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RECOVERY ACT

Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed (Massachusetts)



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Contents

Appendix IX	Massachusetts	1
	Overview	1
	As Massachusetts Begins Its Fiscal Year 2010 Facing Fiscal Stress, Recovery Act Funds Continue to Provide Fiscal Relief	4
	Massachusetts Is Focusing on Developing Statewide Recovery Act Reporting Procedures	7
	Massachusetts Is Managing Highway Projects but Faces Challenges Regarding Funds Suballocated to Urbanized Areas	8
	FTA Found Key Recovery Act Obligation Deadline Was Met, and Massachusetts Will Use Funds for Fleet Improvements and Intermodal Enhancements	15
	Massachusetts Faced Challenges in Reaching Its Target Number of Summer Youth Participants	23
	Recovery Act Education Funds Continue to Be Distributed and Help Address State Funding Shortfalls	31
	State Comments on This Summary	32
	GAO Contacts	33
	Staff Acknowledgments	33

Tables

Table 1: Key Contract Information for Two Highway Projects	13
Table 2: Pioneer Valley Transit Authority Transit Capital Assistance Grant Application	18
Table 3: MBTA Transit Capital Assistance Grant Applications	21
Table 4: Program Characteristics for Two Local WIA Youth Programs	28

Figures

Figure 1: Percentage of Highway Obligations for Massachusetts by Project Type as of September 1, 2009	9
Figure 2: Financial Information on Three Recovery Act Education Programs as of September 4, 2009	32

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Appendix IX: Massachusetts

Overview

The following summarizes GAO's work on the third of its bimonthly reviews of American Recovery and Reinvestment Act (Recovery Act)¹ spending in Massachusetts. The full report on all of our work, which covers 16 states and the District of Columbia, is available at <http://www.gao.gov/recovery/>.

We reviewed three programs in Massachusetts funded under the Recovery Act—Highway Infrastructure Investment funds, Transit Capital Assistance funds, and the Workforce Investment Act (WIA) Youth Program. We selected these programs for different reasons:

- Contracts for highway projects using Highway Infrastructure Investment funds have been under way in Massachusetts for several months and provided an opportunity to review financial controls, including oversight of contracts.
- The Transit Capital Assistance funds had a September 1, 2009, deadline for obligating a portion of the funds and, further, provided an opportunity to review nonstate entities that receive Recovery Act funds.
- The WIA Youth Program in Massachusetts is largely directed toward a summer employment program and, therefore, was in full operation.

With all of these programs, we focused on how funds were being used; how safeguards were being implemented, including those related to procurement of goods and services; and how results were being assessed. We reviewed contracting procedures and examined two specific contracts under both the Recovery Act Highway Infrastructure Investment funds and the WIA Youth Program. In addition to these three programs, we also updated funding information on three Recovery Act education programs where significant funds are being disbursed—the U.S. Department of Education (Education) State Fiscal Stabilization Fund (SFSF) and Recovery Act funds under Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA), as amended, and the Individuals with Disabilities Education Act (IDEA), Part B. Consistent with the purposes of the Recovery Act, funds from the programs we reviewed are being directed to help Massachusetts and local governments stabilize their

¹Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009).

budgets and to stimulate infrastructure development and expand existing programs—thereby providing needed services and potential jobs.

Following are the highlights of our review of these funds:

Highway Infrastructure Investment

- The U.S. Department of Transportation’s (DOT) Federal Highway Administration (FHWA) apportioned \$438 million in Recovery Act funds to Massachusetts. As of September 1, 2009, the federal government has obligated \$203.2 million to Massachusetts and \$4.8 million has been reimbursed by the federal government.² As of September 12, 2009, Massachusetts had awarded contracts or advertised for bids on 39 projects.
- Most of the projects involve road paving, but the state is beginning to advertise more complex projects, such as a project making safety and mobility improvements at four major intersections along the Dorchester Avenue corridor in Dorchester.
- The commonwealth anticipates that the additional funds suballocated to urban areas will be obligated by the March 2, 2010, deadline.
- State officials have some concerns about Massachusetts’s ability to meet its transportation maintenance-of-effort requirement because of the commonwealth’s difficult budget situation.

Transit Capital Assistance Funds

- DOT’s Federal Transit Administration (FTA) apportioned \$290 million in Recovery Act funds to Massachusetts and urbanized areas located in the state. As of September 1, 2009, FTA has obligated \$206 million.
- The Massachusetts Bay Transportation Authority (MBTA), the largest transit provider in New England, will use the first round of funding for a series of projects worth \$112.6 million that include facility improvements, fleet enhancements, and capital improvement projects, as well as an enhancement of the MBTA’s Silver Line rapid transit service.
- FTA found that the September 1, 2009, 50 percent obligation requirement was met.

²Transportation has interpreted “obligation of funds” to mean the federal government’s commitment to pay for the federal share of the project.

WIA Youth Program

- The U.S. Department of Labor allotted about \$24.8 million to Massachusetts in WIA youth Recovery Act funds. The commonwealth allocated \$21.1 million to local workforce boards, and as of September 5, 2009, the local boards have drawn down about \$11 million and served 6,850 youth.
- While the commonwealth met its goal of serving 6,500 youth, programs faced challenges in getting youth on board in the initial weeks of the summer. One reason for the delay was that youth had difficulty supplying suitable documentation of eligibility.

Updated Funding Information on Education Programs

- Education has awarded Massachusetts about \$726 million, or about 73 percent of its total SFSF allocation. As of September 4, 2009, the commonwealth has distributed \$412 million to local educational agencies, helping the state restore aid to school districts.
- Additionally, Education has awarded Massachusetts all of its Recovery Act funds under *Title I, Part A, of ESEA, as amended*—about \$164 million. Based on information available as of September 4, 2009, the commonwealth has allocated \$78 million to local educational agencies and about \$2 million has been drawn down by local educational agencies (LEA). These funds are to be used to help improve teaching, learning, and academic achievement for students in families that live in poverty.
- Education has also awarded Massachusetts all of its Recovery Act funds under the *Individuals with Disabilities Education Act (IDEA), Part B*—about \$291 million. Massachusetts has allocated \$145 million to LEAs, which have drawn down almost \$10 million as of September 4, 2009. These funds are to be used to support special education and related services for children, as well as youth with disabilities.

As Massachusetts Begins Its Fiscal Year 2010 Facing Fiscal Stress, Recovery Act Funds Continue to Provide Fiscal Relief

In our July 2009 report, we noted that the commonwealth of Massachusetts needed to close a significant budget gap (approximately \$4 billion from its \$28 billion budget) during fiscal year 2009, which ended on June 30, 2009. This gap was largely driven by lower-than-expected revenue collections and was addressed by a combination of budget cuts and use of funding sources, such as Recovery Act funds and state rainy-day funds.³ As fiscal year 2009 closed, revenue collections have continued to be less than anticipated, while supplemental funding was requested for some programs.⁴ For example, according to the state's budget director, the state's Medicaid program experienced higher-than-expected claims and utilization, and these additions to the budget gap require further state action heading into fiscal year 2010. The fiscal year 2010 budget was signed by the Governor on June 29, 2009, prior to the start of the new fiscal year. Fiscal year 2010 revenue estimates were lowered by more than \$1.5 billion after the Governor submitted his initial fiscal year 2010 budget proposal. The spending level during fiscal year 2010 is projected to be lower than the past 2 fiscal years.⁵ The Executive Office for Administration and Finance is evaluating fiscal risks for the fiscal year 2010 budget and beyond by working with state agencies on spending plans. State officials noted that they will be closely monitoring revenues throughout fiscal year 2010. Another area requiring close attention is the state's Medicaid program, as enrollments and costs have risen during the past several years.

The commonwealth plans to continue to use Recovery Act funds along with state rainy-day funds during state fiscal year 2010 to help balance its operating budget. The use of Recovery Act funds must comply with specific program requirements but also, in some cases, enables states to free up state funds to address their projected budget shortfalls. The state plans to use Recovery Act funds to a greater extent in fiscal year 2010 than it did in fiscal year 2009. In fiscal year 2009, the commonwealth used \$1.4 billion in Recovery Act funds to stabilize its budget, while the

³Massachusetts officials refer to rainy-day funds—reserves built up during more favorable economic conditions to be used during difficult economic times—as stabilization funds. However, to avoid confusion with the Recovery Act's State Fiscal Stabilization Fund, we will use the term rainy-day funds.

⁴State revenues for fiscal year 2009 were \$177 million lower than the revised benchmark levels set in May, and the total fiscal year 2009 revenue gap was more than \$3.2 billion.

⁵The projected budget for fiscal year 2010 is \$27 billion compared to \$27.5 billion in spending during fiscal year 2009 and \$28 billion in spending in fiscal year 2008 (dollars are not adjusted for inflation).

commonwealth plans to use at least \$1.7 billion in fiscal year 2010 for the same purpose.⁶ State rainy-day funds will also be used to help stabilize the state's budget but to a lesser extent than in fiscal year 2009. The commonwealth used \$1.39 billion in state rainy-day funds during fiscal year 2009, while the state budget for fiscal year 2010 assumes the use of \$214 million in rainy-day funds. This leaves the state with a projected rainy-day fund balance of \$571 million at the end of fiscal year 2010 compared with \$2.1 billion at the beginning of fiscal year 2009.

The state is preparing for when Recovery Act funds will no longer be available by trying to stabilize the state budget through a combination of spending reduction and revenue generating strategies. During its fiscal year 2010 spending plan process, the Executive Office for Administration and Finance issued spending caps for each state secretariat to help ensure that state spending levels are aligned with future revenue projections. The state has also capped the number of employees at each department to help prevent payroll increases or reduce payroll spending. In addition, state officials are encouraging state departments to minimize the need for forced layoffs by lowering personnel costs in creative ways, such as through reduced work hours, job sharing, and voluntary furloughs. Also, during the past fiscal year, the state instituted a policy that employees paid from Recovery Act funds would work only as long as those funds were available. Furthermore, state officials are preparing agencies for possible midyear budget reductions in the event that a new budget gap emerges during the course of the fiscal year.⁷ In addition to spending reductions, the appropriations act for fiscal year 2010 increased a state sales tax from 5 percent to 6.25 percent, effective August 1, 2009, among other changes.⁸

Senior state officials have expressed concern about their ability, given the tight budget, to pay for extra oversight and reporting activities needed on Recovery Act funds. U.S. Office of Management and Budget (OMB) guidance discusses two options states have to recoup costs for central

⁶Recovery Act funds used to stabilize the state's operating budget include funds made available as a result of the Federal Medical Assistance Percentage funds (discussed in detail in [GAO-09-1016](#)), State Fiscal Stabilization Fund funds, and Temporary Assistance for Needy Families contingency funds.

⁷According to a state official, the Governor may invoke his power to make budget reductions if revenue collections are below levels assumed in the budget.

⁸Mass. Gen. Laws ch. 64H, § 2.

administrative services, such as oversight and reporting.⁹ The commonwealth plans to use the “billed services” option, which charges agencies for central services and allocates them to federal grants. Such services include both personnel and information technology system costs for central oversight and reporting, such as staff within the newly created Office of Infrastructure Investment and the Office of the State Auditor. However, for two reasons, state officials were concerned that this methodology, although preferred, would not enable the state to recoup additional administrative costs of Recovery Act implementation:

- Small grants may require significant central resources, while larger grants may require proportionally fewer central resources, but this approach, which includes a 0.5 percent limit on the amount allowed to be recouped, may not adequately cover the state’s costs if Recovery Act programs may not be combined.
- The depreciation rules for information systems would require them to allocate costs over the 5-year life of the system created for tracking Recovery Act funds, yet the costs could be recovered only over the shorter period during which they will receive funds.

As a result, the commonwealth submitted a proposal to the Division of Cost Allocation, Department of Health and Human Services (HHS), to try to improve flexibility in the formula to calculate and account for these central administrative costs.¹⁰ According to state officials, they received approval for their cost allocation proposal from the Division of Cost Allocation on August 10, 2009, although it included limitations on the depreciation methodology proposed.¹¹ In addition, the National Association of State Auditors, Comptrollers and Treasurers, representing all states, submitted a waiver proposal to OMB related to the depreciation methodology for cost recovery, among other issues. OMB approval for this waiver proposal is pending.

⁹OMB Memorandum M-09-18, *Payments to State Grantees for Administrative Costs of Recovery Act Activities* (May 11, 2009).

¹⁰The Division of Cost Allocation within HHS administers state cost allocation plans, which provide a process whereby state central service costs can be identified and assigned to benefited activities. The Massachusetts submission proposes to amend the commonwealth’s 2010 statewide cost allocation plan.

¹¹The commonwealth submitted an amendment to its Statewide Cost Allocation Plan on June 8, 2009. The Division of Cost Allocation at HHS responded back to the state with a series of questions, to which the state responded.

Massachusetts Is Focusing on Developing Statewide Recovery Act Reporting Procedures

To report on Recovery Act funds as required under the Recovery Act, the commonwealth designed ways to collect data and review data quality for public reporting on both federal and state government Web sites. Senior officials noted that the commonwealth is committed not only to providing timely information on Recovery Act spending to meet federal reporting requirements as outlined in Recovery Act section 1512,¹² but also to achieving the Governor’s commitment to providing transparent information on the state’s recovery Web site. Recovery Act reporting requirements include identifying the entities receiving Recovery Act dollars—and the dollar amounts—projects or activities being funded, projects’ status, and an estimate of the number of jobs created and the number of jobs retained by the projects and activities. The lead state organization for developing reporting processes, the Office of Infrastructure Investment, is hiring a manager to develop reporting protocols and oversee Recovery Act reporting. The state also appointed a “reporting” lead within each secretariat to serve as a single point of contact on reporting issues. Information will be gathered from both prime funding recipients, such as state agencies, as well as subrecipients, such as private contractors. State officials expressed concerns that public reporting of Recovery Act funds will be challenging, especially reporting on funds going to private and nonprofit entities that lack experience with such reporting or that lack the administrative capacity to produce reports. Also, officials noted that the definition of a “project” still required clarification, and if not clarified, aggregating this information to meet federal reporting requirements will be difficult.

One key required element in the Recovery Act is reporting an estimate of the number of jobs created and the number of jobs retained by projects and activities. Senior state officials noted that they awaited further federal guidance on job reporting methodologies. They said that for some federal agencies, guidance is clear, but facing an October deadline, they decided to move ahead with developing job counting methodologies across state agencies. The commonwealth’s Executive Office of Labor and Workforce Development took the lead. State officials said the state may develop three or four different methodologies for job counting, depending on the program area. They also said that some entities, such as those familiar with Davis-Bacon Act job reporting requirements, will have an easier time reporting on jobs compared to entities in education or health care, for

¹²Pub. L. No. 111-5, 123 Stat. 115, 287 (Feb. 17, 2009).

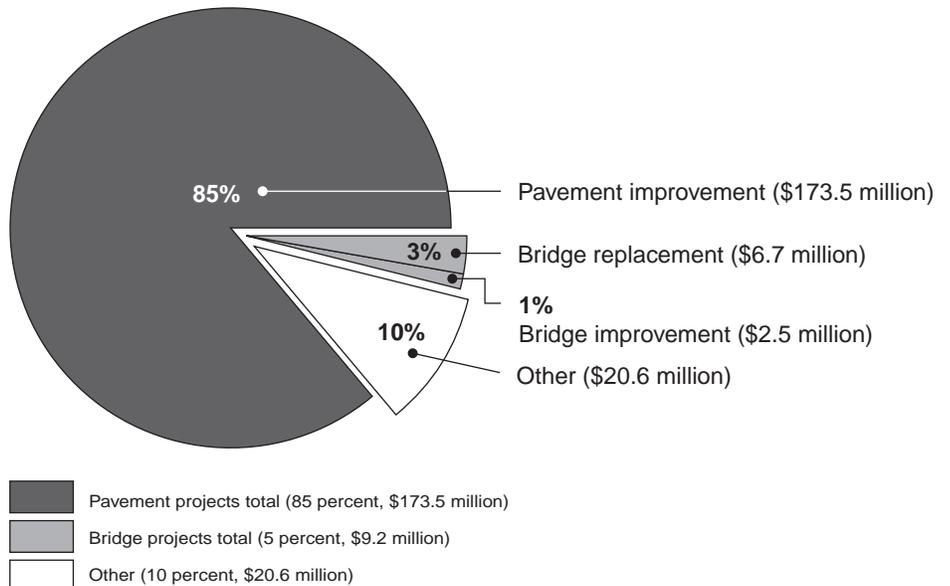
example, where they do not have certified payrolls from which to draw these data.

Massachusetts Is Managing Highway Projects but Faces Challenges Regarding Funds Suballocated to Urbanized Areas

The Recovery Act provides funding to the states for restoration, repair, and construction of highways and other activities allowed under the Federal-Aid Highway Surface Transportation Program and for other eligible surface transportation projects. The Recovery Act requires that 30 percent of these funds be suballocated, primarily based on population, for metropolitan, regional, and local use. Highway funds are apportioned to the states through federal-aid highway program mechanisms, and states must follow the requirements of the existing program, which include ensuring the project meets all environmental requirements associated with the National Environmental Policy Act paying a prevailing wage in accordance with federal Davis-Bacon Act requirements, complying with goals to ensure disadvantaged businesses are not discriminated against in the awarding of construction contracts, and using American-made iron and steel in accordance with Buy America program requirements. While the maximum federal fund share of highway infrastructure investment projects under the existing federal-aid highway program is generally 80 percent, under the Recovery Act, it is 100 percent.

Massachusetts was apportioned \$438 million in March 2009 for highway infrastructure and other eligible projects. As of September 1, 2009, \$203.2 million has been obligated. The U.S. Department of Transportation has interpreted the term “obligation of funds” to mean the federal government’s commitment to pay for the federal share of the project. This commitment occurs at the time the federal government approves a project and a project agreement is executed. As of September 1, 2009, \$4.8 million has been reimbursed by FHWA. States request reimbursement from FHWA as the state makes payments to contractors working on approved projects. Almost 85 percent of Recovery Act highway obligations for Massachusetts have been for pavement improvement. As of September 1, 2009, \$173.5 million of the \$203.2 million obligated in Massachusetts is being used for pavement improvement. Figure 1 shows obligations by the types of road and bridge improvements being made.

Figure 1: Percentage of Highway Obligations for Massachusetts by Project Type as of September 1, 2009



Source: GAO analysis of FHWA data.

Note: "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. Totals may not add due to rounding.

Highway Infrastructure Investment funds appropriated under the Recovery Act continue to be obligated to projects, but the types of projects are increasing in both size and complexity. The first several projects were limited largely to paving, but more recent projects included intersection improvements and design and construction of a new interchange. In our July 2009 report, we stated that due to "use-it-or-lose-it" requirements, Recovery Act funds had initially been obligated for small, short-term projects that require little lead time for planning and design, such as repaving and resurfacing projects that can be completed within 2 years, and the majority of the cost estimates for first-round projects came in at less than \$5 million per project. As the Massachusetts Executive Office of Transportation (EOT) continues to select projects, the projects have increased in terms of both funding amounts and complexity. New projects include the reconstruction of Dorchester Avenue in Dorchester and construction of the North Bank Bridge. The reconstruction of Dorchester Avenue in Dorchester, which FHWA has approved, is estimated to cost \$15 million and will make safety and mobility improvements at four major intersections along the Dorchester Avenue

corridor in Dorchester. The North Bank Bridge, a pedestrian bridge that will connect Cambridge and Charlestown, is estimated to cost \$30 million to \$36 million, according to an official at the EOT. Recovery Act funding for the North Bank Bridge project is currently under review by FHWA and is contingent upon the state's completion of the transfer of \$30.5 million to the Massachusetts Department of Conservation and Recreation as part of its approximately \$100 million mitigation commitment for enhancement projects for the Central Artery Tunnel, commonly known as the "Big Dig." According to an FHWA official, in order for the North Bank Bridge to be funded under Recovery Act funds, the transfer of \$30.5 million must be made prior to March 2, 2010.

Funds appropriated for highway infrastructure spending must be used as required by the Recovery Act. States are required to do the following:

- Ensure that 50 percent of apportioned Recovery Act funds were obligated within 120 days of apportionment (before June 30, 2009). The 50 percent rule applies only to funds apportioned to the state and not to the 30 percent of funds required by the Recovery Act to be suballocated, primarily based on population, for metropolitan, regional, and local use. In addition, states are required to ensure that all apportioned funds—including suballocated funds—are obligated within 1 year. The Secretary of DOT is to withdraw and redistribute to other states any amount that is not obligated within these time frames.¹³
- Give priority to projects that can be completed within 3 years and to projects located in economically distressed areas. Distressed areas are defined by the Public Works and Economic Development Act of 1965, as amended.¹⁴ According to this act, to qualify as an economically distressed area, the area must (1) have a per capita income of 80 percent or less of the national average; (2) have an unemployment rate that is, for the most recent 24-month period for which data are available, at least 1 percent greater than the national average unemployment rate; or (3) be an area the Secretary of Commerce determines has experienced or is about to experience a "special need" arising from actual or threatened severe unemployment or economic

¹³Pub. L. No. 111-5, 123 Stat. 115, 206 (Feb. 17, 2009).

¹⁴42 U.S.C. § 3161

adjustment problems resulting from severe short- or long-term changes in economic conditions.¹⁵

- Certify that the state will maintain the level of spending for the types of transportation projects funded by the Recovery Act that it planned to spend the day the Recovery Act was enacted. As part of this certification, the governor of each state was required to identify the amount of funds the state plans to expend from state sources from February 17, 2009, through September 30, 2010.¹⁶

Massachusetts Is Working toward Having Funds Obligated to Suballocated Areas but Faces Capacity Challenges

As mentioned earlier, states were required to suballocate 30 percent of their apportionment to metropolitan and other areas of the state. As of September 1, 2009, \$31 million for 7 projects have been obligated as part of Massachusetts's 30 percent suballocation. According to the Economic Stimulus Coordinator at the Massachusetts Executive Office of Transportation (EOT), which oversees highway projects, there were several reasons for obligating only 24 percent of these funds thus far. Massachusetts Highway Department (MassHighway) faces challenges with staffing and with the multistep nature of the process.¹⁷ MassHighway's existing project planning and design personnel have been strained by the increased workload associated with Recovery Act projects and the state's recently implemented Accelerated Bridge Program.¹⁸ Additionally, the state works collaboratively with the metropolitan planning organizations (MPO),¹⁹ who serve as regional transportation planning and programming

¹⁵ 42 U.S.C. § 3161(a). Eligibility must be supported using the most recent federal data available or, in the absence of recent federal data, by the most recent data available through the government of the state in which the area is located. Federal data that may be used include data reported by the Bureau of Economic Analysis, the Bureau of Labor Statistics, the Census Bureau, the Bureau of Indian Affairs, or any other federal source determined by the Secretary of Commerce to be appropriate (42 U.S.C. § 3161(d)). As of August 29, 2009, Massachusetts obligated an estimated total of \$80.6 million to three projects located in the state's only economically distressed area.

¹⁶ Pub. L. No. 111-5, § 1201(a) 123 Stat. 115, 212 (Feb. 17, 2009).

¹⁷ EOT oversees MassHighway, which is responsible for highway projects.

¹⁸ In May 2008, Governor Deval Patrick introduced the \$3 billion Accelerated Bridge Program to reduce the commonwealth's growing backlog of structurally deficient bridges.

¹⁹ MPOs are federally mandated regional organizations, representing local governments and working in coordination with state departments of transportation, and are responsible for comprehensive transportation planning and programming in urbanized areas. MPOs facilitate decision making on regional transportation issues, including major capital investment projects and priorities.

agencies, to identify projects for urbanized areas. The state and MPOs are working to balance the preferences of individual cities and their broader region. According to one MPO staff member, all federally funded highway projects must be reviewed by MassHighway at various stages, and an MPO official stated that the state-MPO approval process does not lend itself to obligating new funds within a short time frame. Despite challenges, the state and MPO officials are in the process of identifying projects that are ready to go and predict they will have no difficulty meeting the March 2010 deadline for the obligation of these funds.

The EOT Economic Stimulus Coordinator also said there was some initial confusion around obligating the 30 percent suballocation to urban areas and that EOT received instruction from FHWA. The FHWA Massachusetts Division Administrator said that to ensure continued progress in advancing the federally funded statewide road and bridge projects on the state's transportation improvement program while pursuing Recovery Act projects, FHWA encouraged EOT to first focus on obligating the state apportionment of the Recovery Act highway funds by the June 29, 2009, deadline because these projects were more likely to be shovel ready. This strategy allowed the state to set priorities for obligating the 30 percent suballocation while fully addressing all federal requirements. According to this FHWA official MassHighway has made strides in improving the quality and completeness of their final project submissions for their regular federal aid program projects and improved their ability to cut the time from award to notice to proceed significantly. FHWA wanted to make sure that quality, timeliness and readiness of projects not be compromised while the state identified and vetted Recovery Act project priorities.

State Concerns about Meeting the Maintenance-of-Effort Requirement

States were required to certify that the state will maintain the level of spending that it had planned on February 17, 2009, the day the Recovery Act was enacted. As part of the certification review, DOT will evaluate Massachusetts's method of calculating the amounts it planned to expend for the covered programs to determine if the state's calculation complies with DOT guidance. Massachusetts officials are awaiting the results of this review. Massachusetts state officials continue to express concern about the state's ability to maintain spending levels for transportation. According to the Governor's Deputy Chief Counsel, the requirement that the state commit to spend in the future what it planned to spend on February 17, 2009, puts the state in a difficult position since the state transportation spending plan in February 2009 was based on a 5-year capital plan that was developed before the state's revenues dropped significantly. The state would like to reserve the right to scale down its capital spending plan in

line with debt affordability analysis updates, but DOT is continuing to enforce the Recovery Act requirement that states maintain their February 2009 level of effort. Although the state realizes it is too early to gauge whether it will be able to meet its maintenance-of-effort requirements, the Deputy Chief Counsel stated that the commonwealth would like to maintain a continuing dialogue with DOT officials to see if they can alter the maintenance-of-effort requirements given the significant change in the state's fiscal situation. According to DOT, no provision for a waiver or relief is provided in the Recovery Act.

Massachusetts Is Using Existing Contracting and Oversight Procedures for Recovery Act Highway Funds

EOT has controls and processes in place for the use of Recovery Act funds. According to MassHighway documents and a MassHighway contracting official, the state uses an established competitive bid process for awarding all highway contracts, including the two Recovery Act highway projects we reviewed (see table 1), and all bidders must be prequalified by MassHighway. The annual prequalification process requires each contractor to submit a completed application, original bonding letter, and power of attorney from a surety company. According to a MassHighway contracting official, after tabulating all bids and analyzing their material soundness, MassHighway awards a unit price contract to the lowest bidder.²⁰ The contracts we examined, and as confirmed by a MassHighway contracting official, contained additional language that was inserted to explain the Recovery Act requirements, notice of providing access to relevant federal inspectors general, and whistleblower protection.

Table 1: Key Contract Information for Two Highway Projects

Characteristic	Adams project	Swansea project
Description	1.5 miles of road resurfacing and sidewalk reconstruction on Route 116	Resurfacing of 5.7 miles of Route 6 from Somerset to Rehobeth
Estimated cost	\$2,199,456	\$4,159,044
Project start	April 2009	April 2009
Estimated completion	July 2010	August 2010

Source: GAO analysis of Massachusetts Highway Department information.

²⁰According to an official at MassHighway, with unit price contracts at MassHighway, unit prices are fixed for quantities within 25 percent over or under the specified quantity.

EOT officials stated they have an online database that allows transportation officials to segregate, itemize, and track Recovery Act funds. A MassHighway contracting official stated that all safeguards and contract management are overseen by MassHighway engineers in MassHighway's district offices. District office engineers provide oversight based on an established Standards of Procedure guide and meet with officials from the MassHighway construction office every other month. Oversight personnel are assigned to a contract after the contract is awarded. A MassHighway contracting official said that the Resident Engineer, an employee of the MassHighway district office, directly oversees projects within the districts. As we observed, the Resident Engineer keeps a daily diary of each project to record the number of hours worked by employees, the number and type of equipment used, and the amount of building materials used that day. This information is then entered into an online system that tracks the daily expenditures of the job and prepares reports, which we also observed.

Reporting on Recovery Act Results Continues to Evolve

Massachusetts continues to collect and report employment data and data related to project implementation and expenditures. Data relating to transportation projects is now available through the state's recovery Web site. As we reported in July 2009, Massachusetts transportation officials require contractors and subcontractors to submit monthly employment information, including the number of employees, hours worked, and payroll. However, it is unclear how this information will be used to identify new and existing employees and how to ensure that one employee working on two different projects is counted as one job created and not two.

According to the Economic Stimulus Coordinator at EOT, EOT uses the Equitable Business Opportunity (EBO) system to track the number of jobs created through Recovery Act highway funds. EBO is a Web-based contractor payroll information system. Massachusetts has integrated the monthly employment data collection forms from the FHWA with the EBO system to calculate number of workers and hours worked per project. The FHWA form collects data from contractors, consultants, and the states. For any project or activity that receives FHWA Recovery Act funds, the state must complete the FHWA forms for any month where associated employment occurs. The EOT official said that EOT submits the employment data to FHWA on the 20th of each month, and that FHWA's format for reporting this data has changed four times since EOT began reporting after projects were approved. Additionally, the EOT official

expressed concern that after submitting the monthly reports, there has been no feedback and little additional guidance from FHWA.

FTA Found Key Recovery Act Obligation Deadline Was Met, and Massachusetts Will Use Funds for Fleet Improvements and Intermodal Enhancements

The Recovery Act appropriated \$8.4 billion to fund public transit throughout the country through three existing Federal Transit Administration (FTA) grant programs, including the Transit Capital Assistance Program.²¹ The majority of the public transit funds—\$6.9 billion (82 percent)—was apportioned for the Transit Capital Assistance Program, with \$6.0 billion designated for the urbanized area formula grant program and \$766 million designated for the nonurbanized area formula grant program.²² Under the urbanized area formula grant program, Recovery Act funds were apportioned to urbanized areas—which in some cases include a metropolitan area that spans multiple states—throughout the country according to existing program formulas. Recovery Act funds were also apportioned to states under the nonurbanized area formula grant program using the program’s existing formula. Transit Capital Assistance Program funds may be used for such activities as vehicle replacements, facilities renovation or construction, preventive maintenance, and paratransit services. Up to 10 percent of apportioned Recovery Act funds may also be used for operating expenses.²³ Under the Recovery Act, the maximum federal fund share for projects under the Transit Capital Assistance Program is 100 percent.²⁴

²¹The other two public transit programs receiving Recovery Act funds are the Fixed Guideway Infrastructure Investment program and the Capital Investment Grant program, each of which was apportioned \$750 million. The Transit Capital Assistance Program and the Fixed Guideway Infrastructure Investment program are formula grant programs, which allocate funds to states or their subdivisions by law. Grant recipients may then be reimbursed for expenditures for specific projects based on program eligibility guidelines. The Capital Investment Grant program is a discretionary grant program, which provides funds to recipients for projects based on eligibility and selection criteria.

²²Urbanized areas are areas encompassing a population of not less than 50,000 people that have been defined and designated in the most recent decennial census as an “urbanized area” by the Secretary of Commerce. Nonurbanized areas are areas encompassing a population of fewer than 50,000 people.

²³The 2009 Supplemental Appropriations Act authorizes the use of up to 10 percent of each apportionment for operating expenses. Pub. L. No. 111-32, §1202, 123 Stat. 1859, 1908 (June 24, 2009). In contrast, under the existing program, operating assistance is generally not an eligible expense for transit agencies within urbanized areas with populations of 200,000 or more.

²⁴The federal share under the existing formula grant program is generally 80 percent.

As they work through the state and regional transportation planning process, designated recipients of the apportioned funds—typically public transit agencies and metropolitan planning organizations (MPO)—develop a list of transit projects that project sponsors (typically transit agencies) submit to FTA for Recovery Act funding.²⁵ FTA reviews the project sponsors' grant applications to ensure that projects meet eligibility requirements and then obligates Recovery Act funds by approving the grant application. Project sponsors must follow the requirements of the existing programs, which include ensuring the projects funded meet all regulations and guidance pertaining to the Americans with Disabilities Act (ADA), pay a prevailing wage in accordance with federal Davis-Bacon Act requirements, and comply with goals to ensure disadvantaged business are not discriminated against in the awarding of contracts.

In March 2009, \$290 million in Recovery Act Transit Capital Assistance funds was apportioned to Massachusetts and urbanized areas located in the state for transit projects.²⁶ As of September 1, 2009, FTA concluded that the 50 percent obligation requirement had been met for Massachusetts and urbanized areas located in the state. Under the Recovery Act, Massachusetts's only large urbanized area was apportioned \$199.8 million in Transit Capital Assistance funding. An additional \$37.9 million was apportioned to medium-size urbanized areas with populations of 200,000 to 999,999, and \$9.2 million was apportioned to small urbanized areas with populations of 50,000 to 199,999. In addition, the state was apportioned \$5.2 million for transit projects in nonurbanized areas. Transit Capital

²⁵Designated recipients are entities designated by the chief executive officer of a state, responsible local officials, and publicly owned operators of public transportation to receive and apportion amounts that are attributable to transportation management areas. Transportation management areas are areas designated by the Secretary of DOT, having an urbanized area population of more than 200,000, or upon request from the Governor and MPO designated for the area. Metropolitan planning organizations are federally mandated regional organizations, representing local governments and working in coordination with state departments of transportation that are responsible for comprehensive transportation planning and programming in urbanized areas. MPOs facilitate decision making on regional transportation issues including major capital investment projects and priorities. To be eligible for Recovery Act funding, projects must be included in the region's Transportation Improvement Program (TIP) and the approved State Transportation Improvement Program (STIP).

²⁶The total apportionment includes funds apportioned to other states because some urbanized areas cross state boundaries. For example, the Providence, RI-MA urbanized area includes the Rhode Island Public Transit Authority and two transit agencies located in southeastern Massachusetts—the Greater Attleboro Taunton Regional Transit Authority and the Southeast Regional Transit Authority.

Assistance funds are administered by transit agencies who are designated recipients of this funding. The transit agencies in the urbanized area meet to develop an agreement that spells out how the apportionment will be divided among the various transit agencies in the urbanized area.²⁷ The state administers a smaller portion of the federal transit aid for projects in smaller communities and rural areas of the state.

Massachusetts Transit Agencies Have Used Transit Capital Assistance Apportionments for Fleet Improvements and Intermodal Access Enhancements

Massachusetts transit agencies are using Recovery Act funding to finance a variety of fleet enhancement and capital improvement projects that include replacing aging bus fleets with hybrid vehicles, installing automatic vehicle locator systems on buses, adding solar panels to bus shelters, and developing plans for a regional interoperable rail fare system to allow transit users to transfer between several different transit agency systems using one fare card. According to the Executive Director of the Massachusetts Association of Regional Transit Authorities, Recovery Act funding has allowed Massachusetts transit agencies to fund projects that they otherwise would not have been able to afford. For example, according to the Massachusetts Bay Transportation Authority (MBTA), funds have been obligated for projects worth \$112.6 million, including a series of smaller preventive maintenance projects, fleet enhancements, and capital improvements, as well as an enhancement of MBTA's Silver Line rapid transit service. MBTA officials told us they have received final approval from FTA and are preparing bid announcements and procurement packages.²⁸ MBTA expects the first delivery of paratransit vans funded under the Recovery Act in September 2009, and transit construction projects are expected to be under way in the fall of 2009 and completed by October 2011. According to an MBTA official, the federal transit capital funds are drawn down through the FTA's Web-based Electronic Clearing House Operations System. MBTA is required to reimburse vendors within 3 days of receiving the federal funds, but in practice, MBTA generally pays its vendors the same day it draws down the federal funds.

²⁷In Massachusetts, transit agencies are independent, quasi-public authorities.

²⁸According to FTA officials, transit projects recommended for Recovery Act funding are initially submitted to FTA for review and comment. Once all comments are addressed by the transit agency, the project list is forwarded to the U.S. Department of Labor (Labor) for certification, a process that may take up to 60 days. Labor reviews transit grant applications to gauge the impact of the planned project on local transit workers. Once Labor certifies the application, FTA "approves" funding and the project is obligated.

According to another transit agency we spoke with—the Pioneer Valley Transit Authority (PVTA), which serves 24 communities in Hampden and Hampshire Counties—funding has been obligated for projects worth \$16.3 million, including purchasing 29 new buses, installing solar panels on rural bus shelters to provide security lighting, making improvements to transit facilities, and installing bicycle racks on buses (see table 2). PVTA officials report they have awarded contracts for projects worth \$10.7 million, including contracts for purchasing bicycle racks and repairing maintenance facilities. PVTA officials expect these projects to be completed by the first of the year and the remaining projects to be completed by the end of 2010.

Table 2: Pioneer Valley Transit Authority Transit Capital Assistance Grant Application

Project description	Estimated cost
Purchase bus shelters	\$25,000
Purchase bicycle access, facilities and equipment on buses	80,000
Buy 16 35-foot replacement buses	5,934,500
Buy 18 replacement vans	990,000
Buy 13 40-foot replacement buses	4,810,000
Acquire 130 mobile fare-collection units	2,600,000
Acquire 200 mobile survey and security units	740,000
Renovate administration and maintenance facility	847,953
Renovate storage facility	82,000
Renovate yards and shops	150,000
Estimated total cost	\$16,259,453

Source: GAO analysis of FTA data.

In addition, PVTA officials reported they have plans to purchase new buses through a pre-existing contract awarded by another public transit agency. Under this process, referred to by PVTA officials as piggyback procurement, one transit agency may assign some or all of its existing contract rights to another transit agency to purchase all or a portion of that contract’s supplies, equipment, or services under the same contract terms and pricing as originally advertised, competed, evaluated, and awarded. PVTA officials told us that piggyback procurement is in the best interest of the agency because, they believe, it saves time and money by lowering per-unit costs and avoiding the lengthy procurement process. According to these officials, they obtain a copy of the contract from the originating transit agency and review it for compliance with FTA procurement regulations. According to the administrator for FTA Region I,

piggyback procurement is a common practice among public transit agencies.

State EOT and transit agency officials we spoke with told us they used several key criteria for selecting transit projects to be funded under the Recovery Act, including shovel readiness (project readiness), short- and long-term jobs creation, economic development, regional equity, and modal equity.²⁹ According to transit officials, projects are placed on the Transportation Improvement Program after considerable input from EOT and the regional MPO. Furthermore, according to an EOT official, transit agencies, in conjunction with the regional MPO, conduct extensive outreach with key community stakeholders, including private bus companies, taxi companies, and advocates for disabled and elderly transit users, to gauge public opinion on proposed projects.

FTA Found That Massachusetts and Its Urbanized Areas Have Met the 50 Percent Obligation Requirement

Funds appropriated through the Transit Capital Assistance Program must be used as required by the Recovery Act; specific provisions include the following:

- Fifty percent of Recovery Act funds apportioned to urbanized areas or states were to be obligated within 180 days of apportionment (before September 1, 2009) and the remaining apportioned funds are to be obligated within 1 year. The Secretary of Transportation must withdraw and redistribute to other urbanized areas or states any amount that is not obligated within these time frames.³⁰
- Project sponsors must submit periodic reports, as required under the maintenance-of-effort for transportation projects section (§ 1201(c) of the Recovery Act) on the amount of federal funds appropriated, allocated, obligated, and outlayed; the number of projects put out to bid, awarded, or work has begun or completed; project status; and the number of jobs created or sustained. In addition, grantees must report detailed information on any subcontractors or subgrants awarded by the grantee.

FTA found that the requirement to obligate 50 percent of the transit funds apportioned for Massachusetts transit projects within 180 days has been

²⁹Modal equity refers to the practice of ensuring that all modes of transportation are given equal consideration in deciding where to obligate federal funds.

³⁰Pub. L. No. 111-5, 123 Stat. 115, 209 (Feb. 17, 2009).

met.³¹ In order to get projects through the approval process quickly, the regional FTA administrator encouraged transit agencies to “bundle” multiple projects together under one grant application.³² For example, FTA provided informal guidance to MBTA to encourage the bundling of multiple projects for each Recovery Act program (see table 3). MBTA is expected to receive approximately \$232 million in Recovery Act funds (\$181 million of Transit Capital Assistance urbanized area funds and \$52 million of Fixed Guideway Infrastructure Investment funds). According to the FTA Region I Administrator, without bundling, MBTA could have filed 18 separate Recovery Act applications for 18 separate projects. According to this official, bundling projects reduces the number of grants that need to be managed and reported on and reduces the number of grants needing FTA approval and Department of Labor certification. Thus, bundling projects could reduce the time it takes to get an application through the approval process. In addition, bundling grants provides flexibility to transit agencies by providing them with the ability to shift grant funds among projects within the same grant. In instances where favorable bid conditions result in excess funds, bundling provides an opportunity to move funds to another project within the same grant that may cost more than the original estimate. According to this official, given the advantages of bundling, FTA tries to promote bundling projects to all transit agencies in Region I.

³¹The U.S. Department of Transportation has interpreted the term “obligation of funds” to mean the federal government’s commitment to pay for the federal share of the project. This commitment occurs at the time the federal government approves a project and a project agreement is executed.

³²Region I FTA officials encourage public transit agencies to combine several projects into one application to expedite the approval process and provide flexibility to grant recipients to move excess funds from one project to another.

Table 3: MBTA Transit Capital Assistance Grant Applications

Project description	Estimated cost
First grant application	
RIDE vehicles - procurement of 108 vans	\$5,500,000
MBTA - replace and repair fencing	3,800,000
Back Bay Station - improve ventilation and air quality in lobby area	3,000,000
Construction of enhanced bicycle parking facilities at up to 50 stations	4,803,250
Bus stop amenities (e.g., shelters, benches, signage, pavement markings, and amenities related to the Americans with Disabilities Act) between Ashmont and Ruggles Station	7,825,000
Silver Line and Dudley-South Station - new bus stops at Chinatown and South Station, queue jumper lanes, traffic signal priority, and real-time arrival system	1,700,000
Total first grant	\$26,628,250
Second grant application	
MBTA - various bus facility improvements (e.g., bus washing equipment, pavement repairs, and heating, cooling, and lighting systems at five bus garages)	\$14,636,188
Fitchburg double-tracking project between West Acton and Ayer, including Littleton Station work	39,810,000
Procurement of 25 articulated 60-foot hybrid buses to replace aging buses	30,700,000
Silver Line - reconstruct Essex Street ramps	800,000
Total second grant	\$85,946,188

Source: GAO analysis of MBTA data.

Massachusetts transferred \$12.8 million in Recovery Act highway funding to fund a transit project in Franklin County. The EOT Economic Stimulus Coordinator told us the decision to transfer money from highway projects to transit projects was a joint decision between EOT and the Franklin Regional Transit Authority and was chosen because the community of Greenfield, in Franklin County, needed the funds to upgrade its maintenance facilities to address safety concerns and ease significant congestion. Because Greenfield lacks a transportation depot, riders assemble at city hall to catch the bus, causing traffic delays. According to an EOT official, this situation has caused significant congestion around city hall and raised concern for the safety of riders who stand by the side of the road in a busy section of the city. This official said that the planned intermodal facility that will be funded with the \$12.8 million is expected to reduce the congestion and ease safety concerns by providing a central bus depot for riders that will be also be a staging point for eventually connecting the community to high-speed rail.

MBTA and PVTA Have Developed New Accounting Procedures to Track Recovery Act Funds but Will Use Existing Procedures to Manage Contracts

MBTA and PVTA have developed budget codes to track Recovery Act funding to segregate it from funding for projects under their regular formula grants. PVTA maintains an internal tracking system that mirrors FTA's Transportation Electronic Award Management system that enables them to track expenditures in finer detail.³³ MBTA has devised new "mode codes" within the MBTA accounting system for Recovery Act funding and has created a separate bank account for Recovery Act-funded projects, which enables them to write separate checks for these expenditures.

Officials from MBTA and PVTA have stated they are using existing procedures to manage Recovery Act contracts and have engaged external consultants to provide additional oversight and project management. While both transit agencies are currently following existing contract management procedures specified by FTA, MBTA has hired a consultant to develop an oversight plan for Recovery Act-funded projects, and PVTA officials reported that they will be using an external consultant to provide off-site inspections of manufactured goods that are being procured with Recovery Act funding. In addition, MBTA will hire external management firms to provide oversight support for several rail, bus, and transit station projects.

MBTA and PVTA Are Developing Plans for Reporting on Expenditures and Jobs Created

MBTA and PVTA reported they have received guidance from FTA on the Recovery Act reporting requirements and a separate request for information from the U.S. House of Representatives Transportation and Infrastructure Committee (the Oberstar Report). They are currently determining how to meet both sets of requirements. For example, PVTA has questions concerning how to calculate indirect jobs created from equipment purchases made with Recovery Act funding versus how to count jobs created from Recovery Act-funded construction projects. Hoping to get answers to these questions, officials from both MBTA and PVTA said they planned to attend one of FTA's upcoming webinars. Neither transit agency had job data for the U.S. House of Representatives Transportation and Infrastructure Committee July report because they did not have projects under way at that time, but both agencies expect to be able to report job data for the next reporting cycle.

³³The Transportation Electronic Award Management System is FTA's online grant application and project management system, which allows grant recipients to manage the grants awards, monitor project budgets and milestones, and make budget and scope revisions.

In addition to reporting job and spending data, transit agencies are required to submit quarterly reports to FTA on scheduled milestones for all projects funded under the Recovery Act. They are also required by FTA to include both the purpose and the rationale for federal investment in each grant application funded under the Recovery Act. Grant applicants are asked to explain how the infrastructure investment will contribute to one or more of the Recovery Act purposes, such as the preservation or creation of jobs, the long-term economic benefits, and whether the project addresses an immediate maintenance need. According to the Deputy Director of Financial Planning, in the future, MBTA may use these purpose and rationale indicators as performance measures to assess how well transit projects funded under the act are meeting their intended purpose, but the agency is not currently aware of any requirements that it report on these additional measures. According to this official, MBTA's ability to maintain schedule and stay within the budget are the primary performance measures tracked and reported to FTA for all grant-funded projects, including Recovery Act grant programs. MBTA also provides information to the state through EOT that includes information on Recovery Act project status and copies of reports submitted to the U.S. House of Representatives Transportation and Infrastructure Committee and FTA for Section 1201(c) reporting requirements. According to this official, this information will then be posted to the EOT Recovery Act Web site for public review.

Massachusetts Faced Challenges in Reaching Its Target Number of Summer Youth Participants

The Recovery Act provides an additional \$1.2 billion in funds for Workforce Investment Act (WIA) Youth Program, including summer employment. Administered by the Department of Labor (Labor), the WIA Youth Program is designed to provide low-income in-school and out-of-school youth 14 to 21 years old, who have additional barriers to success, with services that lead to educational achievement and successful employment, among other goals. Funds for the program are distributed to states based on a statutory formula; states, in turn, distribute at least 85 percent of the funds to local areas, reserving as much as 15 percent for statewide activities. The local areas, through their local workforce investment boards, have the flexibility to decide how they will use the funds to provide required services.

While the Recovery Act does not require all funds to be used for summer employment, in the conference report accompanying the bill that became

the Recovery Act,³⁴ the conferees stated they were particularly interested in states using these funds to create summer employment opportunities for youth. While the WIA Youth Program requires a summer employment component to be included in its year-round program, Labor has issued guidance indicating that local areas have the flexibility to implement stand-alone summer youth employment activities with Recovery Act funds.³⁵ Local areas may design summer employment opportunities to include any set of allowable WIA youth activities—such as tutoring and study skills training, occupational skills training, and supportive services—as long as it also includes a work experience component. A key goal of a summer employment program, according to Labor’s guidance, is to provide participants with the opportunity to (1) experience the rigors, demands, rewards, and sanctions associated with holding a job (2) learn work readiness skills on the job, and (3) acquire measurable communication, interpersonal, decision-making, and learning skills. Labor has also encouraged states and local areas to develop work experiences that introduce youth to opportunities in “green” educational and career pathways. Work experience may be provided at public sector, private sector, or nonprofit work sites. The work sites must meet safety guidelines, as well as federal and state wage laws.³⁶ Labor’s guidance requires that each state and local area conduct regular oversight and monitoring of the program to determine compliance with programmatic, accountability, and transparency provisions of the Recovery Act and Labor’s guidance. Each state’s plan must discuss specific provisions for conducting its monitoring and oversight requirements.

The Recovery Act made several changes to the WIA Youth Program when youth are served using these funds. It extended eligibility through age 24 for youth receiving services funded by the act, and it made changes to the performance measures, requiring that only the measurement of work readiness gains will be required to assess the effectiveness of summer-only employment for youth served with Recovery Act funds. Labor’s guidance allows states and local areas to determine the methodology for measuring work readiness gains within certain parameters. States are required to report to Labor monthly on the number of youth participating and on the

³⁴H.R. Rep. No. 111-16, at 448 (2009).

³⁵Department of Labor, Training and Employment Guidance Letter No. 14-08 (Mar. 18, 2009).

³⁶Current federal wage law specifies a minimum wage of \$7.25 per hour. Where federal and state laws have different minimum wage rates, the higher rate applies.

services provided, including the work readiness attainment rate and the summer employment completion rate. States must also meet quarterly performance and financial reporting requirements.

Massachusetts was allotted \$24,838,038 in Recovery Act WIA youth funds. Labor stipulated that these funds be expended by June 30, 2011. The Massachusetts Executive Office of Labor and Workforce Development (EOLWD), the agency responsible for overseeing the commonwealth's WIA Youth Program, allocated \$21,112,332 of the WIA youth Recovery Act funds to 16 workforce investment areas within the state. EOLWD developed its own spending guidelines and instructed local workforce investment boards (boards) to spend at least 60 percent of their Recovery Act funds by September 30, 2009, and the remainder by September 30, 2010. Although these are the formal deadlines, state officials verbally encouraged the boards to spend all of their funding as soon as possible to stimulate the economy. As of September 5, 2009, local boards had drawn down about \$11 million or 53 percent of WIA youth Recovery Act funds.

Fewer Youth Than Planned Have Been Served with WIA Youth Funds by Some Local Workforce Investment Boards

State officials planned to provide 6,500 youth³⁷ with summer employment activities through the WIA Youth Program, but some local boards had problems identifying eligible youth.³⁸ While EOLWD anticipated that the youth would participate throughout the summer, fewer than expected youth were served in the beginning. As of July 31, 2009, a few weeks into summer activities, Massachusetts reported to Labor that it had served 5,640 youth, but as of August 24, 2009, it had met its goal and served over 6,750 youth.

When we met with local board officials in July 2009, they said they were having difficulty recruiting eligible youth in some areas. The Central Massachusetts Regional Employment Board, as of July 23, 2009, had only about 65 of its goal of 100 participants in one of its areas. The Merrimack

³⁷As stated in our July 2009 report, the Governor's office estimated that each of the 6,500 youth would work 30 hours per week for 8 weeks at the rate of \$8 per hour.

³⁸In total, the Governor's office planned to create about 10,000 summer jobs for youth across the state by leveraging and coordinating Recovery Act WIA youth funds, Recovery Act Edward Byrne Memorial Justice Assistance Grant funds provided to the state Executive Office of Public Safety and Security, and state-funded Youthworks funds. As of August 6, 2009, the state had surpassed its goal of serving 3,565 youth through the Youthworks program. The Recovery Act Edward Byrne Memorial Justice Assistance Grant program served 4 youth as of early September 2009.

Valley Workforce Investment Board reported 304 participants as of the week ending July 31, 2009, and was not sure it would be able to reach its goal of 700 participants.

Local officials said they found it difficult to recruit eligible youth in the short time they had to ramp up their programs. Local officials said it was challenging for youth to provide all of the documents that were required to demonstrate WIA Youth Program eligibility, especially in such short time frames. Officials from the Central Massachusetts board said that on average, youth had to come back to the program office about two or three times to supply the proper documentation. According to local board officials, it was especially onerous for students to be required not only to demonstrate they were from families at or below the poverty level, but also to prove they were eligible for the program because of another barrier, such as being pregnant, a parent, or an offender. According to local officials, parents and community members were troubled to learn that low-income youth without employment barriers were not eligible to participate in the program.³⁹

The state has received a waiver from Labor that allows them the flexibility to provide work experiences to out-of-school youth 18 to 24 years old through March 31, 2010. This waiver allowed local boards to continue using only the work readiness indicator instead of all of the WIA indicators. Thus, the streamlined program operated in the summer will have additional time to serve other youth. Merrimack Valley officials told us they will attempt to recruit and begin serving more out-of-school youth and hope to meet their goal of serving 700 participants.

Challenges Still Exist with Implementing the Recovery Act WIA Youth Program

Local boards we met with faced additional challenges ramping up their summer programs and supporting and monitoring youth. As mentioned in our July 2009 report, both state and local officials commented that setting up WIA youth summer employment activities was time consuming and needed to be done within short time frames. State guidance required that local boards spend at least 60 percent of their Recovery Act WIA youth funds by September 30, 2009. Although these are formal deadlines, state officials verbally encouraged the boards to spend all of their funding as

³⁹One or more of the following barriers to employment must be demonstrated for eligibility: (1) school dropout; (2) basic literacy skills deficiency; (3) homeless, runaway, or foster child; (4) pregnant or a parent; (5) an offender; or (6) needs help completing an educational program or securing and holding a job.

soon as possible. To achieve their goal of serving a large number of youth in a short time frame, officials from one board said that some staff were required to work extra hours and staff that normally performed other duties were also assigned WIA Youth Program-related work.

Local board officials made use of existing relationships with community-based organizations, schools, and businesses to identify employers and youth quickly. The Merrimack Valley board hosted information sessions with local business organizations, like the Chamber of Commerce, and with school and municipal officials. According to local board officials, their relations with community-based organizations were strained as a result of the restrictive eligibility and documentation requirements of the WIA Youth Program. They noted that youth who were recruited through these organizations were subsequently not allowed to participate in the program because they either did not have any barriers to employment or did not provide full documentation to meet the requirements for additional barriers to employment.

Local Workforce Boards Had Flexibility to Design and Administer Their WIA Youth Programs

While the state provided guidance on a number of issues, generally as long as the programs complied with the Recovery Act, Labor requirements, and state provisions, the local boards were provided with the flexibility to design and administer their WIA youth programs as they liked. The two boards we visited varied slightly in the opportunities they provided to program participants. Both the Central Massachusetts and the Merrimack Valley programs offered work experiences; the Merrimack Valley program also offered some work experience positions combined with academic instruction to their participants. For example, we visited a work learning site where youth were taught academic subjects such as reading and writing for part of their day and then worked in a warehouse setting for the rest of the day.

WIA youth summer participants were employed in a range of jobs. (See table 4.) One of the local boards we spoke with placed some youth with what they characterized as either green employers or green jobs. According to local officials, some green jobs included work at an urban farm and a light bulb efficiency start-up and manufacturing company. Both state and local officials told us there is little guidance on what technically constitutes a green job.

Table 4: Program Characteristics for Two Local WIA Youth Programs

Program characteristics	Central Massachusetts Regional Employment Board	Merrimack Valley Workforce Investment Board
Areas served	Greater Worcester, South County, Blackstone Valley	Area cities and towns, including Haverhill, Lawrence, and Newburyport
Program design	One 25-hour paid week of pre-employment training Six or ten 25-hour weeks of paid employment	2-hour orientation Up to 30-hour weeks of work and learning (work readiness employment and academic learning), or Up to 30-hour weeks of paid employment
Compensation	Youth are paid \$8 to \$12 per hour	Youth are paid \$8 per hour for employment and stipends of \$8 per hour for academic learning activities
Length of program	July 6 to September 18, 2009 ^a	July 6 to September 31, 2009
Outreach	Community organizations, youth council, state youth-serving agencies, media, and others	Chambers of Commerce, municipal and school officials, media, and others
Target number of participants	500 youth	700 youth
Number of participants as of September 5, 2009	537 youth	535 youth
Amount allocated to the board	\$1,942,576	\$1,477,861
Amount expended by the board as of September 5, 2009	\$1,389,036	\$706,587
Examples of job types	Camp counselors, Web design, landscaping, weatherization crew work	Cabinetmaker apprentice, museum docent, groundskeeper, laborers, clerical positions
Work readiness measure	Completion of pre-employment training (1 week) and exit interview	Completion of a section of the Massachusetts Work-based Learning Plan

Source: GAO analysis of WIA Youth Program information.

^aThe majority of youth completed the program on August 21, 2009; however, others were to complete the program on August 28 and September 18, 2009.

Multiple Monitoring and Tracking Activities Are Performed on Recovery Act WIA Youth Funds

State officials, as well as officials from the boards we met with, are monitoring and tracking activities of Recovery Act WIA youth funds in myriad ways. The two boards chose different administrative structures for their programs—either administering funds internally and contracting with providers directly (as in the case of the Merrimack Valley board) or contracting with an external organization to administer various program functions (as in the case of the Central Massachusetts board). Our selection of two contracts to discuss in greater depth with relevant agency contracting officials reflects this distinction. According to officials, each contract we examined was awarded competitively on a cost-reimbursement basis with a not-to-exceed ceiling price.

In the case of the Central Massachusetts board, we examined a contract awarded by the board to a community action agency for administration of the WIA Youth Program. This contract was awarded on May 18, 2009, at a total value of \$873,362 with a project start date of April 24, 2009, and a projected completion date of September 30, 2009. It is intended to provide work readiness skills training for 300 WIA youth participants in the greater Worcester area. We noted, and officials confirmed, contract provisions requiring the submission of programmatic and fiscal reports; the contract also made clear that if this requirement and others are not met, program termination and withholding of funds can result.

The Merrimack Valley board via its fiscal agent (the city of Lawrence's Division of Grants Administration) awarded a contract to provide WIA youth services. This contract was awarded on July 6, 2009, at a total value of \$6,839 with a project start date of July 6, 2009, and a projected completion date of September 30, 2009. It is intended to provide 10 eligible youth 18 to 24 years old who are disabled with a combination of work and learning activities—e.g., manufacturing, leadership, employability, and other skills. We noted, and officials confirmed, provisions in the contract that require monthly contractor expense reports and specify consequences (such as revocation of funds and program termination) for failure to submit accurate and complete reports within designated time periods.

In addition to overseeing contracts, state and local officials discussed procedures in place to report on Recovery Act funds. Both state and local officials we spoke with stated they are using separate accounting codes to track Recovery Act funds, which will enable them to report on these funds separately. Also, short-term staff were hired to monitor the programs and funds. For example, on the state level, EOLWD created the Economic Recovery Project Coordinator position, with responsibilities for all Recovery Act monitoring and reporting requirements. At the local level, the boards we met with created staff positions to monitor work sites and keep abreast of each youth's work performance.

Both the state and one of the boards we visited are conducting compliance assessments for each work site. According to state officials, staff from the Commonwealth Corporation, a quasi-public agency created by the State Legislature, planned to visit each board at least twice to monitor the boards' WIA youth summer programs. At the time of our interview, the first visits had already occurred. Commonwealth Corporation staff told us that during these monitoring visits, they perform file reviews and assess work sites. Both local boards we visited developed their own monitoring activities. For example, the Merrimack Valley board generated weekly

reports that included enrollment, youth served, work-site data, and total expenditures.

**State and Local Officials
Are Attempting to Measure
Program Outcomes**

In accordance with Labor’s guidance, the state requires each local board to track and report the number of youth employed and program completion rates. In addition, for WIA Youth Program performance measures, only the work readiness measure (which focuses on skills like work ethics, professionalism, communication skills, and interpersonal skills) is required to assess the effectiveness of summer employment for youth served with Recovery Act funds. Local boards may determine the methodology they use to measure work readiness gains. EOLWD’s guidance instructed local boards to choose from a variety of assessment tools, including work-site supervisor evaluations, work readiness skill checklists administered by program staff, portfolio assessments, and any other relevant forms of assessing work readiness skills.

We found that the local areas we visited use different assessment instruments to determine work readiness skills upon beginning and completing the summer experience. The Merrimack Valley board is using a section of the Massachusetts Work-based Learning Plan, a goal-setting and assessment tool designed to drive learning and productivity on the job, to satisfy the work-readiness measure.⁴⁰ Youth receiving a work experience are evaluated weekly on their time sheets by their supervisors according to such dimensions as work maturity skills—e.g., punctuality and dressing professionally; personal skills, such as teamwork and exercising leadership; and work-related skills, such as use of computers and the Internet and customer service. These evaluations will be used to evaluate the youth over time, identify trends, and assess their work readiness. The Central Massachusetts Regional Employment Board will use completion of the pre-employment training as its measure of work readiness. An evaluation of youth satisfaction will also be conducted.

Results of assessments were not yet available at the time of our visits to local boards, although officials commented anecdotally that some immediate results are apparent from the WIA youth summer program. Officials from both boards we met with state that the youth they are

⁴⁰Youth will be assessed on attaining competencies in completing applications, resume development, interviewing skills, job search strategies, attendance and punctuality, workplace appearance, interaction with co-workers and supervisors, initiative, communication skills, money management, transportation, and workplace safety.

...serving have been positively impacted by the programs. For example, local officials stated that some youth expressed a sense of pride and completion when they completed their orientation or training or when they received their first paycheck. Some youth were also provided with skills for activities of daily living, such as how to write a check.

At the time of our visit, the commonwealth had not yet decided how it will address the OMB reporting requirements on jobs created and retained, not only for the WIA Youth Program but also for other Recovery Act-funded activities. However, subsequent to our visit, on August 14, 2009, Labor issued guidance clarifying that participants in employment and training programs, such as the WIA Youth Program, are not to be reported in the jobs created and retained numbers. At the local level, boards are compiling data on the number of non-youth positions fully and partially funded with WIA youth funds.

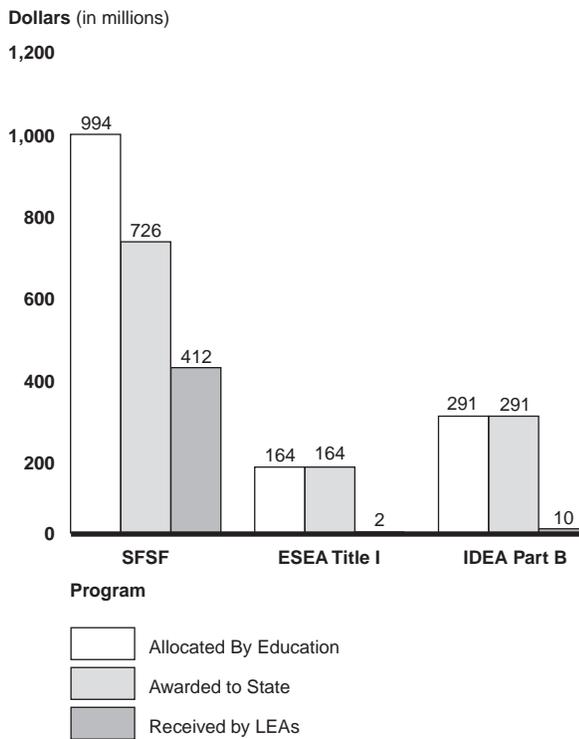
Recovery Act Education Funds Continue to Be Distributed and Help Address State Funding Shortfalls

As of September 4, 2009, Massachusetts was awarded funds for the following Recovery Act education programs: about \$726 million through the State Fiscal Stabilization Fund (SFSF), \$164 million in ESEA Title I, Part A, funds, and \$291 million in funds through IDEA, Part B. Local educational agencies (LEA) have received \$412 million in SFSF funds, \$322 million in education stabilization funds, and \$90 million, or about half, of its government services funds. According to state officials, Massachusetts, by the end of October, plans to restore public higher education funding for fiscal years 2009 and 2010 using a total of \$54 million and \$168 million, respectively of SFSF funds. Upon receipt of the \$268 million remaining of the state's SFSF Recovery Act funds, the state plans to distribute an additional \$168 million to LEAs in SFSF funds in fiscal year 2010. Similar to fiscal year 2009, LEAs and institutions of higher education will receive SFSF funds to offset cuts in state education funding for fiscal year 2010. Also, the Governor will use approximately \$20 million of the \$181 million available from the SFSF government services fund for public safety in fiscal year 2010 for grants to fire departments. Plans for use of the remaining SFSF education stabilization and government services funds have not been announced.

As of September 4, 2009, 99 of the state's 258 LEAs that were allocated ESEA Title I funds have submitted and had approved by state officials their state-required program applications. These LEAs have received about \$2 million in ESEA Title I Recovery Act funds. In addition, at least 227 of the state's LEAs that were allocated IDEA, Part B, Recovery Act funds have submitted their required application to the state to begin accessing

funds. These LEAs have received almost \$10 million in IDEA, Part B, Recovery Act funds. (See figure 2 for funding information.) According to state officials, LEAs are spending non-Recovery Act ESEA Title I and IDEA, Part B, funds before spending Recovery Act funds.

Figure 2: Financial Information on Three Recovery Act Education Programs as of September 4, 2009



Source: GAO analysis of state reported data.

State Comments on This Summary

We provided the Governor of Massachusetts with a draft of this appendix on September 3, 2009, and representatives from the Governor’s Office and the Office of the State Auditor responded on September 9 and 10, 2009. Officials agreed with our draft and in some cases provided clarifying or technical suggestions that were incorporated, as appropriate.

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