

PENNSYLVANIA STIMULUS OVERSIGHT COMMISSION

MAY 7, 2009 MEETING

Summary Report

A meeting of the Commission was convened by Ron Naples, Chairman of the Commission, at 11:00 a.m. in Conference Room 1 of the Forum Place Building, Harrisburg. Commission chairman Ron Naples and members Sec. Creedon, Gene Barr, Tony Ross, Donald Siegel, Rep. Mann, Rep. Ellis, Sen. Waugh and Terry Kostoff (representing Sen. Casey) were in attendance at the meeting. Participating via teleconferencing were Sen. Mellow and Charles Battalia (representing Sen. Specter).

The agenda for the meeting was as follows:

Program Reviews

- A) Stimulus spending process overview: spending streams/time lines/allocation processes
- B) Competitive grants process

Special Topics

- A) Pennsylvania ARRA Weatherization State Plan (Deputy Secretary Kenneth L. Klothen, Department of Community and Economic Development)
- B) Energy (Sec. John Hanger, Department of Environmental Protection)
- C) Transportation (Sec. Allen D. Biehler, Sec. of Transportation)
- D) Pennsylvania Crime and Delinquency (Michael J. Kane., Executive Director, Pennsylvania Commission on Crime and Delinquency)
- E) Pennsylvania State Police (Captain Brian Acken)

Stimulus spending process overview

In response to questions raised at the April 23rd meeting, Sec. Creedon distributed a synopsis of AARA Act 2009 Formula Funding by Agency. The synopsis shows the federal program name, the primary state agency, the Pennsylvania primary category, the current estimate of funds to be received in Pennsylvania, key dates, and program information/distribution criteria. Current estimate is for \$9,881,259.

Competitive grants process

In response to questions raised at the April 23rd meeting, Sec. Creedon distributed a report showing the ARRA competitive grants. The report shows the agency, the project name/description, the total federal allocation, the Pennsylvania application amount (if any to date), the Pennsylvania estimated allocation (if known), and the application due date.

Pennsylvania ARRA Weatherization State Plan

Pennsylvania will be receiving \$252.8 million in economic stimulus funding for Pennsylvania's Weatherization Assistance Program (WAP), which is designed to help low-income households decrease energy consumption and costs. This amount is approximately seven times larger than Pennsylvania's current Energy Department and LIHEAP weatherization expenditures. While these new funds are expected to be spent over a three year period, it is anticipated that approximately 50 percent of the funds will be spent in the first year.

The goals of the program are 1) reduce Pennsylvania energy usage by the equivalent of 155,000 barrels of oil per year, 2) weatherize at least an additional 29,700 housing units over the next 2-3 years, and 3) put an estimated 940 Pennsylvanians to work.

Program services will be provided by the Commonwealth's existing 42 sub-grantee agencies, with additional groups added if necessary. The ARRA Act stipulates that the Federal Davis-Bacon prevailing wage rates will apply to contractors. The agencies will operate under a three-year contract and each agency will receive an initial ARRA base allocation equal to its 2009-10 allocation. The base allocation will total approximately \$22.5 million or 10 percent of available funds. The remaining \$202 million will be distributed in a Phase 2 allocation that takes into account 1) additional need in each agency's service area, 2) the agency's ability to generate energy use reductions, and 3) the agency's capacity to increase operations. The allowable expenditure per household is increased to \$6,500 from the current \$3,200 and the income eligibility level is increased from 150 percent to 200 percent of the Federal Poverty Income Guidelines (a family of four is eligible at an income of \$44,100). First priority will be given to eligible households in an agency's area who are LIHEAP grantees and LIHEAP high energy users. Rental units can be included in the weatherization effort but when the total value of the work is greater than \$4,000, or includes a new furnace, water heater or refrigerator, the property owner must contribute to the cost (25 percent of cost for buildings with fewer than 50 units and 35 percent of cost for buildings with 50 units or more).

It is estimated that the weatherization program will require an additional 940 trained workers, from energy auditors, to contractors to inspectors. The budget includes \$20 million for a state-wide training program which is to be provided by PennTech College and other providers. The Department of Labor and Industry will establish state training standards and certification standards for the various weatherization workers.

DCED will enhance its program monitoring to standardize monitoring protocols and set inspection goals of 10 percent of all units (up from the current 5 percent level) focusing on the installation work and its consistency with the energy audit and 10 percent of all units (a new activity) focusing on the accuracy of the energy audit and work prioritization. This effort will require the hiring of up to eight new full-time employees or outsourcing of the work.

In order to ensure program accountability, sub-contracting agencies will be required to 1) have a contract compliance officer for large agencies, 2) file financial disclosure statements for agency officers and directors, and 3) have management staff and purchasing personnel file conflict of interest statements.

Energy

The Department of Environmental Protection is coordinating Pennsylvania's energy stimulus plan and the presentation by Sec. Hanger was divided into two parts:

1) PA Conservation Works!, and 2) PA Green Energy Works!.

PA Conservation Works

The ARRA provides for a new grant program that will assist local governments and non-profit entities in implementing energy efficient or energy conservation projects. Approximately \$23 million will be available as a formula grant through the new Energy Efficiency and Conservation Block Grant program to Pennsylvania's State Energy Office. At least 60 percent of the funds must be passed to smaller local governments and counties. The Department must file the state application with the Department of Energy by May 26, 2009.

The proposed eligible applicants for these funds are as follows:

- Local governments – with populations fewer than 35,000 and counties with populations fewer than 200,000;
- Entities established under the Intergovernmental Cooperation Act to act on behalf of local governments;
- Non-profit organizations (such as hospitals, churches, etc.);
- Municipal Authorities; and,
- County Conservation Districts.

The proposed minimum requirements for a project include: 1) at least 25 percent energy savings, 2) job creation or retention, and 3) completion within 18 months and prior to September 30, 2011.

Individual grants would be awarded up to \$250,000 or up to \$375,000 for multi-municipal projects. The entity must provide a 25 percent funding match or a 10 percent funding match for multi-municipal projects. However, the funding match will be automatically waived for distressed communities as determined by Act 47 and could also be waived at the discretion of the Secretary if there is a showing of financial inability.

The Department will assign a project manager to oversee project reporting, schedule site visitations, and make professional personnel resources available to assist.

An applicant must meet each condition that applies in order to be accepted for scoring. Once accepted, the scores for an application will be based on 1) generator capacity or energy production, 2) cost effectiveness of capacity or energy production, 3) energy efficiency, 4) cost effectiveness of energy consumption, and 5) direct job creation. Proposed guidelines for the grant program are available for review at www.recovery.pa.gov under the heading "Where is your money going?" and then by clicking on "Energy Independence. The Department anticipates accepting applications for the program beginning, Monday, June 15.

PA Green Energy Works

The Department of Energy is providing an allocation of \$99.6 million for the Pennsylvania State Energy Plan which will be administered by the Office of Energy and Technology Deployment in the Pennsylvania Department of Environmental Protection.

The goals of the program plan are:

- To increase the amount of renewable and alternative energy installed and generated;
- To reduce energy usage through conservation and efficiency;
- To utilize private sector contributions for maximum return on investment; and
- To create jobs and competitive advantages.

The expected outcomes of the program plan are:

- Creating 450 Mw of clean energy, enough to power over 150,000 homes;
- Leveraging nearly \$500 million in additional private sector investments;
- Creating over 2,500 construction jobs and 750 full-time permanent jobs; and
- Eliminating an annual carbon dioxide equivalent of taking 250,000 cars off the road.

Pennsylvania's State Energy Plan is based on the utilization of diverse sources of renewable energy generation. For purposes of implementing the plan, the Department has segmented it into seven parts.

1. PEDAs: Sustainable Business Recovery -- \$10 million in grants, which are expected to leverage \$40 million in private dollars, will be available to businesses for equipment and facilities for commercially available renewable energy and energy efficient technologies.
2. PA Wind Initiative -- \$20 million in grants, which are expected to leverage \$500 million in investments, will be available to wind energy developers and manufacturers for wind energy projects, equipment and transmission expenses.
3. Sustainable Heat and Power -- \$10 million in grants, which are expected to leverage \$30 million in other investments, will be available on an unrestricted basis for projects that make both electricity and steam for heating, cooling and other operations.
4. Solar Projects Fund -- \$16.5 million in grants, which are expected to leverage \$60 million in other investments, will be available to solar energy developers and manufacturers for equipment and development expenses for large solar projects and manufacturers.
5. Clean Biogas -- \$5 million in grants, which are expected to leverage \$10 million in other investments, will be available on an unrestricted basis for costs associated with biogas purchase and installation. It is expected these grants will primarily be utilized by sewage treatment facilities and farmers.

6. Green Development Loan Program -- \$12 million in revolving loans, which are expected to leverage \$36 million in investment, will be available to businesses and non-profits for energy efficiency in buildings and renewable energy projects.
7. PA Geothermal Buildings -- \$14.8 million in loans, which are expected to leverage \$59 million in other investments, will be available to schools, non-profits, governments, and individual residences for incremental equipment and costs of geothermal heating and cooling systems.

The intent of the Department in awarding the grants or loans is to maximize the economic, energy and environmental returns. The Department has developed a scoring assessment based on financial feasibility, project readiness, quantity of clean energy generated, amount of energy saved, return on investment (\$/kwh generated or saved, \$/kw installed), jobs created, amount of funds leveraged, and pollution reduction.

Questions were raised about “clean coal technology” and potential “Marcellus shale projects” and the Secretary indicated these types of projects have different funding sources. He further indicated that the Department is or will be partnering with firms to access “fossil fuel funds.”

Transportation

Sec. Biehler presented a report on transportation funding under the AARA. He indicated that a total of \$48 billion has been provided nationally for transportation infrastructure. That funding is broken down as follows:

• Highway Infrastructure	US \$ 27.5 B	PA \$ 1.026 B
• Transit	8.4 B	348 M
• Airports	1.3 B	?
• Discretionary Grants	1.5 B	?
• Intercity Passenger Rail	9.3 B	?
Total	48.0 B	1.410 plus B

A total of 242 projects have been identified in Pennsylvania as projects for AARA highway infrastructure monies. A target date of August 20, 2009 has been set for the awarding of these projects and through April 30, 2009, bids have been awarded for \$162 million. To date, project bid costs are running approximately 10 percent below estimates.

Pennsylvania Commission on Crime and Delinquency

The Commission has applied for six competitive grants totaling approximately \$22.5 million. If received, the grants will allow for the extension of existing activities. Additionally, the Commission is reaching out to stakeholders to encourage and work with them to submit grant requests directly.

Pennsylvania State Police

The State Police submitted 14 grant request applications totaling approximately \$24 million. The applications are competitive in nature and cover both operational and technological activities including the following projects:

- Megans Law – Adam Walsh Automation Project
- Operation Triggerlock Project
- Uniform Crime Reporting System Update Project
- Computer Crime Unit Task Force Project
- Private Sector Outreach – Drug Interdiction
- Operation Shield
- Forensic Instrument Local Area Network
- Computer Crime Unit Quality Manager Project
- Protection from Abuse Database System Project
- Electronic Surveillance Equipment Project
- MEMEX Rollout to Local Police Departments
- Mobile Command Post
- Aviation Equipment
- State Police Helicopter Replacement Project.