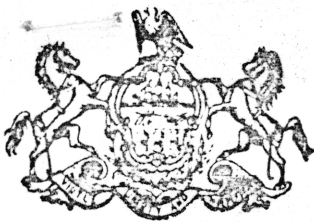


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OFFICE OF THE GOVERNOR
HARRISBURG

NEWS RELEASE

EMBARGO UNTIL 11 a.m.

Friday, October 4, 1974

TESTIMONY BY HONORABLE MILTON J. SHAPP, GOVERNOR OF PENNSYLVANIA,
BEFORE THE HOUSE OF REPRESENTATIVES SELECT COMMITTEE ON STATE CONTRACT
PRACTICES--HOUSE MAJORITY CAUCUS ROOM--STATE CAPITOL--HARRISBURG

Mr. Chairman, as Governor of this Commonwealth, I respect the legislative process and the legislative committee system.

I also have an abiding respect for the constitutional system that provides protection for basic rights of all citizens.

I, and every other citizen, demand the same respect from you.

I am appalled when I read of special investigators of your committee who carry pistols and threaten people around the state with jail terms unless questions are answered as the investigators wish and I am disturbed when I learn that pertinent testimony collected in the field is selectively suppressed from the record being created by this committee.

I am deeply angered when I read that a witness who takes sick in this committee room is charged with a "convenient coronary" by a Special Counsel who then proceeds to storm out of this room when you, Mr. Chairman, express compassion for that witness who is indeed ill.

I detest the fact that one of your counsel admits cavalierly that he has surreptitiously received confidential FBI information.

I am appalled at the manner in which the staff of this committee has misused information in its possession through selective and distorted leaks to the press.

It was shocking to me to read that this committee stated it had sufficient information to seek indictment of one witness on the Sunday before that witness even had a chance to testify.

I do not blame the press for getting its stories wherever it may find them, but I do take strong exception to this Committee's process of selective and incomplete leaking of vital information to the news media for political purposes.

I am astonished when I read direct quotations from individuals who have been interviewed by your staff who claim that they are cut off and prevented from speaking as soon as they mention forced contributions for the Republican Party.

I am astounded that you see fit to issue 48 hour subpoenas for enormous volumes of campaign material when many weeks ago this Committee voted to subpoena former Governor Shafer and former Secretary of Property and Supplies, Hamilton, and these gentlemen have never been called.

I am outraged at the use of strong arm tactics which are apparently designed to lead people into conflicting testimony.

And frankly, I am amazed that your Special Counsel are illegally paid by the Republican minority in the State Senate and that these public funds have never been accounted for. These are people who dominate these proceedings and they themselves are engaged in perversion of the democratic process.

And I am telling you right now that any arrogance and insolence shown by these paid assistants similar to that displayed against others should stop here and now. They should not be tolerated by anyone, will not be tolerated by me, and should not be permitted in any of these proceedings by you, Mr. Chairman.

I have attempted to cooperate with you by providing you with the documents you seek and by coming here at my own insistence.

You have replied with insulting letters and subpoenas.

The letters have not been written by the elected members of this committee but, by your own admission, have been composed by a former Republican State Chairman who is the chief political agent of the Republican candidate for Lieutenant Governor.

I delivered to you all the files I know exist concerning my post-election committee of 1970 and I find this material selectively leaked, in an outrageous breach of ethics, to certain newsmen in distorted fashion.

The fact is, Mr. Chairman, that this investigation of yours has taken a dangerous and demagogic turn in violation of all standards of common decency and the democratic process.

Even more serious than the specific violations of law and fair play which have characterized the procedures of this committee is the basic misuse of the legislative process as a political campaign vehicle.

Mr. Chairman, this committee was constituted by the House of Representatives more than fourteen months ago.

It has been eight months since I first asked to testify--and I am finally only being permitted to do so after I threatened to go on statewide television and answer the questions of newsmen.

Yet, now, here we are, four weeks before the gubernatorial election, discussing these issues before the people of Pennsylvania.

The committee's majority's timing is obvious and deliberate. On Wednesday of this week, the Republican majority leader of the House stated flatly that this investigation "positively is political."

The majority of this committee has no real legislative motivation. Its interest is solely in attempting to destroy the credibility of the incumbent governor and elect a Republican to take his place. The Committee is spending thousands of dollars a day--perhaps a total of a million dollars or more to date--directly from the State Treasury for that purpose--a blatantly political purpose. It is a tragic misuse of public power and public funds for a private purpose.

However, despite the political overtones and the election year timing, I am here, on my own volition--in fact at my own demand-- to testify before this committee on the matter of state contract practices which is the designated purpose of this Committee.

When I took office in January, 1971, I found a government which was not only bankrupt financially but bankrupt politically.

There existed a widespread system of forced political contributions both from state employees and from those doing business with the State.

Recently, revelations of widespread macing in the past have begun to surface in the public press.

On June 14th of this year, for example, Ottaway News Service reported on a "patronage system involving all levels of Republican politics during the administration of former Governor Raymond Shafer." Quoting a former Republican highway superintendent, Ottaway cited the fact that "a man had to apply all the way to the Governor's Office before he was allowed to labor on Pennsylvania's highway at the minimum rate." The same person also admitted to "requiring highway workers to pay one per cent of their pay to the Republican Party."

And only this week, the same news service reported that the system was widespread during the 1970 campaign.

I also have here, Mr. Chairman, a voluminous file from the State Department of Agriculture during the Shafer Administration, which contains printouts of patronage employees, fund raising memoranda on Commonwealth stationery and suggested pay scale contribution schedules.

It is common knowledge that the Department of Transportation kept elaborate files of contribution lists from Highway maintenance employees. I have here, Mr. Chairman, remains of one file which evidently they forgot to take with them entitled, "Contributions for the Pennsylvania Republican Club."

The file is a detailed listing of employees and contributions from the McKean County Maintenance District. I believe that the very existence of this file indicates that the procedure was widespread and systematic.

Evidently, the system was so elaborate that it became virtually a full time job by top officials, at taxpayers' expense, utilizing Commonwealth materials and supplies.

Yes, even in the Governor's Office itself, we discovered a list of salary levels with recommended contributions attached to a pledge card, for the Republican Party. Since I became Governor, we have welcomed and appreciated support from our employees but we have rejected the devices used in the past.

I inherited this rotten system and I am not so naive to believe that it suddenly ended when I took office.

Indeed, only a few weeks ago, I received a letter from a former employee of the Republican controlled Pennsylvania Turnpike Commission.

In this letter to me, which is now under investigation by the State Department of Justice, serious allegations of kick-backs from contractors and suppliers of services and material are made.

Mr. Chairman, I would have brought this matter to the attention of the Committee if I had any reason whatsoever to believe it would have been pursued by you. But in every case where indications of corruption led to the door of the Republican Party in Pennsylvania, you have covered up, suppressed and stalled. I have taken the proper course, sent this material to the State Department of Justice, an investigation is now in process and I can assure you that these allegations will be pursued there until the truth is uncovered and any wrong doing is corrected.

Certainly, a system which has such obvious, long term and deep roots in Pennsylvania politics will not be eradicated easily.

But from the beginning we started to take action.

I could have readily used the agencies of government to go after these apparent excesses of the past. But, unlike others, I chose not to engage in political persecution, but to change the system.

First, in early 1971, I firmly stated that it was not the policy of this Administration to require political contributions in return for jobs or contracts.

Then, in an Executive Directive dated July 19, 1971, Secretary of Administration, Ronald Lench, at my direction, issued an unprecedented reminder to all state employees that "compulsory contributions by state employees to political parties are contrary to law." This statement was released to the press and received wide publicity.

The directive of July 19th, 1971 was subsequently followed by a tough Executive Order outlining a Code of Ethics for State employees and creating a non-partisan board to police these problems.

Words, of course, are one thing.

Action is another.

In the first year of my Administration, we stopped the traditional but questionable and costly practice in the Pennsylvania Department of Transportation of having the Department lease trucks owned by Department employees. By ending this and adopting commercial leasing of three-quarter ton pick up trucks, PennDOT saves from \$1 million to \$1.3 million annually as well as removing possible conflict of interest.

And just this year, I directed a special committee to recommend new procedures for the selection of architects and engineers by the GSA to avoid political considerations in the awarding of contracts. Those new procedures have now been adopted and are in force.

The old political "fee attorney" plum has been ended, saving substantial amounts of taxpayers' money.

Perhaps the most significant advance in stabilizing the political climate of Pennsylvania has been the successful unionization of state employees undertaken under Act 195.

As I stated upon signing the union agreement in July, 1973, the present union contract has virtually ended the patronage system in Pennsylvania.

A few weeks ago, the Republican candidate for Lt. Governor, in reply to a question as to whether he agreed with his running mate that civil service should be extended to the highway sheds, said that he didn't and that the evils of the system would be done away with through the unionization process, and this is exactly what is being done during this administration.

During this election year, Republican candidates for statewide office are fond of waving around a list of state employees who have been charged with wrongdoing.

What they fail to mention, however, is that most of the wrongs committed by these individuals were discovered by this administration and disciplined by us.

The Cigarette Tax racket in Philadelphia, for example, was initially investigated by the Department of Revenue itself and the case was concluded by the Department of Justice.

Other investigations were conducted by the State Police and by the Department of Justice.

In contrast to the record of achievement of my Administration, Mr. Chairman, I must in all candor say that the legislative investigations undertaken by the Republican House Majority for nearly two years are dismally unimpressive.

No less than four legislative investigating committees were formed.

The Liquor Control Committee, for example, died a quiet death last year, after much fanfare, when it discovered, as Bill Ecenbarger of the Inquirer put it, "Some Republicans squirming right along with the Democrats." Actually, it died after the GOP Committee investigations and the Specter Grand Jury pointed directly to the Republican member on the LCB as being the main culprit in irregularities.

Meanwhile, unaccounted funds up to a million dollars have been expended on these investigations and it is difficult to understand why you repeatedly refuse to give a completely accurate and full accounting of tax money your committee is expending for its obvious political purposes.

The fact is, Mr. Chairman, that after nearly two years of desperate efforts, the Republican Party has failed to uncover or document the broad charges of corruption which are the only issues you hoped to have in this campaign.

You cannot attack the fiscal policy successes of my Administration or the implementation of numerous programs that are benefitting all Pennsylvanians, and because you have failed so miserably, you have turned to an all out effort to question my personal integrity.

You have subpoenaed my personal tax returns for reasons which are totally irrelevant to your Committee's business.

Your purpose never was to have any legitimate questions answered. Those questions have been answered two and three fold by other documents and statements you have in your possession. There is no need for reference to my personal tax returns to gain this information and every attorney on this Committee knows this.

The subpoena for those returns was purely and simply a political device to have me resist and thereby spread the inference to the public that I have something to conceal.

And although I have, rightfully, resisted your political device to invade my right of privacy, just as any other citizen would and should, I have also made public all essential data concerning my income and taxes for the last eight years. I'm proud of my record in business and proud also that I was able to earn enough to have paid about \$3,000,000 in income taxes during these years.

And I might add, I never took deductions for many large expenditures that my legal and accounting advisors advised could be considered legitimate income deductions. I refer here to the approximately a quarter of a million dollars that I expended personally for fighting the merger of the Pennsylvania and New York Central Railroads, or for the thousands of dollars spent fighting the dumping of Philadelphia's garbage in the Anthracite Region, or for all the studies I made of Pennsylvania's economy and its Constitution. Those were all non-profit civic expenditures, I did not take a single dime of deductions from my income tax for any of these items.

After you subpoenaed my tax records you then subpoenaed the records of the post-election fund raising committee, the Pennsylvanians for Progress.

I initially was told that those records had been destroyed, but at the instant I was informed that they were in a storeroom in the third floor of the Governor's Mansion, I had them duplicated and made copies of all the material available to the press and public. I personally never saw the records at the time of the fund raising affairs nor have I seen these records since they were found, but the documents have been made public.

~~Again, the relevance of these documents to your investigation is, at best, remote.~~

What you are really trying to prove with these campaign records is one of two things: either that I personally profitted from those fund raising events, or that money raised through this committee resulted in jobs and business with the State for favored contractors and jobholders.

It's a nice theory and very convenient for election time. Let me, however, state for the record, and very deliberately, I have never hired anyone or given a job in the state to anyone or granted special favors because they made campaign contributions.

The policy of my administration is diametrically opposed to such conduct. In fact, there are several former political allies of mine who have joined a "Democrats for Lewis" committee because they were disappointed after the 1970 election in not gaining favors.

I never entered public life for personal gain.

When I first became involved in elective politics in 1966, my net worth was about \$7.5 million.

When I became Governor, it was approximately \$4 million.

And at the end of 1973, my net worth was about \$2.6 million.

Unlike some public officials who seemed to prosper while in office, I have experienced exactly the opposite situation. I readily admit, I have gained personal satisfaction by being able to serve the people of this State and help resolve many of their problems.

I hope to be able to continue in this capacity for the next four years but it should be obvious from the records to date it is not my desire to continue in public office for the purpose of making personal financial gains.

The pernicious inference of this committee's investigation that my committees raised funds for me to pay off bank loans collateralized by my wife and myself, is without foundation.

The detailed figures as to that campaign are currently being prepared and will be made available by my accountants and attorneys to the Committee, hopefully next week.

I loaned almost \$400,000 to the 1970 Campaign Committee from my personal funds. An amount of \$120,000 of that was repaid to me from funds raised by my Committee after the election.

My campaign committees borrowed \$1,675,000 from banks, which loans my wife and I guaranteed, depositing certificates of deposit as security. After repayment of the \$120,000 to me of my loans to the committees, my wife and I in January and February of 1972 paid \$1,050,000 of the bank debt by surrendering certificates of deposit and we are still guarantors and will ultimately pay the balance of \$625,000.

Thus, in total, my wife and I will have contributed \$1,900,000 to the 1970 campaign.

I hope that this statement and the answers which I will give to the Committee members to the best of my ability--will satisfy the committee.

But, Gentlemen, I earnestly request that upon conclusion of my testimony you terminate this political use of the legislative process and that the Legislature and the Executive commit themselves to a program in which they play their respective roles to accomplish completion of the task of eliminating misuse of the public payroll and public funds for political purposes.

The stake is not an election; it is rather the public confidence in the governmental process.

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