

REGIONAL REPORT – NEBRASKA, USA – JULY 2009



Project Management Update from Omaha

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Midwest US States Managing Stimulus Funds/Projects

"What we need to do is examine what are the projects, where we're going to get the most bang for the buck, how are we going to make sure taxpayers are protected,"
President Barack Obama, "Meet The Press" Interview – December 7, 2008.

State governments throughout the USA have reached a major milestone with regard to the economic stimulus funds, appropriated through the American Recovery and Reinvestment Act (ARRA). In accordance with federal law, and in order for states to be eligible to receive additional funding, they must "obligate" 50% of their allotted funds to specific projects by June 29, 2009. States in the midwest USA are starting to see the impacts of these stimulus funds as their related projects are being implemented. This first round of economic stimulus funds is dominated by projects within one of the largest and most visible agencies in state government: Transportation. The \$150 billion in transportation funds from the ARRA represents the largest infusion of federal dollars into state transportation projects in over 50 years.

ARRA, the \$789 billion package from the US federal government and signed into law by President Obama on February 17, 2009, was intended to provide an immediate impact to the economies throughout the country through job creation. To that end, the law came with strict guidelines to obligate (commit) federal funds to specific

projects. One of the key requirements was that funds must be obligated in 120 days, which is June 30, 2009. All projects must be completed by February 17, 2012.

ARRA stipulates that if funds are not obligated (that is, marked for specific purposes) within 90 to 180 days of receiving them, the money will be available to other states. This has created an incentive for states to get their projects “obligated” and moving along.

In a recent press release, the White House announced that, to date, \$19 billion has been obligated to fund over 5,300 approved highway and other transportation projects nationwide. Of those, 1,900 projects are already underway.

“Working in coordination with the U.S. Department of Transportation, all 50 U.S. states and 5 territories successfully beat this deadline at least 10 days ahead of schedule,” according to the press release.

According to the press release, ARRA funding for highway projects may be used for restoration, repair, construction, and other activities under the Surface Transportation Program. Each proposed project must be approved by the Federal Highway Administration (FHWA). Governors must certify that proposed projects meet certain conditions and that the state will use ARRA funds in addition to, not in replacement of, state funding of transportation projects. The press release further states that priority is given to projects that are projected to be completed within three years, are located in economically distressed areas, or will maximize job creation and economic benefits.

The recession has impacted all areas of the country, and the Midwest USA has not been spared. According to a report released by the US Bureau of Labor and Statistics, forty-eight states and the District of Columbia recorded over-the-month unemployment rate increases, while 1 midwest state, Nebraska, registered a rate decrease. One state remained flat.

A recurrent theme on this federal stimulus milestone is the move by many states to “re-up” transportation projects that were either cancelled or designated for a later implementation due to lack of funds. The ARRA stimulus funds, many states say, have infused much-needed dollars into these projects thereby creating the potential for thousands of jobs along the way.

It’s still too early to tell what impact these projects will have in the long run to employment rates in the midwest USA but states are hopeful that the economy will respond favorably.

Not unlike project managers who must report regularly to their stakeholders, a key component of the federal law is that states must provide regular reporting on projects

and how the funds are being distributed. All Midwest states maintain a stimulus funds website which provide general information on stimulus funds and how they are appropriated.

This PMForum Regional Update will report specifically on ARRA stimulus transportation funding and projects in the Midwest USA.

Nebraska:

<http://www.recovery.nebraska.gov/>

Total expected jobs created/saved over next two years: 23,000*

Nebraska's economy over the last year has remained stable according to the Nebraska Recovery website. The State is earmarked to receive \$1.6 billion in stimulus funds. Of that, transportation projects will receive over \$250 Million for "shovel ready" road projects (priority given to projects that can be completed within 180 days) as well as bridge projects and rural and urban transit services.

Recovery.Nebraska.gov

The state has reported that road projects under the stimulus fund are moving along. According to the Nebraska Department of Transportation, Acting Director Monty Fredrickson, "The first local agency stimulus project will move forward in July as an important transportation infrastructure project that will help in economically distressed areas."

South Dakota:

<http://recovery.sd.gov/>

Total expected jobs created/saved over next two years: 10,000*

According to the Open SD website, South Dakota's government website, the ARRA allowed the State of South Dakota to utilize \$175.2 million of federal dollars to help restore levels of funding for fiscal years 2009 and 2010 without massive cuts in programs or increases in taxes. The website maintains that South Dakota plans to use these funds very conservatively recognizing that after fiscal year 2011 these federal dollars will no longer be available and South Dakota will have to maintain these programs using state dollars.

Although, according to South Dakota Governor M. Michael Rounds, the federal stimulus program will pump millions of dollars into the state and local economies to fund various projects and support and create jobs, it is not a cure-all for South Dakota's economy. "The additional funds will not solve all of the state's ongoing

budget challenges, but they have allowed us to salvage programs that were proposed for elimination or reductions,” he said on the state’s Recovery website.



The website states that South Dakota expects to receive over \$770 million for various projects or programs throughout the life of the

ARRA. The largest portion (over \$200 million, will go toward Transportation Projects).

Gov. Rounds said in a recent press release that the South Dakota Department of Transportation has so far used (ARRA) funds this spring to contract for 11 highway projects worth nearly \$77 million.

“Construction work and employment are occurring statewide because of this funding from Congress,” Gov. Rounds said.

Some of the projects have already started, according to the press release, while the rest will start shortly and because of careful planning by the Department of Transportation, inflation has been controlled in the construction projects.

North Dakota:

<http://www.dot.nd.gov/business/federalrecovery.htm>

Total expected jobs created/saved over next two years: 8,000*

The state of North Dakota took advantage of the federal stimulus funds to reorganize project priorities that were targeted for later years and move them up to fiscal year 2009. According to the North Dakota Department of Commerce website, North Dakota's share of the federal funds is \$1.2 million.

According to the North Dakota Department of Transportation’s web site, during the 2009 construction season, approximately \$105 million in economic stimulus funding will be spent on approximately 99 projects. This money, the web site continues, will go toward state, county and city projects throughout North Dakota.

The Council of State Governments (CSG) cited North Dakota’s economic conditions as a key to ensuring AARA funds are spent wisely.



Photo Source: North Dakota Department of Transportation

“North Dakota’s conservative budget management practices have resulted in its strong economic position relative to the rest of the country“ the CSG noted.

Colorado:

<http://www.colorado.gov/recovery/>

Total expected jobs created/saved over next two years: 59,000*

President Obama chose Colorado as the backdrop to sign the AARA. According to the state’s official web portal, Colorado is expected to receive \$3.6 Billion in stimulus funds. Major transportation projects are expected to start in July 2009.

“Major highway and bridge projects are set to begin in the next month, creating jobs and investing in a critical part of the state infrastructure“ according to the website. “The benefits of the Recovery Act will become even clearer in coming months.“



Photo Source: Colorado State Web Portal

According to an article on NBC’s 9 News website, Colorado is seeing jobs being created now according to Colorado Economic Recovery Director Mark Cavanaugh. Cavanaugh says several projects have already started this summer.

Funds are available for a large number of roadway, bridge and transit projects across the state, according to the state’s analysis of funds. Colorado will place priority on projects that can be finished in the next couple years.

Projects of particular interest to project managers include Health Information Technology Systems and transportation.

According to the report, “Colorado will receive over \$500 million for transportation projects statewide. Part of that money is expected to go to projects that will do a wide range of work, from replacing traffic signals to highway resurfacing and bridge replacement,” the report continues.

The report states that work began May 19, 2009, on the first Recovery Act funded roadway project in Littleton and that approximately 48 projects will be funded through the Recovery Act. The Colorado Department of Transportation is responsible for these projects, and, according to the report, is on course to obligate funds and launch projects far ahead of the deadlines.

“These projects include a “Buy America” provision that emphasizes the need to purchase U.S.made products,” the report states.

Kansas:

<http://www.governor.ks.gov/Recovery/>

Total expected jobs created/saved over next two years: 33,000*

While not quite the “yellow brick road” from the 1930’s movie “The Wizard of Oz”, set in the prairie state of Kansas, road projects are beginning to have an impact on the economy as federal stimulus funds for transportation are being distributed.

“We wanted to be sure to hit the ground running with projects that couldn’t have been built in the foreseeable future without the one-time recovery funding,” said KDOT Deputy Secretary Jerry Younger in a recent press release. “The Kansas projects will create jobs, enhance safety

and sustain long-term economic growth.” According to the Departments, and based on estimates from the Federal Highway Administration, Kansas stands to gain more than 10,000 transportation jobs from its projects.



Photo Source: governor.ks.gov

Kansas, according to the state’s official recovery website, will receive an estimated \$378 million for projects to build and repair roads, bridges and transit systems, out of a total of nearly \$2 billion in funds.

These projects are expected to create and sustain thousands of jobs and make important improvements to the state’s transportation system.

“Every major economic development project is tied to the quality of our roads. Whether it’s products being transported on our highways, or customers driving to an attraction, better roads make for a better economy,” Governor Mark Parkinson said recently while announcing the first release of transportation funding for a \$64.2 million project that will expand K-61 to four lanes in McPherson County.

“This project will create jobs in the short term while providing the infrastructure for long term economic growth” the Governor said.

The project was added back into the state’s project portfolio only after receiving funds from the federal stimulus package.

“The project was temporarily removed from our letting schedule,” said Kansas Department of Transportation Secretary Deb Miller. “Without ARRA funds, completing this commitment would not have been possible,” she added.

Iowa:

<http://www.iowa.gov/recovery/>

Total expected jobs created/saved over next two years: 37,000*

Iowa is expected to receive nearly \$2.5 billion in federal stimulus funds of which over \$400 million is dedicated toward transportation projects in this state according to its recovery web site. The state has already begun work on 27 projects totaling over \$37 million.



"These shovel-ready projects will create good jobs for Iowans, while making lasting improvements to our city streets and county roads," said Iowa Governor Chet Culver. "Combined with regular state and federal highway funds, and carry-over work from the 2008 construction season, Iowa will

set an all-time record for highway and bridge spending in 2009" according to the Governor's web site.

Photo Source: Iowa Dept. Of Transportation

Michigan:

<http://www.michigan.gov/recovery>

Total expected jobs created/saved over next two years: 109,000*

Michigan state officials see the unique opportunity that \$7 billion in federal stimulus funds represents in the state. And they aren't wasting any time.

According to the state's recovery web site, officials "obligated" nearly \$300 million in funds to transportation projects three weeks ahead of the June 29th deadline.

"This investment will result in approximately 8,800 jobs, including 1,800 construction jobs, 1,200 construction-related jobs, 1,300 supporting industry jobs and 4,500 indirect jobs," according to Michigan State Transportation Director Kirk T. Steudle. "We also have obligated \$36.2 million in local projects to date," he added. "Michigan workers are getting a real bounce from Recovery Act funding."



"The Recovery Act represents an unprecedented opportunity to rebuild our state's economy and put our citizens back to work," according to the state's recovery website. "Efficient, affordable transportation is a vital service for thriving cities," said Granholm. "These much-needed dollars will not only improve public transportation, they'll provide a real boost to Michigan's economy," according to a recent statement by Governor Jennifer M. Granholm.

Wisconsin:

<http://www.recovery.wisconsin.gov/index.asp?locid=164>

Total expected jobs created/saved over next two years: 70,000*

The state of Wisconsin not only is seeing an impact to jobs throughout the state but it reported an actual savings through the bidding process for economic stimulus transportation projects. In their third round of road and bridge projects funded by the AARA, the state is realizing a savings in proposed costs that could be used for additional projects.

"For the third month in a row, we've received lower than expected bids," Governor Jim Doyle said in a recent press release. "This is great news for taxpayers and provides the opportunity for additional projects to benefit from federal funding he added. "Through the American Recovery and Reinvestment Act, we've already created a significant number of good, family-supporting jobs for contractors, general laborers, equipment operators, and many others. This next round of bids will put even more people to work this summer, providing the economic stimulus to lead the nation and state to economic recovery."



State law calls for construction contracts to be awarded to the lowest responsible bidder. The state, according to the release, intends to get construction activities underway on the state and local projects during the summer construction season.

Of the \$7.6 Billion Wisconsin expects to receive in federal funds, transportation projects make up over \$500 million of the allotted amount. Overall, Wisconsin expects to create/save over 70,000 jobs. About 30 percent of this total, or about \$158 million, was made available for local roads and bridges. Of this total:

- \$38.7 million to be used within Milwaukee urbanized area
- \$9.7 million to be used within Madison urbanized area
- \$109 million to be used throughout the remainder of Wisconsin

Illinois:

<http://recovery.illinois.gov/>

Total expected jobs created/saved over next two years: 66,000*

According to the state's recovery website, Illinois expects to receive \$48 billion for transportation projects, including \$27.5 billion for highway and bridge construction and repair; \$8.4 billion for mass transit; \$8 billion for construction of high-speed railways and \$1.3 billion for Amtrak; \$4.6 billion for the Army Corps of Engineers.



Minnesota:

<http://www.mmb.state.mn.us/stimulus>

Total expected jobs created/saved over next two years: 148,000*

Minnesota is expected to receive \$4.6 Billion in federal stimulus funds according to the state's recovery web site. Minnesota is expected to be eligible to receive about \$450 million in additional funds for highway and bridge construction projects, according to the site. When received, that money will be directed into dedicated highway construction funds

But because of the state's expected budget shortfall, the federal funds will have less than expected impact according to a press release from the Minnesota Management & Budget Office.

"The state is facing a \$4.6 billion shortfall in FY2010-11. The \$4.6 billion shortfall in FY2010-11 is \$278 million less than forecast in November. This is primarily due to the federal stimulus offsetting a \$1.2 billion reduction in forecast revenues. Without the federal assistance, the projected state shortfall would be \$6.4 billion."

**Indiana:**

<http://www.in.gov/>

Total expected jobs created/saved over next two years: 75,000*

Indiana has reported that their balanced budget will allow greater use of estimated \$4.6 billion in federal stimulus funds, according to the state's recovery web site. Of that, it is estimated the state will receive over \$650 million for transportation projects.

"Because we've been more careful about state spending, we've been able to balance our budget, repay all debts, and build strong reserves, so Indiana is in a different fiscal position than many other states" Governor Mitch Daniels said on the state's web site. "We will use these dollars to put Hoosiers to work quickly," he added. "And whenever possible, we will use them to create assets of lasting value: roads, bridges, buildings, but also better prepared teachers, more energy efficient homes, and so on."



To date, according to the web site, INDOT has identified and released six lists of state projects for bid that will use federal stimulus dollars. Indiana has advertised and/or awarded an estimated \$307 million for state projects and \$9.2 million for local projects, representing a total of 181 projects in 78 different counties.

"These local projects are important to each city, county and town," said Michael W. Reed, commissioner-INDOT in a recent press release. "And we know these will make a difference both in jobs right now and to the highway infrastructure in coming months and years," he added.

All projects are submitted to INDOT and the Federal Highway Administration to make sure they are "shovel ready." That includes, according to the INDOT, among other things, making sure they include complete plans, specifications, and cost estimates.

It also means all environmental work and right-of-way purchases must be done, and all permits must have been obtained. In addition, projects are reviewed to ensure they meet federal guidelines for road, bridge and transportation enhancement project types.

Ohio:

<http://recovery.ohio.gov/>

Total expected jobs created/saved over next two years: 133,000*

Work is underway on Ohio's first transportation project funded by the American Recovery and Reinvestment Act, according to a press release on the state's recovery web site.

The Ohio Department of Transportation (ODOT) marked the start of the project near downtown Cleveland — a \$1.8 million investment of stimulus funds to widen the ramp from Interstate 490 eastbound to Interstate 77 northbound.



"Today we are making history," said ODOT Director Jolene M. Molitoris in the release, who was joined by local leaders and Congressional officials to launch work on the project. "This is an important job for Clevelanders who have come to rely on this link into downtown Cleveland, especially during recent restrictions on I-90 Innerbelt Bridge. This is also important for the laborers who have a reliable job because of this investment of stimulus funds."

According to the state's recovery web site, Ohio expects to receive at least \$8.2 billion in federal stimulus monies and will save or create more than 130,000 jobs for Ohioans.

According to the web site, Under ARRA requirements, ODOT must have authorized approximately \$327.5 million of its \$774 million stimulus allocation by June 29, 2009.

Coming Next Month August 2009 PMForum Midwest USA Regional Update . . .

What Midwest US states are doing to "go green" with the federal stimulus funds.

***Source: Recovery.gov** provides estimates of jobs to be created and saved in each state under the stimulus program.

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