

## Legislative Federal Economic Stimulus Program Oversight Commission

8/10/10

DRAFT

### I. Meeting called to order- 10:02 AM

#### Members present-

Kate Stanley- appointee of the Speaker of the House

Aaron Johanson- appointee of the House Minority Leader

Ed Kemp- appointee of Senator Hemmings

Representative Michael Magaoay- House of Representatives member

Michael Kitamura- appointee of Senator Akaka

Kyle Chock- appointee of the Senate President

Kehau Yap- appointee of Congresswoman Hirono

#### Members not present-

Senator Shan Tsutsui- Senate member

Mark Anderson- appointee of the Governor

Jennifer Sabas- appointee of Senator Inouye

**Others present-** Keira Kamiya- office of Senator Tsutsui; Ted Baker- Legislative Reference Bureau; Judy Fomin- office of Representative Magaoay; members of the public

### II. Adoption of Minutes

Adoption of minutes was deferred

### III. General Business

A. Commission members introduced themselves

B. The Chair noted that Commission member Sabas is on leave to work on Senator Inouye's election campaign; Commission member Anderson is in Washington, DC, with the Superintendent of Education seeking Race to the Top funding for the State; an appointment to the Commission by Congressman Djou remains pending

C. The Chair noted that it appears some DHS/DOE funds will not be spent and that Commission member Anderson has been asked to follow-up and find out what happened

D. The Chair reminded Commission members that its goal is not to engage in a "gotcha" exercise but to see that funds are identified, sought, and expended, that problems are overcome, and that contingency plans are ready; this goal is furthered through the posting of information gathered by the Commission on its webpage

E. Commission member Kemp submitted his review of the Council of Economic Advisors indirect job calculation methodology

#### IV. Overview of Federal Stimulus Funds

A. Presentation by Department of the Army, Division of Public Works, Garrison Hawaii by Dave Pollack, Kent Anderson, and John Sherrill

1. Highlights

- DPW is the civilian expender of capital improvement project funds coming to the Army
- Using the slide presentation posted and spreadsheet on the Commission's website, DPW reviewed its ARRA program and a sample of the projects undertaken in Hawaii
- The Army Garrison in Hawaii received \$76M for various repair and minor construction projects, approximately 50% of which was obligated through the Corps of Engineers Honolulu District and the remainder through the Army's Regional Contracting Office
- The amount awarded was nearly twice the annual amount the Garrison usually receives so the Garrison had to gear up to spend \$115 million instead of the usual \$40 million
- 55 of 59, more than 90%, of the work was awarded to local contractors through competitive bidding
- Some bids came in lower than budgeted so approximately \$5 million was returned for expenditure for other garrisons, costs could have been reduced further but for the accelerated pace of the ARRA program

2. Discussion

- Regulations require inclusion of a Supervision & Administration item in the budget at the rate of 7.5%, even if that can normally be covered in the annual operating budget; the item cannot be carried over past the end of the fiscal year; S & A from annual/ongoing budget will be used to cover S & A for ARRA projects
- Army Garrison Hawaii did well compared to other garrisons in getting ARRA funding
- Project selection criteria included facility need and ability to timely execute (although it turned out that project window was 2 years, not three months)

- Although energy projects were included (roofing, air conditioning, photovoltaic infrastructure, and a wind experiment), it's hard to measure results because there are no sub-meters; if power use remains steady, then it indicates the projects were successful because demand continues to grow
- Most DPW money (\$49 million) has been or will be expended to meet FFY 11 deadline; the balance is mostly in Corps of Engineer Projects that are now in the design phase

B. Presentation by Army Corps of Engineers, Derek Chow and Hoku Tamonori

1. Highlights

- The Corps reviewed its response to the Commission's questionnaire that has been posted on the webpage, including projects supported with ARRA funds
- Although ARRA created a double funding effect by making twice the annual amount available for projects, money could only be used for projects for which regularly appropriated funds could be used and the regularly appropriate funds had to be used first
- As a result, only two projects (Haleiwa harbor dredging (\$1.15 million) and Regional Visitor Center/Ft. De Russy air conditioning (\$55 thousand) were supported by ARRA funds

2. Discussion

- The Haleiwa dredging job went to a Nevada contractor, the air conditioning job to a local one
- Reallocation of funds that the Corps could not use is already underway
- The Corps did not have the S & A problems experienced by the Garrison
- Corps civil works projects are started from scratch so few were shovel ready when ARRA funding became available; projects done of the Army are ready for engineering/design by the Corps so they can be started much sooner
- 60% of project cost is for equipment/material and 40% is for labor, 4 jobs created for each million dollars spent

- More money could have been spent on planning/studies and in-house labor; almost half of annual funds spent annually for planning/studs work is contracted out
- Air Force awarded two contracts to local contractors; whether all of the money was spent will not be known until the projects are complete
- The Corps is not involved in prioritizing projects; it serves only as the engineering/construction agent for projects chosen by others
- One difficulty experienced by the Corps is that ARRA did not provide funds for its reporting requirements; those expenses had to be met using regularly appropriated funds

**V. Public Comments**

There were no comments or questions from members of the public present at the meeting.

**VI. Adjournment**

Prior to adjournment, the Chair noted that the Commission's letter to the Healthcare Association of Hawaii is pending with Representative Magaoay and that the Office of Hawaii Affairs had reported no jobs created. The Chair also asked members to start thinking about what reflections and conclusions should be included in the Commission's report as it heads toward the end of its work. Finally, with a reminder that the next meeting would be held on August 24, 2010, the meeting was adjourned at 11:30 a.m.