



## 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: March 11, 2010

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

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### **Background**

On October 28, 2009, Governor Rendell signed Executive Order 2009-02, *Creating Opportunities for Small and Disadvantaged Businesses in the Expenditure of Federal Stimulus Monies*. This document outlines the commonwealth's policy to insure maximum practicable opportunities are available for small and disadvantaged businesses to compete for contracts and grants, and to participate as contractors, professional service providers, subcontractors and suppliers. In addition, it establishes an overall aspirational goal that ten percent of American Recovery and Reinvestment Act (ARRA) funds should go to small and disadvantaged businesses.

In our work to draft the Executive Order, we formalized and documented best practices the commonwealth already has in place to ensure fair and equitable opportunities for small and disadvantaged businesses. In continuing this commitment to ensure economic inclusion, we required agencies to provide outreach to encourage and increase small and disadvantaged business interest and participation. Through specific direction in our grant agreements, we also asked grantees to monitor, document and report participation in ARRA-funded opportunities. The purpose of this memorandum and accompanying data is to summarize our progress and results in the first quarter since execution of the Executive Order.

### **Education and Outreach**

The commonwealth has undertaken a statewide education and outreach initiative. We have organized, facilitated, and participated in numerous ARRA education events targeted to small and disadvantaged businesses across the state, and several business-to-business matchmaking and networking sessions. These sessions have aimed to provide small and disadvantaged business enterprises with an overview of the types of contracting opportunities available through the state, a listing of specific state agency

contacts and, perhaps most importantly, an understanding of the funding to and opportunities from direct recipients of ARRA funding.

In addition, we have made upgrades to the state's recovery website, [www.recovery.pa.gov](http://www.recovery.pa.gov), to include resources and information for small and disadvantaged businesses. The site now provide direct links to business assistance from our Bureau of Minority and Women Owned Business Opportunities (BMWBO) and the Department of Community and Economic Development (DCED), as well as links to general resources and program information.

### **Establishing Affectable Spend**

To date, Pennsylvania stands to receive over \$26 billion, and of that, state agencies are expected to administer approximately \$13 billion, with the balance of funds representing those awarded directly to local governments, non-profits, businesses and universities or those in the form of direct assistance to Pennsylvanians in the form of tax credits. In beginning to identify opportunities for small and disadvantaged business participation, we first needed to determine and establish the first quarter affectable spend – the ARRA programs and total dollars through which opportunities for small and disadvantaged business existed in quarter one.

It is important to remember that significant ARRA funding will not be part of the commonwealth's affectable spend. For example, the Federal Medicaid Assistance Percentage, a large percentage of the Health Care category funds and a \$4 billion investment over two years, is a direct reimbursement from the federal government to the state for a portion of its programmatic costs. Similar non-affected programs exist in both the Workforce and Public Safety categories of spending, such as Unemployment Compensation and Victim's Assistance Grants. Additionally, many programs within these categories had not yet allocated funds by January 31, 2010.

**Table 1: Establishing Affectable Spend by Category and Program Dollars for Q1 (by Category)**

<b>SPENDING CATEGORY AND PROGRAMS</b>	<b>TOTAL ANTICIPATED FUNDING</b>	<b>Q1 AFFECTABLE ARRA SPEND</b>
<b>Health Care</b>	<b>\$4,000,000,000</b>	<b>N/A</b>
<b>Education</b>	<b>\$2,600,000,000</b>	<b>N/A</b>
<b>Transportation/Infrastructure</b>	<b>\$1,066,000,000</b>	
State Highways and Bridges	(\$1,026,429,012)	\$839,007,762
<b>Other Infrastructure/Housing</b>	<b>\$478,000,000</b>	
Clean Water State Revolving Fund (CWSRF)	(\$176,912,530)	\$176,912,530
Drinking Water State Revolving Fund (DWSRF)	(\$44,006,270)	\$44,006,270
<b>Workforce</b>	<b>\$3,400,000,000</b>	<b>N/A</b>
<b>Public Safety</b>	<b>\$400,000,000</b>	<b>N/A</b>
<b>Energy</b>	<b>\$390,000,000</b>	
Weatherization Assistance Program	(\$252,793,062)	\$42,669,328
<b>Community and Family Support</b>	<b>\$1,000,000,000</b>	
Community Services Block Grant (CSBG)	(\$42,332,166)	\$42,332,166
Community Development Block Grant (CDBG)	(\$12,434,921)	\$12,434,921
<b>Environment</b>	<b>\$97,000,000</b>	
Leaking Underground Storage Tanks (LUST)	(\$6,163,000)	\$ 5,061,374
<b>TOTAL Q1 AFFECTABLE SPEND</b>		<b>\$1,455,500,862</b>

For the period ending January 31, 2010, Table 1 illustrates those programs and the contract dollars in which opportunities for small and disadvantaged business participation were available. These programs these are the focus of this first quarterly report.

## **Preliminary Results**

### *Transportation and Infrastructure*

The projects funded through the State Highways and Bridges program were the first ARRA-funded projects to be bid in Pennsylvania. Because both the Federal Highway Administration and the Pennsylvania Department of Transportation (PennDOT) already have established DBE programs, PennDOT was able to immediately provide outreach and information pertaining to ARRA opportunities to small and disadvantaged businesses and to track and monitor progress. In addition, PennDOT's Disadvantaged Business Enterprise (DBE) Supportive Services Center provided this office with a comprehensive listing of all outreach participation as well as improvements to expedite their certification and recertification processes. They have reported disadvantaged business participation monthly, which has tracked slightly higher than their targets.

Table 2: Reported results for Q1 from PennDOT

<b>Total Contract \$</b>	<b>Total MBE \$</b>	<b>MBE %</b>	<b>Total WBE \$</b>	<b>WBE %</b>	<b>TOTAL \$</b>	<b>TOTAL %</b>
\$839,007,762.00	\$12,305,636.00	1.47%	\$32,963,070.00	3.93%	\$45,268,706.00	5.40%

### *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. Much like PennDOT, PENNVEST was among the first agencies to begin obligating funds through their established, competitive process. After the April and July 2009 board meetings, PENNVEST had recommended 113 projects to receive grants and loans totaling almost \$514 million. As grantees settled on funding, PENNVEST and Department of Environmental Protection (DEP) staff educated each recipient on the small and disadvantaged business participation requirements outlined by federal administering agency, the Environmental Protection Agency (EPA). When Pennsylvania executed the Executive Order in October, PENNVEST was already implementing its directives.

Table 3: Reported results for Q1 from PENNVEST (CWSRF, DWSRF Programs)

<b>Total Contract \$</b>	<b>Total MBE \$</b>	<b>MBE %</b>	<b>Total WBE \$</b>	<b>WBE %</b>	<b>TOTAL \$</b>	<b>TOTAL %</b>
\$513,995,311.00	\$8,671,479.40	1.69%	\$13,875,830.00	2.70%	\$22,547,309.40	4.39%

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

### *Energy*

ARRA funds allocated by the Department of Community and Economic Development (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 weatherization 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.

All weatherization provider agencies were given resource information as well as a Management Directive to provide instruction in implementing the Executive Order. In addition, many of the agencies were invited to participate as presenters or panel members at ARRA outreach events for small and disadvantaged businesses.

Table 4: Reported results for Q1 from DCED (Weatherization Assistance Program)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$42,669,328.00	\$4,049,564.00	9.49%	\$502,419.00	1.18%	\$4,551,983.00	10.67%

### *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 has reported no participation in CDBG funds for the first quarter; however, some participation is anticipated 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 was the only reported participation in CSBG opportunities in quarter one.

Table 5: Reported results for Q1 from DCED (CSBG, CDBG Programs)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$54,767,087.00	\$0	0%	\$3,840.00	0.01%	\$3,840.00	0.01%

### *Environment*

Of each of these preliminary results, the results to date for the Leaking Underground Storage Tank (LUST) program, managed by DEP, are perhaps the most significant. 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 working diligently to educate their grantees on the directives of the Executive Order, DEP has been able to establish systems to proactively solicit and track small and disadvantaged business participation. This program’s 3.35% participation in the first quarter is noteworthy.

Table 6: Reported results for Q1 from DEP (LUST Program)

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$5,061,374.49	\$8,000.00	0.16%	\$161,281.00	3.19%	\$169,281.00	3.35%

*Cumulative Quarter One Results*

Table 7 outlines our cumulative results for quarter one. 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 nearly 5% participation. With the exception of PennDOT and prior to ARRA, the agencies included in this report have not been required to collect and report participation to this level of detail. As such, we commend their efforts in advising their grantees and establishing reporting procedures.

Table 7: Cumulative Reported results for Q1 for all Affectable Spend Programs

Total Contract \$	Total MBE \$	MBE %	Total WBE \$	WBE %	TOTAL \$	TOTAL %
\$1,455,500,862.00	\$25,034,679.40	1.72%	\$47,506,440.00	3.26%	\$72,541,119.40	4.98%

*Payments to Small and Disadvantaged Businesses*

Agencies have also been instructed 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 8: Payments made to MBE/WBE firms for Q1 (all programs outlined above)

Total MBE/WBE Award \$	MBE/WBE Payments	Payment %
\$72,541,119.40	\$33,695,270.00	46.45%

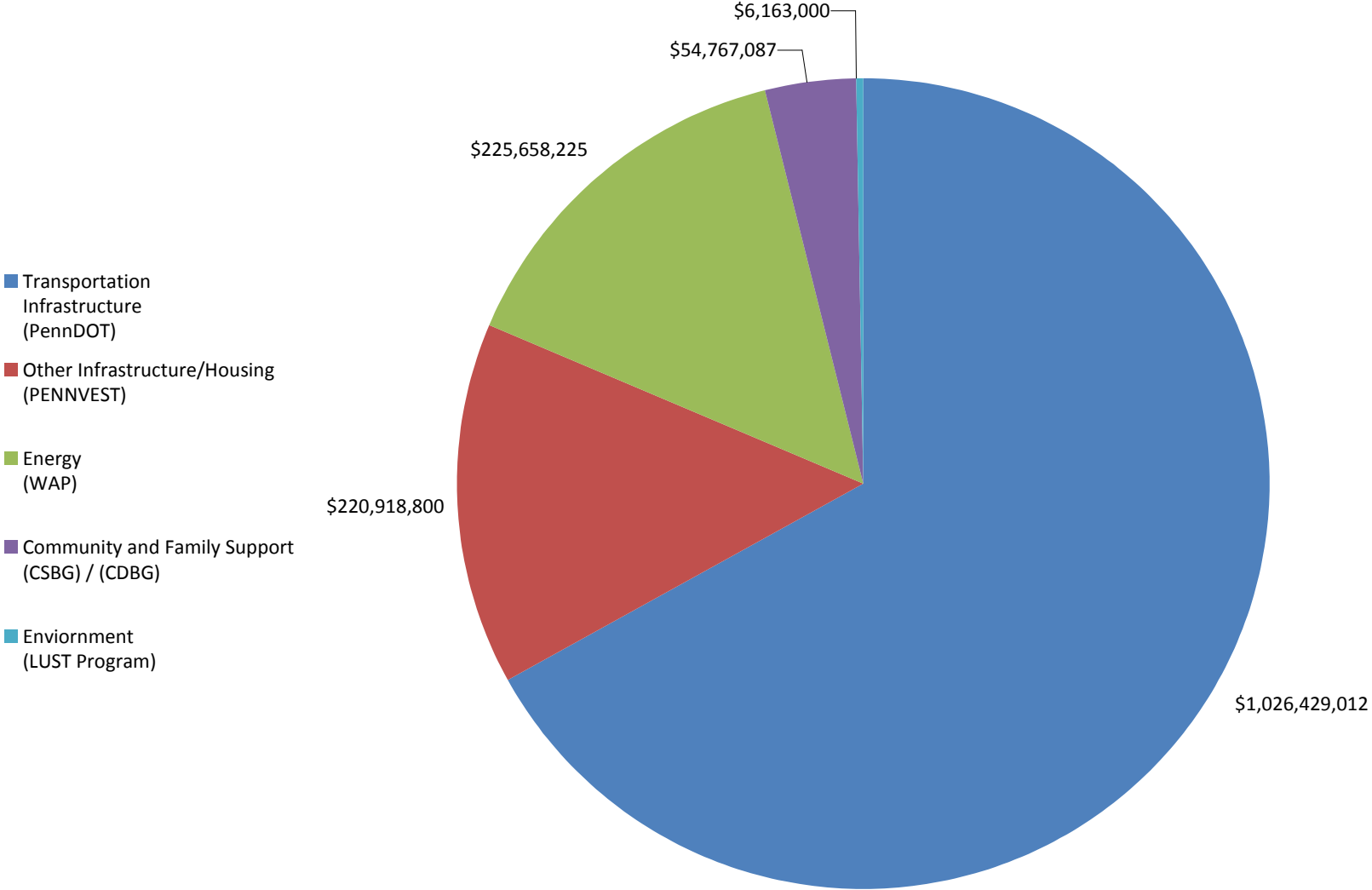
**Next Steps**

We are continuing our efforts to outreach and increase participation of small and disadvantaged businesses. With assistance from several veterans' advocacy groups, we have now offered two outreach events to Veteran-owned Business Enterprises (VBE), with a third scheduled for early March 2010. In addition, the Department of General Services has created a process for certifying VBEs for ARRA-funded opportunities.

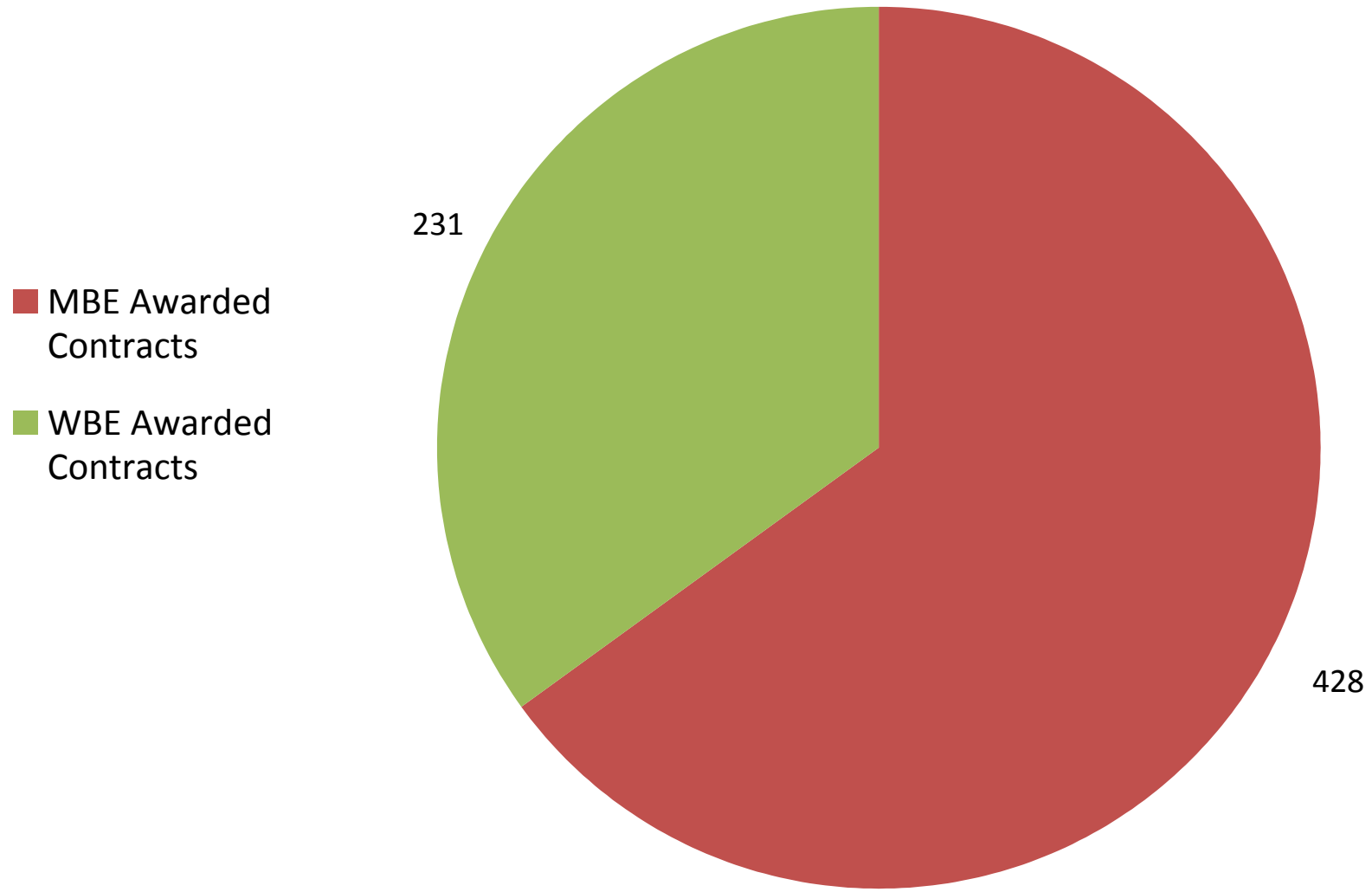
In quarter two reporting, we expect additional results from two large funding streams within DEP. All grant agreements for the Energy Efficiency and Conservation Block Grant (EECBG) program, known as *ConservationWorks*, have now been executed. In addition, DEP has awarded grants in many of the initiatives under the State Energy Plan. The Department of Education will begin disbursing the State Fiscal Stabilization Funds to the Local Education Authorities in quarter two. All grantees have received direction to implement the directives of the Executive Order to all affectable program dollars.

Small and disadvantaged businesses should anticipate new opportunities with Pennsylvania's recent Health Information Technology (HITECH) award of approximately \$17 million; Broadband award of over \$28 million; and Transportation Investment Generating Economic Recovery (TIGER) award of \$121 million. We will continue to provide the maximum practicable opportunities for economic inclusion.

# Total Anticipated ARRA Funding For Affectable Programs - Quarter One

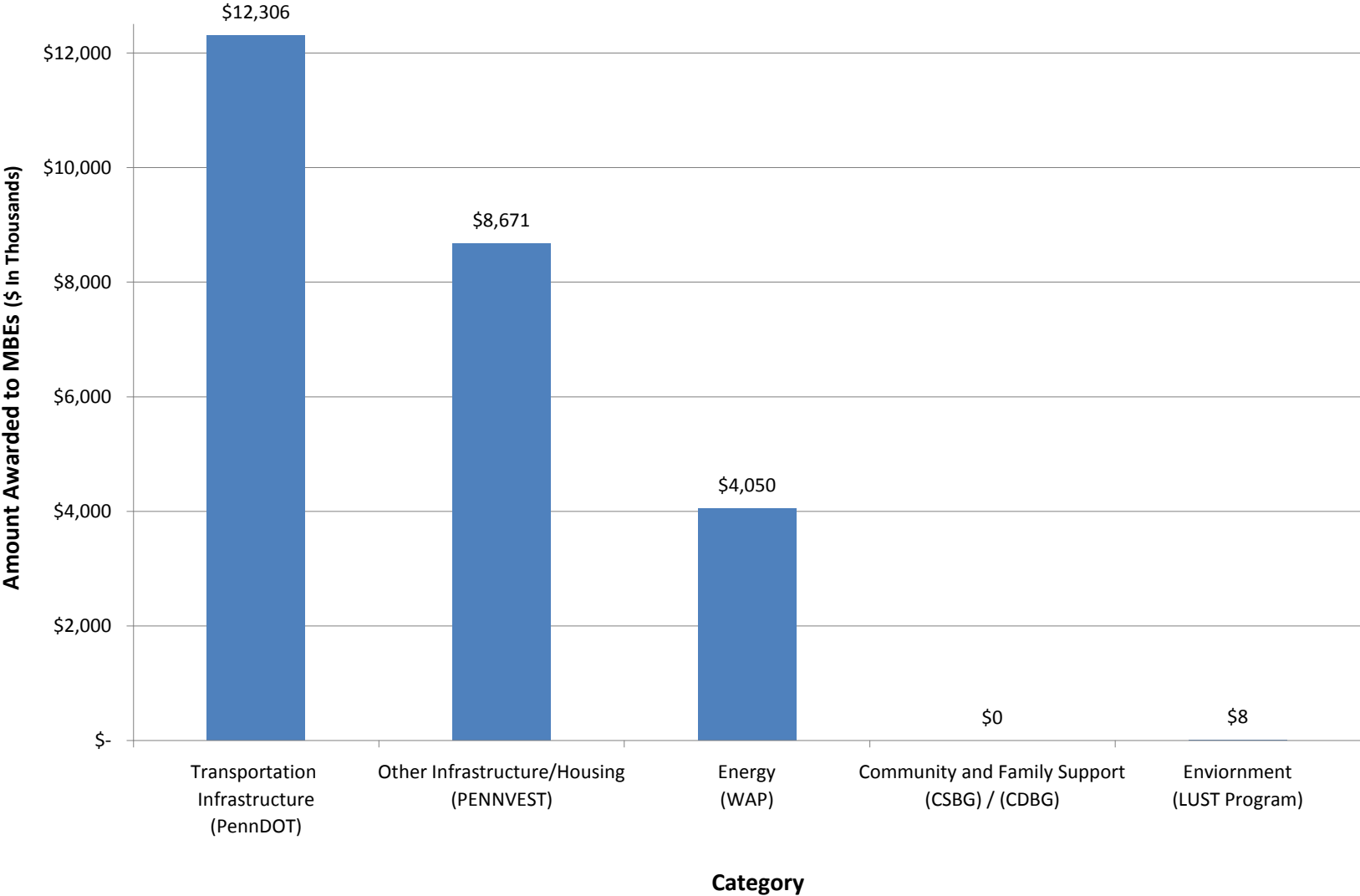


### Total Number of Affectable Contracts - Quarter One



# Amount Awarded to MBEs - Quarter One

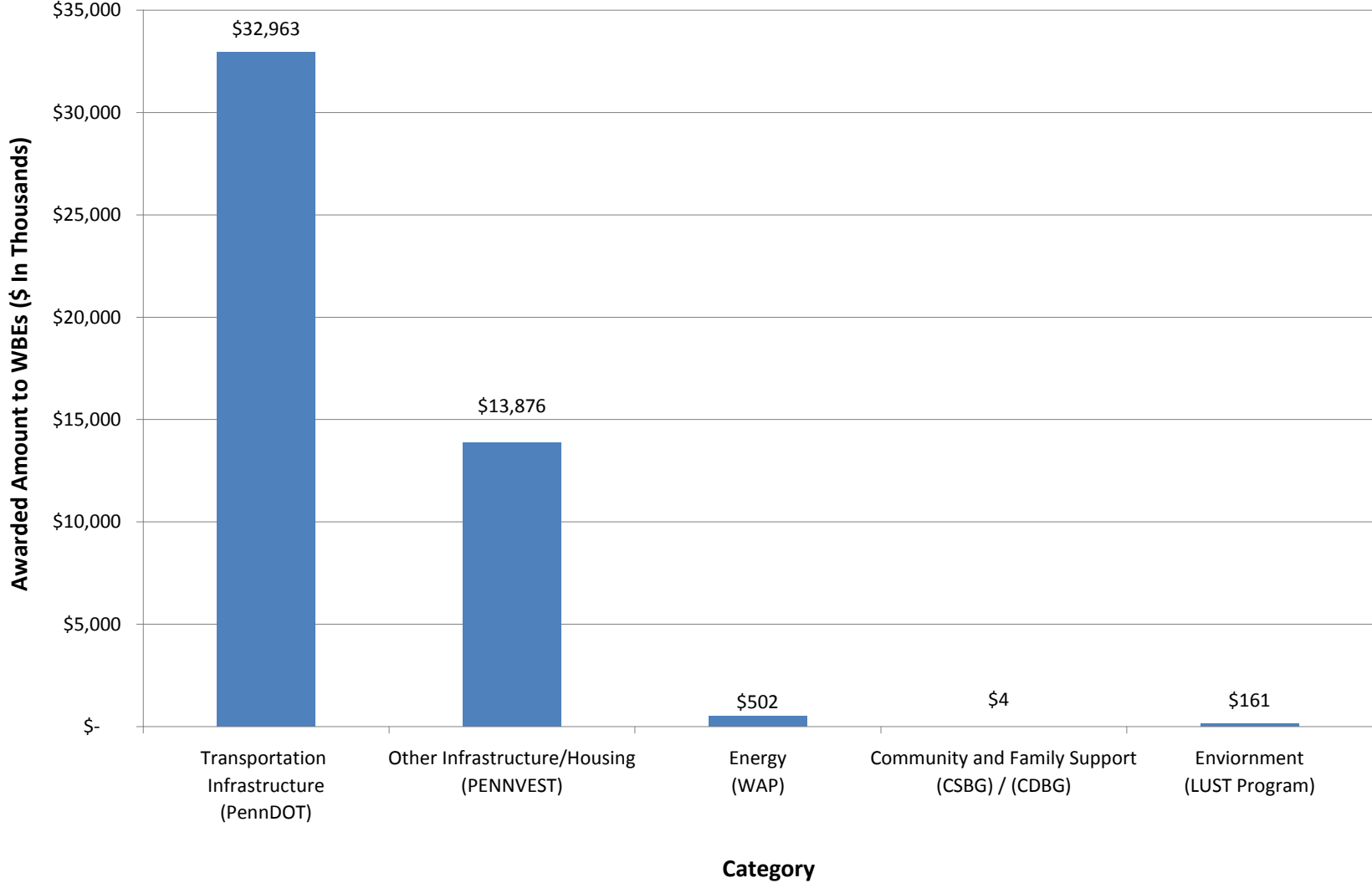
■ MBE Award \$



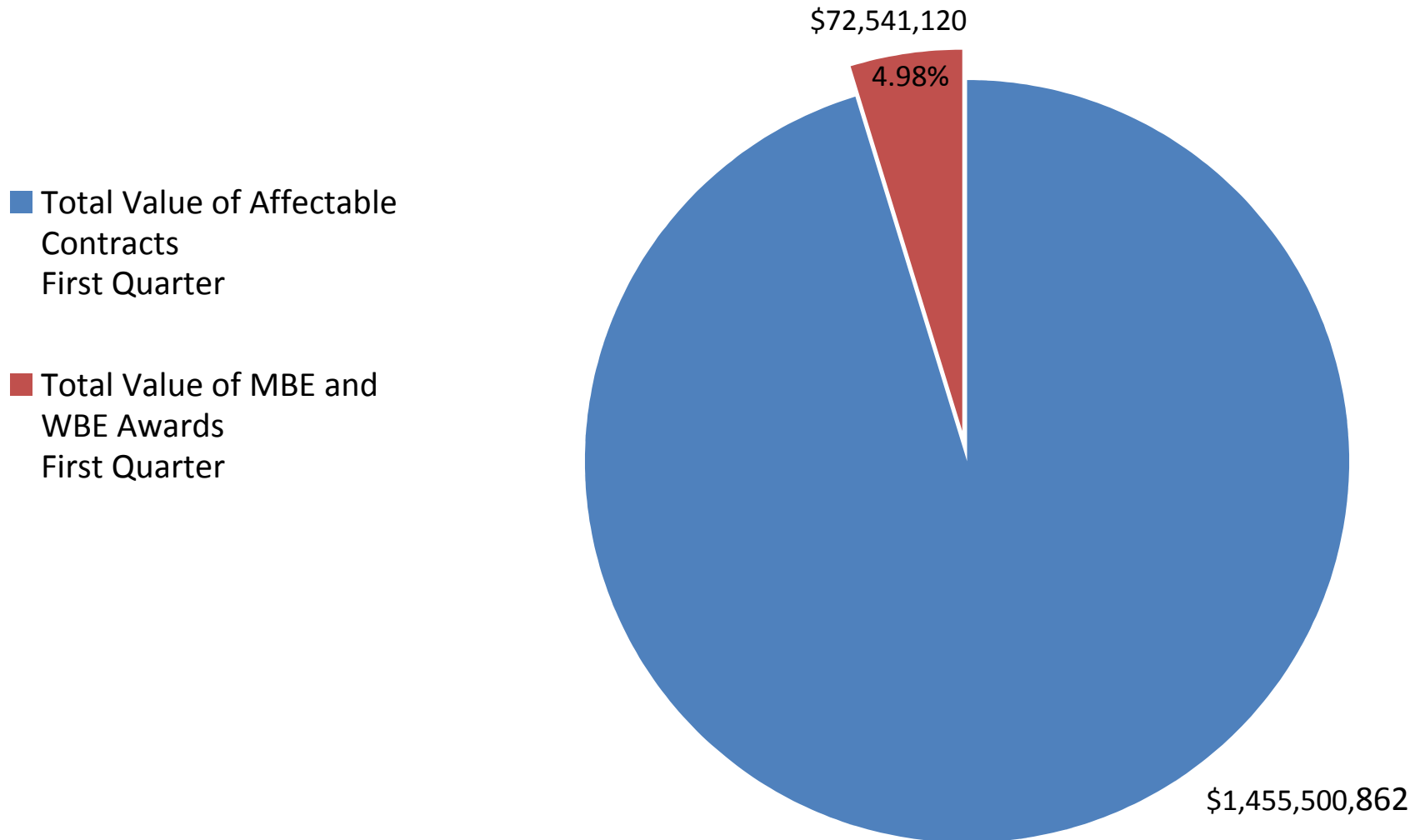


# Amount Awarded to WBEs - Quarter One

■ WBE Award \$



## Total Value of Affectable Contracts / Total Value of MBE and WBE Awards Quarter One



\* Please note: chart includes PENNVEST total loan investment of \$514 million