



MEMORANDUM

TO: Members of the Pennsylvania Stimulus Oversight Commission
Members of the Advisory Group for Small and Disadvantaged Participation in Stimulus Spending

FROM: James P. Creedon, Chief Implementation Officer and Secretary of the Department of General Services

DATE: June 17, 2010

RE: Second Quarterly Report on Executive Order 2009-02, *Creating Opportunities for Small and Disadvantaged Businesses in the Expenditure of Federal Stimulus Monies*

Introduction

In quarter one reporting, the Commonwealth reported 4.98% participation by minority business enterprise (MBE) and women business enterprise (WBE) in opportunities funded through the American Recovery and Reinvestment Act (ARRA). The purpose of this memorandum and accompanying charts is to summarize our progress and results to date. Since the first report, we have added over \$24.8 million in affectable spend and increased the total MBE/WBE contract value by \$2.7 million. This memo will also identify efforts undertaken to standardize reporting of participation from affected agencies, to provide continued guidance to agencies on increasing participation, and to outreach to small and disadvantaged business entities on how to identify and compete for stimulus-funded opportunities.

Data Submission and Analysis

Building on the reporting framework established in quarter one, in quarter two improvements were made to reporting templates to further standardize information submitted and allow agencies to submit commentary to further describe the programs and projects listed. These changes have enabled us to report more specific information on non-affectable spending streams in addition to the affectable funding.

The processes for reporting have also been expanded. Several agencies have been provided with technical assistance to develop communications with their subrecipient entities to ensure timely and accurate reporting. For example, the Department of Environmental Protection (DEP) worked with management to develop an Affidavit and template sent to all Energy Efficiency and Conservation

Block Grant (EECBG) and State Energy Program grantees to report small and disadvantaged business participation. Grantees who received additional points as part of their grant application for asserting partnership with small and disadvantaged businesses were also asked to report progress in achieving commitments as outlined in their applications. DEP will follow-up with those grantees who are not meeting their commitments to small and disadvantaged businesses to date and with those who have not returned information to date.

Education and Outreach

In the second quarter reporting period, the Commonwealth has continued to provide direct assistance to state agencies as well as outreach to small and disadvantaged business entities. As the award of stimulus funds begins to slow, we have begun to target all affectable funding streams where projects and/or services have not yet been bid. For example, DEP began working with the Bureau of Minority and Women Business Opportunities (BMWBO) to identify specific projects not yet bid and to develop specific and targeted outreach to potential prime and subcontractors. Events were held across the state in Philadelphia, Pittsburgh, Harrisburg and Erie to connect small and disadvantaged businesses with DEP energy grantees and prime contractors for project work totaling over \$84 million. A sample agenda from one of these events is attached to this memo.

In addition to outreach to agencies and businesses, we have worked with members of the General Assembly and other key stakeholders to continue to encourage direct recipients of ARRA funding to outreach, track and report small and disadvantaged business participation. Attached to this report is a letter drafted May 3, 2010 from U.S. Congressman Chaka Fattah and State Representative Dwight Evans sent to direct recipients in the state requesting information on the participation of small and disadvantaged businesses in direct funded opportunities estimated at \$2.2 billion. An update call with Congressman Fattah's office revealed that they are currently in the process of compiling submitted information.

Establishing Affectable Spend

In the second quarter of reporting, we repeated the process used in quarter one to identify affectable spend – the ARRA program and total dollars through which opportunities for small and disadvantaged business exist. The affectable spend of Quarter One was over \$1.4 billion dollars and included funds from the Department of Transportation (PennDOT), the Pennsylvania Infrastructure Investment Authority (PENNVEST), the Department of Community and Economic Development (DCED), and DEP. This quarter, we have added funds administered by the Department of Education (PDE), Office of Administration (OA), and Department of Health (DOH). The quarter two affectable spend is outlined below.

Table 1: Establishing Affectable Spend by Category and Program Dollars To Date (by Category)

SPENDING CATEGORY AND PROGRAMS	TOTAL ANTICIPATED FUNDING	Q2 AFFECTABLE ARRA SPEND
Health Care	\$4,000,000,000	N/A
WIC - Electronic Benefits Transfer Planning Grant	(\$491,192)	\$491,192
Immunizations and Vaccines for Children	(\$1,423,120)	\$1,550,000
Education	\$2,600,000,000	N/A
Education Technology (Administrative)	(\$1,509,829)	\$1,509,829.00
Transportation/Infrastructure	\$1,066,000,000	
State Highways and Bridges	(\$1,026,429,012)	\$830,013,692
Other Infrastructure/Housing	\$478,000,000	
Clean Water State Revolving Fund (CWSRF)	(\$176,912,530)	\$336,057,627*
Drinking Water State Revolving Fund (DWSRF)	(\$44,006,270)	\$179,292,529*
Broadband Data Mapping	(\$1,547,700)	\$1,547,700
Workforce	\$3,400,000,000	N/A
Public Safety	\$400,000,000	N/A
Energy	\$390,000,000	
Weatherization Assistance Program	(\$252,793,062)	\$69,207,067
Community and Family Support	\$1,000,000,000	
Community Services Block Grant (CSBG)	(\$42,332,166)	\$42,332,166
Community Development Block Grant (CDBG)	(\$12,434,921)	\$12,434,921
Environment	\$97,000,000	
Leaking Underground Storage Tanks (LUST)	(\$6,163,000)	\$5,868,679
Healthy Homes Demonstration	(\$875,000)	\$89,800
TOTAL Q2 AFFECTABLE SPEND		\$1,480,395,202

For the second quarter of reporting, Table 1 illustrates those programs and the respective contract dollars in which opportunities for small and disadvantaged business participation were available. These programs are the focus of this report.
*PENNVEST Clean and Drinking Water Affectable Spend includes non-ARRA leveraged dollars.

Second Quarter Results

Health Care

DOH has reported considerable ARRA activity in the second quarter; however, much of their ARRA funding is not part of the affectable spend. For example, one of DOH's ARRA funding streams is a loan repayment program. That program pays educational debt for doctors and nurses, who in turn agree to serve in targeted geographic locations. Another of their awards supports research initiatives in intervention strategies for childhood obesity at Penn State University and the University of Pittsburgh. However, DOH did report some small and

disadvantaged business participation in quarter two in the Immunizations and Vaccines for Children and Women, Infants and Children (WIC) Electronic Benefits Transfer Planning funding streams as shown below.

Table 2: Reported results to date from DOH (Immunizations and Vaccines for Children)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$1,550,000	\$11,754	0.76%	\$33,433	2.16%	\$45,187	2.92%

Table 3: Reported results to date from DOH (WIC – Electronic Benefits Transfer Planning)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$491,192	\$61,639	12.55%	\$148,488	30.23%	\$210,127	42.78%

Education

The first results from PDE are associated with information technology improvements the department has undertaken to track the required 1512 reporting data for all of their ARRA grant recipients. A request for proposals was awarded for that work and disadvantaged business participation is reported below.

Table 4: Reported results to date from Education (Administrative Technology Funds)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$1,509,829	\$126,826	8.40%	\$265,730	17.60%	\$392,556	26.00%

Transportation Infrastructure

In quarter two, the Department of Transportation (PennDOT) completed bid openings for all 326 ARRA-funded road and bridge projects. PennDOT continues to track above their goal of 5.27% and above the goal for non-ARRA highway and bridge projects.

Table 5: Reported results to date from PennDOT (Highway and Bridge Program)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$830,013,692	\$11,716,000	1.41%	\$33,220,000	4.00%	\$44,936,000	5.41%

Other Housing and Infrastructure

The Pennsylvania Infrastructure Investment Authority (PENNVEST) received approximately \$221 million in ARRA funding to support clean and drinking water infrastructure projects across the state. As directed by the Environmental Protection Agency, the federal administering agency of the clean and wastewater programs, PENNVEST had all funds obligated at the end of the first quarter of reporting. Minor changes noted here result from situations where contracts have been adjusted or re-negotiated. These adjustments are approved through change orders or the use of the bid alternates that were submitted by the contractor as part of the bid package.

Table 6: Reported results to date from PENNVEST (CWSRF, DWSRF Programs)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$515,350,156	\$8,818,762	1.71%	\$15,424,076	2.99%	\$24,242,838	4.70%

*contract total includes non-ARRA funding, as PENNVEST leveraged ARRA dollars with regular state funding dollars.

OA is managing the state Broadband Data Mapping program. During quarter two, a request for proposals to map the broadband coverage in the northern tier of the state was awarded. Results of that award were significant in terms of participation and are outlined below.

Table 7: Reported results to date from OA (Broadband Data Mapping Programs)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$1,574,700	\$120,500	7.65%	\$251,256	15.96%	\$371,756	23.60%

Energy

As we noted in Q1, ARRA funds allocated by DCED for the Weatherization Assistance Program are granted to statutorily mandated recipients. In Pennsylvania, these recipients are 42 weatherization providers and the Pennsylvania Housing Finance Authority. To date, of these 43 providers, approximately 29 are using ARRA funds to subcontract for weatherization services. Those agencies not subcontracting perform the work through augmentation of their existing staff. As such, the affectable spend for this program is highly dependant upon agency needs in terms of subcontracting assistance.

Table 8: Reported results to date from DCED (Weatherization Assistance Program)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$69,207,067	\$3,788,978	5.47%	\$813,000	1.17%	\$4,601,978	6.65%

As described earlier in this report, in quarter two DEP began an extensive outreach to all of their EECBG grantees to collect contracting information pertaining to disadvantaged business participation. As of the deadline for this report, DEP had received 52 of 100 responses. As such, we are including preliminary results here, but will not include these results in the overall affectable spend and participation percentage until they are complete. DEP will continue to reach out to non-respondent grantees to capture all information, and we will report updated results in the final version of this memorandum.

Table 9: PRELIMINARY RESULTS to date from DEP (EECBG Program)

Total Contract \$ of 52 respondents	MBE/WBE Contracts of 52 respondents	Participation%
\$12,434,705	\$1,693,377	13.62%

Community and Family Support

DCED is the state's administering agency for the Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program and the Department of Health and Human Services (HHS) Community Services Block Grant (CSBG) program. The CDBG funds allocated to DCED comprise only those funds to be distributed to non-federal entitlement communities (HUD distributed over \$46 million directly to the state's largest counties, cities, boroughs and townships). Approximately \$12 million administered by DCED was awarded via formula to smaller and more rural counties, cities, boroughs and townships. DCED reported no participation in CDBG funds for the first quarter and no participation in quarter two.

The \$42 million in CSBG program funds administered by DCED provides grants to community action agencies that assist eligible recipients with employment, food, housing and healthcare costs. Because these agencies are equipped to deliver these services directly, there are minimal

opportunities for small and disadvantaged business participation. The single entry in Table 5 below shows a slight increase (up 0.03%) from quarter one.

Table 10: Reported results to date from DCED (CSBG, CDBG Programs)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$54,767,087	\$0	0%	\$24,000	0.04%	\$24,000	0.04%

Environment

As stated in quarter one, prior to Recovery Act funding, the LUST program had not specifically solicited or tracked small and disadvantaged business participation in the contracting required for the assessment, clean-up or remediation efforts it undertook. By continuing to educate their grantees on the directives of the Executive Order, DEP has been able to implement systems to proactively solicit and track small and disadvantaged business participation. This program's continued growth to 7% participation in quarter two is noteworthy.

Table 11: Reported results to date from DEP (LUST Program)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$5,868,678	\$8,000	0.14%	\$403,483	6.88%	\$411,483	7.02%

DOH's Healthy Homes Demonstration Program was also added to the quarter two affectable spend. This program serves the Erie and Philadelphia regions by providing education and outreach on household issues, particularly lead paint hazards. Because the program has a remediation component, there were some small specialized construction opportunities available. Both grantees cited difficulty in identifying small and disadvantaged businesses with the capacity and/or willingness to comply with Davis Bacon payroll requirements, and as such, this funding stream reported no quarter two participation.

Table 12: Reported results to date from DOH (Healthy Homes Demonstration)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$89,800	\$0	0.00%	\$0	0.00%	\$0	0.00%

Cumulative Quarter Two Results

Table 13 outlines our cumulative results to date. While we recognize that there is work to be done in moving closer to the aspirational goal of 10%, we also acknowledge the efforts to date in achieving just over 5% participation. As such, we commend agency efforts in advising their grantees and complying with reporting procedures.

Table 13: Cumulative Reported results to date for all Affectable Spend Programs*

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$1,480,395,202	\$24,652,459	1.67%	\$50,589,527	3.42%	\$75,241,986	5.08%

*This does not include preliminary results from the EECBG program.

Payments to Small and Disadvantaged Businesses

Agencies have continued to track payments made to small and disadvantaged businesses. Tracking these payments allows us to ensure that not only are contractual obligations being met, and met timely, but also that ARRA funds are circulating into the economy.

Table 14: Payments made to MBE/WBE firms to date (all programs outlined above)*

Total MBE/WBE Award \$	MBE/WBE Payments	Payment %
\$75,241,986	\$39,697,129	52.76%

*This does not include preliminary results from the EECBG program.

Small Business Participation

Since our first report to the Stimulus Oversight Commission, we have also compiled and analyzed data relative to small business participation in PennDOT's highway and bridge program. This review has revealed that as of early May, 67 percent of the prime contractors awarded ARRA contracts (representing over \$501 million in awards) employ under 100 employees. In terms of subcontractors, comparable results were found with nearly 84 percent employing less than 100 employees. Contracts to these subcontractors totaled over \$161 million. Similar reviews are being completed on PENNVEST's prime and subcontractor data and will be reported as available.

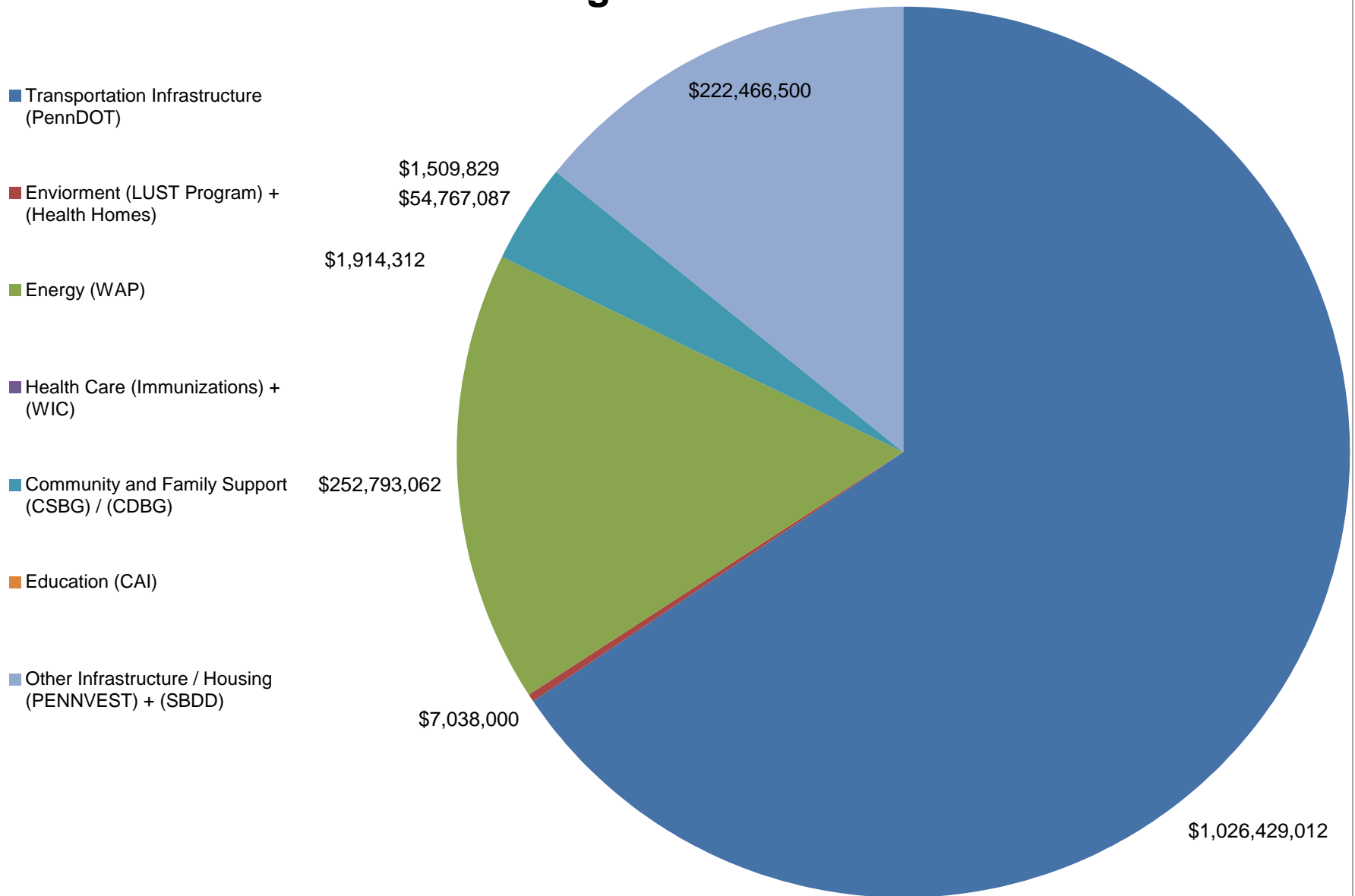
Next Steps

We continue our efforts to outreach and increase participation of small and disadvantaged businesses. Currently, we are working with the Department of Military and Veterans Affairs (DMVA) to organize specific, targeted outreach for six DMVA ARRA construction/renovation projects. In addition, we are working with the PDE to develop a strategy for participation of small and disadvantaged businesses in the opportunities afforded as a result of ARRA Qualified School Construction bond program managed by the Department of Education. This ARRA bond program affords schools the opportunity to make energy efficient upgrades or other construction/renovation upgrades to meet federal or state education requirements such as full day kindergarten. These awards were announced last week.

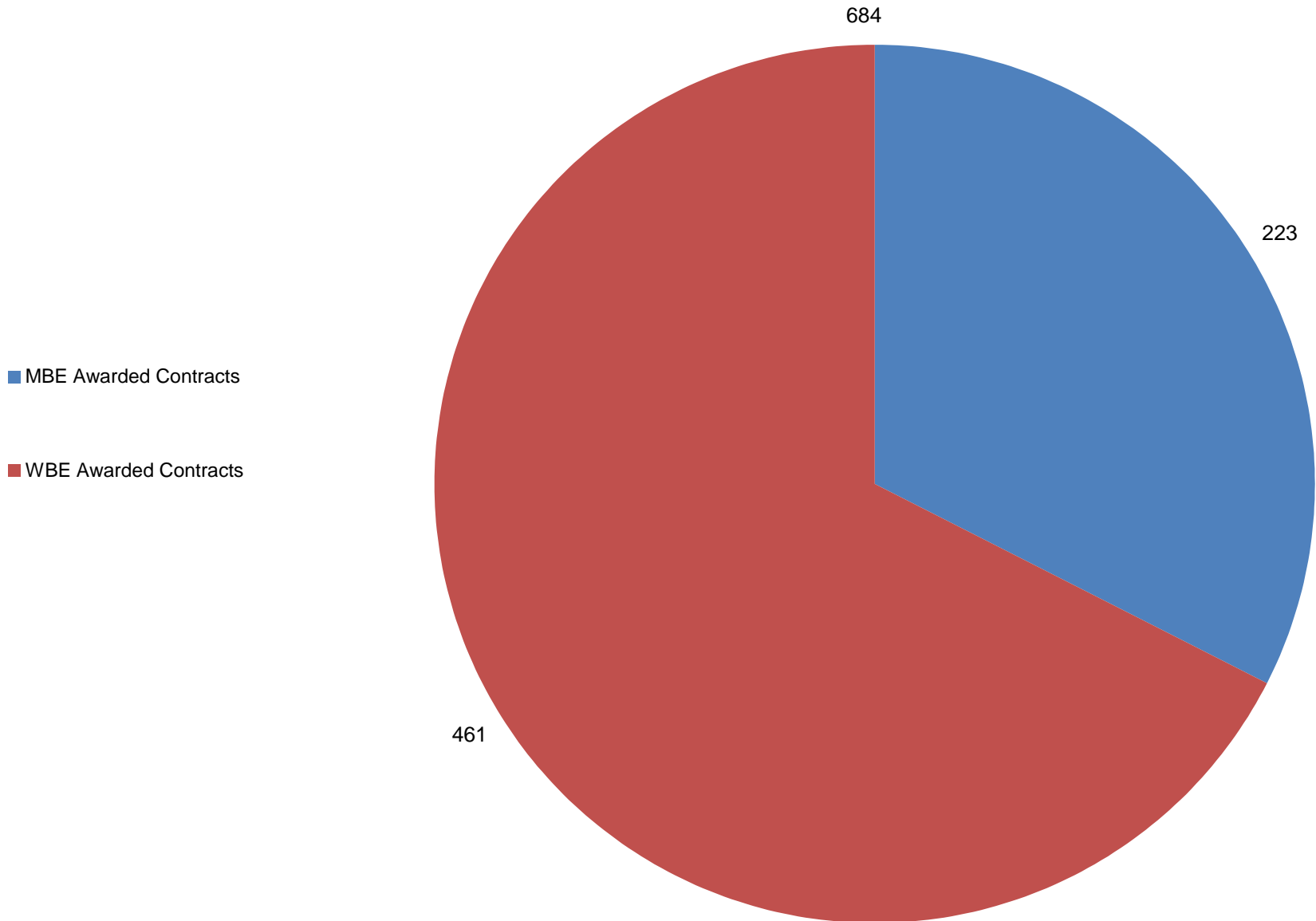
In quarter three reporting, we should expect award information and small and disadvantaged business commitments in the Health Information Technology (HITECH) request for proposals. In addition, the above mentioned DMVA and Department of Education bond projects should be awarded and moving into construction.

Lastly, we are pleased to announce that this month we will launch a web-based form through which businesses can request additional information on potential contracting opportunities. The form requires businesses to enter information pertaining to the types of goods and/or services they provide along with information on the geographical region in which they work. A team of ARRA specialists will review the submissions and respond with information on potential opportunities and further resources.

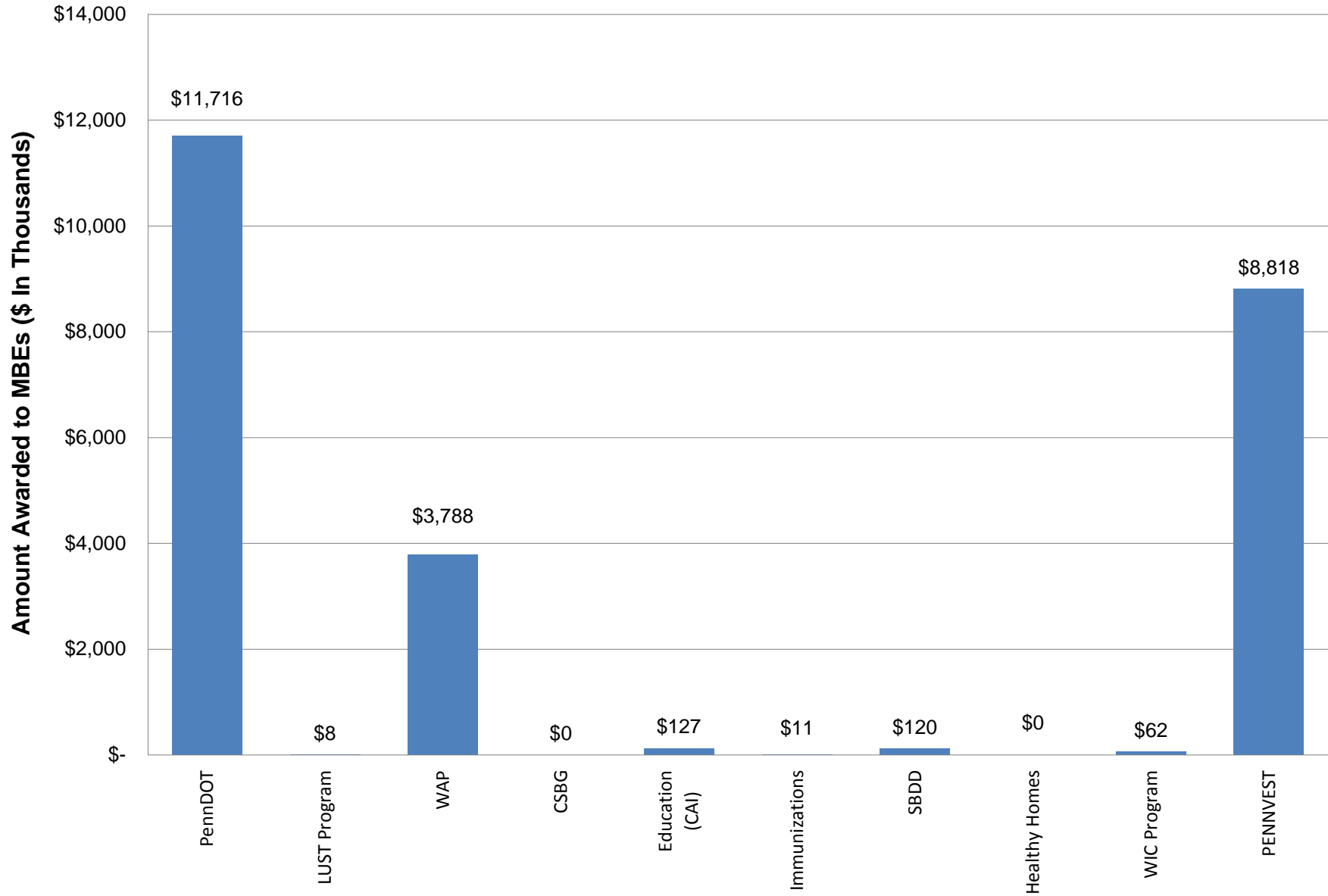
Total Anticipated ARRA Funding For Affectable Programs

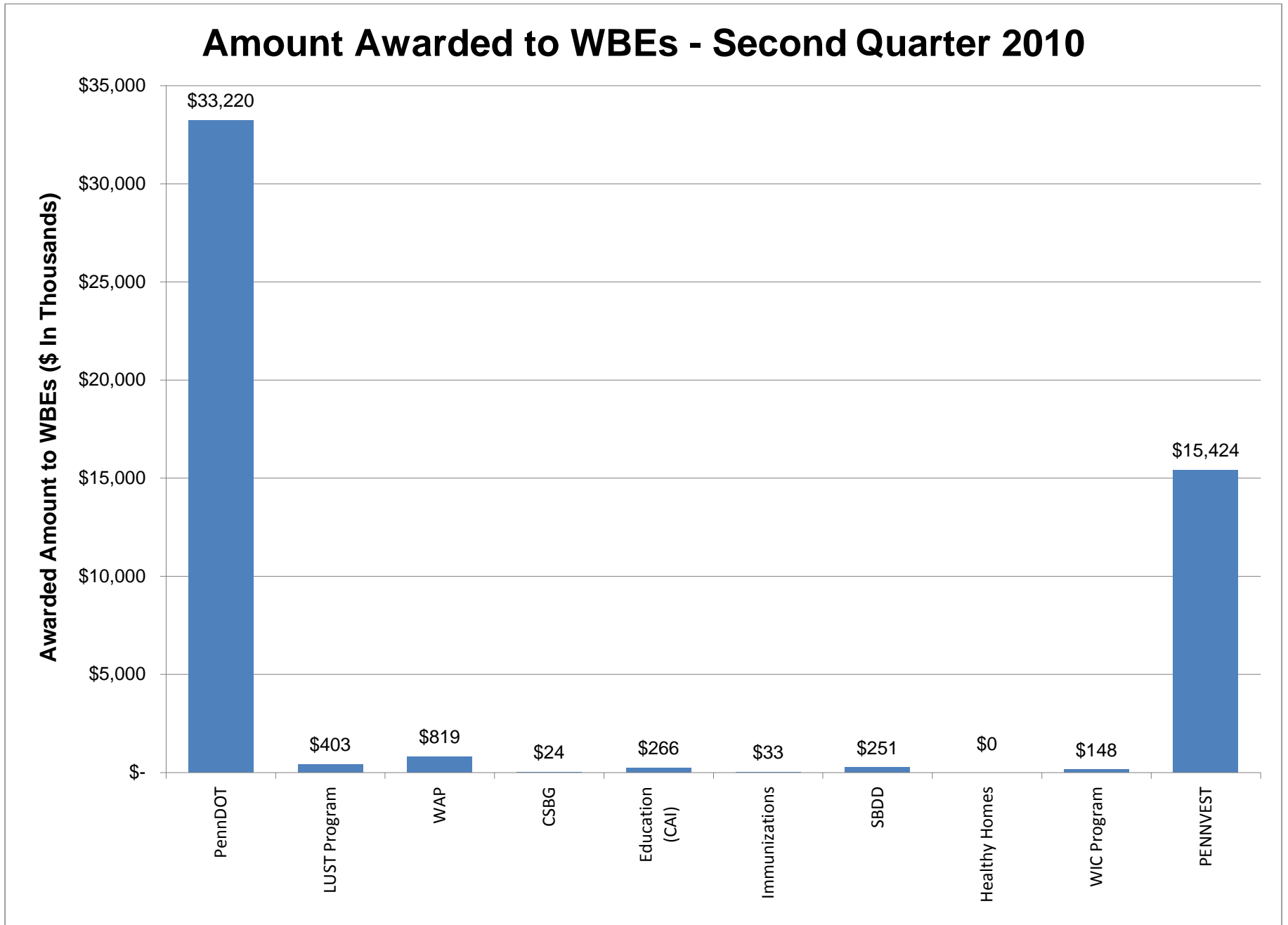


Total Number of Affectable Contracts

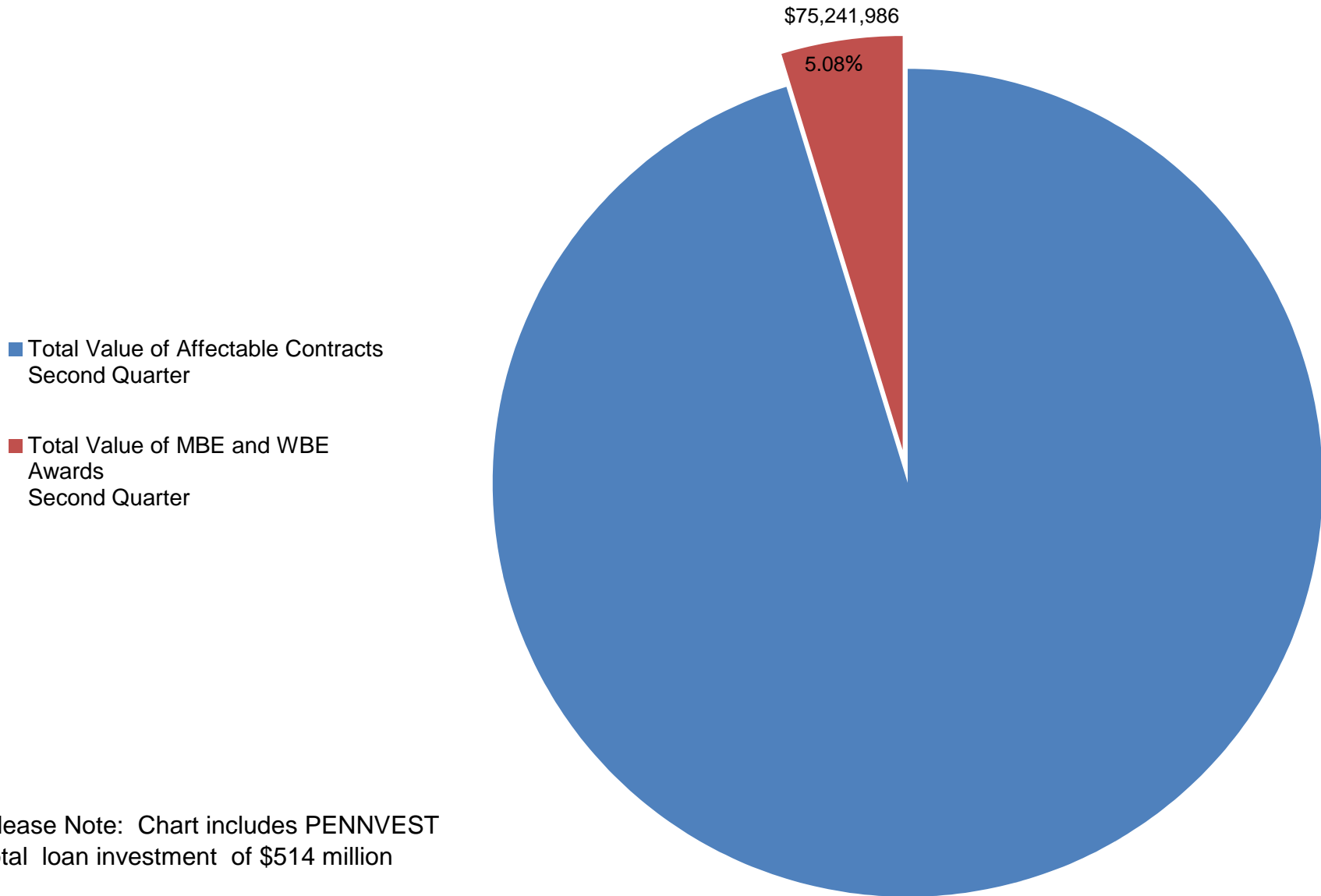


Amount Awarded to MBEs - Second Quarter 2010





Total Value of Affectable Contracts / Total Value of MBE and WBE Awards Second Quarter 2010



ATTACHMENT 1: SAMPLE AGENDA

ARRA OPPORTUNITIES OUTREACH EVENT DEPARTMENT OF ENVIRONMENTAL PROTECTION PROJECTS MAY 21, 2010 – Harrisburg, PA.

- **Registration – 8:30 AM to 9:00 AM**
- **Welcome & Introductions – 9:00 AM to 9:10 AM**
- **Opening Remarks – 9:10 AM to 9:20 AM**
 - DEP Special Assistant for ARRA Projects, Ms. Cathy Myers
 - Deputy Secretary for the Bureau of Minority & Women Business Opportunities & Special Advisor to the Governor, Mr. Peter Speaks
- **Presentation on Program Supporting the participation of Disadvantaged Businesses – 9:20 AM to 9:35 AM**
 - Governor's Executive Order 2009-2
 - Identifying Disadvantaged Businesses for project participation
- **Fund Recipients - Project Overviews**
 - **Recipient:** Borough of Steelton (9:35 AM to 9:50 AM)
 - **Project Title:** Steelton Energy Conservation Project
 - **Estimated Cost:** \$349,398

 - **Recipient:** Mount Joy Wire Company (9:50 AM to 10:05 AM)
 - **Project Title:** 1MW CHP Installation at Mount Joy Wire Company
 - **Estimated Cost:** \$1.58 Million

 - **Recipient:** Broad Mountain Wind Energy Center (10:05 AM to 10:20 AM)
 - **Project Title:** Broad Mountain Installation of 8 Wind Turbines
 - **Estimated Cost:** \$34 Million

 - **Recipient:** Gettysburg Municipality (10:20 AM to 10:35 AM)
 - **Project Title:** Gettysburg Municipal Energy Conservation Project
 - **Estimated Cost:** \$1.5 Million
 -
- **Disadvantaged Business Introductions – 10:35 AM to 10:50 AM**
- **Networking For Prime Contractors & Disadvantaged Businesses – 10:50 AM to 12:00 NOON**
- **Adjournment – 12:00 NOON**

ATTACHMENT 2: LETTER FROM CONGRESSMAN FATTAH AND REPRESENTATIVE EVANS

May 3, 2010

Contact Name

Entity name

Via Email: Email address

Dear Contact Name:

We recently met with State Sen. Vincent Hughes, State Rep. Jake Wheatley, Councilman Curtis Jones, Councilwoman Blondell Reynolds Brown, Pennsylvania Department of General Services Secretary James Creedon, and Della Clark of the Enterprise Center, to discuss the participation of minority, women, and disabled-owned businesses in contracts to which federal stimulus dollars have been allocated.

We were alarmed to find that the rate of participation in the Commonwealth of Pennsylvania is far lower than the national rate. We are committed to taking swift action to correct this problem, and we are confident that agencies and institutions like yours, which have received stimulus dollars, share our concern.

While we have no doubt that the true percentages could be higher, we are concerned that the lack of an adequate tracking system precludes us from knowing the true percentage of overall participation. To that end, we are asking you to assist us as we take steps to solve this problem. Specifically, we are asking for the following:

- We would like you to provide us with a name and contact information for a liaison from your agency who will work with our offices to track how stimulus dollars are being awarded to minority firms.
- We would like you to send us the minority, women, and disabled participation percentages as they relate to your current contracts funded with stimulus dollars.
- We would like you to send us the minority, women, and disabled participation percentages as they relate to your current contracts funded with non-stimulus state or federal funding.
- We would like you to provide us a list of minority, women and disabled-owned firms with whom you currently work, and share with us a one-paragraph synopsis of your plan for tracking minority participation in government funded contracts going forward.
- We would like you to commit to participating in an online database that will list contracts that are available so that qualified firms of all stripes will have the opportunity to bid for the work.

Thank you in advance for your help. As we are looking to act immediately on this issue, we are requesting that you provide the requested information by Tuesday May 18th to solomon.jones@mail.house.gov and kturner@pahouse.net. Should you have questions, you may call Solomon Jones at 215.387.6404 or Kim Turner at 215.549.0220.

Very Truly Yours

Chaka Fattah
Member of Congress

Dwight Evans
Pennsylvania House of Representatives