing to protect our children and ultimately find permanent solutions for families to be

able to raise our children.

After all, it's a family's responsibility, not government's responsibility or a teacher's responsibility, to raise our children.

And through some innovative best practices that have been led through the initiatives of our Secretary of Department of Public Welfare, we have been able to show real results.

I've been representing the county on behalf of the County Commissioners Association on a DPW's Children's Work Group, which is a simple charge. That charge is to figure out ways to get better results for our current investment of dollars.

So we're not just asking for more money without showing positive results and impacts for our kids and families in our system. We aim to prove that these dollars are paying off in measurable success.

Martin Luther King said, "In the end, we will remember not so much the words of our enemies but the silence of our friends." Don't be silent as cuts are made to children.

Many of you have long been outspoken advocates for children and families. Please don't fall silent now.

Thank you for listening.

If I can move to a little bit more of just quick formal remarks. We can show you in black and white the effects of House Bill 1416 and Senate Bill 850 on child welfare and juvenile detention.

We have prepared a chart that compares State and Federal funding levels under House Bill 1416 and Senate Bill 850. As you can see, Federal amounts remain constant while every State line decreases. Moreover, we must caution that the ability of counties to draw down these funds is never certain, due to eligibility criteria.

But as important as what you see is what you don't see. What the chart does not show is the \$300 million difference between the total requested by counties through the needs-based budget plan and process, \$2.1 billion, and the State certified amount, which is \$1.8 billion.

Thus, before the Governor's budget was even published, the county child welfare system sustained a 14 percent cut. The C&Y system cannot reasonably sustain services at a lower level than the amounts proposed by House Bill 1416, especially in light of today's economy and tomorrow's projected economy, and the funding concerns of other sectors of the human safety net.

The decision on how the projected \$10 million cut in Act 148 State funding under Senate Bill 850 might impact individual county line items or major cost categories has not been determined. It could be a 1 percent cut in all cost centers or counties and DPW may negotiate the distribution.

While we would prefer to negotiate the impacted services based upon local needs and resources, we cannot continue to deliver services at the current level. You always have the option of telling us who not to serve.

The few non-mandated services will fall by the wayside and more numerous mandated or entitlement, such as child abuse, neglected investigations, court-ordered supervision or placements, services will have to be reprioritized as circumstances require.

The cuts in State funding for child care are particularly troubling when the economy is taking a nosedive. The number of families needing assistance with child care may actually increase, despite higher unemployment rates, as families struggle with multiple part-time jobs or job activities.

The 27 percent cut in the Nurse-Family Partnership line is also disturbing and will negatively affect services to first-time mothers and

their newborns, a very vulnerable population. This program has been a great prevention measure with long-term results and long-term cost savings.

Thank you for your time. I'd like to turn the microphone back over to Pam.

COMMISSIONER TOKAR-ICKES: Thank you, Commissioner.

And I believe we will now move to Commissioner Kathi Cozzone.

COMMISSIONER COZZONE: Thank you.

Good afternoon. I'd like to reiterate my colleagues' remarks and ask that you please be mindful --

MAJORITY CHAIRMAN EVANS: Reintroduce yourself for the stenographer, please.

COMMISSIONER COZZONE: I'm sorry. I'm Commissioner Kathi Cozzone from Chester County.

We are here to present you today with the fact that we have very, very few options. We will either have to cut spending to hundreds of people in our communities, those that are most vulnerable, or we'll have to raise property taxes. We have no other opportunity to raise revenue.

I'm going to skip to my remarks and start talking with you today about substance abuse.

The budget presented in Senate Bill 850 will cut over \$14.7 million, or 26 percent, in behavioral health services to the working poor and uninsured. These cuts are included in the BHSI line of the State budget within the Department of Public Welfare.

If the cut is equally applied to mental health and substance abuse services, the drug and alcohol system will absorb \$8.7 million, decimating a system that is already critically underfunded.

At a time when public policy has focused on the importance of substance abuse prevention and treatment, this marks the sixth year of reduction in capacity and funding. We are facing a combined loss of 36 percent over the past six budget cycles. And any progress made to relieve prison overcrowding will be lost as the capacity of the public system is destroyed.

The budget for the Department of Health reduces State expenditures by \$852,000, or 2 percent. The Federal substance abuse treatment and prevention block grant may be reduced if we're unable to provide adequate State match.

Local county drug and alcohol programs will not be able to provide treatment services to the working poor and uninsured. And in Chester County

alone, we will be forced to turn away 250 residents who are in need of services.

We are also asking clarification of the cuts that have been imposed in the medical assistance outpatient lines. We need to stress the importance of continued eligibility for general assistance and medically needy only welfare recipients.

These individuals receive treatment through HealthChoices and are eligible for medical assistance only while they are actively enrolled in a treatment program. They do not receive cash or other benefits.

Research has shown that for every dollar spent in treatment, \$7 in savings is realized in other areas. These reductions will produce a cost shift of \$3 million to areas such as prisons, law enforcement, and hospital emergency rooms.

For the human services development fund, the fiscal year 2009-2010 funding allocation in SB 850 is proposed at \$33.5 million, consistent with the Governor's request for this line item. This is \$7.5 million less than even the fiscal year '02-'03 level. This funding is crucial for counties, especially in these tough economic times, to be able to address the critical needs of individuals that cannot be met with categorical funding.

Medical Assistance Transportation Program, or MATP, this program provides essential non-emergency medical transportation to assist individuals in receiving necessary medical care. Senate Bill 850 reduces MATP funding by \$2.7 million.

Again, in these difficult economic times, the number of individuals eligible and in need of services is increasing. Other cost factors include increased utilization of transportation for medically necessary appointments, consumers' right to choice of provider for HealthChoices services, costs related to providing services such as vehicle maintenance and fuel, increased insurance costs, and purchasing replacement and additional vehicles to meet the needs for service provision.

And finally, tobacco prevention and cessation. Significant health care costs are realized when one person quits smoking. Counties are committed to the current tobacco prevention and cessation efforts. Many are directly impacted and serve as subcontractors, directly providing services in the local communities.

The current funding formulas and funding levels are necessary to continue the progress and contain future health care costs. While we are not

able to determine what is intended for funding in this line item, we want to make you aware of its importance to the health and well-being of all of our residents.

Thank you for your time. And I'll turn it over to my colleague, CommissionerASURE.

COMMISSIONERASURE: Hi. Good afternoon. Thanks for having us here today.

I am DonnaASURE. And I am from Monroe County. You have our written comments. So, Mr. Chairman, if it's okay with you, I'd like to just have a conversation with you.

MAJORITY CHAIRMAN EVANS: Sure.

COMMISSIONERASURE: I'm going to switch away from the human services area, which is what we talk about, the programs that have led up to this point that have been discussed.

You need to take the other part of what county commissioners deal with. Granted, human services get the largest funding from the State of any other part of our budget. But when there is consideration of cutting the funding, whether to provide mandated services, whether to provide services that had been promised in legislation for funding, there is then a shift.

If I'm mandated to provide services and if I

had been promised by legislation that there would be funding for other opportunities in county government and I no longer have that funding or have much less funding, then I need to shift it away from the other responsibilities of county government.

I am the Chairman of our prison board, also. Now, when you think about the discussion that happens at all levels about the substance abuse users in jail, the mentally ill in jail, and the reasons why people wind up in jail, during these economic times, that can only get worse.

Our population is growing on a daily basis right now with many mentally ill issues, many substance abuse issues.

So if my colleagues here who work every single day with the human services end of it are battling to figure out who they are no longer going to be able to serve because of cuts in those fundings, I am only going to have to battle on where am I going to house them because I'm at 95 percent right now and growing every single day.

Those kind of things only lead to a shift. And I know we all are dealing with monies on every single level, Federal, State, and local, both county and township. We need to consider the

interrelatedness of all the decisions that are made at your level that come down to ours.

When we talk about court funding, we receive \$70,000 a judge. That has been in place for many, many years. We have six judges. So \$70,000 a judge, which has not changed, gets me through my secretary for the judge and a little bit of something else. I have court reporters. I have -- we have law assistants, legal assistants. We have courtrooms. We have insurance. We have everything else that continues to grow that is put on the county taxpayers.

The district attorney's salary, we worked in partnership as an organization with the State Legislature several years ago to agree to full-time district attorneys. In agreement for that partnership, the State was to fund 65 percent of the salary of the district attorney, which was raised to \$1,000 less than the judicial salaries.

The DA's salary is \$160,850. And the last payment received by Monroe County from the State was \$87,000 in April of 2007. The taxpayers of Monroe County have been funding our full-time district attorney out of our property taxes, with me then not being able to use the difference in that money for some other program.

It is the same with probation and every other court-related department that over 20 years ago was decided that a unified court system would be put in place and worked with counties to get it done.

When the study was done ten years ago -- more than that -- it was decided that there would be a phase-in plan that we would then be able to work out what parts the State was going to put under one so it was a one-stop shop. People knew where to go for courts, and the regulations would be all the same. And we would be responsible for funding all the other impacts on our constituents, working with economic development, working with open space, balancing all the needs of a growing community.

I know you're going to take all these remarks home and I know you're going to digest them and I know you have a very, very serious battle ahead of you, quite honestly. But I would just ask that you consider the impact of all the shifting that's going on and just ask the Legislature to, again, work with CCAP, work with every level of government, and put the feet to the floor and pass a budget that we can all live with and that we don't have to figure out again how to shift away from our other obligations to take care of things that have been promised to us in

legislation by the State.

Thank you.

MR. DOUGHERTY: Good afternoon. I'm Percy Dougherty. I am from Lehigh County, home of Allentown, the third largest city in the State. And we're the third largest urban area, when you take in Northampton County and Carbon County.

So it's an area that has great diversity. And it is diversity that I see across the State. When I look at the 67 counties, we range, you know, from highly sophisticated in urban Philadelphia all the way down to some very rural areas. So there's a great diversity in our group.

But one thing we all share in common is that we are dependent upon the property tax for our existence. And this is bad because if you only have one source of income, it highly limits you. And since the buck stops here at the county level, anything that you do at the State level has very severe ramifications at our level.

In Lehigh County, property taxes pay for 25 percent of our budget. We are dependent on outside money coming in from the Federal and the State Government as the pass-through grants, especially with human services, which takes up 60 percent of our

budget.

So anything that happens here in Harrisburg is going to have a ripple effect. And anything that happens in one program, since we're responsible for so many different programs, will result in a reprioritization of our funding and may have across-the-board implications.

And even though you may save money here, it passes on to us and, in fact, may result in a major tax increase on the local level.

Now, in Lehigh County, I feel that we're representative of the State. We have a large urban center that has major problems. And we're the fifth largest county in the State in farmland preservation. So we run the gamut there.

And, of course, since I'm a retired geology professor and geography professor from Kutztown University, I got assigned the environmental issues here, which is right up my alley.

So let's take a look at some of these aspects. The first environmental issue is, the county conservation districts are funded by a combination of State and county funds. The Governor's proposed budget and House Bill 1416 contain very disappointing cuts for this important aspect of local environmental

protection.

Senate Bill 850 spares additional cuts to these line items. But we're going to find to date that we are having major problems with the inflation that's going on. And the new duties with DEP cutting back because of some aspects and post-management stormwater work having to be done at the local level, the county conservation districts have had to increase their fees.

Our local developers are hopping mad. And they're saying that this is stifling economic development in our area. So if we want to get new people to move in, if we want an active economy, we cannot tax or add too many fees on top of what we have locally already.

So CCAP is also supportive of including conservation districts in the discussions to receive Marcellus Shale revenue. And we understand that this is being discussed both in Senate Bill 490 and in other proposals. House Bill 1050 would lease additional State forest lands and share this revenue with local governments and the conservation districts.

So we believe it is appropriate for conservation districts, whose operations are fundamental to local environmental protection, to

receive a share of the Marcellus Shale development.

Also, counties are required to develop a stormwater management plan in compliance with Act 167 of 1978. The act stipulates that States match the county's funding, providing 50 percent of the cost. Historically, this fund has been underfunded.

House Bill 1416 includes just over \$2 million for stormwater, which is a slight decrease from last year's funding level. Senate Bill 850 does not include any funding for Act 167 stormwater plans.

Counties also receive funding from DEP and DCNR for the West Nile virus program, the black fly suppression, and the gypsy moth control. Funding for West Nile has been cut by \$1.9 million in Senate Bill 850.

And black fly funding, which currently serves 33 counties, has been reduced by \$1.7 million. These cuts each represent more than 20 percent of the overall funding for these line items.

The gypsy moth program has been cut by \$1 million, which is going to result in 40,000 acres not being treated. So there's a big hit on our forests. House Bill 1416 maintains funding levels with last year's adopted budget for gypsy moth, black fly, and West Nile.

I would also like to call your attention to another area of concern that impacts local governments, which is the Recycling Fund established under Act 101. Proceeds from the State tipping fee are deposited in this fund, which is used for grants to partially support county solid waste coordinators as well as municipal recycling programs.

When the fiscal year 2008-2009 budget was adopted, it authorized \$15 million to be withdrawn from the Recycling Fund and transferred to the General Fund. As you are well aware, the House recently voted nearly unanimously to extend the sunset date on the State tipping fee per the provisions of House Bill 861.

We urge vigilance and diligence here in the budget process and the support of members of this Committee to assure that this fund is not further depleted for General Fund purposes.

Due to inflation, the purchasing power of the State tipping fee has already been decreased by almost half. And available funding is able to meet only a portion of the overall demand.

At the same time, counties have lost the ability to levy their own administrative fees collected on trash within the county. This fee has

long been an important source of funding for rural recycling drop-offs, household hazardous waste, electronics recycling, and yard waste disposal, to name a few.

The House Environmental Resources and Energy Committee recently reported House Bill 1069, which would allow counties to implement a local dedicated funding stream for recycling programs. This legislation in combination with efforts to protect the State Recycling Fund would go a long way toward funding local important recycling projects.

And just as an aside, in Lehigh County, when we lost the recycling fee, we lost \$600,000 a year, which is very significant. And we had to cut several programs and also we had to assess the municipalities within the county for the composting site for the county.

In another area, in agriculture, I would like to discuss county concerns with the Department of Agriculture's budget.

We have already discussed concerns over funding for conservation districts which are partially funded through agriculture. Counties are also primary partners with the State in farmland preservation.

Funding sources include a portion of the

State cigarette tax collections as well as part of the environment stewardship fund monies.

While neither Senate Bill 850 nor House Bill 1416 directly impacts allocations available from the State to match the county funds for farmland preservation, we are extremely concerned with the outright elimination of funds for administration of the farmland preservation program.

We will have to do that, so that is just passing the buck on to the counties. These funds support oversight of 57 participating county farmland preservation programs, and the staff positions that these dollars fund provide resources to counties, municipalities, and farm owners.

The Governor's budget includes an anticipated \$28 million for easement purchase from the cigarette tax and the Environmental Stewardship Fund, which is roughly equal to funding available for the 2008-2009 fiscal year.

For fiscal year 2009-2010, we seek a commitment from the General Assembly to make sure that existing dedicated funding sources are not siphoned off to meet other budget responsibilities.

Beyond the coming fiscal year, we're interested in long-term strategies to assure future

funding of the program. The current fiscal year represents the first time county dollars invested in farmland preservation exceeded those provided by the State.

While this does demonstrate counties' commitment to the program, it means the State match is falling short of expectation. All Growing Greener 2 monies have been encumbered, and the program relies upon funding from the cigarette tax and Environmental Stewardship Fund.

CCAP members have indicated their support for an additional local taxing option through the real estate transfer tax to fund farmland preservation as well as additional State bonds similar to Growing Greener.

County government is also part of the three-part funding structure for the cooperative extension. We have many local programs there. And with the across-the-board cut of 6 percent for Penn State, we are worried that local extension activities are also going to be cut.

These are very valuable resources in educating local residents and local government officials.

And we also hope that if the Marcellus Shale

funds materialize there, some of those programs can be used in terms of the cooperative program which has been so good in going around the State educating local officials about some of the problems that are going to be faced when the gas exploitation starts to occur.

Where we may face a hit is tourism. This is really good economic development. And counties have a stake here in the economic development of their regions. Good-paying jobs accompany economic development, along with increasing property values and lower crime rates.

Senate Bill 850 significantly reduces one of the areas of economic development that counties take great pride in and have worked to build for decades, tourism.

Counties receive tourism dollars through DCED in the Tourism Protection Assistance Program and the regional marketing partnerships. Some of these dollars are spent directly by the counties themselves, but most are pooled into regional partnerships that promote a region of the Commonwealth to potential tourists.

Unfortunately, Senate Bill 850 reduces tourism protection assistance by \$1 million, a 10 percent reduction, and regional marketing partnerships

by 11.6 million, a reduction of 72 percent. That is a big cut.

These drastic cuts could have long-lasting effects on regions of the Commonwealth that rely on tourism dollars for economic prosperity and job growth.

In the DCED budget, we have a few comments. As some communities grow and others decline, both short- and long-term planning are imperative to protecting the quality of life in a region. Counties receive funding through DCED to work with cities and municipalities to protect that quality of life by planning for land use.

Senate Bill 850 eliminates the land use planning and technical assistance line item completely, a total of \$4.2 million. The Governor's proposed budget contains flat funding of that line item.

And in an area like the Lehigh Valley from which I come, this is a very important aspect. We're a growth area. And we need this support to keep that growth continuing.

You know, if we start to cut here and there, if we start to tax and add fees, we're not going to get that economic development which we need for the

long run for enhanced or increased revenues.

DCED provides two streams of funding that counties utilize to assist citizens with work in housing needs, customize job training, and housing and redevelopment. Customized job training is an important program that assists those citizens that have found themselves out of work and are in need of training to gain new employment.

Senate Bill 850 cuts funding for the customized job training program in half, a total cut of \$9 million. With the cuts made by the Governor's proposed budget, that is an aggregate cut in funding of \$10.7 million.

As to housing, Senate Bill 850 severely cuts housing and redevelopment by \$17 million, constituting a 50 percent reduction. The Governor's proposed budget increased the funding for this line item by \$442,000.

At a time when unemployment rates are on the rise and people are losing their homes, it does not make sense to drastically cut programs that can remediate the problems.

Thank you once again on behalf of CCAP and all 67 counties which we represent. As you can see, the State budget has significant and far-reaching

consequences for the counties, and the various portions of the budget cannot be considered in a vacuum at the county level.

Each funding area is interdependent on another at the county level, and cuts in one area are going to lead to reconfiguration or cuts in other unrelated areas.

Also, with the State fiscal year falling at the midpoint of all but one county budget, we are going to be very hard pressed to make adjustments to adapt to major reductions.

Ultimately, our property taxpayers will foot the bill for funds that are not forthcoming from the State. We urge the Committee to consider the funding levels advanced in the Governor's budget request to be the absolute floor for 2009-2010 and urge you to make a commitment to restoring these vital funding lines when better economic times prevail.

Thank you. And we, as a panel, will be happy to answer any of your questions --

COMMISSIONER TOKAR-ICKES: Thank you, Commissioner.

MR. DOUGHERTY: -- at this time.

COMMISSIONER TOKAR-ICKES: Before we do that, we are pleased to be joined today by the Secretary of

Public Welfare, Estelle Richman.

Secretary Richman is here. I would certainly defer to you if you would care to make any additional comments.

SECRETARY RICHMAN: Thank you.

Good afternoon, Chairman Evans and Civera, Committee members, and staff. I am Estelle Richman, Secretary of the Department of Public Welfare. And I thank you for this opportunity to testify today on Senate Bill 850.

The reason that we are having this hearing today is because we're living in extraordinary times. And when I say extraordinary, let the record be clear that I do not mean good times. The reality is, the economy is terrible.

I have spent more time than I care to think about since last September telling people that the economic crisis is real, it threatens our ability to provide critical services. We don't need to look any further than the deep cuts proposed by Senate Bill 850 to know this is true.

There are many things I do not like about Senate Bill 850, but I believe it should serve as a wake-up call. Providers, counties, and others who have a stake in the DPW budget are not immune from the

economic fallout and should start now planning for the possibility of cuts. Even if we end up somewhere short of Senate Bill 850, I believe this will be a very difficult budget for our providers and counties.

The overall impact of Senate Bill 850 is to reduce the DPW budget by \$187 million as compared to the Governor's budget as introduced in House Bill 1416. We estimate that these cuts will reduce or eliminate safety net services for 90,000 Pennsylvanians. Instead of attempting to itemize all the associated cuts, I'd like to focus my remarks on five specific areas.

First, Senate Bill 850 makes cuts to child care that will trigger penalties under the American Recovery and Reinvestment Act. Approximately 7,700 children from low-income families will lose access to child care services in Senate Bill 850.

From a policy perspective, this change is counterproductive because low-income families will be forced to drop out of the labor force due to lack of child care. Moreover, from a budget perspective, this cut makes no sense because Pennsylvania will have to forfeit \$60 million in Federal funds from the American Recovery and Reinvestment Act, which will more than offset any savings.

The Recovery Act stipulates that States may not accept the Federal child care dollars and turn around and make cuts on the current State level. The Federal law and the guidance is very specific on non-supplantation requirements.

As drafted, Senate Bill 850 would require the State to forfeit funds essential to serving children and parents and to help stimulate the Pennsylvania economy. I would strongly urge legislators to get written verification before doing anything that might cause Pennsylvania to forfeit \$60 million.

Second, Senate Bill 850 makes excessive cuts to the hospitals that will threaten the viability of many of the weaker institutions. No one is exempt from cuts. In fact, the Governor's proposed budget includes a \$44 million cut to State and Federal hospital supplemental payments.

The problem is, Senate Bill 850 would cut payments to hospitals by a total of \$245.8 million, or about a quarter of a billion dollars. This is more than five times the level of cuts proposed in the Governor's budget.

As we put the DPW budget together last year, we worked hard to come up with reasonable and balanced cuts that would reduce expenditures without destroying

Pennsylvania's hospitals.

Over the last few months, I have seen financial data that strongly suggests more Pennsylvania hospitals are at significant risk of closure. Some of these institutions are the only hospital in the entire county.

Other at-risk hospitals serve very high percentages of public Medicare and Medicaid as well as uninsured clients. I believe cuts in Senate Bill 850 go too far and risk pushing some of the weaker hospitals over the brink.

Third, Senate Bill 850 will hurt Pennsylvania counties. The Republican version of the budget cuts county services that serve as a lifeline to Pennsylvania children and families.

For example, State funding for community programs for persons with mental retardation are cut by nearly \$29 million, a reduction that triggers a further loss of Federal funds, for a total decrease of \$44 million.

Behavioral health services, including drug and alcohol treatment, are cut by \$13.5 million, which is a 24 percent decrease in a single year. There's no way counties can adjust to a cut of that magnitude in so short a period of time. State funding of child

welfare is also cut by \$10 million.

Counties, like hospitals and other provider groups, have to be prepared to assume their fair share of cuts. The Governor's budget included cuts in county services, but we targeted areas of the budget where we felt counties had the greatest ability to adjust. Senate Bill 850 goes beyond the limits of what counties can bear.

Fourth, I need to set the record straight when it comes to funding for autism services. I've heard some proponents of Senate Bill 850 claim that the Republican budget increases funding for autism services. The numbers do not support that conclusion.

Combining State, Federal, and Recovery Act dollars, Senate Bill 850 proposes a spending level of \$41.3 million for autism, \$15.3 million below the \$56.6 million in the Governor's budget. This is an apples-to-apples comparison that shows Senate Bill 850 represents a 27 percent cut to autism.

In fact, Senate Bill 850 would spend \$1.4 million less on autism next year than in the current '08-'09 budget year. Again, this is a cut, not an expansion.

Over the next five years, upwards of 25,000 Pennsylvania children with autism will leave the child

system and transfer to the adult system. Pennsylvania now has two adult waiver programs. It is imperative that we meet the needs of these young people now and prevent their entry into jails, prisons, and institutions. The dollars that were eliminated in Senate Bill 850 would provide services and supports to nearly 250 people.

Finally, Senate Bill 850 cuts programs instead of cutting costs. With Smart Pharmacy, DPW will save \$146 million annually when implemented on a full-year basis by paying lower prices on prescription drugs for families and children who receive their health care through the Medical Assistance Program. In this budget climate, we can no longer afford to leave these savings on the table.

As you've heard me say before, State Medicaid programs are eligible to receive enhanced Federal drug rebates from manufacturers for prescriptions paid directly by the Medicaid agency. Federal law does not permit Medicaid MCOs to receive these best-price rebates.

Based on actual program experience, we know that DPW pays drug prices that are on average about 35 percent lower than the prices the Medicaid MCOs pay today for the same drugs. In fact, DPW already earns

the higher drug rebates for children and adults in the 42 counties in the Medicaid fee-for-service system.

Under the Smart Pharmacy plan, the Commonwealth will assume responsibility for paying their pharmacy benefits for the 1.1 million individuals enrolled in the HealthChoices program, just as it does today for the 800,000 individuals in the fee-for-service program.

On a full-year basis, DPW will save taxpayers approximately \$146 million annually. I want to emphasize that we still expect the managed-care organizations to carry out their core mission under Smart Pharmacy.

This includes effectively managing care for the whole person appropriately developing coordinating disease and intensive case management initiatives, monitoring patient and provider compliance to prescribing standards in order to ensure superior quality, and lowering the overcall cost of care for children and adults who receive their health care through the Medical Assistance Program.

In conclusion, there are three ways to close the budget gap: cut spending, control costs, and/or raise new revenues.

Senate Bill 850 relies exclusively on cuts to

balance the budget. I have identified some specific concerns with the spending cuts.

It is also problematic that the savings from Smart Pharmacy are ignored and that Senate Bill 850 fails to include any new revenue options. I believe we can avoid the worst of the cuts with a more balanced approach to the 2009-2010 budget.

Thank you for the opportunity to testify at this time.

COMMISSIONER TOKAR-ICKES: Thank you, Secretary Richman.

And in closing, we want to thank you. I know that we've thrown an awful lot of information at you today. Our message may be very different and very specific with each one of the speakers. But I think our message should be very clear to you.

We are truly at a watershed moment in public service for both our State officials as well as our county officials. And there has to be a partnership that is really developed between State and county government.

We are challenged very much on a daily basis to provide needed programs and services to our constituents. But the message we want to leave with you here today is, our constituents are your

constituents as well.

None of us came to public service to do anything more than the best we possibly could with the resources we were given. We understand the resources are severely limited this time around. We have never seen times like we are experiencing right now in government.

We hope that as you make your decisions as part of the budget process, you understand that Senate Bill 850 is simply unacceptable. Its impact on the lives of our families and our children and our constituents and our communities will be simply devastating.

And that is the message we brought here to you today. I certainly would invite you to ask members of the panel any questions that you might have. We certainly thank you for your attention and your commitment to public service today.

Thank you.

MAJORITY CHAIRMAN EVANS: Thank you to all of you for your comments. We really appreciate it.

Representative Kathy Manderino.

REPRESENTATIVE MANDERINO: Thank you, Mr. Chairman.

I just want to pick up on a point that

Secretary Richman made because I think all of these discussions so far have to acknowledge all of these. And I think she said it very succinctly when she said, we have three options. We cut services, we cut the cost of services, or we raise revenue or some combination thereof.

I've been a supporter of Smart Pharmacy because I see that as a way to cut costs without cutting services. And I think it's absolutely asinine that we keep leaving all that money on the table. That's my personal opinion. I haven't convinced all of my colleagues of that yet.

But what I want to ask you, as county commissioners -- and please understand that I absolutely respect that you have come before us as co-elected officials. You are in the same boat as we are as elected officials. You are elected by your constituents, as we have. And you have these same tough decisions to make on your county level that we have to make up here.

From the County Commissioners Association, if you have put it together -- I haven't seen it in any comprehensive -- I've seen your chart on child welfare funding and kind of the total loss of child welfare funding dollars between the Governor's proposal and

Senate Bill 850. But I don't know that I've seen any tally.

Since what you're saying to us, as county commissioners is, the Governor's proposal is bad but the absolute minimum in these tough times, I'm interested in what that total gap is for everything that goes to the counties between kind of what you're calling the floor of the Governor's proposal and the alternative, which is Senate Bill 850.

I don't know if anybody has that number now that you could give us or, if not, if it's not too difficult to put it together, I think that would really put kind of a picture on the decisions, because the discussions we make up here are going to pass down to you.

But here's my question to you as elected officials. I'm putting you on the spot a little bit, but I actually think if you can give us your best-guess answer of what will happen in each of your counties. So this is a question for each of you.

Let's assume 850 -- because you said, we can live with the Governor's proposal if we have to. But let's assume 850 is what passes up here, so you kind of know what the impact is going to be on your county budgets.

For each of your counties, what do you expect, as elected officials, your Board of Commissioners will do? Do you expect that the mood in your county is, we will totally cut in order to meet those numbers? We will cut and raise property taxes a little bit to meet those numbers? Or the other option that is proposed on the table that the Governor put out in his budget and I know that the Association took a position in terms of the optional 1 percent sales tax, which nobody talked about in your presentation, do you think that you will look to move a little bit in that direction?

So if you wouldn't mind from each county, kind of what's the political mood in your county for balancing your county budget -- because you have to have a balanced budget like we do -- on cuts, on property tax increases, on sales tax, instituting a 1 percent sales tax, or a combination?

MR. DOUGHERTY: Okay. I'll start out on that.

REPRESENTATIVE MANDERINO: Okay.

MR. DOUGHERTY: What's going to happen, we're going to be tarred and feathered and sent out of town. That's basically the bottom line.

REPRESENTATIVE MANDERINO: But that's going

to be after you make the decision. I'm trying to get to what the decision is going to be.

MR. DOUGHERTY: In many cases, what we're talking about here are not places where we can make cuts, especially in many of the human services areas. You know, we are mandated by the State to provide these services. So the cuts have to be picked up by the county.

And the only option that we have is the property tax. If we have other options, if we had the 1 percent sales tax, if we had other sources of income, we might be able to tap those, but we don't.

And by going back tapping the property tax all the time, it is not only incensing the residents out there, because they're also being tapped by the school districts, too, but we're also going to be holding back the economic development that we so want and need in the State.

REPRESENTATIVE MANDERINO: If I could cut you off. Let's also make another assumption. Let's make an assumption that we give you the authority for the optional 1 percent.

MR. DOUGHERTY: Okay.

REPRESENTATIVE MANDERINO: So your answer was, we didn't cut our way out of this at the county

level because of mandated services. So if you don't raise the revenue or you don't give us the revenue on the State level, we have to raise it on the county level. So now your option is property tax versus the optional 1 percent sales tax.

What's the mood in your county? What do you think will happen?

MR. DOUGHERTY: Well, we would have to approach that county to county. We're here as an organization today.

REPRESENTATIVE MANDERINO: Right. But what would happen in Lehigh County?

MR. DOUGHERTY: In Lehigh County, we have a citizens group, Renew Lehigh Valley, and we have a business group, the Partnership. These groups are coming out favoring the 1 percent sales tax.

But I know in other counties -- I don't want to speak for them -- some of them are totally against this, especially the ones near Delaware where there is no sales tax.

So what we have been advocating as an organization for years is that we get tax reform in which there is a menu from which the individual counties can select which options are best for that individual county.

REPRESENTATIVE MANDERINO: Thanks.

Donna, what do you think will happen in Monroe?

COMMISSIONER ASURE: Well, ma'am, to be very honest, I don't know that I can give a fair position on Monroe. Being the minority commissioner, I have proven several times already, philosophically, I disagree with my other two commissioners.

So let me just tell you from my perspective. First of all, the mandated services would go on, which would cause me then to cut other services. I would probably not be able to provide GED classes in the jail because they're not mandated to have them.

I would have to cut electronic monitoring. I might not be able to. That's not mandated. It is absolutely a fantastic program. It keeps people out of jail. But I may not be able to afford to continue to do that if I'm going to have to continue to pay for the services of probation and parole that should be funded from the State level per the report.

If you are talking about a sales tax, we just got our local hotel tax. Compared to last year, we are down over 5 percent, though there was discussion, just discussion, nothing formal, talking about having a sales tax.

You have to remember that the original game plan with sales tax was to provide property tax relief. So we're not going to be able to get the programs with the sales tax whether we vote for it or not. It's to reduce the property taxes, so we're not gaining any new money in the first several years of it.

I think -- you know, we're all in this together. And it is very, very difficult and hindsight is 20/20.

REPRESENTATIVE MANDERINO: Yes.

COMMISSIONER ASURE: But because there's been no game plan on funding mandated services on a continual level from Federal and State, thus the counties are in this position.

I would absolutely -- we have county people right now that want us to borrow between thirty and one hundred million dollars additional for open space. Not with my vote.

We have people right now that want us to start a local Health Department because we're not getting the services from the State. How would we afford to do that?

We are being asked to borrow \$35 million to build half of the local community college, which I

absolutely think is a great thing for workforce development. We could be a feeder thing. How would we afford it? We need that money for debt service, which is now almost \$6 million a year, which would just add more and more into debt service. We can't afford it because we're paying for mandated services that are unable to be paid for by a partnership with the State.

REPRESENTATIVE MANDERINO: Kathi, what happens in Chester County?

COMMISSIONER COZZONE: Well, I, also being the minority member of a three-member board, can't speak for my colleagues. But I will tell you that the general atmosphere in Chester County by every citizen I have spoken to is, do not raise my property taxes.

As Commissioner Dougherty pointed out, most of our constituents will be struggling with some real increases in their property taxes just to support their school districts, of which there are 13 in the county of Chester.

The 1 percent sales tax, while it is intended to not be an increase in revenue but a replacement for property taxes, won't help us in Chester County with our proximity so close to Delaware County and would not be accepted by our citizens either.

So where we have already gone, because we are facing market losses in our pension fund, we are facing revenue growth that isn't growing. I guess that's an oxymoron. We used to grow our assessed value at somewhere in the neighborhood of 2 and a half to 3 percent a year. We're looking at -- if we're lucky, it will be flat going into 2010.

So we are already approaching the less than a third of our budget that we have -- if you want to call it discretionary, which I think is probably not the best term for it. We've already charged our departments with trying to find the funding to cover that so we don't have to increase property taxes.

So I can't sit here before you today and tell you exactly what we will do. But I can tell you what our citizens will charge us to do. And if we aren't able to do that by substantially slashing programs and services, then the only option left for us is an increase in property tax.

And I think in the Commonwealth of Pennsylvania, we've heard loud and clear that people want an alternative to property taxes.

REPRESENTATIVE MANDERINO: Thanks.

George, you're up next.

COMMISSIONER HARTWICK: First, specifically

on the 1 percent sales tax proposal. First of all, I'd like to commend the Governor and the Legislature for at least starting the discussion and having a place to start about meaningful tax reform.

I don't think this is the panacea. You've been struggling with the issue for decades. But I believe it is a start and an opportunity for us to determine from the local level, what is the best balance for us? Property taxes are still a stable source of revenue. We need a mix, not just one option.

But we do commend you for the start. I don't think it's going to be the answer. It can be an option for us as these cuts are passed for us to consider. I would certainly advocate for you to not eliminate that option in whatever is passed.

I think it's something we'd consider in Dauphin County. We are different than most counties. We do have a three-member board, but we don't play politics. There's no pointing fingers. We've been able to come to resolution based upon our strategic area of expertise.

That's why we're in a pretty good position. We spend less time talking about party affiliation and more time talking about solutions. And that's been

successful for us in Dauphin County.

If you pass forth the budget challenges from Senate Bill 850, the first thing I'm going to go pragmatically do is go back into our human services budget through each categorical agency and look at what we're not mandated to provide. And that is going to be on the chopping block.

Unfortunately, from our perspective, we have been innovative in trying to utilize dollars to be able to reduce our prison population. When we started, we were at 1,400 in our prison in Dauphin County.

We're now up to an all-time low of around 840 individuals housed at Dauphin County Prison only because we have been able to use money through the drug and alcohol system, mental health system, to actively divert individuals to other mandated services that are taking care of issues that have caused people to be in there cyclically. And we are actually reducing the prison population.

Those programs are gone with this budget. We're going to see an increase in prison population. We're going to see people less served. And we're going to see people institutionalized rather than productive taxpayers.

REPRESENTATIVE MANDERINO: Okay.

COMMISSIONER HARTWICK: And then ultimately, that burden is going to fall on property tax owners because we don't get a State allocation for county prisons. We have to run that solely with 100 percent property tax dollars, which also our health care costs, just like everybody else's, at the prison, as being the primary place to receive health care, are also going to go up exponentially.

So we are going to see --

REPRESENTATIVE MANDERINO: Do you see both? Do you see problematic cuts and property tax increase?

COMMISSIONER HARTWICK: I see problematic cuts and I see poor outcomes and more revenue that has to go into a system that's not working versus the ability to invest in people, see better outcomes, and reduce money and reliance on the system.

REPRESENTATIVE MANDERINO: You can't cut your way out of that?

COMMISSIONER HARTWICK: I think it's pennywise and pound-foolish.

REPRESENTATIVE MANDERINO: Pam, how about Somerset County?

COMMISSIONER TOKAR-ICKES: There's not much more. I think all of the above. I certainly echo the

sentiments of my colleagues.

As I mentioned before, Senate Bill 850 is simply unacceptable for us. We also will have to revisit our budget. Our fiscal analyst has not completed an analysis of the total impact on all county agencies.

And I find it very difficult to talk in hypotheticals, but I will tell you, I am a commissioner that survived a 50 percent increase in taxes four years ago. It wasn't pleasant. It was necessary. We had the political will. And we did what we had to do.

I do not want to do that again, if I can possibly avoid it. And I think we have some options on the table. CCAP has also made suggestions to the State Legislature about giving us relief from many of those mandated services, if possible.

Looking at other options, as far as the sales tax, it does look very promising for Somerset County. However, I will tell you I just came from our Township Supervisors Association annual meeting, and the idea of imposing any tax, additional tax, does not sit well at the grassroots level, whether it be with school districts or with boroughs or township officials.

So everyone is very sensitive in Somerset

County right now. We are still rebounding. We have a diversified economy. But we are still rebounding from the impacts to coal and steel in the late '80s. It has taken us long -- a long effort, a long and hard effort to rebuild to try to diversify our economy.

This will be devastating, in fact, if this bill passes. My constituents have told us very clearly they cannot afford additional taxes on their properties.

REPRESENTATIVE MANDERINO: Thank you.

Thank you, Mr. Chairman.

MAJORITY CHAIRMAN EVANS: I would like to thank all of you for what you do every single day. I know it's not easy. And obviously it's not easy for us.

I'd like to thank the Secretary, who has been in it for a real long time. I'd like to thank you, too.

We have been working together. We will continue. The purpose of this hearing is for us to work together and try to come up with something.

Again, I'd like to thank you for coming before us.

We are in recess until --

REPRESENTATIVE PETRI: I did want to just add

a couple of follow-up questions, if I could.

MAJORITY CHAIRMAN EVANS: Sure.

REPRESENTATIVE PETRI: It was very unclear to me -- and I know that you're not representing your counties. Why don't you raise your hand, how many of you would impose a 1 percent sales tax in your county regardless of what other counties did if that was the only alternative?

I don't see any hands going up.

COMMISSIONER TOKAR-ICKES: I don't think we're prepared to make that commitment at this point. We certainly sit here as one representative of three-member boards, with all due respect.

REPRESENTATIVE PETRI: Well, I was asking you personally. And it's an unfair question. But essentially, that is what the debate is today, in my opinion.

Everybody wants to be resourced. And the plain reality is that if everyone is restored -- and you've come to us saying that the minimum level is the Governor's budget. The numbers indicate that we're at least \$3 billion too low.

So the question is, what major tax -- not Marcellus Shale drilling, not cigarette tax -- are you asking the Legislature to impose on our mutual

constituents at this time?

Is it a Statewide PIT? Is it a sales tax? Because those are the only two items that come even close to raising the kind of revenue that would be needed to solve the problem.

So I respect everything you're saying. I know a lot of the programs that you're talking about are very important in my county as well. I've talked to my county commissioners about them.

But on the other hand, what you're really saying to us is, if the Governor's budget is the minimum amount you can accept and every other group comes in here and says the same thing, which I'm sure they will, we are looking at at least a 1 percent PIT increase.

Now, having said that, I want to ask one other follow-up question. I could not help but to notice that most of you as commissioners come from growing areas.

We all know most of the human services you're talking about have hold harmless clauses. We know what that means. It means that you can't get less than you got the year prior no matter what.

Having said that, is CCAP and are you prepared to go back and start to lobby actively for

the elimination of the hold harmless clause?

Because it's clear as a bell to me that we will continue to spend more money as a State even though our population isn't really growing or shrinking and unless and until that hold harmless clause is removed and that the counties that grow rapidly, like Bucks, Montgomery, Chester, Monroe, Lancaster, Berks, on and on, will continue to have shortfalls.

And if you haven't as commissioners looked at your numbers, you ought to look at your numbers. Pull your alcohol services, drug and alcohol. Pull your aging numbers. You will be shocked, shocked at the amount.

Montgomery County alone is shorted \$3 million under the present aging formula, \$3 million.

So while you come to us with problems and we hear you, there are other solutions that it's time that we consider. I don't know if you've looked at those or if you have any comments in that regard.

COMMISSIONER ASURE: Sir, I believe that the hold harmless was a major discussion in the school property tax debate over the past several years and a discussion of whether a sales tax should be implemented to go towards school property taxes, which

we hear about on a daily basis, though we pay them just like everybody else and don't implement them. God bless school boards.

Representative Petri, I know it is very, very difficult. And I, for one, would be willing to look at programs that need to be cut, which was my discussion in my budget last year, quite honestly.

One of the proactive things that the County Commissioners Association does is I'm chairman of a new committee called the 21st Century Best Practices For County Jails.

And we are actually having an awards ceremony in June of county jails who have thought outside of the box, put in their own dollars for re-entry programs, hiring different people, and trying to do the right thing, some of that being dependent on some of the money that's coming down from the State.

Others, they have been able to, because of the money that came down from the State, use their General Fund budget to provide services that help keep people out of jails, which is a county cost to start with.

On the other hand, we also are partners with the DOC State liaison committee under Executive Deputy Secretary Sprenkle, again, thinking outside the box to

see how we can save money for both the State, which is a huge part of your budget, and county jails, which is a huge part of ours, how we can work together to do the same thing.

But we also at the same discussion sit around saying, how can we implement one program instead of 67 programs or 27 programs and work together on the same thing?

I think what is being faced with is the fact that if we don't all look to where we can cut some fat both in our county budgets and in the State budget and shift it to where it's actually going to make the biggest bang for our buck to get the right things going, that's probably the biggest debate.

A statewide sales tax was widely supported in our area to offset property taxes for the school, property taxes, which is where I think if people saw major tax reform in the school property taxes to start with, then that would lead to a discussion for county taxes. I think people would be more willing to accept what we might need to discuss at the local level to provide the other services for our constituents.

That's going to be a hard debate at your level, I think.

REPRESENTATIVE PETRI: Well, I appreciate

that, Madam Commissioner. And I just want to add one thing real quickly so that the record doesn't get confused.

When we're talking about a sales tax, we're not talking about replacing property taxes. We're talking about keeping the lights on and keeping things going on the present levels. If that's something that our taxpayers want to do, you are looking at larger tax increases.

And I don't know, Madam Secretary, if this is appropriate or not, but being the type of person I am, I'm going to ask it anyway.

Do you have a preference as to which way we go to increase this additional revenue, knowing that Marcellus Shale isn't going to do it, cigarette tax isn't going to do it?

How are we going to bridge this gap?

SECRETARY RICHMAN: I'm not usually this invited to express an opinion on that.

But I do believe that any entity at some point has to be able to figure out how they raise revenue. We may be at that point. But we have to be at it eventually.

I think that across the Commonwealth, we can cut. I think we look for cost efficiencies. I think

we've looked at all those things through our moving. I think even if we were to redo our allocations -- and many of them, as we have discussed, need to be redone -- that evens the money barely as opposed to saving any dollars.

So the question is whether we go to a PIT or a sales tax to some degree determines how regressive you want to be. Do you want to look at incomes so it's more graduated or look at sales tax that hits everybody who comes into the State?

Those are things that long debates late into the night are based on. For most of us who deal with very poor people, we tend to prefer taxes that are not regressive and that are applied across some level of income.

So that would probably be -- if I were a voting person, which if this was up for a vote, I think what I often look for is, how do we take advantage of every opportunity to reduce the burden of the State and make accountable all of the taxes that we're collecting?

I think always a good question is, what are you doing with the money and can you be accountable for it? And that needs to apply for everyone.

But that will get us more economy. But that

doesn't make up for the cost of inflation. Whether you look at the counties, the hospitals, or the nursing homes, we have starved them to death. I'm not sure how much more we can ask these folks to do and not pay them a fair wage.

REPRESENTATIVE PETRI: Thank you.

MAJORITY CHAIRMAN EVANS: Thank you, Representative.

Again, I'd like to thank all of you for what you do every single day and particularly the Secretary. I know it's not easy. We're doing this hearing for the purpose of having a conversation to work with you and not work against you.

SECRETARY RICHMAN: Thank you.

MAJORITY CHAIRMAN EVANS: I thank you for your comments.

SECRETARY RICHMAN: Thank you.

MAJORITY CHAIRMAN EVANS: We're going to break and reconvene at 2:30. The panel will be education.

Thank you, everybody, very much.

(The panel concluded at 1:20 p.m.)

I hereby certify that the proceedings and evidence 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.

Jean M. Davis
Notary Public