

GOOD EVENING AND THANK YOU FOR INVITING ME HERE TO
SPEAK WITH YOU.

THIS IS AN ELECTION YEAR AND POLITICAL COMMENTATORS
ARE SHARPENING THEIR WIT AND REACHING FOR SOME CLEAN
TYPEWRITER PAPER AS THEY BEGIN TO DISCUSS THE CANDIDATES
AND THE OVER-ALL GOVERNMENTAL PROCESS.

COMMENTING ON THE POLITICAL SCENE ONE MAN STATED:

"I READ POLITICS, TALK POLITICS, KNOW PERSONALLY ALMOST EVERY
PROMINENT POLITICIAN, LIKE 'EM AND THEY ARE MY FRIENDS, BUT I
CAN'T HELP IT IF I HAVE SEEN ENOUGH OF IT TO KNOW THAT THERE IS
'SOME' BALONEY IN IT... I HOPE THAT I NEVER GET SO OLD THAT I
CAN'T PEEP BEHIND THE SCENES AND SEE THE AMOUNT OF POLITICS
THAT'S MIXED IN THIS MEDICINE BEFORE IT'S DISHED OUT TO THE
PEOPLE AS 'PURE STATESMANSHIP.' POLITICS IS THE BEST SHOW IN
AMERICA... SO ON WITH THE SHOW. WE WILL HAVE MANY A LAUGH
IN THE NEXT FEW YEARS FOR THERE IS ONE THING ABOUT THE
DEMOCRATS, THEY NEVER PUT ON A DULL SHOW."

THE COMMENTATOR WHO MADE THIS STATEMENT WAS WILL
ROGERS A KEEN OBSERVER OF LIFE IN THE 1930's. ROGERS POKED FUN

AT POLITICS BUT HE WAS EXTREMELY PRECEPTIVE.

I ESPECIALLY LIKE THE PART OF HIS STATEMENT WHICH DESCRIBES POLITICS AS THE BEST SHOW IN AMERICA. IT IS TRUE, THE POLITICAL SCENE IS FAST-MOVING AND LOADED WITH ACTION.

WHAT THE PRESENT STATE ADMINISTRATION DOESN'T SEEM TO REALIZE, HOWEVER, IS THAT PEOPLE SOON FORGET HOW FAST A JOB IS ACCOMPLISHED, BUT THEY WILL REMEMBER HOW WELL IT WAS DONE. IT IS THEREFORE UNFORTUNATE THAT OUR COMMONWEALTH HAS BECOME A GOVERNMENT RUN BY CRISIS.

FIRST, THERE WAS THE MALPRACTICE CRISIS WHICH RESULTED IN THE SWIFT PASSAGE OF LEGISLATION. THIS PROPOSAL WHICH WENT INTO EFFECT THIS YEAR GAVE OUR STATE A MALPRACTICE LAW, BUT IT SEEMS THE PROPOSAL HAS FLAWS.

THE NEXT CRISIS WHICH CAME ALONG WAS THE "IMMINENT" BANKRUPTCY OF OUR DEPARTMENT OF TRANSPORTATION. THIS ALLEGED CRISIS FORCED THE DEMOCRATIC MAJORITY IN THE HOUSE TO BUCKLE UNDER MR. SHAPP'S DEMANDS FOR MORE TAX DOLLARS TO BAIL OUT PENNDOT.

I STRONGLY OBJECT TO THIS GOVERNMENT BY CRISIS. IF A

FINANCIAL PROBLEM EXISTED WITHIN PENNDOT, THE GOVERNOR SHOULD HAVE EXPOSED IT MONTHS AGO. THEN THE LEGISLATURE COULD HAVE EMPLOYED CALM, DELIBERATE THOUGHT TO CORRECT THE PROBLEM. MANY LEGISLATORS BELIEVE THAT SHAPP CREATED THE CRISIS OF BANKRUPTCY BECAUSE HE KNEW HE COULD NOT JUSTIFY HIS CALL FOR MORE TAXES.

A MORE RECENT CRISIS CONCERNED THE BAILING OUT OF THE PENNSYLVANIA HOUSING AND FINANCE AGENCY WHICH ALSO FORCED THE LEGISLATURE INTO APPROPRIATING MORE TAX DOLLARS TO YET ANOTHER STATE AUTHORITY.

THESE CRISES AND SOME OTHER LEGISLATIVE PROGRAMS LEAD ME TO BELIEVE THAT THE BEST SHOW IN AMERICA IN RELATION TO OUR STATE GOVERNMENT COULD USE THE FOLLOWING QUOTATION FOR A MOTTO, "IF YOU CAN'T PUT THINGS OFF -- PUT THEM OVER. "

ALLOW ME TO GIVE YOU A MORE EXPLICIT EXAMPLE OF OUR GOVERNMENT BY CRISIS AND THE ATTEMPT OF THE ADMINISTRATION TO "PUT ONE OVER" ON THE RESIDENTS OF THIS COMMONWEALTH.

I BELIEVE THAT NO BETTER EXAMPLE CAN BE GIVEN OF MISMANAGEMENT THAN THE PENNSYLVANIA HOUSING FINANCE AGENCY (PHFA) WHICH HAD TO BE SAVED FROM BANKRUPTCY ON FEBRUARY 2, 1976

THROUGH A BAILOUT WITH \$61 MILLION IN TAXPAYER'S MONEY.

THE AGENCY WAS CREATED TO PROVIDE LOW COST FINANCING TO CONTRACTORS FOR THE CONSTRUCTION OF LOW AND MODERATE INCOME APARTMENTS. THE PHFA HOUSING PROGRAM WAS LAUNCHED IN 1973 WITH GOVERNOR SHAPP'S PROMISE THAT THE AGENCY WOULD NEVER "COST THE TAXPAYERS A DIME."

ONLY FOUR MONTHS BEFORE THE BANKRUPTCY BAILOUT, MR. SHAPP WAS STILL SIGNING EXPENSIVE AND LAUDATORY PUBLIC REPORTS ON THE AGENCY AND PRAISING HIMSELF FOR ITS SOUND AND BUSINESSLIKE MANAGEMENT.

BUT ON FEBRUARY 2, 1976, IN A DRAMATICALLY IMPROVING MUNICIPAL BOND MARKET, THE LEGISLATURE WAS FORCED INTO AN EXTRAORDINARY SESSION AND GIVEN NO CHOICE BUT TO PLACE \$61.6 MILLION IN TAX MONEY BEHIND THE AGENCY TO REDEEM A SERIES OF DEBTS. PENNSYLVANIA WAS WITHIN HOURS OF BEING AMERICA'S ONLY STATE GOVERNMENT TO BE HAULED INTO BANKRUPTCY COURT.

HOW DID OUR STATE GET INTO THIS CRISIS SITUATION? LET'S TAKE A LOOK AT THE AGENCY'S RECORD.

THE PENNSYLVANIA HOUSING FINANCE AGENCY IS NOW ONE OF

THE MOST POLITICIZED AND UNPRODUCTIVE IN THE NATION. ITS RECORD SPEAKS ELOQUENTLY OF ITS IMPOTENCE:

--IN ITS THREE YEARS OF OPERATION, PHFA HAS BEGUN CONSTRUCTION OF ONLY \$80 MILLION IN HOUSING. THIS COMPARES WITH TOTAL RESIDENTIAL CONSTRUCTION IN PENNSYLVANIA FOR THE SAME PERIOD OF \$3 BILLION, 310 MILLION.

--NEW YORK STATE'S URBAN DEVELOPMENT CORPORATION AND HOUSING FINANCE AGENCY HAS SPONSORED \$6.6 BILLION WORTH OF CONSTRUCTION.

--MASSACHUSETTS HOUSING FINANCE AGENCY HAS PROMOTED \$590 MILLION OF CONSTRUCTION, MICHIGAN \$580 MILLION AND NEW JERSEY \$408 MILLION.

IT IS THUS EVIDENT THAT OUR STATE'S AGENCY HAS TRAILED OTHERS IN PRODUCTION. THEN WHY MANY HAVE ASKED DID IT WIND UP IN NEAR BANKRUPTCY?

A MAJOR REASON IS THAT DECISIONS IN THE AGENCY ARE MADE ON THE BASIS OF POLITICAL ASSOCIATIONS. POLITICAL FRIENDS OF THE ADMINISTRATION ARE ALLOWED TO MAKE RECOMMENDATIONS FOR FUND ALLOCATION.

WHEN THE FORMER AGENCY DIRECTOR, JOHN McCOY, OPPOSED THESE POLICIES BASED ON POLITICS, HE WAS FIRED ON PERSONAL ORDERS OF GOVERNOR SHAPP. AND VIRTUALLY ASSUMING DAY TO DAY CONTROL OF THE AGENCY WAS A SHAPP ADMINISTRATION CABINET OFFICER, WILLIAM WILCOX.

WHEN ONE TAKES A LOOK AT THE PROJECTS WHICH THE AGENCY COMPLETED IT IS DIFFICULT TO BELIEVE THAT IT WAS ESTABLISHED TO PROVIDE LOW COST HOUSING.

ONE OF THE AGENCY'S PROJECTS, WILLIAMSBURG ESTATES, IS LOCATED IN A SUBURBAN STATE CAPITOL COMMUNITY. IN ITS 1975 ANNUAL REPORT WHICH FEATURED A PICTURE AND MESSAGE FROM THE GOVERNOR, PHFA CITED THESE ESTATES AS AN EXAMPLE OF ITS WORK, AND PROUDLY NOTED THAT IN ADDITION TO TENNIS COURTS, THE PROJECT ALSO HAS A SMALL GOLF COURSE.

THE RENT FOR THESE "MODERATE INCOME" APARTMENTS RANGE UP TO \$275 PER MONTH PLUS UTILITIES.

HOW DID THE AGENCY STRAY SO FAR FROM ITS ORIGINAL MANDATED FUNCTION? I BELIEVE IT WAS CAUSED BY A WEAK COMMITMENT TO HOUSING COUPLED WITH AMATEURISH STAFFING, UNBUSINESSLIKE PROCEDURES, AND A DANGEROUS WILLINGNESS TO

ALLOW POLITICAL NEEDS TO DICTATE THE AGENCY'S HOUSING DECISIONS.

PHFA, DESPITE THE BAILOUT WITH TAXPAYERS MONEY, IS STILL REELING ON THE BRINK OF COLLAPSE. IT IS RECEIVING NO NEW FEDERAL MONIES FOR FISCAL YEAR 1976-77.

GRAND JURIES ARE INVESTIGATING NUMEROUS CHARGES OF ABUSE AND FRAUD ARISING OUT OF PHFA PROJECTS. SERIOUS DOUBTS ARE BEING RAISED ABOUT MARKETABILITY OF FUTURE AGENCY BONDS.

YET, DESPITE THESE PROBLEMS STATE HOUSE DEMOCRATS REFUSED TO EVEN CONSIDER A PACKAGE OF COMPREHENSIVE PHFA REFORMS.

IF STEPS ARE NOT SOON TAKEN TO CORRECT THE PRESENT SITUATION THERE CAN ONLY BE A CONTINUATION OF THE STATUS QUO, WHICH MEANS:

- IGNORING THE NEED FOR MINORITY HOUSING. TODAY, ONLY 5.3 PER CENT OF PHFA UNITS ARE BEING RENTED TO MINORITIES.
- CONTINUED PRODUCTION OF HIGH-COST UNITS WHICH COULD BETTER BE HANDLED BY THE PRIVATE SECTOR. SOME RENTS ARE NOW RUNNING \$383 PER MONTH FOR AN APARTMENT.

- CONTINUED USE OF PUBLIC RESOURCES TO BUILD FOR HIGHER INCOME GROUPS. THE AUDITOR GENERAL'S 1975 REPORT ON PHFA DISCLOSES THAT IN ONE UNIT THE AVERAGE FAMILY INCOME IS OVER \$18,500 PER YEAR!

UNLESS THE STATE LEGISLATURE ACTS TO PROTECT THE PUBLIC, AND TO SEE THAT HOUSING IS DEVELOPED FOR THE NEEDED NOT THE GREEDY, THERE IS NO HOPE FOR CHANGE.

THE LEGISLATURE THEREFORE MUST TAKE IMMEDIATE ACTION AND I BELIEVE IT SHOULD REQUIRE THESE FIVE BASIC COMMON SENSE REFORMS:

1. ALLOCATE HOUSING REGIONALLY ACCORDING TO A FAIR SHARE PLAN.
2. TIGHTLY CONTROL AGENCY ACTIVITIES SO AS TO ASSIST ONLY LOW AND MODERATE INCOME GROUPS. EXPLICIT ELIGIBILITY AND COST PER UNIT STANDARDS MUST BE DEVELOPED.
3. PROFESSIONALIZE THE AGENCY BY PLACING EMPLOYEES INTO A LIMITED CIVIL SERVICE CATEGORY, AND INSIST THAT ALL HIRINGS, FIRING, AND PROMOTIONS BE BASED SOLELY ON MERITS.

4. GRANT THE AGENCY THE POWER TO ISSUE SHORT-TERM NOTES FOR START-UP COSTS SUBJECT TO TIGHT CONTROLS ON AMOUNTS REFUNDING TECHNIQUES, AND THE AVAILABILITY OF STAND-BY CREDIT.

5. GET POLITICS OUT OF THE PHFA BY ELIMINATING ALL EX-OFFICIO MEMBERS FROM ITS GOVERNING BOARD, REMOVING THE GOVERNOR'S VETO POWER ON PHFA FINANCING, AND INSISTING ON EXTRAORDINARY PUBLIC DISCLOSURE REQUIREMENTS TO PREVENT SHABBY POLITICAL DEALS.

I BEGAN MY REMARKS WITH A STATEMENT BY WILL ROGERS. THAT PARTICULAR QUOTE ENDED WITH THIS COMMENT: "ALWAYS REMEMBER THAT AS BAD AS WE SOMETIMES THINK OUR GOVERNMENT IS RUN, IT'S THE BEST RUN I EVER SAW. "

TO MAKE OUR STATE GOVERNMENT "THE BEST RUN EVER" AND NOT JUST "THE BEST SHOW AROUND," THE RAMPANT MISMANAGEMENT EVIDENT IN THE PHFA BAILOUT AND ALL GOVERNMENT BY CRISIS, MUST BE STOPPED.

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