

PENNSYLVANIA STIMULUS OVERSIGHT COMMISSION

SEPTEMBER 16, 2010

Summary Report

Ron Naples, Chairman, convened the meeting of the Commission at 11:00 a.m. on Thursday, September 16, 2010, in Room 8E-B, East Wing of the Main Capitol Building, Harrisburg. Members in attendance included Gene Barr, Charlie Battaglia (representing Sen. Specter), Guy Ciarrocchi, Jim Creedon, Rep. Brian Ellis, Terry Kostoff (representing Sen. Casey), Rep. Jennifer Mann, and individuals representing Sen. Mellow, Sen. Waugh, and Tony Ross.

Meeting Agenda

- 1) Welcome and Investment Report – Ron Naples, Chairman, Pennsylvania Stimulus Oversight Commission
- 2) Implementation Report – James P. Creedon, Chief Implementation Officer
- 3) Guest Presentations:
 - Paul Marchetti, Executive Director, PENNVEST
 - Andrew Place, Acting Deputy Secretary, Department of Environmental Protection Office of Energy and Technology Deployment
 - Dani S. Zander, M.D., Director and Chair, Department of Pathology, Penn State Milton S. Hershey Medical Center
- 4) Small and Disadvantaged Business Report – James P. Creedon

Welcome/Investment Report

Chairman Naples opened the meeting by outlining the planned agenda, reiterating the purpose and role of the Commission and announcing that Doug Hill, Executive Director of the County Commissioners Association of Pennsylvania had withdrawn from the agenda. He then proceeded to provide Commission members with a report on ARRA investment spending in Pennsylvania.

As of August 30, 2010, the ARRA funds committed through state agencies was approximately \$10.68 billion, of which approximately \$9.36 billion had already been disbursed. These funds were disbursed as follows:

<u>Category</u>	<u>Total \$ Committed</u>	<u>\$ Already Spent</u>
Health Care	\$2,973,811,036	\$2,971,144,947
Work Force	3,835,881,698	3,805,172,734
Education	1,688,428,004	1,263,415,756
Transportation Infrastructure	1,026,036,227	599,893,311
Other Infrastructure/Housing	288,294,546	143,971,785
Public Safety	222,483,955	197,433,068
Energy	351,579,975	146,950,665

Community and Family Support	283,244,770	224,132,039
Environment	13,177,289	6,221,154
TOTAL	<u>\$10,682,937,499</u>	<u>\$9,358,335,458</u>

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

Implementation Report

Jim Creedon, Chief Implementation Officer, provided the implementation report for projects funded through the Commonwealth by ARRA monies.

Transportation and Infrastructure

Highways and Bridges – As of August 30, 2010, 344 projects have been certified; 342 projects have opened bids; 330 projects have notice to proceed; and 125 projects are completed. PENNDOT reported to the Federal Highway Administration that, as a result of ARRA monies, 7,885 jobs were created or sustained for the month of July, 2010 and 7,250 for August, 2010.

Clean Water and Drinking Water

As of September 16, 2010, PENNVEST has disbursed \$132 million (59.7%) of the \$221 million in ARRA investment approved for 113 projects. Construction progress on the 113 projects is as follows:

- Projects between 0 – 25% complete = 12
- Projects between 26 – 50% complete = 18
- Projects between 50 – 75% complete = 21
- Projects between 75 – 100% complete = 62

Energy

EECBG: Conservation Works! – All 99 approved projects are underway and 12 are complete. Of the approximately \$22 million in ARRA funds allocated to the projects, \$10.6 million has been expended.

State Energy Plan Program – Of the 54 approved projects, 7 have been completed and the remainder are underway. A total of \$24 million of the \$77.7 million in ARRA funds allocated to the projects have been expended.

Weatherization – As of September 16, 2010, 11,459 homes have been weatherized and another 7,677 homes have had energy audits scheduled or completed and are in progress. DCED has a goal of reviewing 10% of weatherized homes and the monitoring staff has, to date, completed on-site reviews of 892 (7.78%) completed homes.

Education

Race to the Top, Phase 2 – Pennsylvania received almost the exact same score as achieved in Phase 1, but did not qualify for funding in Phase 2 of Race to the Top. Other states moved past Pennsylvania by significantly strengthening their applications. Pennsylvania's application lost points in two specific areas. The Great Teachers and Leaders section resulted in over 50% (42.6 points) of Pennsylvania's point deductions. This section included alternative certifications for teachers and improvements to teacher and principal effectiveness. Also, Pennsylvania's application lost points for a perceived lack of statewide impact even though participation included 32% of all school districts, 38% of students and 50% of poor students.

Broadband

Round Two of broadband grant reviews is underway and all ARRA broadband funding must be committed before September 30, 2010. To date, there have been 4 Pennsylvania-based recipients:

- (NTIA Public Computer Center program) City of Philadelphia, a \$6.4 million grant with an additional \$4.3 million applicant-provided match to create or enhance more than 75 public computer centers located in North, West, and South Philadelphia.
- (NTIA Public Computer Center program) Wireless Neighborhood, Pittsburgh, a \$784,000 grant to provide predominantly low-income, African-American communities in Pittsburgh with better internet access and online tools. Wireless Neighborhood is proposing to establish four public computer centers to serve six of Pittsburgh's economically disadvantaged neighborhoods.
- (USDA Last Mile Infrastructure) Keystone Wireless dba Immix, a \$36 million grant to expand 3G broadband services in Lycoming, Union, Northumberland, Snyder, Montour and other central Pennsylvania counties. Service would be made available to approximately 963,000 people, 26,000 businesses and 9,000 community institutions.
- (NTIA Sustainable Broadband Adoption Awards) The Greater Philadelphia Urban Affairs Coalition, an \$11.8 million grant, with an additional \$5.6 million matching contribution, to allow the Coalition to address the lag in broadband adoption in urban Philadelphia. The project will conduct strategic outreach access and training programs for residents with no or limited at-home access, focusing in particular on the most economically and socially vulnerable populations.

Guest Presentations

Paul Marchetti, Executive Director, PENNVEST

Mr. Marchetti provided Commission members with a brief overview on the role of PENNVEST and then outlined how PENNVEST was impacted by ARRA.

Started in 1984 to help meet the demand for sewer and water infrastructure financing, PENNVEST provides low interest loan and grant funding for the following types of infrastructure projects (primarily bricks and mortar):

- Drinking water – public/private
- Wastewater – public/private
- Storm water – public/private
- Non-Point Source
 - Acid mine – public/private
 - Brownfield – public /private
 - Green infrastructure – public/private
 - Nutrient trading – public/private
 - On-lot systems – principal residence

Since 1988, PENNVEST has approved total funding of \$6.1 billion, primarily in the form of low interest loans for 2,469 projects including 918 water, 1,378 wastewater, 14 brownfields, 2 acid mine drainage, and 112 storm water. These projects impacted every county within Pennsylvania. Now capitalized for approximately \$2.5 billion, PENNVEST operates with normal annual funding of approximately \$300 million.

As a result of the federal Recovery Act, PENNVEST received \$221 million in ARRA funding for drinking water and wastewater projects, including non-point source projects. All funds had to be committed to projects by February 12, 2010, at least 20% of the funds had to be awarded to “green infrastructure” projects, and at least 50% of the funds had to be in the form of grants.

In April and July of 2009, PENNVEST approved the use of the \$221 million in ARRA monies on 113 projects which represented total project costs of \$550 million. The ARRA funds were used to provide \$28 million in loans and \$193 million in grants. The projects breakdown as follows:

- Drinking water: 26 projects with \$181 million in total project costs of which \$44 million is ARRA funding in the form of \$14 million in loans and \$30 million of grants.
- Wastewater and non-point source: 87 projects with \$369 million in total project costs of which \$177 million is ARRA funding in the form of \$14 million in loans and \$163 million in grants.

All projects are currently under construction, 26 projects are complete, 84 projects are at least 50% complete, and to date \$132 million or approximately 60% of the ARRA funding has been disbursed. A brief background report was provided for each of 6 approved projects.

Andrew Place, Deputy Secretary, Department of Environmental Protection

Mr. Place provided Commission members with an overview of ARRA’s impact on DEP and an update on the Department’s current ARRA related activities.

Energy Funding

The Department has received \$136.5 million in ARRA energy funding:

- \$99.6 million for the State Energy Plan
- \$23.5 million for the Energy Efficiency and Conservation Block Grant (EECBG)
- \$11.9 million for a Home Heating Equipment Rebate program.

State Energy Plan: Green Energy Works! -- DEP has awarded \$99.6 million to 54 projects in varying initiatives (biomass, geothermal, etc.). Seven of the projects are completed and seven are 75% or greater completed. Additionally, \$12 million in ARRA capital has been leveraged by a match of \$36 million from the Reinvestment Fund to create a \$48 million revolving loan fund to support high efficiency buildings and businesses. The loan program is currently accepting applications and the first project loans are expected to be announced this Fall.

EECBG: Conservation Works! -- \$22.1 million has been awarded to 103 projects for local governments and non-profits. Twelve projects are complete and 14 projects are 75% or greater completed.

Home Heating Equipment Rebate program -- \$11.9 million in ARRA funding has been allocated to provide rebates for the purchase of non-electric hot water heaters, furnaces and boilers. Over 20,000 reservations have been made and all rebate funds have been reserved. More than \$1.7 million has been paid to date and more than 5,000 rebates have been approved for payment.

Leaking Underground Storage Tank Cleanup

In August, 2009, the Department received a grant award of \$6.2 million from U.S. EPA to fund investigation and remediation actions at regulated sites that have been abandoned or where owners/operators are incapable of responding to releases of petroleum products. DEP is implementing actions at 70 abandoned sites in 40 different counties. As of August 30, 2010, \$4 million worth of work has been completed and the remaining grant funds are obligated in contracts.

ARRA 604b Program

A total of \$1.568 million in ARRA funding has been received to support surface water quality assessment projects and water quality criteria development projects. To date, \$469,000 has been expended on 6 surface water projects and 2 water criteria projects.

Dani S. Zander, M.D, Director and Chair, Department of Pathology, Penn State Milton S. Hershey Medical Center

Dr. Zander provided Commission members with a brief background report on Penn State Hershey and on the receipt of ARRA funding.

Penn State Hershey is comprised of 4 major institutes, with 24 clinical and basic science departments. On an annual basis, the 484-bed University Hospital and Children's Hospital has 27,000 plus admissions, 820,000 plus clinical visits and 52,000 plus emergency room visits. The Penn State College of Medicine has 8 basic science departments, 275 basic science faculty and 532 physician faculty, 894 medical students, 241 graduate students, and 110 postdoctoral

fellows. Penn State Hershey has 8,800 employees and annually receives over \$100 million in funded research. Since April, 2009, Penn State College of Medicine has received \$16.24 million in ARRA funding for 83 projects.

Small and Disadvantaged Business Report

A participation goal of 10% was established by Governor Rendell for small and disadvantaged business in the projects funded by ARRA within Pennsylvania. Overall, the participation rate has been running at approximately 5%. The total value of affectable contracts for the third quarter of 2010 was \$1.750 billion, of which \$88.6 million (5.06%) was awarded to MBE and WBE entities. Mr. Creedon indicated that he did not foresee a significant change in this percentage in the future.