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Remarks to the PA House Intergovernmental Affairs Committee

Public Hearing October 29, 2009 - Scranton PA

Submitted by James Phillips, Manager – East Stroudsburg Borough (Monroe County)

Good Morning! I want to thank the Committee for the opportunity to provide remarks regarding the American Recovery and Reinvestment Act of 2009, the ARRA program, and its impact on communities in northeastern PA.

First, I must say that my impression is that many, if not most smaller local governments, are not receiving ARRA funds directly. East Stroudsburg Borough (ESB) is fortunate in that it has been approved to receive ARRA monies in two forms: One, through an additional grant via the Community Development Block Grant (CDBG) program, the Borough is to receive approx. \$34,000 which is in addition to our “regular” CDBG allocation as an entitlement community. Our regular CD allocation this year is approx. \$165,000, so this will give us about 20% more in funds to work with for 2009.

Second, our Borough was also successful in applying for ARRA funds made available through the PA Infrastructure Investment Authority (PennVEST). The Borough applied and was awarded funding to replace and upgrade several old waterlines within our public water system. These funds, approx. \$800,000, will be received in form of a low-interest loan to be repaid over 20 years. We actually started construction on this project just after Labor Day and should be done with most of the work by the end of this year. I should add that we have not yet actually received any of the ARRA funds, for either the CDBG project or the PennVEST project.

While we certainly are glad to be able to receive ARRA funding, from our municipal perspective it has been rather frustrating to deal with the extra requirements that have been “added on” for use of these monies. Both the CDBG –R program administered by PA DCED and the PennVEST program have made us “jump through additional hoops”, over and above the normal requirements that we are always subject to as a public agency.

The CDBG-R funds could not be easily used to supplement existing programs but were supposed to fund new or separate project activities. We will be using these funds to completely repave streets within our main public housing authority project area.

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I had been told prior to applying that the PennVEST application and disbursement process had become such a detailed, drawn-out process that it is not really worthwhile unless you are receiving a grant or a loan for at least \$1M. I can certainly see where that view comes from, because our project has required a major commitment of time and resources on behalf of the Borough. Frankly, we would not have been able to accomplish either the application or administration of the loan funds without the efforts of our consulting engineers; of course we are paying for those services. Smaller municipalities may be precluded from even being considered for PennVEST funds because they don't have the staff or consultants to handle the implementation. There has been a lot of "busy work" that has added to the administrative burden of handling the PennVEST loan.

I should mention that one good thing that PennVEST did with their ARRA funds for our round of funding, was that they dropped their normal requirement that applicants had to have all permits in place before even applying for PennVEST monies. This was done in order to get the funds out sooner to have the maximum positive impact on the economy. That was critical in our case because we needed permits from both PennDOT and the local Conservation District to do our waterline project. If the goal of the ARRA program is to provide a stimulus to our local and national economy, that is the type of policy that needs to govern use of ARRA funds.

Most of the projects that municipalities are undertaking with ARRA funds I would presume are maintenance or "traditional" construction projects, like our paving and waterline construction work. It is somewhat difficult to gauge the job creation results because in most cases for smaller projects the contractors are using their existing work forces, they are not doing new hiring, so the benefit is probably in jobs retention. Again, there is a lot of paperwork required to be submitted by both the contractor and the municipality which seems to be superfluous at times.

I don't have the answers to what is the correct balance between streamlining policies to help administer ARRA funds in a more timely and efficient manner, and adding requirements for the use of ARRA funds to accomplish other stated or implied goals that were included with the legislation.

Again, thank you for the opportunity to provide comments on the ARRA program and for taking the time to look at ARRA's impact on northeastern PA.