

Testimony of Timothy Gilchrist
Office of Governor David A. Paterson
House of Representatives Committee on Oversight and Government Reform
Hearing on April 21, 2009-09

Thank you, Chairman Towns and Members of the House Committee on Oversight and Government Reform. I am pleased to be here this morning, and hope to assist the Committee as it considers the role of state and local governments with regard to the American Recovery and Reinvestment Act.

My name is Timothy Gilchrist. I serve as New York Governor David A. Paterson's Senior Advisor for Infrastructure and Transportation, and am New York State's lead for the implementation of the American Recovery and Reinvestment Act.

Our latest estimate is that New York will receive \$26.746 billion, including an FMAP increase of \$11.1 billion and State Fiscal Stabilization funds of \$3.018 billion. We also currently estimate that we will receive \$4.162 billion for Infrastructure and Energy programs, \$5.982 billion for Health and Human Service programs, \$2.361 billion for education programs, and \$124.2 million for Public Safety programs.

Of these amounts, \$1.807 billion has been expended (mostly additional FMAP funds), with additional funds pending disbursement.

In anticipation of the American Recovery and Reinvestment Act, Governor Paterson established an Economic Recovery and Reinvestment Cabinet on February 10, 2009 to coordinate the State's economic recovery efforts. (See Attachment 1.) The Cabinet, of which I serve as Chair, has representatives from 30 of our State agencies and authorities. There is dedicated staff to support all Cabinet efforts.

Within the Cabinet are twelve working groups, dedicated to: Civil Service/Workforce, DBE/MWBE, Energy, Health and Human Services, Higher Education/Competitive Grants, GIS, Legal/Procurement, Permitting, Project Finance, Project Management, and Reporting. These groups include agency representatives and convene on a regular basis to share information and collaborate on stimulus-related issues – from drafting legislation to ensuring effective ARRA implementation to determining how project proposals the Cabinet has received should be handled.

Beyond these twelve original working groups, New York's Economic Recovery and Reinvestment Cabinet recently established a new group dedicated to Internal Controls. This working group includes the internal control officers from State agencies with responsibility for implementing ARRA funded programs.

The Internal Controls working group will meet on a regular basis, and will provide guidance to State agencies and authorities as necessary. This group is building upon New York's existing internal control structure in order to assure the public that ARRA funds

are being used for their intended purpose. In addition, we are working with New York's independently-elected Comptroller to ensure compliance and to monitor adherence to all appropriate fiscal practices.

Public Disclosure and New York's Economic Recovery Website

New York was among the first states to establish an economic recovery website, www.recovery.ny.gov. The site went live on February 17, 2009 and is a priority project of New York's Office for Technology.

New York's Economic Recovery website has enabled New Yorkers to submit project ideas directly into a project database created solely for the State's Economic Recovery effort. We have received more than 17,000 submissions, each of which has been reviewed by State agency representative who have met daily in a dedicated Economic Recovery "Situation Room."

We have also held regional forums across the state to solicit citizen and stakeholder input on the use of recovery funds.

Each submission has been assigned to a State agency or authority charged with responding to each individual submitter whether or not his or her project qualifies for funding under the Recovery Act. Our State agencies are being further instructed to work together in order to maximize opportunities for competitive funds.

The State has twice posted the entire list of project suggestions on our public website, and is scheduled to post another update next week. The listing can currently be downloaded as a highly-formatted .pdf and, shortly, will also be available as a searchable datafile. To make it easy for the public to visualize ARRA funded projects, New York's State agencies and authorities are collaborating to enable the on-line mapping of all ARRA funded projects.

All projects receiving ARRA funding, along with the relevant certification and a detailed description are posted on our website.

New York's State Budget

New York has a strong Executive Budget system, as provided in Article VII of our State Constitution, and a State Fiscal Year (SFY) that runs from April 1st through March 31st. New York's State Legislature took final action on the appropriations bills submitted by the Governor for SFY 2009-10 during the first week in April, 2009.

New York's enacted Budget contains separate appropriations for ARRA funds, and our enacted Budget was specifically constructed to enable all necessary accounting, project tracking, and reporting related to ARRA-funded projects.

Further, New York's State Budget for SFY 2009-10 contains provisions to ensure accountability on the part of any State public authority receiving funding under the American Recovery and Reinvestment Act. Any such authority will need to produce a detailed expenditure plan within thirty days of award of funds. These expenditure plans will include: (1) the total amount awarded, (2) a description of the program and Federal agency from which the funding was awarded, (3) a description of the intended uses of such award, (4) recipient eligibility requirements, and (5) the methodology for the allocation of funding awards for program applicants. Our enacted Budget legislation also requires our State public authorities to post copies of any report required under the ARRA on their public website.

New York's Inspector General

New York State has an Inspector General (IG) charged with ensuring that all State officials and employees are meeting the highest standards of integrity, efficiency, and accountability. Our IG has jurisdiction over all private entities doing business with the State, and over all State government entities headed by an appointee of the Governor, with the only exceptions being those that have their own statutorily dedicated Inspector General.

The Office of the State Inspector General has broad authority to detect, investigate, deter and eliminate corruption, fraud, criminal activity, conflicts of interest, abuses of office, and waste. The IG performs these functions with a professional staff of trained investigators, experienced attorneys and skilled forensic analysts who possess a broad range of expertise and a commitment to combating corruption and promoting greater efficiency in State government.

Additional Internal Control Measures

New York's Division of the Budget (DOB) is charged with the responsibility for advising the Governor on matters that affect the financial health of the State. Our DOB intends to employ enhanced fiscal control measures to track ARRA funds.

A memo from New York's Director of State Operations has already been issued to all State agencies and authorities on ARRA accountability and transparency requirements. All agencies and departments that expect to receive ARRA funds have been asked to review and report on their practices for fraud prevention, contract management, and grants accountability. Further, all agencies and authorities are being required to assess any current vulnerabilities and to ensure that the State is prepared to meet all Recovery Act requirements. The Economic Recovery Cabinet will be coordinating fraud prevention training sessions.

To assist with effort, New York plans to engage an outside consultant to review our management infrastructure and capabilities to achieve accountability, effective internal controls, compliance, and reliable reporting under the Recovery Act.

In addition, New York's Department of Audit and Control (headed by the New York State Comptroller) has issued an Accounting Bulletin that outlines procedures for tracking ARRA funds.

The General Accounting Office

New York's is one of sixteen states for which the GAO will provide a bimonthly review of ARRA fund use. The GAO staff assigned to New York has been meeting with us, and with our State agencies, to describe the monitoring and reporting activities that will be needed and to make sure we are jointly putting all necessary systems in place. We have been working cooperatively on all aspects of oversight, accountability and transparency, and strive to be a model of compliance.

Minority and Women's Business Enterprises

New York has an office dedicated to Minority and Women-Owned Business Development, headed by an Executive Director that serves as a member of the Governor's Cabinet. The mission of this office is to promote equality of economic opportunities for MWBEs and to eliminate barriers to their participation in State contracts.

New York's MWBD office regularly conducts free workshops to strengthen MWBE certification, and works with New York State agencies to do the same. New York is committed to continuing this effort to meet any and all DBE participation goals established for ARRA projects. Further, New York's dedicated MWBD office, in conjunction with our Economic Recovery Cabinet's MWBE working group, will direct efforts across all State agencies and authorities.

Reporting and Transparency

As described earlier in my testimony, New York has been utilizing technology for purposes of providing transparency on all aspects of ARRA funding, project selection and reporting.

One area where we believe states would benefit from Federal assistance is with the calculation of jobs, both created and retained, and particularly those characterized as either indirect or induced. There is some data and methods available for estimating such job figures in particular policy areas, however we believe the best way to arrive and report on jobs is to have the states supply raw data, and to have the Federal government model and report jobs data.

The effort to report on jobs would benefit greatly from a common set of tools – developed by the Federal government, and made available to states, local governments any other direct ARRA-fund recipient.

I know that the Chairman and other members of this Committee have advocated for the development of such systems. As the Chair has written, “While portions of the Recovery Act will be used for various technology initiatives, such as Health Information Technology and Smart Grid Technology, we need to further explore the use of information technology for optimal administration and management of all stimulus-related programs.”

We understand the challenges of developing and deploying new technology, particularly given the accelerated timetables associated with ARRA implementation. Given New York’s long history with technology innovation, we would like to assist in this effort as you deem appropriate.

Thank you again for the opportunity to appear here this morning, and I would be happy to address any questions you may have.

Attachment 1:

**FOR IMMEDIATE RELEASE:
February 10, 2009**

**GOVERNOR PATERSON ANNOUNCES THE ESTABLISHMENT OF
STATE CABINET TO OVERSEE DISTRIBUTION OF ECONOMIC
RECOVERY FUNDS ACROSS NEW YORK**

***Creates Cabinet to Help Municipalities Access Federal Economic Recovery and
Reinvestment Funds***

***Command Center in the Capitol will Ensure Cross-Agency Coordination, Broad Regional
Representation***

Governor David A. Paterson today announced the creation of the New York State Economic Recovery and Reinvestment Cabinet to manage the development of State and local infrastructure projects financed through the federal American Recovery and Reinvestment Act. The cabinet will be composed of State agency heads and senior staff from the Governor's Office. Timothy J. Gilchrist will serve as Senior Advisor for Infrastructure and Transportation, a position created to lead the cabinet. Mr. Gilchrist, who had been serving as Deputy Secretary for Economic Development and Infrastructure, will oversee the distribution of federal funds throughout the State for projects involving transportation, water and sewer, energy, technology and other infrastructure. Under Mr. Gilchrist's leadership, the Cabinet will work closely with local governments to ensure federal dollars reach critical projects and put people to work as quickly as possible.

"These economic recovery funds provide a unique opportunity for New York to embark on State and local projects that will have a lasting impact on all aspects of our infrastructure, from schools to highways," said Governor Paterson. "Now that the Senate has passed the economic recovery bill, I encourage both houses to work quickly to reach a compromise, and will make the distribution of these funds a top priority. As we struggle to close our \$13 billion budget deficit, this Cabinet will ensure that critical projects move forward and that our local governments are fully prepared to put these funds to use and get people back to work."

In preparation for the federal American Recovery and Reinvestment Act package, the Governor's Office has been actively engaged in outreach to municipal leaders and county executives throughout the State, including the New York State Association of Counties, the New York Association of Towns and the New York Conference of Mayors. Through this outreach, the Governor's office has received requests for stimulus project financing from localities across the State for roads, bridges, water/sewer infrastructure, community development projects and broadband infrastructure, among others. These projects have been forwarded to the relevant State agencies, and the agencies are evaluating the projects and determining whether they meet the requirements of the federal economic recovery and reinvestment package. Local government officials and leaders may continue to submit project information and financing requests to the Economic Recovery and Reinvestment Cabinet via email at EconomicRecovery@chamber.state.ny.us.

The Cabinet will continue this active outreach through regional and trade meetings in close collaboration with the Governor's Washington, D.C. office. Once the key differences between the House and Senate bill are resolved the Cabinet will provide each county, city and town in the State with a letter outlining federal programs and requirements, and will work with New York's Congressional Delegation and municipalities on identifying eligible projects. Project selection will be made by the relevant agencies in consultation with the Cabinet, based upon the federal project selection criteria outlined in the final American Economic Recovery and Reinvestment Act.

The Economic Recovery and Reinvestment Cabinet will utilize a designated suite on the Second Floor of the Capitol as a stimulus command center, complete with computer-aided mapping equipment. State agencies will assign staff to work in the command center to ensure cross-agency coordination.

The Cabinet will be charged with identifying project delivery problems such as permits or regulatory approvals and resolving the problems to speed project delivery. The Cabinet will also oversee the distribution of funds to ensure an equitable geographic distribution of federal funds.

State Agencies in the Cabinet include the Department of Transportation, the Metropolitan Transportation Authority, the Empire State Development Corporation, the Port Authority of New York and New Jersey, Thruway Authority, the Department of Environmental Conservation, the Environmental Facilities Corporation, Department of Labor, the Department of State, the New York State Foundation for Science, Technology and Innovation, the Department of Agriculture and Markets, the Office of Parks and Historic Preservation, the Division of Housing and Community Renewal, the Department of Education, the Department of Health, the State University of New York, the Division of Criminal Justice Services, the Office of Homeland Security, the Dormitory Authority, the Office of General Services, the New York Energy Research and Development Authority, the New York Power Authority, the Long Island Power Authority, the Public Service Commission, the Office for Technology, the Office of Cyber Security and Critical Infrastructure Coordination and the Division of the Budget.

Prior to his appointment as Senior Advisor, Mr. Gilchrist served Governor Paterson as Deputy Secretary for Economic Development and Infrastructure, overseeing the major economic development, infrastructure and transportation agencies and authorities in the State. Before he joined the Executive Chamber, Mr. Gilchrist served for over 26 years at the New York State Department of Transportation in a variety of management roles including the Director of Strategic Planning. Mr. Gilchrist earned his Bachelors of Arts from the State University of New York at Oswego and his Masters Degree from Harvard University, John F. Kennedy School of Government.