

Legislative Federal Economic Stimulus Program Oversight Commission

12/08/09

DRAFT

I. Meeting called to order- 10:05 AM

Members present-

Kate Stanley- appointee of the Speaker of the House
Tom MacDonald- appointee of the Senate Minority Leader
Aaron Johanson- appointee of the House Minority Leader
Kyle Chock- appointee of the Senate President
Mark Anderson- appointee of the Governor
Michael Kitamura- appointee of Senator Akaka
Josh Wisch- appointee of Congresswoman Hirono
Jennifer Sabas- appointee of Senator Inouye

Members not present-

Representative Michael Magaoay- House of Representatives member
Senator Shan Tsutsui- Senate member
Amy Asselbayer- appointee of Congressman Abercrombie

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

II. Adoption of Minutes

With typographical corrections and clarification of a reference to caps on the number of charter schools, the draft minutes of the Commission's 12/01/09 meeting, as amended, were accepted and will be posted on the Commission's website at:

<http://capitol.hawaii.gov/site1/studies/commESPO.asp>.

III. General Business

- It was suggested that, with the focus of ARRA being spending that begins in the public sector, the Commission may wish to follow-up on recent reports that the federal government will begin to emphasize direct, job creating assistance to the private sector. Commission member Mark Anderson said that he will check on the availability of new funds and the amount of money possibly coming to Hawaii
- Updated ARRA funding spread sheets were provided to Commission members by Mark Anderson
- It was noted that parking at the Capitol remains a challenge for Commission members and that any assistance from the Legislative offices would be most appreciated

IV. Overview of Federal Stimulus Funds

A. Presentation of the State Department of Transportation, (HDOT), by Brennon Morioka Director of Transportation

1. Highlights

- Transportation related ARRA funding is coming from the US Department of Transportation, (Federal Highway Administration, (FHWA), \$125.7 million; Federal Aviation Administration, (FAA), \$15 million; and Federal Transit Administration, (FTA), \$2.9 million), and the Department of Homeland Security/Transportation Security Administration, \$31.8 million
- FHWA awards must be obligated by 3/3/10, expended by 9/30/15, and meet requirements such as 3% for transportation enhancements (e.g., bike/pedestrian paths) and consideration for geographic distribution and economically distressed areas
- While FHWA award projects nationally have emphasized road resurfacing (49% of projects), Hawaii's project selection has been much more diverse: road resurfacing accounts for only 17% of project spending while new roads or road widening account for 45% of projects (22% nationally) and bridge projects account for 18% (12% nationally)
- The diversity of highway project selection will permit Hawaii to expend ARRA funds for jobs in a variety of trades (e.g., steelwork, carpentry, masonry) that will last 2-3 years (infrastructure), as opposed to 2-3 months (resurfacing) for fewer trades (e.g., heavy equipment operators and painters), and keep those workers employed until the economy improves, rather than having them back on the unemployment rolls before the economy can recover
- While the emphasis on infrastructure, and the complexity it entails, means that it has taken longer to begin expenditures, 83% of FHWA administered money has now been obligated (advertised/put out to bid), 60% has gone to the Notice to Proceed (NTP) stage and 80% will be NTP by the end of 12/09; all remaining projects will be obligated in 12/09, 1/10
- Because of the economic climate, the bids on some highway projects have been lower than expected, which has allowed more projects to be funded or allowed projects to be expanded

- The FAA award is being used for to rehabilitate the Kahului Airport aircraft parking ramp; obligation occurred on 6/17/09, construction started 6/19/09, and all funds must be expended by 2/16/11
- TSA awards are for explosive detection systems (baggage screening) in Kahului (expend by 11/30/10) and Honolulu (expend by 12/31/11)
- FTA awards will be used by the counties to purchase buses and, because of savings realized in the bidding process, Hawaii Island will use remaining money to purchase bus shelters; funds were obligated 7/1/09 and will be expended in FFY 2010-2011
- 490 jobs have been sustained or created with ARRA funds; this number is expected to increase as more projects move to the construction phase; contractors will report job counts monthly; HDOT will report to the federal government quarterly
- HDOT has also obtained ARRA funds under the \$1.5 billion Transportation Investment Generating Economic Recovery, (TIGER), discretionary grant program that can be used for port facilities and will augment the State's harbor modernization plan being implemented with the federal Maritime Administration
- TIGER grant funds will be used in: Honolulu on Pier 29 to harden the pier to handle heavier containers and to provide more space for container lay down; Hilo at the Pier 4 container terminal that will involve construction of a new pier for interisland cargo/barge operations that will separate foot traffic (especially from cruise ships) and container traffic as well as harden the existing facility for container lay down; and Kawaihae to harden the existing coral container lay down area

2. Discussion

- Commission members commended HDOT for the careful choice of projects intended to create a variety of jobs over an extended period
- While there may have been some out-of-state bidders, there have been no awards to out-of-state bidders because the 45 day turnaround time from contract award to NTP makes it difficult for an out-of-state bidder to mobilize; as a result, money being spent in Hawaii is for Hawaii jobs and Hawaii-provided materials
- FHWA administered funding is by reimbursement; once projects are approved and commenced, the State "fronts" the money and is reimbursed

by FHWA, with payments often made within a matter of days after request for reimbursement; because contractors often hold off on seeking payment for mobilization costs until the job had begun and a consolidated billing has been submitted, the fact that federal money is not shown as being spent does not mean that work is not underway

- Funds subject to the 3/10 obligation deadline that are not obligated must be returned and will be redistributed to those states that have met the deadline; Hawaii is ahead of the obligation schedule and has backup projects ready if additional funds become available by redistribution
 - Barriers to expenditure of ARRA funds have not come from state procurement law limitations; federal law must be followed in any event; ARRA expenditures have been tagged for priority and other agencies (DAGS, B&F, and AG) have facilitated expenditures accordingly
 - HDOT has encountered problems with provisos in the state budget bill that have restricted its ability to transfer funds between program codes (e.g., from Hawaii Island District to Molokai District) and imposed expenditure caps; this has been overcome to some extent with assistance from B&F
 - The procurement process has been compressed from 150 to 115 days which compares favorably with other states; as a general matter, there may be some delay between award and NTP because the contracts need to be reviewed by DAGS and the AG, sometimes there are permitting issues, sometimes the contractor is not ready for the clock to start running; however, ARRA permits no more than 45 days from award to NTP
 - As a general matter, procurement is not the cause of delay in getting jobs started; the longest part of the process is the design phase because, nationally, the average time to complete an Environmental Assessment/Environmental Impact Statement is 64 months; the currently ongoing study of the EA/EIS process by the UH Law School may identify ways to expedite the process
 - Litigation involving consultation over cultural and archaeological reviews for the Kuhio Highway project (in which a full EIS was done, even though only an EA was required), and a dispute involving similar issues with the Kauai bike path project, may prevent obligation of funds in time to meet the ARRA deadlines for these projects; if so, HDOT has backup projects to make use of the money available
3. Documents: HDOT's answers to the Commission's questions have been posted to the Commission's website

4. Follow-up: additional information presented by HDOT at the meeting will be posted to the Commission's website
- B. Presentation of the Hawaii State Foundation on Culture and the Arts, (HSFCA), (administratively attached to the Department of Accounting and General Services), by Ronald Yamakawa, Executive Director
1. Highlights
 - HSFCA received a \$292,000 ARRA formula grant administered by the National Endowment for the Arts
 - HSFCA extended the grant opportunity to 200 arts organizations and a peer panel reviewed 42 proposals
 - Funds were subgranted to 22 organizations in amounts ranging from \$7,500 to \$25,000 resulting in the retention of 22 jobs; all funds have been encumbered
 - Approximately 15%, or \$42,900, was retained to fund a grant management position that will perpetuate grants administration capacity in the Hawaii arts community
 - Some funds were awarded directly to Hawaii arts organizations by NEA or the Western States Arts Federation
 2. Discussion
 - The grant via NEA to the Honolulu Symphony Society for education outreach and support will not be jeopardized by the Society's financial troubles
 - The number of jobs retained is an estimate that will likely be lowered later because, while there is now fractional support to 22 positions, the hours worked will be converted to an FTE figure in later federal reporting
 - There are no firm contingency plans to replace ARRA funds once they run out, although there may be an increase in the NEA budget, some of which could be passed through to the states
 - Although the grant may not be particularly large, HSFCA determined that the full-time grant position was necessary to meet the reporting requirements of NEA, WSAF, and DBEDT and will provide needed grant administration capacity thereafter

3. Documents: HSFCAs answers to the Commission's questions and summaries of the competitive grant awards have been posted to the Commission's website
4. Follow-up: HSFCAs spread sheet of grants awarded will be posted to the website

V. Public Comments

A member of the public inquiring about documents presented for the first time at the meeting was referred to the Commission's website to see the documents after they are posted.

VI. Adjournment

With a reminder that the next meeting would be held on December 15, 2009, with presentations by the Department of Labor and Industrial Relations, the Department of Business, Economic Development, and Tourism, and the Department of Human Services, the meeting was adjourned at 11:24 a.m.