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COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE

MAIN CAPITOL
ROOM 140
HARRISBURG, PENNSYLVANIA

BUDGET HEARING
DEPARTMENT OF GENERAL SERVICES

TUESDAY, FEBRUARY 25, 2020
1:38 P.M.

BEFORE:

- HONORABLE STANLEY SAYLOR, MAJORITY CHAIRMAN
- HONORABLE MATT BRADFORD, MINORITY CHAIRMAN
- HONORABLE ROSEMARY BROWN
- HONORABLE SHERYL DELOZIER
- HONORABLE GEORGE DUNBAR
- HONORABLE JONATHAN FRITZ
- HONORABLE MATT GABLER
- HONORABLE KEITH GREINER
- HONORABLE SETH GROVE
- HONORABLE MARCIA HAHN
- HONORABLE DOYLE HEFFLEY
- HONORABLE LEE JAMES
- HONORABLE JOHN LAWRENCE
- HONORABLE JASON ORTITAY
- HONORABLE CLINT OWLETT
- HONORABLE GREG ROTHMAN
- HONORABLE JAMES STRUZZI
- HONORABLE JESSE TOPPER
- HONORABLE JEFF WHEELAND
- HONORABLE RYAN WARNER
- HONORABLE MARTINA WHITE
- HONORABLE DONNA BULLOCK
- HONORABLE MORGAN CEPHAS

1 BEFORE (continued):

2 HONORABLE AUSTIN DAVIS
3 HONORABLE ELIZABETH FIEDLER
4 HONORABLE MARTY FLYNN
5 HONORABLE EDWARD GAINES
6 HONORABLE PATTY KIM
7 HONORABLE STEPHEN KINSEY
8 HONORABLE LEANNE KRUEGER
9 HONORABLE STEPHEN MCCARTER
10 HONORABLE BENJAMIN SANCHEZ
11 HONORABLE PETER SCHWEYER

7

NON-COMMITTEE MEMBERS:

8

9 HONORABLE MATT DOWLING
10 HONORABLE TIM HENNESSEY
11 HONORABLE BARRY JOZWIAK
12 HONORABLE TOM MEHAFFIE
13 HONORABLE FRANK RYAN
14 HONORABLE CRAIG STAATS
15 HONORABLE KEVIN BOYLE
16 HONORABLE MIKE CARROLL
17 HONORABLE DAN DEASY
18 HONORABLE PAMELA DELISSIO
19 HONORABLE JOE HOHENSTEIN
20 HONORABLE MARY ISAACSON
21 HONORABLE ED NEILSON

15

16

COMMITTEE STAFF PRESENT:

17

DAVID DONLEY, MAJORITY EXECUTIVE DIRECTOR
RITCHIE LaFAVER, MAJORITY DEPUTY EXECUTIVE
DIRECTOR

18

ANN BALOGA, MINORITY EXECUTIVE DIRECTOR
TARA TREES, MINORITY CHIEF COUNSEL

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P R O C E E D I N G S

1
2 MAJORITY CHAIRMAN SAYLOR: We'll call
3 this hearing to order. And for the -- before
4 we start, I'm going to call on Representative
5 Kinsey for comments.

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

8 Mr. Chairman, we recognize that the
9 budget hearings can sometimes just take us to
10 another mindset where we focus on, you know,
11 the dollars and the expenditures of this great
12 Commonwealth. However, Mr. Chairman, you
13 know, there's also a humanistic side, where I
14 think that it's important that we recognize
15 that each day is not guaranteed to any of us.

16 With that being said, I want to ask
17 the -- the members and those that are present
18 here if we can just take a moment of silence.
19 Some of you may know that Deputy Secretary
20 Kirkland lost his son just this month. Many
21 of us consider Deputy Secretary Kirkland a
22 good friend, an honorable man, a gentleman who
23 works hard to provide the supports and
24 services throughout this Commonwealth.

25 And so, with that being said,

1 Mr. Chairman, I want to take a moment of
2 silence in recognition and honor of Deputy
3 Secretary Kirkland and for the loss that you
4 and your family are enduring.

5 So, if we can have a moment of
6 silence.

7 MAJORITY CHAIRMAN SAYLOR: Would
8 everybody please rise.

9 (Moment of silence.)

10 REPRESENTATIVE KINSEY: Thank you,
11 Mr. Chairman.

12 MAJORITY CHAIRMAN SAYLOR:
13 Mr. Secretary, if you and -- Bev, are you
14 going to testify, too? I assume? Would you
15 rise and raise your right hand. Thank you.

16 CURT TOPPER,

17 BEV HUDSON,

18 were duly sworn,

19 MAJORITY CHAIRMAN SAYLOR: Thank you
20 both.

21 We'll proceed immediately to
22 questions. We'll start off with
23 Representative Grove.

24 REPRESENTATIVE GROVE: Thank you,
25 Mr. Chairman.

1 Good morning, Mr. Secretary. How are
2 you?

3 SECRETARY TOPPER: Good morning.

4 REPRESENTATIVE GROVE: Or I guess
5 good afternoon now.

6 SECRETARY TOPPER: Good afternoon.

7 REPRESENTATIVE GROVE: It blends.

8 I have two questions, one Separations
9 Act and one on capital budget. I'll start
10 with capital budget first.

11 I saw an article this morning,
12 ten-year treasury yield hits three-year low;
13 thirty-year rate hits record low. So, right
14 now is the cheapest time for governments to
15 borrow money in probably our history or
16 possibly our lifetime. I anticipate that we
17 probably have a massive backlog of capital
18 budget projects as well.

19 So, can you kind of hit on what
20 you're seeing as far as capital budget and
21 projects we have backlogged and the impact of
22 our yield market?

23 SECRETARY TOPPER: Sure,
24 Representative. I'd be happy to.

25 DGS is responsible for managing the

1 portfolio of current and pending capital
2 projects for all twenty-nine agencies under
3 the governor's jurisdiction, as well as for
4 state-related educational institutions. We
5 presently have -- in terms of current
6 projects, we have about a billion-
7 and-a-half-dollar portfolio of projects that
8 are either in design or construction.

9 And I agree with you that the low
10 interest rate environment is one that's
11 certainly likely to work to our benefit. And
12 we do, in fact, have a backlog of -- of
13 capital projects that I know the agencies are
14 anxious to get started on.

15 We started about three years ago
16 putting all of the agencies on a three-year
17 capital planning cycle, so we have better
18 insight into what the agencies are planning to
19 do than probably ever before. And so, we --
20 we could produce a list of pending projects
21 that the agencies are anxious to get done.

22 I can share with you that throughout
23 the first term -- throughout the governor's
24 first term, we released and executed projects
25 at historically low numbers overall, in an

1 effort to keep the Commonwealth's debt in --
2 in order to keep the Commonwealth's debt under
3 control. But I have recently been speaking
4 with the governor and the governor's budget
5 office about potentially expanding the number
6 of projects that we do here in the coming
7 year.

8 REPRESENTATIVE GROVE: Okay. That's
9 good to know, because, again, we're never
10 going to have this opportunity in our lifetime
11 again.

12 SECRETARY TOPPER: I would point out,
13 just real quickly, that DGS does not have a
14 role in the determination about when to go to
15 the bond market or how much to borrow. We
16 manage the projects and Budget pays for them.

17 REPRESENTATIVE GROVE: Will do.

18 If you could, could you get us the
19 list of those projects? So we can view how
20 much, where they're at, what counties they're
21 located in and so forth, would be very
22 helpful.

23 SECRETARY TOPPER: I'd be happy to.

24 REPRESENTATIVE GROVE: Thank you.

25 Separations ask -- or Separations

1 Act, Chairman Everett of the State Government
2 Committee asked me to address this with you.
3 Last session you were asked about it and you
4 did answer at that time possibly a -- not a --
5 necessarily a full repeal essentially, but you
6 did mention doing a thorough and independent
7 evaluation of the risks involved with those
8 stakeholders until we can move forward with
9 the Separations Act.

10 Has your Department done any work on
11 that to date?

12 SECRETARY TOPPER: We have -- we have
13 been working continuously throughout the last
14 year and before to make the processes that we
15 manage in order to run capital projects vastly
16 more efficient, working within the constraints
17 that the Separations Act offers.

18 And I'm really proud that we've
19 reduced cycle time for change orders, that we
20 are managing projects dramatically more
21 efficiently than we were.

22 We have not spent a great deal of
23 time or effort doing the research that I think
24 would be necessary in order to -- in order to
25 make a determination about the Separations

1 Act.

2 As it stands, the governor does not
3 support repealing the Separations Act because
4 of the concerns that you just mentioned.

5 I think that that's an effort that I
6 would anticipate that the general assembly
7 ought to undertake, as opposed to the
8 Department.

9 REPRESENTATIVE GROVE: Okay. Have
10 you looked at how some of our universities
11 have done it? My understanding is,
12 universities can use their own dollars for
13 construction versus when they get state
14 dollars for capital projects. Have you
15 discussed with them the differences between
16 the construction projects they do with their
17 own money versus those that were state-funded?

18 SECRETARY TOPPER: I have not.

19 REPRESENTATIVE GROVE: Okay. And
20 maybe we can follow up on that, because I
21 think, you know, the administrative burden's
22 highly reduced from when they use their own
23 money as well as significant costs were saved
24 through that. And maybe that's a good start
25 to having further discussions on the

1 Separations Act.

2 Thank you.

3 Thank you, Mr. Chairman.

4 SECRETARY TOPPER: Thank you.

5 MAJORITY CHAIRMAN SAYLOR: Before I
6 proceed to the next questioner, I want to let
7 everybody know that we have been joined by two
8 members who are not members of the
9 Appropriations Committee, Representative
10 Staats, from Bucks County, and Representative
11 Dowling, I believe from Washington County --
12 Fayette. I'm sorry.

13 Thank you, Representative Dowling.

14 With that, we'll move on to
15 Representative Davis.

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

18 Mr. Secretary, it's a pleasure to see
19 you today. Thank you for being with us.

20 As you know -- as you may know,
21 climate change is an existential threat that
22 many of us believe is taking place in this
23 world. So, my question is how is the
24 Department of General Services working to
25 effectuate Executive Order 2019-01 and the

1 Commonwealth's leadership in addressing
2 climate change and promoting energy
3 conservation and sustainable governance?

4 SECRETARY TOPPER: Thank you for your
5 question, Representative.

6 I was very, very pleased when the
7 executive order was signed and very pleased
8 with the role that was designated for the
9 Department in the executive order,
10 specifically the fact that the -- the effort
11 is staffed within the Department, and it puts
12 us -- gives us more than a seat at the table.
13 It gives us a leadership role in helping to
14 drive better decision-making across the
15 Commonwealth, across all the agencies.

16 There are five specific goals within
17 that executive order having to do with
18 electric vehicles in the fleet, et cetera.
19 You mentioned energy efficiencies, so I wanted
20 to just --

21 REPRESENTATIVE DAVIS: Yes, please.

22 SECRETARY TOPPER: -- just touch on a
23 few things we've done here within the last
24 year. And I would say that even prior to the
25 executive order, energy efficiency has been

1 a -- a primary focus here for -- for the
2 Department.

3 We've invested significantly in
4 energy efficiency upgrades recently.
5 Specifically, we've updated the chiller plant
6 here for the capitol complex. We've installed
7 more than 35,000 LED lights around the
8 capitol. We have actually reduced the
9 Commonwealth's actual electricity consumption
10 by 12 percent since I became secretary, and
11 that's in terms of just raw energy
12 consumption. And at the same time that we've
13 accomplished these energy efficiency upgrades,
14 we have actually reduced the rates that we are
15 paying for natural gas and for electricity,
16 saving an additional 30 million dollars since
17 I became secretary.

18 I couldn't be happier with the work
19 that Deputy Secretary Gaudion and his team
20 have done here over the course of the last few
21 years. At the same time that we've reduced
22 those costs and that consumption, we are now
23 the number one state in terms of our green
24 energy purchase. So, 40 percent of the
25 Commonwealth's electricity purchases are

1 offset by green energy credits, which is more
2 than any other state, and that's up from zero
3 percent in 2015.

4 REPRESENTATIVE DAVIS: Thank you.
5 That's phenomenal work, and we certainly look
6 forward to being a partner with you as you go
7 forward to continue to do that great work.

8 Thank you.

9 SECRETARY TOPPER: Thank you.

10 REPRESENTATIVE DAVIS: And thank you,
11 Mr. Chairman.

12 MAJORITY CHAIRMAN SAYLOR: We've been
13 joined by two other members who are not
14 members of the Appropriations Committee,
15 Representative Hohenstein, from Philadelphia,
16 and Representative Frank Ryan, from Lebanon
17 County.

18 With that, we'll move to
19 Representative Greiner for the next questions.

20 REPRESENTATIVE GREINER: Thank you,
21 Mr. Chairman.

22 Good afternoon, Mr. Secretary.

23 SECRETARY TOPPER: Good afternoon.

24 REPRESENTATIVE GREINER: Just wanted
25 to touch base -- just thinking about this. I

1 saw your testimony on background. I was
2 county controller in Lancaster County for
3 several years and dealt with RFPs. I wanted
4 to talk to you about the RFP scoring a little
5 bit.

6 And I see that the scoring weight of
7 a current RFP for services is 50 percent for
8 technical requirements, 30 percent for costs,
9 and 20 percent for small, diverse business and
10 small business participation.

11 I have a series of questions that I'd
12 like to ask you. Is 30 percent for cost, just
13 looking RFP, is that exceptionally low, or is
14 that the norm for most RFPs?

15 SECRETARY TOPPER: Within the
16 Commonwealth, that is the norm. Agencies do
17 have the ability to request a variance, if
18 they would like, for costs to be a higher
19 percentage. They certainly may. We often
20 engage with the Department in a -- in an
21 effort to try to set those -- those
22 percentages in an appropriate way.

23 REPRESENTATIVE GREINER: Yeah. I do
24 want to follow up, because that was going to
25 be my next question. So, the criteria can

1 change for -- I guess it's not exactly the
2 same question. I have down, can the criteria
3 change for the same procurement when it comes
4 due? I mean, can things change? And if so,
5 how is that determined?

6 So, I guess -- I guess you say you're
7 working with some agencies, but then, also, if
8 there's an RFP and things can -- I hate to say
9 it, but can the bar be moved at all, or can
10 there be discussions on that at that time?

11 SECRETARY TOPPER: Nothing can be
12 changed in the midst of a procurement. Each
13 procurement is treated as an independent
14 event. So, if a contract -- it's quite
15 possible that a contract could have been let
16 via sealed bid one year and then two years
17 later, when it's due --

18 REPRESENTATIVE GREINER: Right, when
19 it's due.

20 SECRETARY TOPPER: -- to re-compete,
21 it might be done as an RFP.

22 MAJORITY CHAIRMAN SAYLOR: It might
23 be -- that's right, a different criteria.

24 SECRETARY TOPPER: Yes.

25 REPRESENTATIVE GREINER: What is the

1 lowest RFP scoring weight to date for the cost
2 component? Do you know that off the top of
3 your head?

4 SECRETARY TOPPER: I couldn't tell
5 you off the top of my head.

6 REPRESENTATIVE GREINER: I'm thinking
7 conceptually now, as a CPA and a business guy
8 and somebody who's done this work with the
9 legal staff in the county. Isn't it possible
10 that with some of these RFPs, we at the
11 Commonwealth are paying more or paying more
12 for goods -- taxpayers are paying more for
13 goods and services than we probably need to
14 because the scoring weight for the cost is
15 only at 30 percent?

16 SECRETARY TOPPER: Representative, my
17 point of view is that the -- is that the
18 best-value approach and the use of RFPs is a
19 vastly superior approach to taking your
20 requirements to market.

21 The traditional sealed-bid method
22 that the Commonwealth has used for the
23 majority -- majority of its procurements
24 historically is deeply flawed from the
25 perspective of trying to account for quality,

1 trying to account for past performance, trying
2 to account for total life-cycle cost of the
3 goods and services that we're buying.

4 The sealed-bid approach effectively
5 limits us to consider only the price on bid
6 day at that time that we award a contract. If
7 that were a good way for us to award
8 contracts, then that's what the private sector
9 would do. But, as you know, the private
10 sector doesn't do that. The private sector
11 makes best-value decisions, taking into
12 account quality, et cetera.

13 So, I am a big proponent of the RFP.
14 It is possible that when we award contracts
15 using an RFP, that we might award a contract
16 at a higher price --

17 REPRESENTATIVE GREINER: Right.

18 SECRETARY TOPPER: -- than one of --
19 than one of the competing proposals. That's
20 possible, even likely, in some circumstances.
21 But that's after taking into account quality,
22 past performance, contribution -- or
23 subcontracting plans with small, diverse
24 businesses, et cetera.

25 REPRESENTATIVE GREINER: Is that what

1 you -- is that what the definition of "value
2 based" is, in your -- those criteria, that's
3 what you would define a value-based RFP?

4 SECRETARY TOPPER: Yeah. We use the
5 term "best value" broadly to encompass the set
6 of methods that use RFPs as the solicitation
7 document.

8 REPRESENTATIVE GREINER: Now, how are
9 the scoring weight parameters -- you said you
10 talked with the agencies, but how are the
11 scoring weight parameters decided upon for
12 RFPs? I guess it's --

13 SECRETARY TOPPER: Sure.

14 REPRESENTATIVE GREINER: You're set
15 in stone, or what's happening there?

16 SECRETARY TOPPER: So, we have set
17 the 50/30/20 as a starting point for all
18 agency RFPs. Depending on the characteristics
19 of what is being bought, it may make more
20 sense for us to have a higher price weight or
21 a higher technical weight. And it really --
22 so here's an example. If you're buying a pure
23 commodity, right, I'm buying road salt, as it
24 turns out, price really should be the
25 governing factor --

1 REPRESENTATIVE GREINER: Right.

2 SECRETARY TOPPER: -- with road salt.
3 I might -- may want to account for delivery
4 and for other things, but, in that instance,
5 price -- or the price percentage ought to be
6 higher.

7 REPRESENTATIVE GREINER: As a state
8 rep or somebody who -- is there transparency,
9 or the press, are we able to see -- see how
10 the scores were weighted in each of the
11 contracts? Will we have that ability or
12 availability to do so?

13 SECRETARY TOPPER: Yes, you are.
14 They're identified in every solicitation.

15 REPRESENTATIVE GREINER: Okay, so I'd
16 be able to see -- okay. Thank you.

17 Thank you, Mr. Chairman.

18 Thank you.

19 SECRETARY TOPPER: Sure. Thank you.

20 MAJORITY CHAIRMAN SAYLOR:

21 Representative Sanchez.

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

24 Up here, Mr. Secretary. Thank you
25 for being here today.

1 I wanted to follow up a little bit on
2 Representative Davis's line of questioning
3 with the energy conservation, more
4 specifically with the conservation efforts of
5 the Bureau of Supplies and Surplus and their
6 recycling efforts.

7 Could you touch on that a little bit,
8 and then perhaps generally recycling efforts
9 across the Department and Commonwealth?

10 SECRETARY TOPPER: Sure. So, the
11 Bureau of Supplies and Surplus operations does
12 run -- thank you, Bev -- we run a -- a
13 recycling program here for -- for all agencies
14 here in Harrisburg.

15 In 2018, 1.2 million dollars was
16 recovered from recycling activities. That
17 includes 205,000 dollars for recycled
18 aluminum, 922,000 dollars for recycled scrap
19 metal, 120,000 dollars in waste paper, and
20 then some smaller amounts around e-waste,
21 batteries, and waste oil.

22 We are responsible for traveling
23 around the capitol complex and picking up all
24 those recyclable items, getting them sorted
25 and getting them where they need to go in

1 order for us to recover those dollars.

2 Recycling -- if you think about
3 recycling more broadly, what the SSO does is,
4 every time an agency has -- no longer has a
5 need for a computer or a -- or a piece of
6 equipment, a desk chair, you name it, those
7 items come back to the Bureau of Supplies and
8 Surplus and then we make them available to all
9 of the other agencies. And the goal is for
10 the agencies to come and find things that are
11 still usable as opposed to going out in the
12 market and buying things new. It's a pretty
13 effective program.

14 REPRESENTATIVE SANCHEZ: It sounds
15 great. And I'm very pleased to hear about
16 those recycling efforts. I know that, you
17 know, I've seen the cans around. I hope
18 people are respecting that so that secondary
19 sorting's not too difficult, but also very
20 pleased to hear about the upcycling, because
21 we know a lot of landfill waste, of course,
22 involves all those other things. And maybe
23 someday -- I know, you're not the catering
24 department, but we'll get into food waste
25 recycling and keep pushing the envelope so

1 that we can really get into a -- you know,
2 full sustainability.

3 SECRETARY TOPPER: We would be more
4 than happy to have you come out and see the
5 operation, if you'd like to see it. You
6 pointed to a couple of key challenges that we
7 have. I think every recycler has a challenge
8 with the content of the waste stream that's
9 coming in that they need to manage. Every
10 recycling program has a challenge with the
11 behavior of the folks that we're serving. And
12 I think we've been working pretty effectively,
13 but I know it can get better.

14 REPRESENTATIVE SANCHEZ: Thank you
15 very much. And I'll definitely take you up on
16 that invitation.

17 SECRETARY TOPPER: Please do.

18 MAJORITY CHAIRMAN SAYLOR:
19 Representative Topper.

20 REPRESENTATIVE TOPPER: Secretary
21 Topper, good to see you.

22 SECRETARY TOPPER: Nice to see you.

23 REPRESENTATIVE TOPPER: Deputy
24 Secretary Hudson, good to see you as well.

25 I have a question about excess

1 insurance coverage, which we noted that the
2 governor's proposed budget for DGS, the line
3 items increased a fairly astonishingly amount,
4 182 percent, from 1.37 million to 3.87
5 million.

6 First of all, could you -- the state
7 is self-insured. So, can we describe what
8 excess insurance coverage actually covers for
9 us?

10 SECRETARY TOPPER: Um-hum.
11 Representative, I'm going to hand it over to
12 Beverly, since she oversees that operation
13 directly.

14 DEPUTY SECRETARY HUDSON: Happy to
15 explain. Thanks for the question.

16 The excess property insurance policy
17 covers our -- sure, sorry.

18 The excess property insurance policy
19 covers our buildings and grounds for any
20 occurrences for which our state insurance fund
21 cannot cover. So, typically we use a
22 1 million-dollar retention or deductible. Any
23 property damage that exceeds that amount then
24 goes to this excess insurance policy.

25 Back in 2016, when we were working

1 with the broker Aon, we were able to achieve a
2 three-year agreement that locked us in at an
3 extraordinarily low rate. Unfortunately, this
4 fiscal year, that low rate ended, and despite
5 some vigorous negotiations, we were not able
6 to achieve the same rate we had in the past.

7 REPRESENTATIVE TOPPER: Is it with
8 the same -- are we dealing with the same
9 provider?

10 MS. HUDSON: We are dealing with the
11 same broker. We always look to work with the
12 same provider, since they know our loss
13 history and our -- stellar loss history, I'll
14 add. This year, unfortunately, that provider
15 decided not to bid on our opportunity and was
16 not the lowest cost. So, we are working with
17 a new provider this year. We are working with
18 Travelers for our property and we are working
19 with Bermuda for our terrorism coverage.

20 I would add a couple of side notes to
21 that. While it looks like a significant
22 increase, going from about a little over a
23 penny for a hundred dollars in insured to over
24 four cents per hundred dollars insured, when
25 we look at comparables, particularly -- they

1 I looked at the last five years. The excess
2 insurance policy over the course of the last
3 five years has only be tapped two times. In
4 fiscal year '14-'15, we had a boiler accident
5 at a state correctional institution. That
6 particular claim was just over a million
7 dollars, so the amount that the excess
8 property insurance policy covered was
9 hardly -- a little over 250,000 dollars.

10 More recently, you may recall we had
11 a fire at a Greene County PennDOT facility.
12 That one we are still in the process of
13 negotiating. I will tell you -- that happens
14 to be with the previous provider. We have
15 already received, to date, 6 million dollars
16 for property and contents, and we are
17 continuing to negotiate with them, as PennDOT
18 is planning to rebuild, so we are now looking
19 at prorating that rebuild footprint to get
20 replacement cost value.

21 REPRESENTATIVE TOPPER: That's good.
22 That's outstanding and, to be honest, makes
23 the increase even a little harder to swallow,
24 just because I think we've obviously done a
25 pretty good job of -- of mitigating risk and

1 we can show that. Hopefully, at our next --
2 how long is the length of this? Is this a
3 three-year as well?

4 MS. HUDSON: No. One year. We went
5 in at one-year. Additionally, I'll add, we
6 have an option this year to either go back to
7 market for a new broker or to execute an
8 option. So, we're also exploring those
9 options as well.

10 REPRESENTATIVE TOPPER: And if, as
11 you explore those options, perhaps, you
12 know -- I know members of this committee would
13 certainly be interested in that, since that's
14 something that stood out. So, if you could
15 keep us informed, that would be -- that would
16 be great.

17 DEPUTY SECRETARY HUDSON: Be happy
18 to.

19 REPRESENTATIVE TOPPER: All right.
20 Thank you.

21 Thank you, Mr. Chairman.

22 MAJORITY CHAIRMAN SAYLOR:
23 Representative Gainey.

24 REPRESENTATIVE GAINNEY: Good
25 afternoon. How you doing today?

1 As far as someone, I just want to
2 congratulate you on the increase in your
3 diversity inclusion and small business
4 opportunities. I see we're -- you stated it's
5 grown quite a bit through the years.

6 My question is, we had a meeting
7 last -- about two weeks ago, black elected
8 officials, city of Pittsburgh and Allegheny
9 County with the African American chambers of
10 commerce. And I was wondering, in your
11 increase, how much of that -- how much of that
12 has been with African American businesses?

13 SECRETARY TOPPER: Thank you,
14 Representative.

15 So, Representative, forgive me, I do
16 not have this broken out within the minority
17 business enterprise category between
18 women-owned -- or, sorry, between African
19 American-owned businesses and non-African
20 American minority-owned businesses. But the
21 percentage of payments to SDBs within the last
22 reporting period that went to minority
23 business enterprises was 27 percent.

24 REPRESENTATIVE GAINEY: You know,
25 that's great.

1 Just wanted to get a breakdown to
2 understand how much business is actually being
3 done with African Americans with the state of
4 Pennsylvania. And, secondly, how many
5 businesses, African American business from
6 western Pennsylvania are you doing business
7 with?

8 I'd like to know those two -- I'd
9 like to know the answers to those two
10 questions, 'cause when we met with the African
11 American chambers of commerce, these are the
12 questions that came up. And so, during the
13 Appropriations hearing, I let them know that I
14 was going to ask this.

15 I think it's critical that we know
16 how much business is actually being done with
17 African American businesses, and for me,
18 particularly, in the western part of PA. If I
19 could get those numbers so that I could share
20 them back home.

21 And then on top of that, is there any
22 extra strategy you're using to get more
23 African American businesses into the system?
24 Because we know before it was extremely low, I
25 mean almost close to zero. So, what I'm

1 trying to figure out now is, based on us doing
2 that years ago, how have we progressed through
3 the years to ensure that we have a diversified
4 pool of applicants in the small business -- in
5 the diversity and inclusion of small business
6 operations?

7 SECRETARY TOPPER: Thank you,
8 Representative.

9 I am aware that historically it has
10 been very low. And that fact was actually
11 confirmed with us when we -- when did the
12 first-ever comprehensive disparity study here
13 in Pennsylvania.

14 One of the challenges that we face is
15 on the availability side of the equation.
16 Right? So, the disparity study establishes
17 for us goals, and those goals are based on the
18 availability of businesses owned by members of
19 different protected classes. And the amount
20 of money that we're -- and the -- I'm sorry --
21 and the amount of contracts or contract
22 dollars that we're spending in -- in those
23 categories. And so, we have seen historically
24 low availability for African American
25 businesses. So, part of what we need to do is

1 we need to encourage more African American
2 business owners to register with us, more
3 African American business owners to get
4 involved with -- with the Commonwealth's
5 program. Because, at the same time that we
6 want to drive the -- the percentage of
7 business that we're doing with minority-owned
8 businesses up, we want to drive the -- the
9 percentage of that pool that's going to
10 African American businesses up as well, so
11 that we can make it consistent with -- with
12 their demographic representation in the state.

13 REPRESENTATIVE GAINEY: That's why
14 I'm curious about the numbers, because, right
15 now, I know there's a small pool. And if we
16 can impact a small pool, we can grow to a
17 larger pool.

18 But in order to understand that,
19 like, since the report came out, how have we
20 increased -- even quarterly, have you seen an
21 increase quarterly when we're talking about
22 African American businesses? What are we
23 doing to ensure that we're reaching out to
24 bring them into the bigger pool? But if we
25 don't have -- we have a small pool that we

1 ain't feeding, it's going to be hard to feed a
2 bigger pool. So, how do we make sure that
3 that's complementary to what the objective is
4 to increase the MBEs?

5 SECRETARY TOPPER: I want to say that
6 we -- we have most certainly grown the pool.
7 We, during the last reporting period, spent
8 more money with small, disadvantaged
9 businesses than the Commonwealth has ever
10 spent in a year's time. And I'm very proud
11 of --

12 REPRESENTATIVE GAINNEY:
13 Congratulations on that, too.

14 SECRETARY TOPPER: We have done
15 programmatically things, such as create the --
16 our new mentorship program, which teams small
17 minority-owned businesses, African
18 American-owned businesses historically have
19 been unsuccessful at winning our business with
20 those that have, and establish a formal
21 mentor-mentee relationship. And that has been
22 helpful.

23 REPRESENTATIVE GAINNEY: So, I know my
24 time is running out. Before it runs out, I'd
25 just like to see those numbers.

1 What's your understanding --
2 obviously, I had some questioning for them as
3 well this past week. But what's your
4 understanding of the capital requests for
5 that, the needs, your current conversations
6 with them on these needs, timelines, anything
7 you can offer as far as those facilities?

8 SECRETARY TOPPER: Sure. So, I had
9 the good fortune to be able to spend a day
10 with the state police out at the police
11 academy about -- what, three, four months ago.
12 And in order to receive a presentation from --
13 from the -- the planning firm that they had --
14 that he had hired, with our assistance, in
15 order for them to develop a plan for what the
16 new campus ought to look like. And I was very
17 pleased that I got to go out there and
18 actually see it in person because, frankly,
19 the -- I'm absolutely convinced that they need
20 a new facility. The conditions in the
21 barracks out there and in the facility really
22 are such that I think the need is pretty
23 urgent. I do agree with the commissioner.

24 This goes back to the question I
25 responded to from Representative Grove. I

1 think that there's an opportunity and a need
2 for us to expand the number of capital
3 projects. We work day in and day out with
4 each of the agencies in order to prioritize
5 and re-prioritize projects based on what their
6 most urgent needs look like.

7 We try to manage all of the agencies
8 under the governor's jurisdiction to within a
9 total release number annually that I believe
10 is in the neighborhood of 200 million dollars,
11 which sounds like a lot of money, but it -- it
12 disappears fast when you consider that the
13 initial estimate that we were given on the new
14 state police academy was more than that for
15 just one project.

16 So, we have to work with them to
17 value engineer that approach, to figure out
18 the most cost-effective way to meet their
19 needs. But I can tell you that the
20 commissioner's made it clear it's a big
21 priority for them. And I know that we're
22 supportive at DGS.

23 And I anticipate that we'll continue
24 to work together here over the course of the
25 next year and probably have a project in

1 design before long.

2 REPRESENTATIVE BROWN: Okay. So,
3 just to confirm, you pretty much are still --
4 you're understanding the need, but you're
5 still in those beginning conversations of --
6 of the next steps that we go to as far as the
7 financial ability to cover some of this.

8 SECRETARY TOPPER: The -- the
9 challenge is that represents very large
10 capital project that is competing for limited
11 capital resources with a handful of other very
12 large capital projects that are already
13 underway, as well as a hundred small- to
14 medium-size capital projects.

15 REPRESENTATIVE BROWN: So, do you see
16 this I'm assuming more of a timeline in
17 phases? And -- a timeline of maybe a first
18 phase being completed? Can you give any time
19 on that?

20 SECRETARY TOPPER: So, off the top of
21 my head, I cannot. But I'd be more than happy
22 to follow up with -- with our most recent
23 communications with state police around what
24 that timeline -- what we think that timeline
25 could look like.

1 REPRESENTATIVE BROWN: I know it's
2 difficult. Just trying to get a better feel
3 to what exactly -- the communications that's
4 happening between all the agencies and, you
5 know, what the thought process is about moving
6 forward to make sure we can get these cadet
7 classes through efficiently and to be the best
8 trained.

9 The second question I have for you
10 is, there has been conversations about the
11 savings or cost initiatives for savings that
12 would be purchasing versus leasing of
13 properties, especially within the PSP
14 facilities. Do you have any thoughts on that?
15 Especially as we're looking for new dollars,
16 as you mentioned.

17 SECRETARY TOPPER: I do have some
18 thoughts on that. I'm not sure you have time.

19 Generally speaking, it is in the
20 Commonwealth's best interest to -- to build
21 the facilities that we need, if we intend to
22 be in those facilities for an extended period
23 of time. A good case in point is -- or that
24 proves my point is the forum building right
25 here in the capitol complex. So, that

1 building, as you may know, has sat largely
2 vacant for more than twenty years. And while
3 that building has sat vacant, we have been
4 leasing more than an equivalent number of
5 square feet at a higher cost -- around and in
6 Harrisburg.

7 So, one of the big projects that we
8 are -- you know, we just are in the process of
9 awarding now is the -- finally the renovation
10 of the forum building so that we can bring
11 those -- so, that we can reduce our costs
12 long-term by bringing those employees back
13 into facilities that we already own.

14 There -- when we have an urgent need,
15 and when -- and state police is a good case in
16 point. They have found that, because of the
17 way we manage capital projects, and because of
18 the availability of operating dollars as
19 opposed to capital dollars, they have found
20 it, at times, more efficient to go through the
21 leasing route, to have a facility built to
22 suit them, so that they can then lease it over
23 the long term.

24 One of the things we are looking to
25 add through real estate modernization would be

1 the ability then to buy a property at the end
2 of a lease, so that we could at least recoup
3 some of the value, when -- when we choose to
4 do that, in order to be more expedient.

5 I would certainly love for the
6 general assembly to give us that authority,
7 because I think that tool in our toolbox would
8 be really helpful.

9 REPRESENTATIVE BROWN: Thank you so
10 much. I know we're out of time, but, again, a
11 big subject that I think warrants further
12 conversation.

13 Thank you very much, Mr. Secretary.

14 SECRETARY TOPPER: Thank you.

15 MAJORITY CHAIRMAN SAYLOR:

16 Mr. Secretary, I am going to follow up a
17 little bit about the police academy.

18 SECRETARY TOPPER: Yeah.

19 MAJORITY CHAIRMAN SAYLOR: I just
20 recently toured it. I would say that it's the
21 most disgusting state building we may own. I
22 was in college forty-some years ago, and my --
23 I joke all the time with kids today who now
24 have beautiful apartments in college dorms
25 today, those poor troopers who are going

1 through that academy are in a room that is
2 worse than what I was in forty-five years ago
3 at IUP. The roof leaks. The rooms -- I mean,
4 it is really, really bad, along with the
5 asbestos and everything else.

6 So, my encouragement, speed that
7 project up. They deserve better than that.
8 They're an outstanding -- you know, we are
9 fortunate to have probably the most
10 outstanding state police or law enforcement
11 agency in the world in our state troopers, and
12 they deserve a better training facility than
13 that thing that we currently have.

14 So, whatever you can do, I would
15 appreciate it.

16 And with that, I'll move on to
17 Representative Patty Kim.

18 SECRETARY TOPPER: Thank you.

19 REPRESENTATIVE KIM: Good afternoon,
20 Secretary Topper.

21 SECRETARY TOPPER: Good afternoon.

22 REPRESENTATIVE KIM: As you know,
23 you've been serving as secretary of DGS for
24 the last five years. Can you tell me how the
25 Harrisburg city fire department has assisted

1 your Department? And have you found these
2 services valuable?

3 SECRETARY TOPPER: Forgive me,
4 Representative, I'm not -- I'm not aware of,
5 of anything that's been on fire --

6 REPRESENTATIVE KIM: I'm glad.

7 SECRETARY TOPPER: -- in the last
8 five years. So --

9 REPRESENTATIVE KIM: That's good
10 news.

11 SECRETARY TOPPER: So, happily, we
12 haven't had -- we haven't had to partake in
13 their services in that fashion.

14 Are you referring to the -- to the
15 part of the budget that --

16 REPRESENTATIVE KIM: Yes, that
17 unfortunately falls into your Department and
18 the line item of 5 million dollars.

19 SECRETARY TOPPER: That's right.

20 REPRESENTATIVE KIM: But I also know
21 that our fire department covers the forty
22 state-owned buildings here, whether it be
23 inspections. They come out for every gas leak
24 or, you know, emergency.

25 I just wanted to see what -- from

1 your perspective of our fire department, if
2 there's any improvement needed in that area.

3 SECRETARY TOPPER: Yeah. I'd be more
4 than happy to talk to our safety staff to find
5 out if -- if there are concerns there. But I
6 suspect that if there were concerns, I'd know
7 about them.

8 My understanding is that the -- those
9 dollars that pass through our budget to the
10 city for the purposes of fire protection,
11 effectively a payment in lieu of taxes, is
12 a -- is an extraordinary value, when you
13 consider the value of -- of the -- of the
14 property here that we occupy, the number of
15 square feet that we occupy. If we were
16 taxable and if we were paying for those
17 services the way a private entity here in the
18 city would be paying for them, it -- it would
19 likely be considerably more.

20 REPRESENTATIVE KIM: Okay. I didn't
21 mean to put you on the spot, Secretary.

22 SECRETARY TOPPER: Quite all right.

23 REPRESENTATIVE KIM: Every year the
24 city is very grateful for the 5 million-dollar
25 line item. Would you be supportive of seeing

1 this funding as more of a permanent line item?

2 I say this because, as you know,
3 we're going to have a -- an archives building
4 built in Harrisburg. We have a federal
5 courthouse being built as we speak. All
6 great. Great for economic development. But,
7 again, taxes on properties. And this puts
8 more of a burden on our fire department, which
9 they have to keep up with training and
10 apparatus. So, the 5 million dollars
11 shouldn't be an optional line item, which it
12 is right now.

13 Any thoughts on that?

14 SECRETARY TOPPER: Only that it has
15 been permanent for the time that I've been
16 here. We certainly wouldn't support its
17 removal from our budget.

18 By "permanent line item," do you
19 mean, perhaps --

20 REPRESENTATIVE KIM: Every year we
21 look -- I have to look into the budget, just
22 to see if it's in there, and thankfully
23 Governor Wolf and Governor Corbett has --
24 during Governor Corbett's administration, it
25 would go up and down. So, it wasn't something

1 that we would see a set number every year.

2 SECRETARY TOPPER: Got you.

3 REPRESENTATIVE KIM: Which is hard to

4 budget for the future for my departments.

5 So --

6 SECRETARY TOPPER: I understand,

7 Representative. I -- I believe you can count

8 on our commitment to maintaining it. And

9 beyond that, getting it fixed in a line item

10 is -- is probably a better question for the

11 budget secretary.

12 REPRESENTATIVE KIM: Okay. Thank you

13 so much for your answer, Secretary Topper.

14 SECRETARY TOPPER: Sure.

15 MAJORITY CHAIRMAN SAYLOR:

16 Representative James.

17 REPRESENTATIVE JAMES: Thank you,

18 Representative Saylor.

19 Good afternoon.

20 SECRETARY TOPPER: Good afternoon.

21 REPRESENTATIVE JAMES: Thank you for

22 coming here today to answer a few questions.

23 My name is Lee James. I come from

24 rural western Pennsylvania. You might have

25 already picked up on the thought that we'll be

1 talking about rural broadband. For you urban
2 dwellers, you can relax; there's nothing here
3 to see.

4 I guess, for maybe a dozen years or
5 so, this has been an issue for the folks that
6 live in my district and other rural areas in
7 Pennsylvania. And apparently in 2018, this
8 became a so-called initiative by this
9 administration. And it's very important to
10 our people, and I -- it's a question I'm asked
11 with some frequency. So, I would like to pose
12 this question -- a couple questions.

13 Could you bring us up to speed on
14 what DGS's role is in this initiative, please?

15 SECRETARY TOPPER: Sure. Thanks.
16 Thanks for the question.

17 REPRESENTATIVE JAMES: Really?

18 SECRETARY TOPPER: Yeah, really. I
19 think it's important -- I always appreciate
20 the opportunity to clarify where our role is
21 in these -- in these interagency efforts.

22 The Department of General Services
23 does not have a formal role with respect to
24 the expansion of rural broadband services in
25 Pennsylvania. What we have done over the last

1 three years is -- is competitively solicit and
2 then award a contract with a third party
3 management firm with the intent of leveraging
4 the Commonwealth's assets for the purpose of
5 generating revenue.

6 So, if we have facilities, buildings,
7 state park lands, places where -- places that
8 would be advantageous, say, for Verizon
9 Wireless to put a transponder somewhere, we
10 wanted to be able to compete with -- with
11 others in order to potentially have that tower
12 built on our own property, so that we could
13 earn revenue from that tower. And we worked
14 very hard to consolidate, to get all the
15 agencies into one deal. And I'm very pleased
16 that we're now moving forward with that.

17 So, our role has been specifically
18 around trying to maximize the revenue and the
19 return on the assets that we have across the
20 Commonwealth for that purpose.

21 As a side benefit, if and when we're
22 able to leverage Commonwealth property in
23 rural Pennsylvania for the purpose of leasing
24 space on a current tower or building a new
25 tower that ultimately helps solve some of the

1 rural broadband problem, that's fantastic.
2 And we certainly are working with our
3 provider -- they're called Agile -- to make
4 sure that we identify those opportunities.

5 But I think that it would be -- I
6 think it's fair to say that -- that leveraging
7 the Commonwealth's assets by themselves will
8 not be sufficient to solve the rural broadband
9 problem in Pennsylvania. My understanding
10 from looking what other -- at what other
11 states have done is that it requires an
12 investment. And the governor has proposed,
13 through his Restore plan, just that
14 investment.

15 And so, I would encourage you to
16 support that.

17 REPRESENTATIVE JAMES: Can you share
18 a few of the agencies within our government
19 that actually are participating in this
20 program that you've described?

21 SECRETARY TOPPER: Every agency under
22 the governor's jurisdiction is participating.
23 The state police has a legacy contract that
24 will be ending this year, and after their
25 individual contract ends, they will be rolling

1 into the new program.

2 REPRESENTATIVE JAMES: Okay. And
3 extend that, if you will, please, at what cost
4 then to taxpayers do you anticipate this
5 roll-out will be?

6 SECRETARY TOPPER: The contract
7 entails no cost to the Commonwealth. What
8 wireless manager is doing is they're taking
9 assets that we currently own, they are making
10 those assets available effectively as a broker
11 to the Verizons of the world. And when
12 they're able to put together a deal, Verizon
13 will incur the cost of erecting their own
14 tower or their own equipment, and then we will
15 split the proceeds with Agile. And the share
16 changes over time -- thank you -- but it
17 starts out with two-thirds share to the
18 Commonwealth for all of the revenue that's
19 generated on a -- on a new tower.

20 REPRESENTATIVE JAMES: Is it fair to
21 characterize the major telecommunications
22 companies as being cooperative in this effort?

23 SECRETARY TOPPER: Absolutely.

24 REPRESENTATIVE JAMES: Okay. Thank
25 you very much.

1 Thank you, Mr. Saylor.

2 MAJORITY CHAIRMAN SAYLOR: Before I
3 start with the next questioner, we've been
4 joined by Representative DeLissio, from
5 Philadelphia. Welcome. Not a member of the
6 Appropriations Committee but here is paying
7 attention today. So, we welcome her.

8 Our next questioner is Representative
9 Bullock.

10 REPRESENTATIVE BULLOCK: Thank you,
11 Mr. Chairman.

12 Good afternoon, Secretary Topper.
13 How are you?

14 SECRETARY TOPPER: Fine. Thank you.

15 REPRESENTATIVE BULLOCK: Great.

16 I have two sets of questions. The
17 first set of questions around your own
18 compliment and workforce diversity for your
19 staff and the improvements that you've made
20 over a year's time, as well as if you can
21 break out where minority and women workers are
22 as far as supervisory and executive roles in
23 your Department.

24 The second question goes back to the
25 small, diverse business conversation. If you

1 can share with me the percentage of small,
2 diverse businesses that receive contracts by
3 actual businesses and then the percentage in
4 contract payments that those small
5 businesses -- small, diverse businesses
6 receive.

7 SECRETARY TOPPER: Sure.

8 REPRESENTATIVE BULLOCK: We'll start
9 there, and then I'll follow up.

10 SECRETARY TOPPER: Okay. So, in
11 terms of the workforce demographics at DGS, we
12 have a total of 835 employees, 9 percent of
13 them are minority female, 20 percent are white
14 female, and 12 percent are minority male.

15 Within our executive staff, which is
16 a staff of twenty-three, we have one minority
17 female, nine white females, and two minority
18 males.

19 And then within the management staff,
20 which is a staff of seventy-one, we have 4
21 percent minority female, 35 percent white
22 female, and 7 percent minority male.

23 On this front, I would -- I would
24 only share that, over the course of the last
25 eight months or so, I have personally held

1 upward of fifty townhall-style meetings with
2 employees all across the agency. And one of
3 the topics that has come up repeatedly is --
4 is the topic of equal employment opportunity
5 and perceptions around -- around
6 discrimination in hiring and in -- and in
7 promotional decision making. And I've made
8 it -- I've personally committed to making sure
9 that I get out and I speak with our employees
10 about those concerns.

11 And, you know, as Representative
12 Kinsey mentioned, you know, I'm very pleased
13 to have Kerry Kirkland here on my staff. And
14 Kerry has recently agreed to take on an
15 additional role within the Commonwealth of
16 helping us build a better EEO program within
17 the agency to try to make sure that we do a
18 better job still -- I mean, I think -- I think
19 we do, in comparison with many of the other
20 agencies in Harrisburg, we're doing okay. But
21 it's not good enough.

22 REPRESENTATIVE BULLOCK: Right.
23 You're doing okay, not good enough.

24 And as you mentioned, and I'm sure
25 Mr. Kirkland would agree to, and that many

1 others in your staff, I think, have suggested
2 to you as much, it's not enough to just
3 recruit and hire, but folks have to feel
4 welcomed and included and promoted and equity
5 has to be at all levels of their employment
6 relationship with the Commonwealth. And so, I
7 appreciate your attention to that very
8 important fact that recruitment is not enough.
9 And so, I appreciate you recognizing that and
10 moving forward.

11 And I think DGS serves as a role and
12 example to other agencies as well. So, thank
13 you for that.

14 And if you can move towards the
15 contract matters. Yes.

16 SECRETARY TOPPER: Sure. I would
17 encourage you to -- for all the data that you
18 could ever want in the last year on -- on the
19 DSBO program, I'd just encourage you to take a
20 look at the annual report that we released
21 last week.

22 In terms of numbers, when -- at the
23 beginning of the Wolf administration, the
24 percentage of contract dollars that were being
25 spent with small and diverse -- small, diverse

1 businesses was roughly 4 percent. And as I
2 sit here today, it is 11 percent. And we have
3 a -- have had a year-over-year increase, so
4 from last year to this year, of 47 percent.
5 So, we have momentum. We're moving in the
6 right direction. And I'm very, very pleased
7 with the results so far in terms of being able
8 to follow through on -- on a commitment that I
9 think every administration has had, at least
10 going back to Governor Casey, that we ought to
11 do more business with small businesses and we
12 ought to do more business with minority and
13 historically disadvantaged businesses. And we
14 won't rest until -- until those numbers are
15 consistent with the goals that were
16 established for us in the disparity study.

17 REPRESENTATIVE BULLOCK: Thank you,
18 Mr. Secretary.

19 And thank you, Mr. Kirkland, for your
20 commitment over many years to this issue.

21 I think you would agree with me that
22 opportunities with our state government can
23 truly not just lift those communities but lift
24 all boats, and we can definitely have a more
25 successful and profitable -- or successful

1 Commonwealth if everybody can have a little
2 piece of that pie.

3 Thank you very much.

4 SECRETARY TOPPER: Thank you.

5 MAJORITY CHAIRMAN SAYLOR:

6 Representative Rothman.

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

9 And thank you, Mr. Secretary.

10 I want to go back to follow up a
11 little bit with my colleague from Monroe and
12 Pike county on real estate. I'd like some
13 updates maybe, five or six properties I'd like
14 an update on.

15 The Pennsylvania State Hospital sale,
16 where are we with that sale?

17 SECRETARY TOPPER: Do you mean --

18 REPRESENTATIVE ROTHMAN: I'm sorry.

19 The --

20 SECRETARY TOPPER: -- the Harrisburg
21 State Hospital?

22 REPRESENTATIVE ROTHMAN: Harrisburg
23 State Hospital, yes.

24 MS. HUDSON: Thank you for the
25 question. So, as many are aware, we entered

1 into an agreement of sale with the
2 redevelopment authority of Dauphin County in
3 June of 2020 (sic). Later on this past
4 summer, we put out to bid a project to
5 separate the utilities at the former
6 Harrisburg State Hospital grounds, as well as
7 to make some roadway improvements in advance
8 of that. Of course, the Commonwealth is
9 maintaining certain parcels of property out
10 there as well, so we want -- we want our roads
11 and our utilities to be properly separated.

12 Unfortunately, none of those bids
13 came in in an -- in an awardable amount. We
14 did an effort of attempting to value engineer
15 our project back into something that was
16 awardable; we did not get there. So, we
17 canceled those bids in early January.

18 We have since been meeting monthly
19 with the RDA to talk about what an awardable
20 contract might look like in terms of utility
21 separation and roadways. Those conversations
22 have been going very well. In fact, we
23 anticipate getting another invitation to bid
24 on the street. This time we intend to do some
25 base bids, which should give us greater

1 flexibility. Then we'll move to separate
2 those utilities, finish those roadways up, and
3 continue to work with the RDA on a plan to
4 transition and develop that property.

5 REPRESENTATIVE ROTHMAN: Okay. Thank
6 you.

7 State corrections to retreat. It's
8 been turned over to DGS. Do you have a plan
9 for this facility now that it's been turned
10 over? Or when did you anticipate it will be
11 turned over?

12 SECRETARY TOPPER: Thank you,
13 Representative. I do not believe that it has
14 been formally turned over yet. But when --
15 when it is and even in advance of it being
16 formally turned over, we -- but we have been
17 working closely with the governor's office and
18 with the Department of Corrections to get in
19 there as quickly as we can and to do what's
20 necessary in order to prep the property for
21 sale or redevelopment.

22 There are -- there is a -- without
23 getting too deeply into the details, there's a
24 capital project currently underway to repair
25 the bridge and to get the bridge stable, and

1 then a larger capital project to -- to more
2 permanently repair the bridge.

3 You know, these properties are very,
4 very difficult to repurpose, as I'm sure you
5 can imagine. They're built for one purpose,
6 and that's to be a prison facility. So, they
7 can be a real challenge. But we are going to
8 work as quickly as possible with -- with DOC
9 to -- to get the property off the books as
10 quickly as we can.

11 REPRESENTATIVE ROTHMAN: How about
12 Graterford and Pittsburgh?

13 SECRETARY TOPPER: And so --

14 REPRESENTATIVE ROTHMAN: Graterford's
15 empty now. Any plans for that? And
16 Pittsburgh is -- I guess a sale; right?

17 SECRETARY TOPPER: Sure. So, we
18 have -- as you may know, we have successfully
19 moved all of the population out of Graterford
20 and into the new SCI Phoenix facility, which
21 is located on the same grounds as the
22 Graterford facility. The value of the
23 Graterford facility in -- you know, as a
24 surplus property is -- somewhat questionable,
25 given its proximity to the Phoenix facility.

1 The Phoenix facility requires a certain buffer
2 around it in order for it to function as a
3 maximum security facility.

4 We -- we have not yet started the
5 process of -- of surplusizing the property or
6 trying to get it sold. The Department of
7 Corrections has not yet provided it to us as
8 surplus.

9 REPRESENTATIVE ROTHMAN: Do either of
10 you have a figure on how many state-owned
11 properties are currently unused or considered
12 surplus? Can you provide that to the
13 committee?

14 SECRETARY TOPPER: We can provide you
15 with the list that we currently have of agency
16 properties that have been declared surplus.

17 One of the challenges that we have at
18 DGS is that we do not have great visibility
19 into the occupancy of buildings all across the
20 Commonwealth prior to the -- prior to them
21 being declared surplus.

22 REPRESENTATIVE ROTHMAN: Even in your
23 own buildings?

24 SECRETARY TOPPER: Our own buildings,
25 we have a great handle on occupancy. It's

1 once we get outside of Harrisburg.

2 REPRESENTATIVE ROTHMAN: I got it. I
3 understand.

4 SECRETARY TOPPER: The state hospital
5 facilities, for example.

6 REPRESENTATIVE ROTHMAN: Just -- just
7 to comment on -- I guess there's a question,
8 too. Are there legislative changes that we
9 can do to speed up the process? And we can
10 talk about eight later.

11 You mentioned real estate
12 modernization. I just wanted to make a
13 comment that when you take properties out of
14 the private sector for the purpose of the
15 state leasing them or buying the property at
16 the end of the lease, one of the unintended
17 consequences, which my colleague from Dauphin
18 County mentioned, the contribution we give to
19 the city of Harrisburg, is that you take them
20 off the tax rolls, and, therefore, we have a
21 situation in the city of Harrisburg where half
22 of our real estate is not taxable, which then
23 our schools and our local municipalities
24 suffer.

25 So, just to keep that mind. So,

1 thank you. My time's up. And I appreciate
2 your comments.

3 SECRETARY TOPPER: Thank you.

4 MAJORITY CHAIRMAN SAYLOR:
5 Representative Fritz.

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

8 And thank you, Mr. Secretary, for
9 being here.

10 Mr. Secretary, an agency primary
11 function is procurement and execution of
12 contracts; correct?

13 SECRETARY TOPPER: Yes, sir.

14 REPRESENTATIVE FRITZ: Okay. So, in
15 my line of questioning, I'd like to gather
16 some insight on the lottery vendor contract
17 process. And the reason being, senior and
18 older adult care is paramount in my district.
19 I'm sure most colleagues share that sentiment.
20 And we need assurances that lottery proceeds
21 will continue to grow and fund critical
22 quality of life programs for seniors in PA.

23 Now, it's one thing to bid out
24 contracts for widgets or water cooler service
25 or taking out the garbage, but in this

1 situation, we need assurance that we are
2 maximizing our return on investment.

3 Can you kindly speak to the unique
4 RFP scoring parameters in this circumstance?
5 And what kind of certainty can you provide
6 that the process is not tilted in a
7 prejudicial manner toward low cost but also
8 focuses on property investment and growing and
9 evolving our lottery and ultimately expanding
10 lottery profits?

11 SECRETARY TOPPER: Thank you for the
12 question, representative.

13 I -- I can speak in general terms
14 about the approach that we have taken to
15 working with the Department of Revenue and
16 with the lottery on that procurement. I would
17 only note that this is a -- this is currently
18 an ongoing procurement that is under
19 evaluation. So, I am limited in terms of
20 what -- in what I can say about the specifics.

21 REPRESENTATIVE FRITZ: I understand.
22 We understand.

23 SECRETARY TOPPER: We became -- we
24 got engaged with the Department of Revenue and
25 the lottery on this specific procurement with

1 the express intention of making certain that
2 the procurement process that was followed
3 would have the utmost integrity. That's why
4 it's a -- we wanted to make sure that the
5 market understood that there was no --
6 frankly, that -- we wanted to make sure the
7 market understood that there was no prejudice
8 or bias towards the incumbent or towards any
9 other supplier. And so we have engaged with
10 Revenue.

11 We have brought in an external expert
12 that's unaffiliated with any of the competing
13 lottery firms in an effort to make sure that
14 we structure a -- an RFP document that -- that
15 is unassailable in terms of -- in terms of
16 those kinds of accusations. I'm very pleased
17 with the outcome thus far.

18 And I would only note that we share
19 your goal of making sure that the revenue is
20 able to maximize -- or that the lottery's able
21 to maximize revenue and continue to provide
22 support for seniors here in Pennsylvania.
23 That is why it's an RFP and not a straight
24 sealed bid.

25 I don't think it would be appropriate

1 for us, particularly in a contract that is
2 this complex, is where you have legacy
3 point-of-sale equipment or you have a whole
4 array of services. It's very important that
5 we have a procurement process that enables us
6 to take into account all of that complexity,
7 as we make a decision, as opposed to simply
8 choosing the lowest bidder.

9 REPRESENTATIVE FRITZ: Okay. Thank
10 you for that response.

11 The RFP seeks a ten-year contract.
12 And that, perhaps, especially those us from
13 the private business sector, that seems like a
14 protracted time period.

15 Does a unique set of circumstances
16 come into play here? Can you kindly speak to
17 that?

18 SECRETARY TOPPER: Yeah. Thank you.
19 I believe it does. And you're correct, it is
20 a long contract. Typically, Commonwealth
21 contracts do not exceed five years. They can
22 be allowed to exceed five years with the
23 express approval from DGS.

24 We granted that approval for lottery
25 this year, as we have done in prior years.

1 And the reason for that is, again, primarily
2 so that we could create a level playing field.

3 If you think about the challenge that
4 a new supplier would face were they to come in
5 and -- and take over the business from the
6 current incumbent supplier, they would have a
7 substantial investment on the front end. And
8 they would have a need to amortize that
9 investment and those expenses over a longer
10 period in order to make -- in order to be able
11 to provide a competitive proposal. So, that's
12 one reason why a longer-term contract makes
13 sense.

14 The other reason, honestly, is
15 because these are very difficult procurements
16 to do. There's a very limited supply base, as
17 I'm sure you know. There's really only two,
18 maybe three, viable contenders. And they're
19 also exceptionally litigious. So, you put all
20 of those things together, and a longer
21 contract makes sense.

22 REPRESENTATIVE FRITZ: Understood.

23 Thank you, Mr. Secretary, for the
24 dialogue.

25 Thank you, Mr. Chairman.

1 MAJORITY CHAIRMAN SAYLOR:

2 Representative Delozier.

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

5 Mr. Secretary, thank you for being
6 here.

7 I want to ask a little bit of some
8 specific questions about the COSTARS program.
9 I have a constituent and businesses in my
10 legislative district that use the program,
11 some with positive and some with negative
12 opinions. So, I just want to ask a few
13 specific questions about it.

14 Within the COSTARS program, is it
15 required that any possible contracts are --
16 are informed to the public as well as
17 advertised? Is there a requirement for them
18 to advertise what's coming down the pike?

19 SECRETARY TOPPER: There is a
20 requirement that every Commonwealth COSTARS
21 contract that we let, those are transparent.
22 They're publicly announced. They're put on
23 our website. They're available for everyone
24 to see.

25 If and when a municipality chooses to

1 go to a COSTARS contract and compete among
2 COSTARS vendors for -- in order to issue a
3 purchase --

4 REPRESENTATIVE DELOZIER: Um-hum.

5 SECRETARY TOPPER: -- I believe that
6 would depend on what they're local policies
7 and local requirements are with respect to --
8 with respect to advertising.

9 REPRESENTATIVE DELOZIER: But in
10 order to be a member of the COSTARS entity or
11 one of the vendors, the approved vendors, if
12 you have -- so -- I understand they are
13 approved. If you have something that you're
14 putting out to them, are you required to get a
15 competitive bid? Or can you just go to one
16 vendor?

17 And the bottom-line question is, like
18 can somebody put a hundred-million-dollar
19 contract out there, they're trying to fill it,
20 and they go to one vendor and not
21 competitively bid it or announce it to the
22 public that it's up for bid?

23 SECRETARY TOPPER: The contracts that
24 we let are typically multiple-award contracts.
25 They're all done out in the open and public.

1 They're transparent.

2 If and when a municipality chooses to
3 go to use one of the suppliers on the COSTARS
4 contract, we strongly encourage them to do
5 that competitively and to treat the pricing
6 and the terms that are available in the
7 COSTARS contract as a starting point.

8 REPRESENTATIVE DELOZIER: Okay. And
9 what if they don't?

10 SECRETARY TOPPER: Honestly, it's
11 outside my jurisdiction.

12 REPRESENTATIVE DELOZIER: But the
13 COSTARS program is your program.

14 SECRETARY TOPPER: That's correct.
15 But, ultimately, the purchases that are made
16 and the -- the -- individual member's ability
17 to use the contracts and decision-making
18 around whether or not to go the additional
19 step of doing another round of competition is
20 up to the -- is up to the local COSTARS member
21 and their solicitor.

22 REPRESENTATIVE DELOZIER: Okay. So,
23 if an entity -- a local municipality was going
24 through that program and it was required by
25 their township to -- to competitively bid,

1 then they would have to abide by those ground
2 rules, but not necessarily if they -- if that
3 wasn't on their books?

4 SECRETARY TOPPER: That's my
5 understanding, Representative.

6 REPRESENTATIVE DELOZIER: Okay.
7 Because some of the frustration that I'm
8 hearing back from folks that are -- have
9 become a part of it but feel very strongly as
10 to the fact that there is a lot of
11 sole-sourcing happening, and using the COSTARS
12 program as the avenue to do so. And we talk
13 about being open and having the books open and
14 all of that and transparency, but many of
15 these companies are feeling like they're being
16 shut out of possible opportunities that their
17 businesses could compete for, and they're
18 using COSTARS as the shield, that -- that
19 because they're a member of COSTARS, they can
20 use any of the available vendors, because
21 they've all been approved.

22 And I understand why we want to do
23 that, and I understand the positives of
24 COSTARS, but I'm also seeing for some of my
25 businesses that the negatives of it in the

1 sense that they feel very much that they're
2 shut out of the process, where they could be
3 competitive and that they could be getting
4 Pennsylvania vendors.

5 So, that leads to my last question
6 about it as to how many of the vendors that
7 are in COSTARS are Pennsylvania companies and
8 how many are not?

9 SECRETARY TOPPER: I believe it's 77
10 percent? Oh, how about that? 79 percent.

11 REPRESENTATIVE DELOZIER: Even
12 better. So, 79 percent of the vendors are
13 Pennsylvania-based companies?

14 SECRETARY TOPPER: Yes, they are.

15 REPRESENTATIVE DELOZIER: And
16 those -- the rest, can anybody from another
17 state come in and be a part? Or is that a
18 cap? Is there any kind of minimum or maximum
19 or --

20 SECRETARY TOPPER: The contracts,
21 when they're let --

22 REPRESENTATIVE DELOZIER: Right.

23 SECRETARY TOPPER: There's no
24 restriction on out-of-state businesses --

25 REPRESENTATIVE DELOZIER: Competing.

1 SECRETARY TOPPER: -- competing for
2 those contracts.

3 REPRESENTATIVE DELOZIER: Okay. So,
4 the actual ability for that individual company
5 that is trying to look for -- to be part of
6 the process, would -- is there any advice that
7 you would give them as to the fact of the ones
8 that feel that they're being shut out, is
9 there any avenue for them to be able to fix
10 this?

11 SECRETARY TOPPER: So, I -- I would
12 be more than happy to -- to speak offline --

13 REPRESENTATIVE DELOZIER: Okay.

14 SECRETARY TOPPER: -- and to get the
15 specifics around the businesses that you're
16 hearing from.

17 REPRESENTATIVE DELOZIER: Sure.

18 SECRETARY TOPPER: And the specific
19 municipal purposes. And we would be more than
20 happy to engage in and intervene if that's
21 something that makes sense.

22 REPRESENTATIVE DELOZIER: Okay. I
23 appreciate it.

24 The ability -- like I said, the
25 ability to move forward and have -- a

1 preapproved, that's a good thing. And make
2 some -- cut some red tape, we always want to
3 do that. But when we feel like some of our
4 businesses are losing out on some
5 opportunities, we want to make sure that we're
6 doing it the right way.

7 So, thank you very much.

8 SECRETARY TOPPER: Thank you.

9 MAJORITY CHAIRMAN SAYLOR: The last
10 questioner is Representative Boyle.

11 REPRESENTATIVE BOYLE: Thank you,
12 Secretary Topper.

13 I appreciate you being here, and we
14 had a very good meeting last week. And I feel
15 as though, often, departments like yours get
16 an unfair reputation of being large and
17 bureaucratic institutions that are wasteful.
18 But we know that your Department really is
19 not. And I know that you've saved somewhere
20 in the range of 300 million dollars by
21 utilizing good business practices.

22 I was curious about some of these
23 practices and wanted you to expand more about,
24 say, reverse auctioning and other effective
25 ways to save the taxpayers money.

1 SECRETARY TOPPER: Thank you,
2 Representative. This is a -- this is a
3 passion of mine.

4 I -- I believe strongly that the
5 government should engage with the marketplace
6 in the same way that any other large
7 commercial enterprise might when we're going
8 to market in order to buy commercially
9 available goods and commercially available
10 services. And so that means we should
11 aggregate our volume when we can. We should
12 standardize the requirements when we can. And
13 we should be very, very aggressive in terms of
14 how we -- how we leverage our volume in order
15 to drive the best possible deal.

16 And so, over the last five years, I
17 couldn't be prouder of the work that Deputy
18 Secretary Hess and the procurement team have
19 done in order to do just that, to aggregate
20 our contracts, to negotiate a better deal, to
21 use tools like reverse auctions in order to
22 negotiate price.

23 A reverse auction is basically e-Bay
24 but in the other direction. All right? So,
25 it can be an extremely effective way of

1 negotiating price. All in, across -- I think
2 probably nearly a thousand different
3 procurements over the course of the last five
4 years, Ken and his team have -- have delivered
5 well over 200 million dollars in savings to
6 the agencies.

7 Those savings are measured in
8 different ways depending on the commodity or
9 the service or the contract that we're talking
10 about. But most often it's a simple
11 calculation. It's just a comparison of the
12 prior price with the -- with the new price.
13 And as I said, I couldn't be happier about
14 that.

15 Beyond procurement savings, we have
16 done things like in-source the Commonwealth's
17 outbound mail processing, because we found
18 that we could do it more effectively and more
19 inexpensively than Pitney Bowes could do it.
20 So, we built the facility to do the outbound
21 mail processing, and we reduced our cost from
22 about three cents per piece to one cent per
23 piece. And that, over the last four years,
24 has probably saved nearly 5 million dollars.

25 There's a long list, and I'd be more

1 than happy to -- to go on and on. But suffice
2 to say that I -- I couldn't be prouder of the
3 work that all 850 of our employees do day in
4 and day out. We really are focused on the
5 bottom line.

6 REPRESENTATIVE BOYLE: Thank you.

7 And extra -- what is the specific
8 number for savings?

9 SECRETARY TOPPER: Ken tells me it's
10 457.

11 REPRESENTATIVE BOYLE: Well, thank
12 you.

13 SECRETARY TOPPER: Yeah. Thanks.

14 MAJORITY CHAIRMAN SAYLOR: Very good.

15 Mr. Secretary and Bev, I appreciate
16 your coming today. And with that, we'll let
17 you go. We won't give you anymore tough
18 questions today. But if you would get the
19 responses to anything that need to be back to
20 us, and we'd appreciate it.

21 SECRETARY TOPPER: We'll be happy to.

22 MAJORITY CHAIRMAN SAYLOR: Thank you.

23 SECRETARY TOPPER: Thank you,
24 Mr. Chairman.

25 MAJORITY CHAIRMAN SAYLOR: Thank you.

1 The Appropriations Committee will reconvene at
2 3 o'clock for the Liquor Control Board.

3 (Whereupon, the hearing concluded at
4 2:50 p.m.)

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REPORTER'S CERTIFICATE

I HEREBY CERTIFY that the foregoing
is a true and accurate transcript, to the best
of my ability, produced from audio on the said
proceedings.

BRENDA J. PARDUN, RPR
Court Reporter
Notary Public