United States Government Accountability Office

GAO

Report to the Congress

December 2009

RECOVERY ACT

Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability (New Jersey)

GAO

Accountability * Integrity * Reliability

GAO-10-232SP

Appendix XII: New Jersey

Overview

This appendix summarizes GAO's work on the fourth of its bimonthly reviews of American Recovery and Reinvestment Act of 2009 (Recovery Act) spending in New Jersey. The full report covering all of GAO's work in 16 states and the District of Columbia may be found at http://www.gao.gov/recovery.

What We Did

We reviewed three specific programs funded under the Recovery Act: State Fiscal Stabilization Fund (SFSF), Highway Infrastructure Investment program, and Public Housing. We selected these programs for different reasons. New Jersey began disbursing its allocation of SFSF funds in September 2009. The highway program in New Jersey has an obligation deadline approaching in March 2010 and is behind other states in its obligation of funds suballocated for regional, metropolitan, and local use. The housing program recently awarded competitive grants and projects using the Recovery Act formula grant funds are under way. Our work focused on the status of each program's funding, how funds are being used, and issues that are specific to each program. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP. As part of our review of public housing, we also revisited four housing agencies—Newark, Plainfield, Rahway, and Trenton—that we reported on earlier in 2009.[1] We also reported on selected survey results for Title I, Part A of the Elementary and Secondary Education Act (ESEA), as amended and Part B of the Individuals with Disabilities Education Act (IDEA).

To gain an understanding of the state's experience in meeting Recovery Act reporting requirements, we met with state officials with each of the programs we reviewed. Because New Jersey is a decentralized reporting state, each agency serves as the prime recipient. [2] Prime recipients of Recovery Act funds are required to report quarterly on a number of measures, including estimates of the number of jobs created and retained. The first quarterly reports were due in October 2009.

[1]GAO, *Recovery Act: States' and Localities' Current and Planned Uses of Funds, While Facing Fiscal Stresses*, GAO-09-830SP (Washington, DC: July 8, 2009).

[2]As defined by OMB, prime recipients are non-Federal entities that receive Recovery Act funding as Federal awards in the form of grants, loans, or cooperative agreements directly from the Federal Government.

Finally, our work in New Jersey included visiting two localities to determine the amount of Recovery Act funds each has or will be receiving from the state or directly from federal agencies and to learn how those funds are being used. We chose to visit the city of Newark and Cumberland County. Both localities have unemployment rates that are higher than the state average of 9.6 percent as of September 2009. We selected Newark because it is New Jersey's largest city, urban, and located in the northern part of the state. We selected Cumberland County because it is sparsely populated, a mix of urban and rural areas, and located in the southern part of the state.

What We Found

- **State Fiscal Stabilization Fund (SFSF).** As of November 13, 2009, New Jersey had drawn down 45 percent of its total allocation of SFSF monies (education stabilization funds). Most of New Jersey's local educational agencies (LEAs) will spend over half of their SFSF funds on staff retention.

- **Highway Infrastructure Investment.** The U.S. Department of Transportation's Federal Highway Administration (FHWA) apportioned $652 million in Recovery Acts funds to New Jersey. As of October 31, 2009, about $492 million had been obligated and $71 million had been reimbursed by FHWA. The overall obligation rate for New Jersey continues to be high, but the state has been slow to request that FHWA obligate about $196 million of suballocated funds to New Jersey for projects planned by local agencies.

- **Public Housing Capital Fund.** New Jersey's 80 public housing agencies are spending about the same as the national average. Under the act, public housing authorities are to prioritize projects for which the authority can award contracts within 120 days from when funds were made available, however, officials in all four agencies we visited said that they were unable to award contracts within this timeframe. Officials cited such reasons as delays in obtaining work permits and meeting requirements for HUD's approval of all obligations and expenditures.

- **Localities use of Recovery Act funds.** As of October 2009, the city of Newark, reported receiving, will be receiving, or being allocated, approximately $120 million, which it plans to use for numerous one-time projects, such as road repaving. Cumberland County reported receiving about $4.8 million that it is using to support nonrecurring projects and existing programs, such as road repaving and employment programs for adults and youth, respectively.

New Jersey Continues to Plan For and Spend Recovery Act Education Funds

As of November 13, 2009, New Jersey had drawn down $325 million in SFSF funds (45 percent of its total allocation of education stabilization funds) and had drawn down about $1.6 million of IDEA, Part B and $207,850 ESEA Title I, Part A funds.[3] For this report, we reviewed New Jersey's LEAs' use of Recovery Act education funds and the New Jersey Department of Education's (NJED) plan for management of SFSF funds and experience with recipient reporting.

Most of New Jersey's LEAs will use SFSF funds to retain staff. We surveyed a representative sample of LEAs—generally school districts—nationally and in New Jersey about their planned uses of Recovery Act funds. Table 1 shows New Jersey and national GAO survey results on the estimated percentages of LEAs that (1) plan to use more than 50 percent of their Recovery Act funds from three education programs to retain staff, (2) anticipate job losses even with State Fiscal Stabilization Fund monies, and (3) reported a total funding decrease of 5 percent or more since last school year. The GAO survey indicated that an estimated 79 percent of New Jersey LEAs plan to use over half of their SFSF funds to retain staff, compared to the national estimate of 63 percent, but a smaller percentage of New Jersey LEAs plans to use over half of their ESEA Title I or IDEA funds to retain staff when compared to national estimates. Our survey also indicated that compared to national estimates, fewer of New Jersey's LEAs anticipated job losses and decreases in funding of 5 percent or more.

[3]As of November 6, 2009, New Jersey had drawn down $325 million in SFSF funds (education stabilization funds), $1,444 of IDEA, Part B funds, and no ESEA Title I, Part A funds.

Table 1: Selected Results from GAO Survey of LEAs

Responses from GAO survey		Estimated percentages of LEAs: New Jersey	Estimated percentages of LEAs: Nation
Plan to use more than 50 percent of Recovery Act funds to retain staff	IDEA funds	3%	19%
	Title I funds	10	25
	SFSF funds	79	63
Anticipate job losses, even with SFSF funds		12	32
Reported total funding decrease of 5 percent or more since school year 2008-2009		2	17

Source: GAO.

Note: Percentage estimates for New Jersey have margins of error, at the 95 percent confidence level, of plus or minus 16 percentage points or less. The nationwide percentage estimates have a margin of error of plus or minus 5 percentage points.

NJED has process for monitoring management of SFSF funds. As we reported in our September 2009 report,[4] NJED allocated $1 billion of SFSF education stabilization funds and $39 million of SFSF government services funds to help cover and increase the state's portion of education funding for the 2009-2010 school year. NJED disburses SFSF payments semimonthly, on the 15th and 30th of each month. The department issued the first payments to LEAs on September 15 and 30, 2009. SFSF funds are federal funds governed by applicable federal cash management rules.[5] Additionally, Education directs states to monitor LEAs' management of SFSF funds.

According to state officials, NJED's cash management process requires LEAs to issue quarterly reports on actual expenditures of the SFSF funds to determine cash needs for the next quarter. If NJED determines through its review of quarterly reports that an LEA spent at least 90 percent of

[4]GAO, *Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to be Fully Addressed (New Jersey)*, GAO-09-1017SP (Washington, D.C.: Sept. 23, 2009).

[5]According to the U.S. Department of Education's guidance on SFSF, states must have an effective system to ensure that entities are able to draw down funds as needed to pay program costs but that also minimizes the time that elapses between the transfer of the funds and their disbursement by the grantee or subgrantee, in accordance with U.S. Department of the Treasury regulations at 31 C.F.R. Part 205. Education requires grantees and subgrantees to remit interest earned on advances to the department at least quarterly. 34 C.F.R. §80.21(i).

SFSF payments, NJED will continue to send scheduled payments. If an LEA spends more than the total of the payments issued in a quarter, NJED increases the amount of the semimonthly payments.[6] On the other hand, if an LEA spends less than 90 percent of the payments issued in a quarter, NJED withholds semimonthly payments until the LEA's expenditures exceed 90 percent. NJED officials told us that they reviewed the first quarterly reports in October 2009 for the 390 LEAs receiving SFSF funds.[7] As a result, 145 LEAs received larger semimonthly payments, and payments for 21 LEAs were withheld.[8] According to guidance issued by NJED to LEAs, LEAs are directed to remit any interest accrued, of more than $100, on unspent SFSF funds to Education at least quarterly. However, NJED officials reported that they do not anticipate that LEAs will earn interest on SFSF funds because most LEAs will use the funds to pay salaries each month. One NJED official reported that, as of November 2009, no interest had been remitted to the federal government because the 21 LEAs had not earned interest on the funds because either the funds were in a non-interest bearing account or the LEAs had not accrued more than $100 in interest.

In addition to reviewing quarterly reports, NJED officials said that they will review LEAs' SFSF expenditures, including matching payments to expenditures and checking for any earned interest, as part of the department's on-site monitoring of how LEAs use Recovery Act funds, which began in October 2009.[9] We expect to examine NJED and LEA cash management in future reports.

[6]Districts that spend more than their quarterly payments by an amount greater than their next scheduled payment receive the corresponding additional amount (not to exceed the district's total allocation) equaling the difference between actual expenditures and their quarterly payments in the first payment of the next quarter.

[7]According to a NJED official, New Jersey provides aid through its funding formula (equalization aid) to 390 of the 616 school districts; the remaining districts fund education using local funds, other state funds, and federal funds.

[8]As of November 10, 2009, a NJED official said that 14 of the 21 LEAs provided support for their expenditures of SFSF funds and had begun to receive their scheduled SFSF payments. This official said that the department was working with the remaining 7 LEAs regarding the expenditure of the funds.

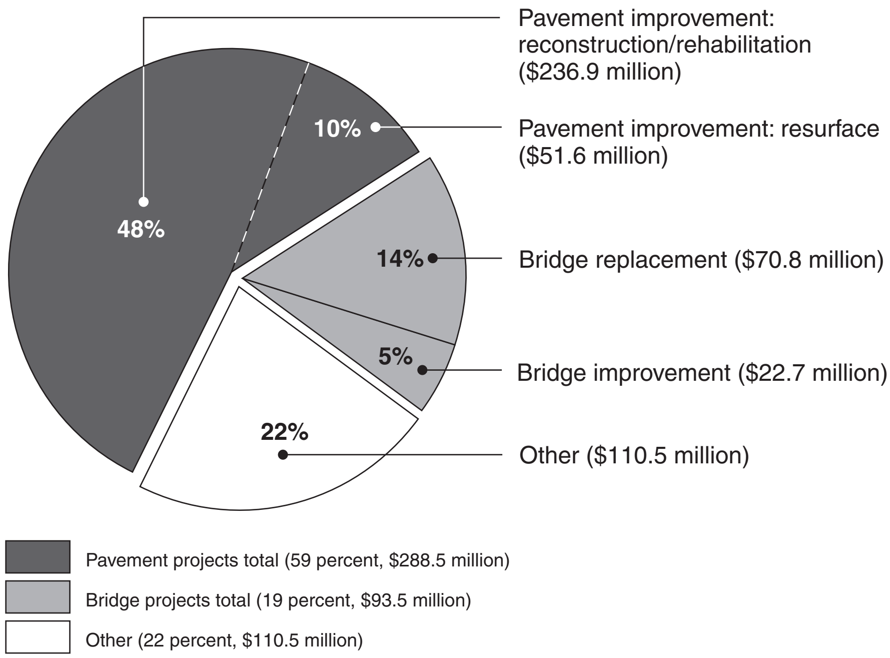
[9]One NJED official noted that NJED also sends guidance directly to LEAs for which the department withholds payment and works through the department's local offices to resolve the reasons why the LEAs are not spending their SFSF funds.

State officials reported few problems with recipient reporting for education funds. New Jersey officials reported few problems in complying with Recovery Act recipient reporting requirements. However, according to NJED officials, some LEAs had difficulty counting the number of jobs created and estimating those retained. NJED followed-up with LEAs that, based on its internal checks, reported what seemed to be an unreasonable number of jobs given the funding allocation and found that some LEAs reported hours instead of the number of full-time equivalent jobs. Of the 616 school LEAs in the state, NJED officials said that about 20 LEAs had problems with providing an accurate count of jobs created. NJED officials told us that they corrected the problem for many of these LEAs prior to submitting a report to OMB.

New Jersey Department of Transportation's Local Project Obligation Rate is Low, but its Overall Obligation Rate is High

As we reported in September 2009, $652 million was apportioned to New Jersey in March 2009 for highway infrastructure and other eligible projects. As of October 31, 2009, about $492 million had been obligated and $71 million had been reimbursed by FHWA. Almost 59 percent of Recovery Act highway funds obligated for New Jersey projects are being used for pavement improvements. Specifically, $288.5 million of the approximately $492 million obligated in New Jersey as of October 31, 2009, is being used for projects such as pavement improvements, including $52 million for pavement resurfacing and $237 million for pavement reconstruction and rehabilitation. Many state officials told us they selected pavement improvement projects because these projects were already in their pipeline, were identified infrastructure needs, could advance sooner than planned because funding was available, and had met federal planning requirements. In addition to these pavement improving projects, the New Jersey Department of Transportation (NJDOT) plans to apply Recovery Act funds to other critical infrastructure needs on the state highways system including 23 structurally deficient bridges, 40 bridge decks needing rehabilitation, and 5 priority drainage projects. Figure 1 shows obligations by the types of road and bridge improvements being made.

Figure 1: Highway Obligations for New Jersey by Project Improvement Type as of October 31, 2009



Source: GAO analysis of Federal Highway Administration data.

Note: Totals may not add due to rounding. "Other" includes safety projects, such as improving safety at railroad grade crossings, and transportation enhancement projects, such as pedestrian and bicycle facilities, engineering, and right-of-way purchases.

Since bids for contracts are coming in lower than the estimated costs, state plans to use excess funds for additional highway projects. NJDOT officials noted that bids for contracts are coming in on average 15 percent lower than the state's estimated costs, primarily due to the competitive environment amongst bidders. In turn, NJDOT expects to have FHWA deobligate excess funds from FHWA approved projects where a contract has been awarded for an amount lower than the FHWA obligated amount. NJDOT expects about $30 million in funds associated with savings from these bids. This has allowed NJDOT to submit four new projects for approval that were not in their original project submission. According to NJDOT officials, the four projects are pending final approval.

Local areas continue to identify projects and state seeks federal obligation for these projects at a slow rate. As required under the Recovery Act, about $196 million was suballocated in New Jersey, primarily based on population, for metropolitan, regional, and local use. NJDOT provided most of the suballocated funding to the three

Metropolitan Planning Organizations (MPO) covering the state so that eligible county and local projects could receive Recovery Act funds. According to NJDOT, it was important to provide the opportunity for Recovery Act funds to have the greatest impact on transportation projects across the state and not just projects in the state highway system. As of October 30, 2009, the MPOs in New Jersey had identified about 90 highway infrastructure projects estimated to cost approximately $164 million.[10] NJDOT officials anticipate that FHWA has obligated funding for 32 of these projects costing approximately $63.6 million. Many of the projects consist of road resurfacing and adding guard rails. Compared to New Jersey's overall obligation rate, the state has been slow in having FHWA obligate its suballocation for projects planned by local agencies. Our analysis of FHWA data as of October 31, 2009 showed that the local obligation rate is about 34 percent compared to the state's overall rate of about 93 percent.

For the remaining 58 projects, NJDOT continues to work closely with MPOs and local government representatives, holding biweekly meetings to resolve outstanding issues such as planning and environmental clearances. The state has established an internal November 30, 2009, deadline to complete final submission plans. NJDOT officials are hoping that all their projects are able to meet this deadline; however, if this does not happen, the MPOs may reallocate funds to other local or NJDOT projects that will enable New Jersey to reach 100 percent obligation by March 1, 2010. However, even if their internal deadline is met, officials stated that it will be spring before the bulk of the work begins on the local projects. Additionally, state officials concede that project spending and related reimbursements will be slow over the winter season due to the seasonal nature of some of the work.

Reimbursements remain low but NJDOT expects the pace to increase. According to NJDOT officials, the reimbursements for its projects had increased from $4 million dollars as of September 1, 2009, to approximately $10 million on September 23, 2009. As of October 31, 2009, it was $71 million. Officials told us they expect to see state highway reimbursements increase significantly in the near future, as all the original projects involving Recovery Act funding have received the notice to proceed and contractors can begin project work. Officials also told us that

[10]According to a state official, of the $196 million suballocation, NJDOT will use $32 million for state highway projects.

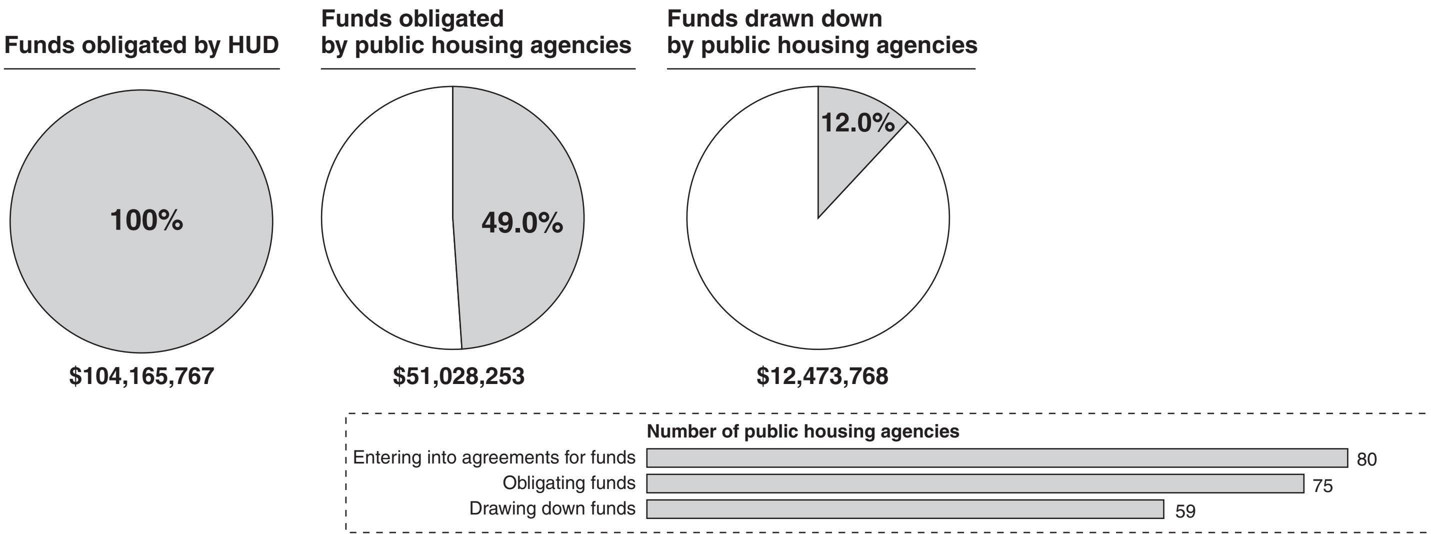
while they anticipate work beginning on these projects, progress is contingent on having good weather this winter.

NJDOT officials stated that the recipient reporting process is generally working well, but some reporting concerns remain. NJDOT officials told us the only problem they had with their initial submission into the www.federalreporting.gov (FederalReporting.gov) Web site was that it did not allow for batch uploading, resulting in a long and cumbersome data entry process for the state. Additionally, NJDOT officials stated that they reviewed the data submitted by vendors and requested clarification as needed, but do not have the staff to conduct a full audit of every vendor's job count. As part of its data quality assurance effort, NJDOT reviewed a project on October 8, 2009 where work had begun, to determine compliance with Recovery Act jobs reporting requirements. They basically found consistency and agreement between invoices and payments, as well as between certified payrolls and the contractor's monthly workforce report. However, the review found that five of the seven subcontractors for this project who had begun work had not submitted monthly vendor workforce reports to the prime contractor. NJDOT recommended that the prime contractor on the project work with all subcontractors to ensure that they submit all delinquent monthly manpower reports to the state as required within 10 business days of receiving the results of the review.

Housing Agencies Continue to Make Progress on Recovery Act Projects

New Jersey has 80 public housing agencies that have received Recovery Act formula grant awards. In total, these public housing agencies have received $104 million in Public Housing Capital Fund formula grants (see fig. 2 for obligations and draw downs). On average, housing agencies in New Jersey are obligating funds at about the same rate as other housing agencies in other states. As of November 14, 2009, the four housing agencies we visited had obligated $17 million and had drawn down $3 million.

Figure 2: Percentage of Public Housing Capital Funds Allocated by HUD that Have Been Obligated and Drawn Down in New Jersey, as of November 14, 2009



Source: GAO analysis of HUD data.

Changes made to projects using Recovery Act funds. Since our report in July 2009, officials at the Newark Housing Authority and Plainfield Housing Authority told us they made changes to projects included in their annual statements.[11] The Newark Housing Authority initially proposed a project to demolish five buildings.[12] However, officials decided instead to repair the roofs, siding, heating, and air conditioning in other buildings for less cost and use the remaining funds on projects such as installing security systems and cameras in other buildings. Plainfield Housing Authority officials said they will add a project in response to a violation notice issued by local fire authorities requiring the Plainfield Housing Authority to install smoke barriers on 11 floors in one of its buildings. Plainfield Housing Authority officials told us that to offset the cost of this new project, it will reduce funding to other projects.

[11]The annual statement lists the public housing authority's planned activities with the current year's Capital Fund Program Grants and Capital Fund Financing Program.

[12]A Newark Housing Authority official said that the agency has removed this project from its annual statement for Recovery Act funds because, at the time, HUD had not approved the demolition of the five buildings and the agency was concerned that it would not be able to meet Recovery Act deadlines for the obligation of funds. This official also said that the agency would not use Recovery Act funds for the demolition.

Public housing authorities are using Recovery Act funds to rehabilitate vacant units. In total, the four public housing agencies will use Recovery Act funds to rehabilitate 568 vacant units, of which 338 had been completed as of November 17, 2009 (see table 2). For example, the Newark Housing Authority has completed rehabilitations for 313 vacant units. Figure 3 shows one unit the Newark Housing Authority rehabilitated with Recovery Act funds.

Table 2: Number of Vacant Units Available for Rehabilitation and Completed Rehabilitations as of November 17, 2009, by Housing Authority

Housing authority	Number of vacant units available for rehabilitation	Number of these vacant units completed as of November 17, 2009
Newark	422	313
Rahway	9	9
Plainfield	22	16
Trenton	115	0

Source: Newark Housing Authority, Rahway Housing Authority, Plainfield Housing Authority, and Trenton Housing Authority.

Figure 3: Newark Housing Authority Rehabilitations with Recovery Act Funds, Before and After

Before

After

Source: GAO.

Note: The Newark Housing Authority does not install appliances until tenants move in.

Public housing authorities faced challenges in awarding contracts within 120 days. Under the act, public housing authorities are to prioritize projects for which the authority can award contracts within 120 days from when funds were made available. Officials in all four public housing authorities we visited said that they were unable to award Recovery Act projects within this time frame. A Rahway Housing Authority official reported that in some cases, the architect and engineering plans were not ready and, in other cases, more time was needed to obtain work permits. An official with the Trenton Housing Authority reported that lower than expected bids on its projects allowed the agency to obligate funds for rehabilitating more units, which required additional time. Also, according to this official, aspects of the Trenton Housing Authority's process for awarding contracts and obtaining board approval, for example, were lengthy. Newark Housing Authority officials told us that they could not award all of their contracts within the 120 days because their status as a HUD designated "troubled" agency prevented them from obligating the funds.[13,14] Plainfield Housing Authority officials told us that they could not award all Recovery Act contracts within this time frame because HUD requires the agency to receive approval for all obligations and expenditures of Recovery Act funds.

While some of the agencies have had challenges obligating funds, the four public housing agencies we visited in New Jersey did not report challenges or barriers in undertaking Recovery Act projects due to Recovery Act requirements such as the "Buy American" provision or Davis-Bacon requirements.

Few challenges cited in reporting project data to federal agencies. All four public housing officials told us that they generally did not face challenges in reporting jobs created and retained, although there were some technical difficulties entering the information on the federal FederalReporting.gov Web site.

[13]HUD developed the Public Housing Assessment System to evaluate the overall condition of housing agencies and to measure performance in major operational areas of the public housing program. These include financial condition, management operations, and physical condition of the housing agencies' public housing programs. Housing agencies that are deficient in one or more of these areas are designated as troubled performers by HUD and are statutorily subject to increased monitoring.

[14] A Newark Housing Authority official also noted the additional time spent in working with HUD to create a new process for HUD's approval of obligations within the Recovery Act timeframes, given its "troubled" status.

Mixed views on HUD's competitive grant process. HUD awarded 11 Capital Fund competitive grants to housing agencies in New Jersey. Newark Housing Authority officials said that the application process was fair because HUD made awards using clear criteria and scoring. HUD awarded the Newark Housing Authority $11 million to develop multiuse housing. Trenton Housing Authority and Plainfield Housing Authority officials also noted that the competitive grant process was fair. However, Rahway Housing Authority officials told us that they believe the competitive grant process was unfair because as a small agency, it lacks the in-house professional staff, such as architects and engineers, to complete a more competitive grant application. As a result, these officials thought that large housing authorities have advantage over the small ones in preparing grant applications.

Selected Localities Using Recovery Act Funds to Support Projects and Programs

GAO visited two localities in New Jersey—the city of Newark and Cumberland County—to review their use of Recovery Act funds.

Newark, New Jersey

Population: 278, 980
Locality Type: City
Unemployment Rate: 15.0 percent (state average–9.6 percent)[15]

Table 3: Selected Sources of Recovery Act Funding to Newark Government

Public Works:	Public Works: Public Works & Road Improvements—$4.9 million
Employment and Training:	Employment and Workforce Investment Act—$5.2 million

Source: City of Newark.

Newark will use Recovery Act funds for numerous nonrecurring projects. According to city officials, as of October 2009, Newark and its community partners[16] have reported receiving, will be receiving, or have

[15]U.S. Census Bureau and U.S. Department of Labor. Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates shown are a percentage of the labor force. Estimates are subject to subsequent revision.

[16]Community partners are nonprofits, educational institutions, faith-based, and other community organizations, as well as other government and quasi-government organizations.

reported being allocated approximately $120 million in Recovery Act funds. Of these funds, approximately $9.3 million were apportioned to the city, while the remaining funds were awarded to community partners. City officials in the Office of the Business Administrator stated that they will not rely on Recovery Act funds to stabilize the calendar year 2009 or upcoming years' budgets because the city does not want to use Recovery Act funds to replace normal operating expenses or create new expenses. In April 2009, the city identified 43 nonrecurring projects in a range of categories such as employment, housing, transportation, energy, and education that could be funded with Recovery Act monies.[17] For example, one of the city's projects will use $4.9 million of NJDOT Recovery Act funds received from the state for road resurfacing.

Newark wants to be model for leveraging Recovery Act funds. Officials told us that they are being very aggressive about pursuing Recovery Act competitive grants and hope to be an example of how to take advantage of Recovery Act competitive funds to meet local goals.[18] As of October 2009, the city had submitted 17 competitive grant applications for approximately $163 million in potential funding. Examples of competitive grants for which Newark applied are the Neighborhood Stabilization Program 2 grant from HUD and an Edward Byrne Memorial competitive grant from the U.S. Department of Justice.

[17]These projects will use three different types of Recovery Act funds: those Newark has or will receive through formula grants directly from Federal agencies, those from the state of New Jersey, and competitive grant funds that Newark will receive from Federal agencies.

[18]As we reported in April, Recovery Act funds are being distributed to states, localities, other entities and individuals through a combination of formula and competitive grants and direct assistance. GAO, *Recovery Act: As Initial Implementation Unfolds in States and Localities, Continued Attention to Accountability Issues is Essential*, GAO-09-580 (Washington, D.C.: April 2009).

Cumberland County, New Jersey

Population: 156,830
Locality Type: County
Unemployment Rate: 12.6 percent[19] *(state average–9.6 percent)*

Table 4: Selected Sources of Recovery Act Funding to Cumberland County Government

Employment and Training:	Employment and Workforce Investment Act—$2.2 million
Public Works:	Public Works: Public Works & Road Improvements—$2.4 million

Source: Cumberland County Government.

Cumberland County is using Recovery Act funds to support nonrecurring and existing programs. According to a senior-level budget official, as of October 2009, the County had received about $ 4.8 million in Recovery Act funds, which it has used (or plans to use) primarily for employment, training, and public works.[20] For example, the U.S. Department of Labor provided $2.2 million through the state for employment and training activities, including workforce investment. A senior level official in the County's Office of Workforce Development said that some of the Recovery Act funds were used to provide a career camp summer program for older youth that trained participants in what was described as "high growth industry areas" for Cumberland County, which includes information technology and landscaping/horticulture. This official also stated that at the end of September 2009, the office had expended 78 to 80 percent of its Recovery Act youth funds, and would use the balance of the remaining funds primarily to supplement community college or vocational school tuition for continuing education of youth who participated in the career camps. Although the county would like to take advantage of other Recovery Act monies, the budget official commented that, unlike Newark or other bigger localities, the county does not have the resources or staff to dedicate to applying for numerous competitive grants.

[19]U.S. Census Bureau and U.S. Department of Labor. Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates shown are a percentage of the labor force. Estimates are subject to subsequent revision.

[20]Cumberland County also received $4.4 million in education funds, but this money went directly to the local education districts and did not pass through the county accounting system.

As of October 2009, the county had applied to the state for one competitive grant under HUD's Community Development Block Grant program (CDBG) with the help of a contractor the county hired.

Cumberland County facing fiscal challenges for 2009 and projects the same for 2010. A budget document we reviewed and the senior-level budget official we spoke to indicated that Cumberland County's fiscal year 2009 budget is approximately $137 million, with more than half funded through property taxes. This official commented that the county's housing market did not suffer massive foreclosures to the extent that some larger localities experienced. The official stated that the county projects a budget gap of at least $1.2 million for its current 2009 fiscal year, and attributed the gap primarily to taking in less revenue than projected in some of its budget areas and increasing pension costs and insurance premiums for the county employees' health care plan. However, this official said that Cumberland County will not rely on Recovery Act funds to balance its budget; instead, the county will use the funds to support nonrecurring projects, such as road improvements, or existing programs, such as workforce investment, as mentioned above. The official further commented that their exit strategy is that once Recovery Act funding ends, their programs will revert back to the level of service allowed under regular appropriations. The official stated that although the county has not cut or reduced any program services for fiscal year 2009, it might be a different scenario for FY 2010 based on the current economy and increasing expenses. The official added that the county did not increase its general tax rate in 2009 and does not plan to do so for 2010. Therefore, if necessary, the county will take actions, such as reducing and cutting services, to help in balancing its budget for the upcoming fiscal year. The official also referred to the county's "surplus" or reserve funds for offsetting its budget shortfalls for the current fiscal year and 2010. The official said this reserve fund, generated through excess budget appropriations from previous years,[21] contained $14 million as of fiscal year 2009 and comprises about 10 percent of the county's 2009 budget. According to the official, the money can only be used for the purpose of helping to close budget gaps.

Tracking Recovery Act funds can pose challenges. The county's senior-level budget official stated that the county maintains Recovery Act funds

[21]For example, if a local agency did not disburse the funds appropriated for a program year, those funds went into the reserve funds.

separately from regular appropriations in its accounting systems. However, the official was concerned that some of the grant award letters the county receives from the state do not always clearly distinguish between appropriations from Recovery Act funds and regular appropriations. She stated that this heightens the potential for errors in tracking Recovery Act funds.

State Comments on This Summary

We provided the Governor of New Jersey with a draft of this appendix on November 17, 2009. The Governor's Chief of Staff, who serves as the co-chair for the Governor's Recovery Accountability Task Force, responded for the Governor on November 19, 2009. The official provided technical suggestions that were incorporated, as appropriate.

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Staff Acknowledgments

In addition to the contacts named above, Diana Glod, Assistant Director; Tahra Nichols, analyst-in-charge; Kisha Clark, Alexander Lawrence Jr.; Tarunkant Mithani; Vincent Morello; Nitin Rao; and Cheri Truett made major contributions to this report.