

# PENNSYLVANIA STIMULUS OVERSIGHT COMMISSION

JUNE 17, 2010

## *Summary Report*

Ron Naples, Chairman, convened the meeting of the Commission at 11:00 a.m. on Thursday, June 17, 2010, in Hearing Room 1 of the Keystone Building, Harrisburg. Members in attendance included Guy Ciarrocchi, Secretary Jim Creedon, Rep. Brian Ellis, Terry Kostoff (representing Sen. Casey), Don Siegel, and individuals representing Rep. Jennifer Mann, Sen. Robert Mellow, Tony Ross, and Sen. Michael Waugh.

## *Meeting Agenda*

- 1) Welcome/Investment Report – Ron Naples, Chairman, Pennsylvania Stimulus Oversight Commission
- 2) Implementation Report – Jim Creedon, Secretary, Pennsylvania Department of General Services
- 3) Guest Presentations:
  - Cathy Myers, Special Assistant, Department of Environmental Protection
  - Beth Olanoff, Executive Policy Manager, Department of Education
  - Naomi Wyatt, Secretary, Office of Administration
  - John Cavanaugh, Chancellor, Pennsylvania State System of Higher Education
  - John Kuhns, Associate Vice Provost, Pennsylvania State University
- 4) MBWE Report – Jim Creedon
- 5) Audit Reports – John Kaschak, Director of Audit, Pennsylvania Office of the Budget

## *Welcome/Investment Report*

Chairman Naples opened the meeting by welcoming all members and guests in attendance, reiterated the purpose of the Commission, and then provided an outline of the meeting agenda. After these opening remarks, he gave a report on the investment status of the Pennsylvania stimulus funding. As of May 31, 2010, a total of \$9.603 billion had been committed and \$7,762 billion had actually been spent.

<u>Category</u>	<u>Total Committed</u>	<u>Already Spent</u>
Health Care	\$2,848,311,937	\$2, 846,065,291
Workforce	3,158,184,674	3,118,602,254
Education	1,640,148,219	969,083,297
Transportation Infrastructure	998,870,920	384,362,295
Other Infrastructure/Housing	279,382,554	84,960,854
Public Safety	144,162,671	120,781,649
Energy	340,792,493	103,339,826
Community and Family Support	179,645,895	130,615,817
Environment	13,110,026	3,864,566

## ***Implementation Report***

### Transportation and Infrastructure

*Highways and Bridges* – As of June 10, 2010, all 326 planned projects have Notice to Proceed; 323 projects have actually started work; and 11 projects are completed. For the month of April, PENNDOT reported to FHWA that as a result of ARRA funding 6,748 jobs were created or sustained. The FHWA has announced another round of TIGER (Transportation Investment Generating Economic Recovery) grants worth \$600 million and applications are due by August 23, 2010.

### Clean Water and Drinking Water

As of June 10, 2010, PENNVEST has disbursed \$85.2 million (38.56%) of its \$221 million in ARRA investment. Construction progress of the 113 ARRA funded projects is as follows:

- Projects between 0 – 25% complete = 28
- Projects between 26 – 50% complete = 32
- Projects between 51 – 75% complete = 19
- Projects between 76 – 100% complete = 34

### Energy

*Weatherization* – As of July 10, 2010, 6,932 homes have been weatherized and another 7,312 homes have had energy audits scheduled or completed. Everything appears to be on schedule for at least 13,000 homes to be weatherized by the end of September.

### Application/Proposal Status

The Pennsylvania Department of Labor, through the State Energy Sector Partnership Education program, awarded \$2.45 million to eight grantees. The grantees will provide curriculum development, training and apprenticeship programs.

The Pennsylvania Department of Education, through the Qualified School Construction Bond Program, has awarded more than \$600 million in Qualified School Construction bonds to 46 school districts for energy/water conservation measures and/or upgrades to boost early education or STEM initiatives.

The Governor's Office of Health Care Reform has received over twenty proposals from its Request for Proposals on the Pennsylvania Health Information Technology Exchange. It is anticipated that the award will be made this summer.

## Competitive Grants

Activity since the May Implementation Report.

### *Competitive Grants Made*

<u>Agency</u>	<u>Program</u>	<u>Submitted</u>
Health	Putting Prevention to Work	Applied 5/14/2010
Education	Race to the Top (Phase 2)	Applied 6/1/2010

### *Competitive Grants Results*

<u>Agency</u>	<u>Program</u>	<u>Award</u>
Education	State-wide Data Systems	\$14.3 million

### *Guest Presentations*

**Cathy Myers** -- Special Assistant, Department of Environmental Protection provided an update on ARRA and the State Energy Plan.

The Pennsylvania Department of Environmental Protection has four main ARRA program goals.

- Create jobs and enduring opportunities for employment;
- Increase the amount of renewable and alternative energy generated in Pennsylvania;
- Save energy in Pennsylvania through conservation and efficiency; and
- Maximize matching private sector investments to spread the impact of ARRA funding.

ARRA funding to Pennsylvania for energy programs is expected to total \$136.5 million: \$99.6 million for the State Energy Plan; \$23.5 million for Energy Efficiency; \$11.9 million for Appliance Rebates (Home Heating Equipment); \$1.3 million for Energy Assurance Planning; and \$350,000 for the Save Energy Now Industrial Energy Efficiency Assessment Program.

By July 10, 2010, DEP will have allocated \$126.7 million (or 92 percent) of the \$136.5 million in available ARRA funding. To date, 155 projects, one loan program, and one rebate program have been undertaken with the ARRA funds. The final \$10 million will be allocated to 1) Solar II Clean Advanced Energy Manufacturing and 2) PEDARRA 2010 Sustainable Business Recovery.

State Energy Plan – Green Energy Works! has received \$99.6 million. Of this total, \$3 million has been allocated for administration, \$79 million has been obligated in executed grant agreements and the remaining monies will be obligated by November. A total of 54 projects have been supported to deploy energy generation assets, 53 of which have begun work (one completed and six are more than 90 percent complete), and one loan program.

The Green Energy Works! Loan program is utilizing \$12 million of these ARRA funds to match \$36 million from the Reinvestment Fund to create a \$48 million revolving loan fund to support high efficiency buildings and businesses. The program opened in May, 2010 and the fund manager is expected to present potential applicants and projects to DEP in the coming weeks.

Energy Efficiency – The Conservation Works! program has received \$23.5 million, all of which has been allocated: \$1.4 for administration and \$22.1 million for 100 grants (all projects have started, two are completed and seven projects are greater than 75 percent complete.)

The Appliance Rebate (Home Heating Equipment) Program – \$11.9 million in ARRA funds is being utilized to fund rebates for non-electric water heaters, furnaces, and boilers. The program opened on April 21, 2010, and to date there has been 4,963 reservations, totaling \$1.47 million (16 percent of the funds).

**Beth Olanoff** – Executive Policy Manager, Department of Education.

The U.S. Department of Education is awarding \$4.35 billion in ARRA funding through its Race to the Top competition. The funds will be awarded in two phases.

Phase I is complete and Pennsylvania, on the basis of its written submission, was one of 16 states selected as a finalist (out of 41 states that submitted applications). After the oral presentation, Pennsylvania was ranked seventh overall among the 41 applications. However, Pennsylvania did not receive an award in Phase 1 (only Delaware and Tennessee received awards).

Phase II applications had to be submitted by June 1, 2010. Based upon comments and critique of the Phase I application, Pennsylvania refined and retooled the original application. The Phase II application for \$400 million was submitted and notification as to whether Pennsylvania is a finalist is expected in mid to late July. If selected as a finalist, a team presentation will be made to reviewers the week of August 9. The U.S. Department of Education will announce Phase II recipients in late August/early September.

**Naomi Wyatt** – Secretary, Office of Administration.

Secretary Wyatt provided an update on ARRA Broadband Stimulus funding. A total of \$7.2 billion in ARRA funding is to be provided to expand broadband across the United States. Three categories of awards in two rounds of funding will be made by the U.S. Department of Commerce's National Telecommunications and Information Administration under the Broadband Technology Opportunities Program: Comprehensive Community Infrastructure; Public Computer Centers; and Sustainable Broadband Adoption.

Round 1 funding has been awarded and Pennsylvania will benefit from four grants totaling \$138.2 million.

- \$28.8 million awarded to the Commonwealth to help fund a \$36 million middle mile project to expand broadband infrastructure in northern PA. “Middle mile” refers to the infrastructure necessary to transport service to or carry traffic between towers and points of presence used by last mile providers. Thirty-two counties north of I-80 will be impacted and the project is to be completed within three years. The project will expand the capacity of the public safety radio network and leverage the existing state infrastructure to allow last mile carriers and internet providers to reach more anchor institutions, communities and consumers in remote areas. The Commonwealth’s tower network will be opened to commercial providers for the first time through a leasing process.
- \$99.6 million awarded to a coalition of PA colleges and universities, research entities and health care organizations for a network called KINBER (additional information follows in a separate section).
- \$6.1 million awarded to Zito Media Communications to help fund a middle mile project in Erie, Crawford and Mercer Counties and three counties in north-eastern Ohio.
- \$3.7 million for a multi-state public computer center grant awarded to Mission Economic Development Agency to create and expand public computer centers across 10 states (including PA).

An additional ARRA grant in the amount of \$2.2 million has been awarded for Mapping, Planning and Collaboration. This grant will enhance mapping activities initiated under Act 183 of 2004. Pennsylvania’s map is expected to be available in the summer of 2010 and will show coverage, type and speed of service by provider at a street segment/census block level.

Additional information on any of the broadband initiatives can be obtained from the following contacts:

Luc Miron	717-705-5462	<a href="mailto:lmiron@state.pa.us">lmiron@state.pa.us</a>
Middle mile grant; mapping and planning		
Greg Steckel	717-346-9677	<a href="mailto:gsteckel@state.pa.us">gsteckel@state.pa.us</a>
Middle mile grant; acquiring bandwidth on the middle mile; leasing space on PA towers		
Art Stephens	717-720-4140	<a href="mailto:astephens@passhe.edu">astephens@passhe.edu</a>
KINBER and the PennREN grant		
Colin Higgin	814-260-9588	<a href="mailto:colin.higgin@zitomedia.com">colin.higgin@zitomedia.com</a>
Zito Media Communications and middle mile grant in NW PA and NE Ohio		
Jillian Spindle	415-282-3334 ext.116	<a href="mailto:jspindle@medasf.org">jspindle@medasf.org</a>
MEDA and mult-state public computer center grant		

Round 2 funding awards, with \$2.6 billion available, will be determined by September 30, 2010. Nationally, 867 proposals were submitted seeking a total of \$11 billion. Of the total proposals submitted, 62 proposals requesting \$909 million affect Pennsylvania. The Commonwealth reviewed and prioritized 45 proposals and recommended 11 proposals for a total of \$108 million. The following are the 11 recommended proposals by category:

Infrastructure:

County of Armstrong  
Com Pros, Inc.  
Delaware County Library System  
County of Fayette  
Wilco Electronics

Sustainable Adoption

Greater Philadelphia Urban Affairs Coalition

Public Computing Center

Borough of Conneautville  
Pennsylvania State University  
City of Philadelphia  
Philadelphia Housing Authority  
Wireless Neighborhoods

**John Cavanaugh**, Chancellor, Pennsylvania State System of Higher Education

**Jeffery Kuhns**, Associate Vice Provost, Pennsylvania State University

KINBER Presentation (Keystone Initiative for Network-Based Education and Research)

The mission of KINBER, a non-profit corporation, is to provide services to Pennsylvania through the establishment of a high-speed network for research and education purposes. The network will connect institutions of higher education, preK-12 programs, health care entities, non-profits and other partners to advance Pennsylvania's capabilities and services in education, health care, workforce development, and economic development that supports sustainable growth, and enables enhanced service.

It is expected that the following four goals will be achieved:

- Institutions of higher education will have affordable access to high-speed broadband capabilities with connections to national research institutions and networks.
- Higher education networks will be connected to preK-12 education networks to facilitate a more seamless, collaborative, and higher quality learning environment.
- Health care entities will have access to the capabilities to expand linkages to world-class medical research and clinical case institutions to improve the quality and efficiency of medical care.
- Local economic development organizations will have access to network capabilities and capacity through regional collaborative partnerships to advance Keystone Innovation Zones, workforce development opportunities and other sustainable economic development initiatives.

The KINBER proposal was put together by a collaborative team comprised of the following institutions: the Association of Independent Colleges and Universities of Pennsylvania, Bucknell University, Carnegie Mellon University, Drexel University, eiNetwork, Lehigh University, MAGPI at the University of Pennsylvania, Pennsylvania Commission for

Community Colleges, Pennsylvania State System of Higher Education, the Hospital & Healthsystem Association of Pennsylvania, the Pennsylvania State University, Three Rivers Optical Exchange (3ROX) Pittsburgh Supercomputing Center Carnegie Mellon University, University of Pittsburgh, Fibertech, and Ciena.

ARRA federal stimulus funding in the amount of \$99,660,678 was awarded on February 17, 2010, and will be combined with \$29,297,353 in matching funds for a total capital budget of \$128.9 million. The proposed network will consist of 96 strands constructed by Fibertech, 48 strands devoted to KINBER, over 1,600 route miles with 13 Optical Regeneration Service Core Nodes and 47 Service Distribution Local Nodes.

### ***MBWE Report***

Secretary Jim Creedon provided a report on the status of small and disadvantaged business participation in terms of the ARRA funding in Pennsylvania. As of June, 2010, a little more than \$75 million (five percent) of the \$1.48 billion in second quarter affectable contract spending had been allocated to small and disadvantaged businesses. While this figure is below the established goal, it is believed that increases will be seen in coming months. The staff continues to be proactive in communicating expectations and reporting requirements with current grantees and following up with those who indicated commitments as part of the grant application process. Anticipated third quarter reportable programs include the following: the State Energy Plan initiatives in DEP; the Conservation Works! program in DEP; DMVA upgrade and construction projects; and the PA Health Information Exchange program of the GOHCR. In an effort to increase and assist the efforts of small and disadvantage businesses, a web-based form through which businesses can request additional information on potential contracting opportunities will be launched this month. The form will require businesses to enter information pertaining to the types of goods and/or services they provide along with information on the geographic region in which they work. A team of ARRA specialists will review the submissions and respond with information on potential opportunities.

### ***AUDIT REPORT***

John Daschak, Director of the Bureau of Audits in the Pennsylvania Office of the Budget, provided an overview of the auditing procedures involved with ARRA funds. There are five main accountability objectives of ARRA:

1. ARRA funds are awarded and distributed in a prompt, fair, and reasonable manner.
2. The uses of ARRA funds are transparent to the public, and the benefits of these funds are reported in a clear, accurate, and timely manner.
3. ARRA funds are used for authorized purposes and every effort is taken to prevent fraud, waste, error, and abuse.
4. Projects funded under the ARRA legislation avoid unnecessary delays and cost overruns.
5. Projects meet specific goals and targets, and contribute to improved performance on broad economic indicators.

There are multiple levels of financial oversight to help ensure the accomplishment of the

above stated objectives including: the Government Accountability Office (GAO), Federal Agency Inspectors General, the PA Auditor General, Single Audit/Independent Auditors, and the PA Bureau of Audits.

Pennsylvania is one of 16 states selected by the GAO for bimonthly reviews. The sixth bimonthly review of Pennsylvania was released in May; the final review will be released in September.

Several federal agency inspectors general (IG) have been present in the Commonwealth including: the U.S. Department of Labor, the U.S. Department of Education, the U.S. Department of Energy, and the Federal Highway Administration. These IG's have conducted ARRA-related audits or internal control reviews of Commonwealth agencies and their sub-grantees.

The Pennsylvania Office of the Auditor General's (AG) oversight of ARRA has primarily occurred through its participation in the Commonwealth's single audit. The AG has included ARRA-related procedures in a special performance audit of procurement which is currently being conducted at PennDOT.

In terms of single audits, the Office of Management and Budget stipulates that entities that expend \$500,000 or more in federal awards during their fiscal year are required to submit a single audit report within nine months of their fiscal year-end. The AG and an independent audit firm issue joint opinions on the financial statements, compliance with specified laws and regulations, and a report on internal controls over these federal programs.

The Bureau of Audits (BOA), within the Office of the Budget, is the primary internal audit organization within the Commonwealth. BOA is conducting ARRA-related engagements of Commonwealth agencies and their sub-grantees. These engagements include the following:

- Weatherization – coordinating efforts with both GAO and DOE OIG, ten community action agencies were selected and field work began for the first project on March 22, 2010.
- Federal Highway – 52 projects were selected and three or four additional engagements are planned later in the fiscal year to focus on project costs and change orders.
- Clean Water/Drinking Water – eight projects were selected for review and three engagements are now underway.
- State Energy Program – field work is currently in progress.
- Homeless Prevention and Rapid Re-housing – objectives are currently being developed.
- Title 1 Grants to LEAs/IDEA – engagements of two Cyber Charter Schools are underway.
- State Fiscal Stabilization Fund – engagements are being conducted in the Pennsylvania Departments of Corrections, Education, and General Services
- Workforce Investment Act – one report is in the review stage and two other engagements are planned.

To date, the GAO has issued six bimonthly reports, federal IGs have issued one report, and BOA has completed procedures for three engagements. In all cases, no instances of fraud or abuse have been reported.