

**PENNSYLVANIA STIMULUS OVERSIGHT COMMISSION  
NOVEMBER 18, 2010**

*Summary Report*

Ron Naples, Chairman, convened the meeting of the Commission at 11:10 a.m. on Thursday, November 18, 2010, in the Betsy Ross Room, 6<sup>th</sup> Floor of 8<sup>th</sup> and Market Streets, Philadelphia. Members in attendance included Gene Barr, Guy Ciarrocchi, Rep. Brian Ellis, Terry Kostoff (representing Sen. Casey), Don Siegel, Ian Rosenblum (representing Gov. Rendell), and Bill George (representing Rep. Jennifer Mann).

*Meeting Agenda*

- 1) Welcome and Investment Report – Ron Naples, Chairman, Pennsylvania Stimulus Oversight Commission
- 2) Implementation Report – Eileen McNulty, Deputy Accountability Officer, Pennsylvania Stimulus Oversight Commission
- 3) Guest Presentations:
  - Temple University Institute for Translational Neuroscience – Dr. John M. Daly, M.D., Dean of Temple University School of Medicine
  - City of Philadelphia – Maari Porter, City of Philadelphia Recovery Officer; Joan Markman, City of Philadelphia Chief Integrity Officer; and Amy Kurland, Inspector General
  - SEPTA – Jeffrey D. Kneuppel, P.E., Assistant General Manager/Chief Engineer
  - Philadelphia School District – Michael Masch, Chief Financial Officer

*Welcome/Investment Report*

Chairman Naples opened the meeting by providing an overview of the history and mandate of the Commission. He then announced that Charles Battaglia (representing Sen. Specter), Congressman Kanjorski, State Senator Robert Mellow, Donna Cooper (representing Gov. Rendell), and James Creedon (representing Gov. Rendell) had resigned from the Commission and that Ian Rosenblum (representing Gov. Rendell) and Mary Soderberg (representing Gov. Rendell) had been appointed to the Commission.

The Chairman indicated that one Buy America waiver for a contract totaling \$176,000 had been approved for Newport Borough and that no reports of waste fraud or abuse had been made to the hotlines.

As of October 31, 2010, ARRA funds committed through state agencies totaled approximately \$12.08 billion, of which approximately \$10.94 billion had already been disbursed.

The distribution of funds is as follows:

<u>Category</u>	<u>Total \$ Committed</u>	<u>\$ Already Spent</u>
Health Care	\$3,527,646,689	\$3,524,700,150
Work Force	4,350,941,367	4,322,297,185
Education	1,771,267,594	1,394,793,851
Transportation Infrastructure	1,059,495,525	716,054,951
Other Infrastructure/Housing	306,169,987	175,143,651
Public Safety	383,787,808	360,093,041
Energy	356,960,887	179,907,916
Community and Family Support	314,768,910	263,372,943
Environment	13,191,482	8,014,824
<b>TOTAL</b>	<b>\$12,084,230,249</b>	<b>\$10,944,378,512</b>

- (1) Total \$ Committed is the amount of ARRA funds already disbursed and those funds the Commonwealth has committed to spend by contract, grant or otherwise, but which has not yet been paid out.
- (2) \$ Already Spent is the total amount of ARRA expenditures incurred and disbursed by the Commonwealth.

The following figures show the state and federal-direct ARRA spending through September 2010, for the five-county area of Southeastern Pennsylvania.

<u>County</u>	<u>State Directed</u>	<u>Direct Federal</u>	<u>Total</u>
Bucks	\$ 100 million	\$ 25 million	\$ 125 million
Chester	99 million	61 million	160 million
Delaware	89 million	34 million	123 million
Montgomery	186 million	98 million	284 million
Philadelphia	645 million	1.2 billion	1.845 billion
<b>TOTA:</b>	<b>\$1.119 billion</b>	<b>\$1.418 billion</b>	<b>\$2.537 billion</b>

### ***Implementation Report***

Eileen McNulty, Deputy Accountability Officer, provided the implementation report for projects funded by ARRA monies disbursed through the Commonwealth.

#### Transportation and Infrastructure

*Highways and Bridges* – As of November 18, 2010, 344 projects have been certified and issued notices to proceed; 342 projects have started work; and 181 projects have been completed. In addition to safety and other improvements, 481 miles of road have been resurfaced and 212 bridges have been brought into compliance. PENNDOT reported to the Federal Highway Administration that, as a result of ARRA monies, 6,319 jobs were created or retained for the

month of October and 6,928 for September. Another 2,721 jobs were created or retained through October on transit projects statewide, including 125 jobs on projects funded through the Commonwealth.

### Clean Water and Drinking Water

Through October 2010, PENNVEST had disbursed \$175.6 million (79.5%) of the \$221 million in ARRA monies which had been allocated for 113 ARRA funded projects. Forty-two of the projects have been completed. When completed, the 113 projects are expected to bring the drinking water of 519,868 Pennsylvanians into compliance with Commonwealth water standards; conserve an additional 1.5 million gallons of potable water annually; and account for 15 million kilowatt hours of energy savings annually.

### Energy

*EECBG: Conservation Works!* – 102 projects have been approved; 100 projects are underway and of those 25 have been completed. Approximately \$12.2 million of the \$22.5 million allocated to the projects has been expended.

*Weatherization* – To date, 15,027 homes have been weatherized and 9,433 homes are in progress or have had energy audits scheduled or completed.

*State Energy Plan (SEP) Program* – 59 projects have been approved and 50 are underway, of which 12 have physical work completed. A total of \$50 million of the \$99.7 million in SEP funds allocated to date have been expended. To date, carbon dioxide emissions have been reduced by over 25 million pounds and more than 18 million kilowatt hours of energy have been generated from renewable sources.

*Geothermal Loans* – The PA Treasury's Keystone HELP Loan program has been expanded with \$5 million of ARRA funds. The funds will assist up to 750 homeowners to purchase geothermal heat pump systems.

### Broadband

*Broadband Data and Development* – The Commonwealth received \$5.1 million in supplemental funding in September 2010. Combined with the January 2010, award of \$2.2 million, the Commonwealth will invest \$7.3 million by December, 2014 to: continue Pennsylvania's Broadband mapping program through 2014; implement a statewide program to foster adoption among institutional users to build capacity locally and stimulate job creation; and encourage broadband planning and collaboration among more vulnerable communities.

### *Guest Presentations*

#### **Temple University Institute for Translational Neuroscience-- Dr. John M. Daly, Dean of Temple University School of Medicine**

Dr. Daly provided an overview of the Institute of Translational Neuroscience that is being incorporated into the 8<sup>th</sup> and 9<sup>th</sup> floors of the Temple Medical Education and Research Building (MERB). A total of \$11.8 million in ARRA funding has been awarded to facilitate construction of the MERB floors. The construction will provide for nearly 46,000 square feet of additional lab space and allow for the relocation of the existing neuroscience researchers; facilitate recruitment of additional researchers; bring researchers in all areas of neuroscience physically together; and foster university collaborative translational neuroscience research. The goal of the Institute is to perform translational research to understand mechanisms of central nervous system diseases and develop effective and safe therapeutic strategies, as well as to provide integrated programs for training graduate, postgraduate, and medical students to become neuroscientists. Major areas of neuroscience research at the Institute include neurological infections, neuro-pharmacology, neurodegenerative diseases, and stem cell biology and neuro-regeneration. In 2009, the Institute received a total of \$21.3 million in funding from NIH. It is anticipated that the ARRA funding and NIH funding will generate 80 construction jobs; stimulate the local and regional economy through the purchase of \$12-\$14 million in goods and services; and, at Temple, create 12 permanent service positions and 48 permanent technical and administrative jobs. Additionally, it is anticipated that NIH funding will increase at the new facility.

#### **City of Philadelphia – Maari Porter, City of Philadelphia Recovery Officer; Joan Markman, City of Philadelphia Chief Integrity Officer; and Amy Kurland, Inspector General**

Ms. Porter provided the Commission with background on how the recession has impacted Philadelphia: 11.8% unemployment; the loss of 36,800 jobs; and a \$2 billion gap in the City's 5-year strategic financial plan. She then presented an overview of the impact ARRA funding has had on Philadelphia. The City of Philadelphia and its quasi-City agencies have attracted \$346 million in direct ARRA funding. These funds have been invested across five strategic areas: Economy and Workforce (\$150.2 million); Serving the Most Vulnerable (\$62.7 million); Sustainable Philadelphia (\$41.5 million); Transportation and Infrastructure (\$65.3 million); and Public Safety (\$26.3 million). She estimated that Philadelphia County has also attracted \$1.9 billion in grants, loans, and contracts with hospitals, universities, businesses, SEPTA, etc.

The Sustainable Philadelphia theme looked at innovation and investment in a more sustainable future. Two significant grants in support of this effort were 1) a \$25 million Retrofit Ramp-Up Grant to provide low-interest loans to residential and commercial properties for energy efficiency retrofitting to save energy and money and, 2) a \$14 million Energy Efficiency and Conservation Block Grant aligned with Mayor Nutter's Greenworks goals.

The Transportation and Infrastructure funding effort invested \$31 million in the Philadelphia International Airport, \$15 million in city repaving, and \$17 million in a Bike Trail Network in Philadelphia and its surrounding counties.

The Serving the Most Vulnerable included implementation and expansion of the Corner Store Initiative and the Citywide Farmers' Markets.

Joan Markman, the Chief Integrity Office, and Amy Kurland, the Inspector General, then provided an overview of the steps taken by the city to ensure ARRA compliance and program control. These steps included monitoring of the grant applications, establishment of contracting procedures, documentation of grant expenses, quarterly reporting, close-out grant reports, as well as a review of all spending and follow-up, if necessary, of corrective action.

### **SEPTA – Jeffrey D. Kneuppel, P.E., Assistant General Manager/Chief Engineer**

Mr. Kneuppel presented a report on the impact ARRA has had on SEPTA. He indicated SEPTA has received \$191 million in ARRA funding, all of which has been direct federal funding and allocated by the existing transit formulas.

SEPTA established four basic principles for the program to utilize the ARRA funding: 1) the projects would improve infrastructure across all modes and throughout the 5-county operating area; 2) the projects were to be of various size and complexity in order to utilize small, medium and large firms, including DBE firms; 3) the projects would include various areas/disciplines including bridges, stations, track, electric traction, and communications and signals; and, 4) the projects must not conflict with existing track outage plans.

SEPTA also established three benefit criteria: 1) improvement to the core infrastructure to improve system reliability, 2) enhance the customer experience; and 3) reduce long-term maintenance and operational costs.

The original program consisted of 26 projects. However, due to bids running approximately 16% under estimate, the program was subsequently expanded to 32 projects. These 32 projects included 54 contracts: 16 projects related to stations; 5 projects related to right of way and track; 1 project related to the repair/replacement of 5 bridges; 4 projects related to traction power systems; 5 projects related to communication and signal systems; and 1 project involving the acquisition of new hybrid buses. By February 17, 2010, all 54 contracts had been issued notice to proceed and by November 10, 2010, 29 contracts have been substantially completed. From the beginning of the contracting process, SEPTA had a goal of DBE participation. To help achieve the goal, two DBE outreach programs were held and the overall effort resulted in 2 DBE prime contractors, 101 DBE subcontracts and 57 DBE subcontractors. As of September 30, 2010, SEPTA estimates that 2,045 direct "on project" jobs were created or sustained and additional jobs were indirectly created or sustained through the purchase of materials or services.

In order to ensure accountability, SEPTA developed special ARRA reports including: ARRA contract procurement status updates; ARRA contract bid results vs. engineer's estimates; an ARRA master project schedule; submittal/approval of contractor's baseline schedule and contract value lines; and an ARRA program budget and CM/PM Plan. Additionally, manpower/jobs report requirements were expanded and required of all contractors.

SEPTA projects funded by ARRA monies include:

- Girard and Spring Garden Stations Rehabilitation -- \$24.4 million
- Fern Rock Yard Track Renewal -- \$15.8 million
- Croydon Station Improvements -- \$8.1 million
- Darby Transportation Center Improvements -- \$1.6 million
- Langhorne Station Building -- \$1.4 million
- Malvern Station Improvements -- \$8.0 million
- Elwyn Station Parking Expansion -- \$895 thousand
- Folcroft, Clifton-Aldan and Morton Station Rehabilitation -- \$1.2 million
- Elwyn-Wawa Regional Rail Line track bed stabilization -- \$9.7 million
- Gwynedd Cut stabilization -- \$3.3 million
- Replacement of Lansdale Regional Rail Line Bridge 20.25 -- \$2.7 million
- Rehabilitation of Lansdale Regional Rail Line Bridge 13.04 -- \$2.9 million
- Construction of Media/Sharon Hill Line -- \$29.1 million
- Overhaul of Norristown substation -- \$5.2 million
- Purchase of 40 hybrid buses -- \$19.6 million

### **Philadelphia School District – Mike Masch, Chief Financial Officer**

Michael Masch presented to the Commission a comparison of the School District of Philadelphia (SDP) to other Pennsylvania school districts, a background and overview of the Philadelphia School District and an overview of the school district's finances including ARRA funding.

The School District of Philadelphia educates 11% of Pennsylvania's 1.8 million public school students and is seven times larger than the Pittsburgh School District, Pennsylvania's second largest school district. The district is a system of 303 schools that serve approximately 205,000 students. Nearly one of every five Philadelphia public school students attends a charter school. Low-income students comprise 76% of the district's enrollment, with 15% of the students receiving special education services and 7% being English language learners. Philadelphia educates 23% of Pennsylvania's low-income students and 25% of Pennsylvania's English language learners. Over 1 out of every 2 students in district-operated schools are achieving at grade level today compared to one out of every 5 students in 2001.

The School District of Philadelphia has a FY 2010-11 unified budget of approximately \$3.2 billion including: \$2.5 billion to support the operation of 261 district-operated schools serving 160,000 students; \$443 million to support 43 Charter Schools serving 43,000 students; \$84 million to provide educational services to students in residential institutions and non-public schools; and \$180 million to provide administrative support services for the entire school system.

Federal funds have provided virtually all growth in the SDP revenues over the last two years. In FY 2010-11, federal stimulus funds account for 9.5% of total SDP revenues or approximately \$300 million. This funding is broken down as follows: Federally Allocated Stimulus (Title 1, IDEA, Education Technology) \$112 million; Pennsylvania Allocated Stimulus

\$121 million; Stimulus School Improvement \$13 million; and New Federal Education Jobs \$49 million. In the absence of stimulus funding, the FY 2010 and FY 2011 revenues would have been virtually flat since FY 2009.

The ARRA funding has been used to implement IMAGINE 2014, the school district's five year strategic plan. The FY 2010-11 budget provides \$180 million for the implementation of Imagine 2014 initiatives, including \$119 million for continuation of Phase One initiatives implemented in 2009-10 and \$61 million for new or expanding initiatives. The initiatives include: reduced class sizes in K-3 classes -- \$25.8 million; alternative education options for students who have previously dropped out -- \$20.4 million; alternative education transition schools -- \$19.4 million; revised schedule and improved curriculum -- \$15.3 million; expanded summer programs targeted at serving 50,000 students -- \$10.3 million; improved student counselor ratios and expanded services -- \$10.2 million; special education liaisons -- \$8.7 million; enhanced school based social services -- \$5.4 million; adding teachers to empowerment schools -- \$5.6 million; support of struggling students -- \$6.0 million; enhanced reading programs for struggling K-8 students -- \$5.0 million; improved services for English language learners (ELL) -- \$4.5 million; parent ombudsmen and student advisors -- \$4.3 million; and expanded in-school suspension programs -- \$3.8 million.