

September 2010

RECOVERY ACT

Opportunities to Improve Management and Strengthen Accountability over States' and Localities' Uses of Funds (Texas)



GAO

Accountability * Integrity * Reliability

Appendix XVII: Texas

Overview

The following summarizes GAO's work on the seventh of its bimonthly reviews of American Recovery and Reinvestment Act of 2009 (Recovery Act)¹ spending in Texas. The full report covering all of our work encompassing 16 states and the District of Columbia is available at www.gao.gov/recovery.

What We Did

We reviewed the use of Recovery Act funds in Texas for public housing projects and for energy efficiency and conservation block grant projects. For descriptions and requirements of the programs we covered, see appendix XVIII of [GAO-10-1000SP](#). For these programs, we focused on how funds were being used, how safeguards were being implemented to ensure funds are used appropriately, and how results were being assessed:

- The public housing program was selected to provide a continuing or updated assessment of Public Housing Capital Fund competitive and formula grants awarded under the Recovery Act—an assessment covering the status of obligations and expenditures by public housing agencies, oversight assistance and monitoring provided by the U.S. Department of Housing and Urban Development (HUD), and the overall impacts of the funds. We contacted two HUD offices in Texas—the Fort Worth Regional Office and the San Antonio Field Office—to determine the types and extent of assistance they provided to help public housing agencies meet Recovery Act deadlines and review the offices' plans for monitoring public housing agencies' compliance with requirements for using grant funds. We obtained updated information on three ongoing projects that we began covering in our previous work and reports—one project funded by a competitive grant awarded under the Recovery Act and two projects funded by formula grants awarded under the act. The three projects are managed by the San Antonio Housing Authority (SAHA), which received relatively large amounts of both Capital Fund competitive grant funds and formula grant funds directly from HUD.² At SAHA, we reviewed project-related documentation, including funding obligation and expenditure data, and made on-site observations of progress on

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

²Of the hundreds of public housing agencies in Texas, SAHA received the second highest amount (\$5.3 million) of Public Housing Capital Fund competitive grants awarded under the Recovery Act, and SAHA received the highest amount (\$14.6 million) of Public Housing Capital Fund formula grants awarded under the act.

the three projects.³ Also, we interviewed SAHA's Executive Director, the Chief Financial Officer, the Director of Procurement, and other responsible officials. Further, in contacting HUD and SAHA officials, we obtained perspectives on the various impacts of Recovery Act funds.

- We selected the Energy Efficiency and Conservation Block Grant (EECBG) program, which is administered by the U.S. Department of Energy (DOE), because we had not previously reviewed it and because over \$200 million was awarded to entities within Texas.⁴ The purposes of the EECBG program include assisting eligible communities to implement strategies to reduce fossil fuel emissions and improve energy efficiency. In Texas, we selected four recipients of EECBG funding to review—the State Energy Conservation Office (SECO) and three cities (Austin, Bryan, and Round Rock) that received direct awards from DOE.⁵ In visiting each of the four recipients, we reviewed available documentation and interviewed officials to determine the process for selecting projects, the amounts of funds obligated and spent, oversight methods for monitoring use of funds, and plans for measuring energy savings resulting from EECBG projects.

Further, in Texas, we obtained state and local government perspectives on overall use and impact of Recovery Act funds. Specifically, at the state level, we obtained perspectives from the Office of the Governor, staff of

³The SAHA project funded by the competitive grant involves improvements to the Villa Hermosa Apartments, which has 66 units for the elderly and/or disabled community. The two SAHA projects funded by formula grants involve improvements to, respectively (1) the Lewis Chatham Apartments, which has 119 units for the elderly and/or disabled community and (2) the Highview Apartments, which has 68 units for families.

⁴The EECBG program was authorized by Title V, Subtitle E, of the Energy Independence and Security Act, which was signed into law on December 19, 2007. However, the program was not funded until passage of the Recovery Act in 2009.

⁵We selected Austin, Bryan, and Round Rock for various reasons. Austin is Texas's capital and the headquarters location for state agencies. As such, in conducting Recovery Act work, our review team routinely visited Austin. Also, Austin received \$7.5 million in EECBG funding. Bryan and Round Rock—which received \$695,000 and \$955,000 in EECBG funding, respectively—are geographically located near or relatively close to Austin. Moreover, these three cities include a large metropolitan area (Austin) and a less populous city (Bryan), both which had not outlaid any EECBG funding at the time of our selections (as of May 14, 2010), and a medium sized suburb (Round Rock) that had outlaid a portion of its EECBG funding.

the Legislative Budget Board,⁶ and the State Comptroller's Office; at the local level, we contacted city management officials in Austin and Round Rock.⁷ Also, we reviewed efforts by state and local government to promote accountability for use of Recovery Act funds. We focused in particular on efforts by the Office of the Governor; the State Auditor's Office; and city auditor offices or other responsible officials in Austin, Bryan, Dallas, Houston, and Round Rock.⁸

What We Found

- **Public housing.** All of the 10 public housing agencies in Texas that received Public Housing Capital Fund competitive grants (\$21.5 million total) are on track to meet the September 2010 deadline for obligating all funds, according to HUD officials.⁹ To help ensure that this occurs, the two HUD field offices we contacted in Texas noted plans for providing continued assistance to public housing agencies. Officials at the HUD San Antonio Field Office stated, for instance, that they sponsor weekly telephone conferences—with invited participation from all of the 88 public housing agencies in the office's jurisdiction—to collaborate and discuss new developments. Also, to help ensure compliance with requirements for using Recovery Act funds, the HUD field offices we contacted in Texas are implementing the monitoring strategy promulgated by HUD headquarters—a strategy that includes

⁶According to state officials, the Legislative Budget Board is a permanent joint committee of the Texas legislature that develops budget and policy recommendations for legislative appropriations for all agencies of state government, as well as completes fiscal analyses for proposed legislation. The Lieutenant Governor and the Speaker of the House of Representatives serve as co-chairs of the board. Other members include the chairs of the House Appropriations Committee and Senate Finance Committee. See www.lbb.state.tx.us.

⁷We selected Austin and Round Rock because our staff was also reviewing the use of EECBG funds by these cities.

⁸Accountability efforts by audit offices in three of these cities (Austin, Dallas, and Houston) are discussed in our May 2010 report ([GAO-10-605SP](#)), and we again contacted officials in these cities to obtain updated information. As noted in our May 2010 report, these cities were awarded large amounts of Recovery Act funding and are located in different geographic areas of Texas, while collectively accounting for approximately 17 percent of the state's total population. We selected the other two cities (Bryan and Round Rock) because our staff was also reviewing the use of EECBG funds by these cities. See GAO, *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability (Appendixes)*, [GAO-10-605SP](#) (Washington, D.C.: May 26, 2010).

⁹As noted in our May 2010 report ([GAO-10-605SP](#)), the 351 public housing agencies in Texas that received Public Housing Capital Fund formula grants (\$119.8 million total) under the Recovery Act met the March 2010 deadline for obligating all the funds.

various types of reviews of public housing agencies. Regarding overall impacts or benefits of these funds, HUD field office officials cited improvements in public housing agencies' Public Housing Capital Fund grant management and enhanced partnering relationships with the housing agencies. SAHA officials stated that Recovery Act grants are enabling capital improvements benefiting residents of a significant portion (42 percent) of the agency's total public housing inventory of 6,273 units. Also, for the most recent quarter (April to June 2010), SAHA reported that about 61 jobs (full-time equivalents) were funded with Recovery Act dollars.¹⁰

- **Energy efficiency and conservation block grants.** For the EECBG program, Texas received approximately \$208.9 million, which consists of \$163.3 million awarded by DOE directly to cities, counties, and tribal communities in the state and \$45.6 million awarded to SECO. The four recipients we reviewed in Texas (three cities and SECO) have taken steps to choose projects. As of late summer 2010, three of the recipients each reported that more than 80 percent of their respective funding was obligated for EECBG project expenses, but none of the four recipients reported having spent more than 6 percent of their funds. The four EECBG recipients are implementing processes to monitor the use of Recovery Act funds through methods such as conducting on-site inspections and verifying that materials meet specifications. Also, in accordance with DOE guidance, the four recipients reported that they have plans to measure energy savings resulting from EECBG projects. Further, for the most recent quarter (April to June 2010), the four recipients collectively reported that about eight jobs (full-time equivalents) were funded with Recovery Act dollars.
- **Use and impact of funds.** Recovery Act funds continue to support a range of programs in Texas. As of August 1, 2010, Texas state entities had spent a majority—approximately \$12.2 billion or about 62 percent—of the awarded \$19.8 billion Recovery Act funds, according to the State Comptroller's Office. The Governor's staff noted Texas has achieved a balanced budget and Recovery Act funds were not used to estimate the revenue available to support the budget. Staff from key

¹⁰Job calculations are based on the number of hours worked in a quarter and funded under the Recovery Act and are expressed in full-time equivalents, calculated as the total hours worked divided by the number of hours in a full-time schedule. Recipient reports cover only direct jobs paid from Recovery Act funding and do not include the employment impact on material suppliers (indirect jobs) or on the local community (induced jobs).

legislative offices noted that the Recovery Act increased federal funds available to support state programs. In preparing for the end of Recovery Act funding, state officials continue to emphasize the Governor's and the state legislature's guidance to avoid using Recovery Act funds for ongoing expenses. At the local government level, city officials we contacted in Austin and Round Rock commented that Recovery Act funds have had a limited overall budgetary impact but have been helpful in furthering specific efforts.

- **Promoting accountability.** Texas state entities, particularly the State Auditor's Office, the Governor's Office, and the State Comptroller's Office, continue efforts to help ensure that Recovery Act funds are used appropriately. These efforts include conducting audits and tightening controls to help ensure only eligible recipients receive Recovery Act payments. Also, local government audit offices or other responsible officials in the five cities we contacted—Austin, Bryan, Dallas, Houston, and Round Rock—have similar efforts underway or planned. Further, in July 2010, after completing a Recovery Act-related performance audit of the Workforce Investment Act of 1998, the State Auditor's Office reported that the two local workforce development boards it reviewed did not calculate the number of jobs funded with Recovery Act dollars consistent with guidance provided by the Texas Workforce Commission. Going forward, the report noted that the Texas Workforce Commission and the two local boards generally concurred with recommendations for improving accuracy in calculating and reporting the number of applicable jobs.

Public Housing in Texas: Status of Recovery Act Funds, HUD's Oversight Assistance and Monitoring Efforts, and Impacts of the Funds

Public housing support under the Recovery Act consists of separate competitive and formula grants awarded directly from HUD to public housing agencies. Regarding competitive grant funds, none of the 10 public housing agencies in Texas that received Capital Fund competitive grants are at risk of missing the September 2010 deadline for obligating all of the funds, according to HUD officials in the state. As noted in our previous report, all recipient grantees met their March 2010 deadline for obligating all formula grant funds. HUD officials reported ongoing oversight efforts to assist public housing agencies meet deadlines for obligating and expending Recovery Act funds and to monitor the agencies for compliance with requirements for using the funds. Among the overall impacts or benefits of these funds, the HUD officials cited enhanced partnering relationships with public housing agencies, and SAHA officials cited capital improvements benefiting residents of 42 percent of the agency's 6,273 public housing units. Also, for the most recent quarter

(April to June 2010), SAHA reported that about 61 jobs (full-time equivalents) were funded with Recovery Act dollars.

Statewide Status of Competitive Grant Funds and Use in One Housing Project

Of the 415 public housing agencies in Texas, 10 collectively received 22 Public Housing Capital Fund competitive grants under the Recovery Act, totaling \$21.5 million. These grant funds were provided to the agencies to improve the physical condition of their properties. As of August 7, 2010, 9 of the 10 recipient public housing agencies collectively had obligated \$5 million (23 percent) of the \$21.5 million. Also, 6 of the recipient agencies had drawn down a cumulative total of \$1.3 million from the obligated funds, as of August 7, 2010.

Of the 10 recipient public housing agencies, 5 are under the jurisdiction of the HUD Fort Worth Regional Office, and 5 are under the HUD San Antonio Field Office. According to officials in both HUD offices, none of the 10 public housing agencies are at risk of missing the September 2010 deadline for obligating 100 percent of competitive grant funds.¹¹

We visited the San Antonio Housing Authority (SAHA) in June 2010. SAHA received the largest number of competitive grants in Texas (9 of the 22 total) and the second highest dollar amount. SAHA officials stated that the agency expects to meet the obligation deadline. The officials said that SAHA recently revised its procurement and award procedures to ensure it would meet operational goals, such as those related to providing employment opportunities for low-income individuals. This change, according to the officials, led to longer procurement cycles, which necessitated that SAHA project managers and procurement personnel give increased attention and focus to planning efforts. In addition, SAHA officials said that they recently restructured their construction services

¹¹In August 2010, HUD San Antonio Field Office officials informed us that one recipient agency (Georgetown Housing Authority) will be returning its competitive grant (\$419,430) because it recently had some staff turnover and other competing priorities and no longer had sufficient matching funds to complete the work originally planned under the grant. The officials explained that the lack of matching funds stems from a recent audit that will require the Georgetown Housing Authority to use non-federal funds to reimburse HUD programs for ineligible expenses that were previously charged to the programs. See HUD Regional Inspector General for Audit (Fort Worth Region, 6AGA), *The Georgetown Housing Authority Used \$195,855 for Ineligible and Unsupported Expenditures*, Audit Report Number 2010-FW-1004 (Fort Worth, Tex.: June 2, 2010), which reported that Georgetown's financial records were inaccurate, a condition attributable to a lack of financial and disbursement controls and an absence of formal written policies and procedures.

department to better focus, plan, collaborate, and execute current and future projects.

In San Antonio, we observed progress at a competitive grant-funded project (\$265,528) managed by SAHA—upgrades to the Villa Hermosa Apartments. Converted to public housing in 1971, the five-story property has 66 units for elderly and/or disabled persons. SAHA officials said that the property previously was a detention center. The existing common and community space is to be evaluated, redesigned, and upgraded to enhance accessibility and efficiency of use for residents and create an environment that encourages socialization among the residents. Areas to be enhanced include the first floor assembly space, kitchen, laundry rooms, and special use space (e.g., space for service providers and confidential discussions). At the time of our June 2010 visit, the architectural and engineering design work (which began in March 2010) was nearing completion. The schedule going forward, according to SAHA officials, was to award a construction contract by August 31, 2010—a date enabling SAHA to meet the September 2010 deadline for obligating the competitive grant funds. Further, the officials noted that the scheduled date for completing the upgrades is March 31, 2011, which is earlier than the September 2011 deadline for expending 60 percent of competitive grant obligations and the September 2012 date for expending 100 percent of the obligations.

Statewide Status of Formula Grant Funds and Use in Selected Housing Projects

Of the 415 public housing agencies in Texas, 351 collectively received \$119.8 million in Public Housing Capital Fund formula grants under the Recovery Act to improve the physical condition of their properties. The recipient agencies met the March 2010 deadline for obligating all of the funds. Also, 346 of the recipient agencies had drawn down a cumulative total of \$84.5 million from the obligated funds, as of August 7, 2010.

We visited San Antonio in June 2010 to observe the status of two ongoing formula grant-funded projects managed by SAHA. One of the formula grant-funded projects is intended to improve housing for elderly residents (Lewis Chatham Apartments) and the other to improve housing for families (Highview Apartments).¹² Built in 1973, the Lewis Chatham Apartments is a four-story property with 119 units for elderly and/or

¹²In addition to our visit to these two project sites in June 2010, we earlier visited the Lewis Chatham project site in March 2010, October 2009, and May 2009, and the Highview project site in March 2010 and May 2009.

disabled persons. The property was vacated in December 2009 to facilitate abatement of environmental items (asbestos). In March 2010, after completion of abatement work, the general contractor began reconstruction of the apartments. Among other improvements, the rehabilitation of the property includes replacing kitchen and bathroom cabinets and fixtures, installing energy-efficient lighting, upgrading heating and air-conditioning systems, and replacing the roof. Rehabilitation of these apartments is SAHA's most expensive Recovery Act project, accounting for approximately \$6.4 million of the total Public Housing Capital Fund formula grant (\$14.6 million) awarded to SAHA. During our June 2010 visit, we observed ongoing interior work—involving, for example, installation of electrical wiring and plumbing and preparation for adding sheetrock to the interior walls—and ongoing exterior work to replace roofing. According to SAHA officials, the scheduled date for completing the project is December 31, 2010—which is earlier than the March 2011 deadline for expending 60 percent of formula grant obligations and the March 2012 deadline for expending 100 percent of the obligations.

Built in 1977, the Highview Apartments is a one-story property with 68 duplex units for families. Formula grant funds were allocated to develop three playground areas (\$291,850) and replace roofing on all housing units and the administrative office building (\$665,394) at the Highview Apartments.¹³ In May 2010, work to develop the playground areas was completed, including installation of a soft-fall product to enhance safety for children and reduce annual maintenance costs. During our June 2010 visit, we observed the newly completed playground areas. Also, we observed that roofing replacement work was ongoing. SAHA officials said the project is on track to meet the targeted completion date of September 23, 2010, which is earlier than the 2011 and 2012 deadline dates for expending 60 percent and 100 percent, respectively, of formula grant obligations.

¹³The formula grants funds to develop playground areas (\$291,850) will be used for developing three playground areas at the Highview Apartments and playground areas at two other apartment complexes (Mission Park and Riverside). Also, the formula grant funds to replace roofing (\$665,394) will be used for roofing work at the Highview Apartments and roofing work at three other SAHA apartment complexes (Olive Park, Village East, and Wheatley Courts).

HUD Field Offices in Texas Are Using Various Oversight Efforts to Assist and Monitor Public Housing Agencies

HUD Fort Worth Regional Office and San Antonio Field Office officials cited various types of ongoing assistance to help ensure that public housing agencies stay on track in meeting deadlines for obligating and expending Recovery Act funds. As a key part of assistance efforts, both offices noted the particular usefulness of weekly telephone calls and e-mail messages to the public housing agencies. HUD San Antonio Field Office officials stated, for instance, that they sponsor weekly telephone conferences—with invited participation from all of the 88 public housing agencies in the office’s jurisdiction. Also, in some cases, the officials said that they initiate conference calls with a housing agency’s board of commissioners to provide impetus for meeting deadlines. SAHA officials reported that the local HUD office’s assistance efforts were helpful. SAHA officials noted, for example, that the periodic telephone conferences sponsored by the HUD office were excellent opportunities for collaborating and exchanging information.

To help ensure that public housing agencies comply with Recovery Act requirements for housing grant funds, the HUD field offices we contacted in Texas are also implementing the monitoring strategy promulgated by HUD headquarters—the Recovery Act monitoring strategy for year 2 (March 18, 2010 to March 17, 2011). The strategy covers both competitive and formula grants and calls for field offices to conduct various types of reviews. Under HUD’s monitoring strategy, each of the 22 competitive grants awarded to public housing agencies in Texas was to be reviewed by August 20, 2010. The HUD Fort Worth Regional Office is responsible for reviewing 8 of the competitive grants, and the HUD San Antonio Field Office is responsible for reviewing the other 14.¹⁴ The Fort Worth Regional Office completed its reviews during July 2010. The HUD San Antonio Field Office completed the required reviews on August 12, 2010. HUD headquarters developed a standardized monitoring checklist for use in completing the reviews—a checklist based on requirements in the Recovery Act and HUD notices and program regulations.

For formula grants, under HUD’s monitoring strategy, each public housing agency that was less than 90 percent obligated as of February 26, 2010, was to be reviewed by June 2010. According to HUD, 25 public housing agencies in Texas met the criterion for these “quick look” reviews. The HUD Fort Worth Regional Office was responsible for reviewing 21 of the

¹⁴HUD San Antonio Field Office officials informed us in August 2010 that one recipient agency (Georgetown Housing Authority) will be returning its competitive grant to HUD.

agencies, and the HUD San Antonio Field Office was responsible for reviewing 4 agencies. The San Antonio Field Office reported that each of the 4 agencies it reviewed was on track. After conducting initial reviews in May and June 2010 and applicable follow-up reviews in June, July, and August 2010, the Fort Worth Regional Office reported that 16 of the 21 agencies it reviewed were on track, whereas the other 5 had not provided required documentation. In August 2010, Fort Worth Regional Office officials told us that efforts to obtain the required documentation were continuing. The officials also commented that, to date, there were no deficiencies requiring HUD to deobligate or recapture funds from any of the public housing agencies. In reference to the overall assessment for each of the 25 public housing agencies, we analyzed the standardized quick look checklists completed by HUD staff who conducted the respective assessment. We found that each quick look checklist reflected a record of supervisory review.

HUD Fort Worth Regional Office and San Antonio Field Office officials acknowledged that Recovery Act responsibilities presented capacity challenges to their respective office in having to manage these responsibilities concurrently with maintaining oversight of the regular Capital Fund and other HUD programs. However, the officials noted that their offices met these challenges by setting priorities and adjusting resource allocations to meet changing circumstances. For example, HUD Fort Worth officials explained that select teams are usually responsible for specific housing programs, such as the regular Capital Fund program, but that all housing staff were assigned some responsibility for Recovery Act activities. Both offices reported that all of the public housing agencies under their respective jurisdiction met the June 2010 deadline for obligating fiscal year 2008 regular Capital Fund grants.

Various Impacts Attributed to Recovery Act Funding for Public Housing

HUD and public housing agency officials cited a variety of impacts resulting from Recovery Act funding. Attributed impacts ranged from energy-efficiency enhancements and other property upgrades benefiting numerous residents to improvements in the ability of both HUD and housing agencies to manage Public Housing Capital Fund grants.

HUD Fort Worth Regional Office officials anticipate that an impact of Recovery Act funding will be a reduction in energy consumption. The officials elaborated that public housing agencies have been able to, for example, purchase energy efficient appliances; install new cooling systems, windows, and doors; and replace roofs. As such, the officials anticipate that the cost of utilities will decrease significantly.

HUD San Antonio Field Office officials commented that a significant aspect of Recovery Act funding is the size of the grant amounts, which are approximately 1.5 times the Capital Fund amounts usually received by public housing agencies on an annual basis. In providing further perspective, the officials noted that public housing agencies still received a regular Capital Fund grant in 2009—in addition to Recovery Act funding—and, collectively, these amounts constituted about 2.5 times the normal Capital Fund allocation for 2009. Thus, the officials characterized the Recovery Act grants as a “major infusion of funds” that provided “a welcome relief” for public housing agencies to address growing needs associated with the gradual obsolescence of properties, among other factors.

SAHA officials expressed a similar perspective. The officials said that Recovery Act funding enabled SAHA to immediately address some deferred maintenance needs that otherwise might not have been addressed for years. Thus, according to SAHA officials, a significant result expected is an improved quality of life for hundreds of public housing residents. Specifically, the officials explained that SAHA is using nearly \$20 million in Recovery Act funding to make capital improvements at 37 of the agency’s 70 public housing properties—improvements that will benefit residents of the 2,634 units at the 37 properties.¹⁵ For example, the officials noted that improvements to properties serving the elderly and/or persons with disabilities include upgrading elevator, security, and fire alarm systems; installing energy-efficient heating, ventilating, and air conditioning systems; and modernizing common areas to encourage socialization among residents.

More broadly, officials at the HUD San Antonio Field Office—which oversees 88 public housing agencies (including SAHA)—said Recovery Act funding is being used to renovate 188 of the 223 public housing properties that are under the office’s jurisdiction. The officials noted that capital improvements at the 188 properties will benefit residents of 16,568 units, which constitute 76 percent of the 21,659 total units under the office’s jurisdiction.

Another impact of Recovery Act funding cited by HUD San Antonio Field Office officials is improvement in the ability of both HUD and housing

¹⁵According to SAHA officials, the 2,634 units benefiting from Recovery Act funding constitute 42 percent of the agency’s total public housing inventory of 6,273 units.

agencies to manage Public Housing Capital Fund grants. The officials explained, for example, that Recovery Act implementation necessitated cross-training of HUD staff, which makes the staff more effective and provides the office with more flexibility in future work assignments. Also, the officials noted that Recovery Act implementation, particularly oversight assistance and monitoring responsibilities, created many new opportunities for HUD field office staff to interact with public housing agencies. The officials elaborated that these interactions have included individual telephone calls, weekly conference calls, frequent e-mail bulletins, and training sessions. Further, in implementing the Recovery Act, the officials noted that the field office has conducted reviews (either a remote review or an on-site review) of all 88 public housing agencies under its jurisdiction—whereas, previously, some of the agencies had not been reviewed in years.

The numerous interactions and reviews stemming from Recovery Act implementation, according to HUD San Antonio Field Office officials, have resulted in better-performing public housing agencies. Consequently, the HUD officials said that potential risks associated with administering the Public Housing Capital Fund Program in the future probably have been significantly reduced. In sum, while acknowledging some negative aspects of Recovery Act implementation—such as additional strains on workloads and complaints about reporting mandates—the HUD officials’ overall observations were positive.

**Number of Jobs Reported
by SAHA as Funded with
Recovery Act Dollars**

The Recovery Act and related Office of Management and Budget guidance require recipients of Recovery Act funds to periodically report an estimated number of jobs funded with Recovery Act dollars. As mentioned previously, HUD awarded SAHA a Public Housing Capital Fund formula grant (\$14.6 million) and nine Public Housing Capital Fund competitive grants (totaling \$5.3 million) under the Recovery Act. Regarding the number of jobs funded with Recovery Act dollars for the most recent quarter (April to June 2010), SAHA reported (to FederalReporting.gov) about 55 full-time equivalents (FTE) for the formula grant and about 6

FTEs for the competitive grants.¹⁶ For the prior quarter (January to March 2010), SAHA reported about 29 FTEs for its formula grant—and no FTEs for its competitive grants because contract awards were not made until late March 2010, according to SAHA officials.¹⁷ For both quarters, a SAHA procurement official stated that more than 90 percent of the jobs reported as funded by Recovery Act dollars were contractor employees working on modernization improvements at SAHA properties. The official explained that the other Recovery Act-funded jobs reported were SAHA employees, such as project managers and inspectors.

SAHA officials said they used OMB and HUD guidance to determine how to calculate FTEs and that this methodology remained the same since the October to December 2009 reporting period. To help ensure accuracy in job reporting, the SAHA officials noted that the agency requires its contractors to use a standardized template for submitting hours worked on Recovery Act projects each quarter. Regarding FTEs reported for SAHA employees, a SAHA official stated that agency reporting is based on actual hours worked as recorded on timesheets.

¹⁶FTEs as of August 10, 2010. In January 2010, the Recovery Accountability and Transparency Board modified the process for correcting data in FederalReporting.gov by initiating a “continuous corrections” period. With a continuous corrections period, recipients can correct reported data for the immediately preceding quarter after that reporting quarter has ended and after the data are published on FederalReporting.gov. Since the continuous corrections process began, the Board has been refreshing the data on Recovery.gov approximately every 2 weeks to reflect these corrections.

¹⁷FTEs as of August 10, 2010.

Selected Entities in Texas Are Taking Steps to Implement Energy Efficiency and Conservation Block Grant Projects, but Much Additional Work Remains

As a result of the Recovery Act, Texas received approximately \$208.9 million in EECBG direct formula funding, which consists of \$163.3 million awarded by the U.S. Department of Energy (DOE) directly to cities, counties, and tribal communities in the state and \$45.6 million awarded to the State Energy Conservation Office (SECO). The purposes of the EECBG program are to assist eligible communities in creating and implementing strategies to reduce fossil fuel emissions and total energy use and to improve energy efficiency in the building, transportation, and other appropriate sectors. In Texas, we selected four recipients of EECBG funding to review—three cities that received direct awards from DOE, plus the state agency (SECO) that plans to allocate the majority of its funding to cities and counties in Texas ineligible for direct grants from DOE (see table 1).¹⁸

Table 1: Recovery Act EECBG Funding and Types and Number of Projects by Four Recipients in Texas

EECBG recipient	Grant amount and percentage obligated and spent			Types of project	Number of projects funded
	Amount	Obligated ^a	Spent ^a		
City of Austin	\$7,492,700	81%	2%	Energy efficiency retrofits	2
				Lighting	2
				Buildings and facilities	1
				Onsite renewable technology	1
City of Bryan	\$695,100	100%	3%	Energy efficiency retrofits	1
City of Round Rock	\$955,400	15%	6%	Energy efficiency retrofits	3
				Lighting	1
				Onsite renewable technology	1
				Technical consultant services	1
State Energy Conservation Office (SECO)	\$45,638,100	89%	2%	Building audit and/or retrofit	962
				Renewable energy	58
				Traffic signals and/or street lights	41

Sources: U.S. Department of Energy, City of Austin, City of Bryan, City of Round Rock, and State Energy Conservation Office.

^aCity of Austin percentages are as of July 31, 2010; City of Bryan percentages are as of August 11, 2010; City of Round Rock percentages are as of August 10, 2010; and SECO percentages are as of August 19, 2010.

¹⁸Cities are ineligible for direct EECBG funding from DOE if the city population is less than 35,000 and if it is not one of the 10 highest populated cities in the state. Counties are ineligible for direct EECBG funding from DOE if the county population is less than 200,000 and if it is not one of the 10 highest populated counties in the state.

Grant Recipients Completed the Project Selection Process; Three of the Four Recipients Obligated Most of Their Grant Funds, but Spending Is Just Beginning

The four EECBG recipients we reviewed selected projects to fund based, for example, on estimated energy savings. Three of the recipients each reported obligating more than 80 percent of their respective grant funds as of late summer 2010, but none of the four recipients reported spending more than 6 percent of their funds (see table 1). Under DOE guidance, EECBG recipients have 18 months from the effective date of the grant award to obligate the funds and 36 months to spend funds.

Austin Energy, which oversees the City of Austin's \$7.5 million in EECBG funding, reported that the city's EECBG funding is allocated to six separate projects.¹⁹ The projects include an energy efficiency retrofit of a building that houses first responders, two lighting retrofits at city hall and parking and other facilities, installation of programmable thermostats with two-way communication at multiple city facilities, weatherization and duct sealing at fire and emergency medical service stations and park facilities, and the installation of biogas generation equipment²⁰ at the Hornsby Bend Biosolids Management Plant. Austin Energy officials said they did not document specific criteria for grading and selecting potential projects but generally chose projects that were ready to proceed to construction and would provide long-term value in terms of energy efficiency. As of July 31, 2010, Austin Energy reported that 81 percent of its EECBG funding was obligated and approximately 2 percent of total EECBG funds had been spent.

Engineering officials in Bryan reported that the city's \$695,100 in EECBG funding is allocated toward an energy efficiency building retrofit. The building, which formerly housed the police department, is to be retrofitted with new energy efficiency windows; new roof; new heating, ventilation, and air conditioning (HVAC) system; low-flow toilets and showerheads; and energy efficient lighting. City of Bryan officials said they considered another project, traffic signal replacements, but selected the building retrofit because the building would be used for at least another 20 to 30 years and they believed this maximized the use of funds and provided a long-term solution for the building. As of August 11, 2010, Bryan officials

¹⁹According to its Web site, Austin Energy (owned by the City of Austin) is the nation's ninth largest community-owned electric utility and serves approximately 388,000 customers within the City of Austin, Travis County, and a small portion of Williamson County.

²⁰Biogas generation equipment captures methane gas, a byproduct of the sludge treatment process, and uses it as a renewable energy source that ultimately will be used to generate electricity.

reported that 100 percent of EECBG funding was obligated and approximately 3 percent of total EECBG funds had been spent.

The City of Round Rock, which received \$955,400 in EECBG funding, plans to use the grant for multiple projects—lighting and HVAC retrofits at various city facilities, such as the library, water treatment plant, and fire stations; solar panel installation on the city hall parking garage; and the services of an energy management consultant to develop the city's strategy for spending the EECBG funding.²¹ Round Rock officials reported that they worked with the energy management consultant to prioritize and select potential projects based on estimated annual energy savings and total investment costs. As of August 10, 2010, Round Rock officials reported that about 15 percent of EECBG funding was obligated and approximately 6 percent of total EECBG funds had been spent.

SECO, which received \$45.6 million in EECBG funding from DOE, plans to allocate the majority of the funding to subrecipients—that is, cities and counties in Texas ineligible for direct grants from DOE.²² SECO officials said their approach was to spread funding out to smaller communities to foster awareness of energy efficiency, greenhouse gas reduction, and sustainability in those communities. SECO said that 1,061 cities and counties in Texas would receive EECBG funding, with an average grant of \$39,000. As of August 19, 2010, SECO reported that about 89 percent of its \$45.6 million EECBG funding was obligated, mainly through contracts with local entities.²³ Also, SECO reported that about 2 percent of the EECBG funds had been spent as of August 19, 2010.

²¹ A unit of local government may not use more than 20 percent of its EECBG funding or \$250,000, whichever is greater, for the provision of subgrants to nongovernmental organizations for the purpose of assisting in the implementation of the energy efficiency and conservation strategy of the applicant.

²² As noted previously, cities and counties with populations below the specified threshold are ineligible for direct EECBG funding from DOE. However, SECO plans to allocate much of its \$45.6 million in EECBG funding to support projects in each of 1,061 of these less populous communities. Also, SECO plans to retain a portion of the \$45.6 million in EECBG funding to pay for administrative costs. States may not use more than 10 percent of awarded EECBG funds for administrative expenses.

²³ SECO officials noted that calculation of the 89 percent obligation figure includes administrative funds retained by SECO.

EECBG Recipients Developed Plans to Monitor the Use of Recovery Act Funding

As part of their overall EECBG program implementation strategy, recipients described the methods they plan to use for monitoring Recovery Act funding. For example, the cities of Austin and Bryan both reported that site inspections by the respective city's EECBG project managers would be conducted to monitor construction. The City of Bryan's EECBG monitoring strategy document states that site inspections are to be performed by the city to ensure that submitted and installed materials and components are the same and do not indicate points of origin other than what is required contractually and in accordance with Buy American requirements. Round Rock officials also reported plans to inspect and verify materials, comparing the description and model number from the contract with the actual equipment installed.

SECO officials said that the very large number of subrecipients receiving EECBG funding from SECO—1,061 cities and counties throughout Texas—present management and monitoring challenges. The officials reported that SECO plans to select a contractor to monitor the subrecipients receiving the EECBG funding through site visits and/or desk reviews of the subrecipient entities.²⁴ The SECO officials added that some of these entities may not have received any federal awards previously, which could create an increased need for on-site visits and more frequent communication from SECO.

EECBG Recipients Plan to Measure Energy Savings

According to DOE guidance, EECBG recipients are required to report quarterly to DOE on several categories of activity and results metrics. Included in these categories are critical metrics, such as energy savings and associated cost savings. The guidance notes that DOE prefers that recipients utilize their own methodology for determining and reporting critical metrics—although DOE has developed a tool to help recipients estimate metrics if using their own methodology proves difficult. The DOE tool, a benefits calculator, is designed to provide high-level estimates of energy savings and resulting energy emissions reductions. The benefits calculator requires multiple inputs, such as the zip code where the project is implemented and whether the project sector is commercial or residential. DOE indicated that the outputs from the benefits calculator

²⁴On September 1, 2010, SECO officials informed us that a contractor had been selected and that SECO expected to have a contract executed and the firm on board by mid- to late September.

should be used for reporting to DOE only if site-specific estimates are not available.

The four EECBG recipients we visited said they plan to use a variety of approaches to measure energy savings resulting from their EECBG projects. For example, Austin Energy officials reported that they plan to measure energy savings by using the company's database that tracks utility costs and usage. This information enables them to measure actual cost and energy savings as a result of the EECBG activities by comparing energy use information for periods before and after project completion. Also, the officials said they plan to normalize the savings to account for differences in weather and occupancy.

Bryan officials said after they chose the building retrofit project and in advance of the renovations, they conducted an energy audit of the building by looking at historic utility bills. The officials also plan to monitor energy consumption after construction completion to obtain data on energy savings. The officials noted, however, they were concerned that pre- and postconstruction energy audits would not accurately reflect actual energy savings because the use of the building is changing.

According to Round Rock officials, they plan to work with their energy management consultant to establish a baseline estimate of energy used before and after installation of HVAC, lighting, and other retrofits and also plan to analyze utility bills to identify energy and cost savings. Round Rock officials were familiar with the DOE benefits calculator; however, they noted that in some instances the DOE benefits calculator provided a different, reduced amount of energy savings than their energy savings estimates. For example, Round Rock reported obtaining estimates from both the local electricity provider and the DOE calculator for one of Round Rock's energy efficiency retrofit projects to consolidate computer servers. According to officials, the local electricity provider's estimates for energy savings were higher than DOE's estimates. Round Rock officials noted that they plan to contact DOE for guidance on which analysis of energy savings should be reported.

According to SECO officials, their office created a SECO Stimulus Recipient Reporting Tool for use by EECBG subrecipients. The tool contains DOE metrics based on each EECBG activity and metrics developed by SECO to track awards. Subrecipients are required to report to SECO monthly. According to SECO officials, several subrecipients performed energy audits before beginning EECBG activities. The officials added that if subrecipients report energy savings that are not consistent

with energy audits or seem excessive, a site visit may be triggered to verify outcomes.

Selected EECBG Recipients Reported Few Jobs Created or Saved

For each of the four EECBG recipients that we visited (three cities and SECO), we reviewed the number of jobs reported as created or saved with Recovery Act dollars. Only two of these recipients (the City of Round Rock and SECO) reported jobs for the most recent quarter (April to June 2010). Round Rock officials reported less than one FTE, and SECO officials reported approximately eight FTEs.²⁵ Bryan officials said they reported no FTEs because the city awarded its contract on June 8, 2010, and the contractor did not begin work until July 6, 2010. Both Austin and Bryan officials said they anticipate FTEs will be reported for the next quarter.

In general, the four EECBG recipients reported using (or plans for using) similar methods for calculating FTEs and ensuring the reliability of FTE data reported. That is, the four recipients either used or plan to use OMB guidance (dated December 18, 2009) to calculate FTEs, and no recipient officials said they experienced or anticipate experiencing issues with collecting, calculating, or reporting FTEs. Recipient officials said they plan to take steps to ensure the reliability of FTEs reported, such as reviewing certified payrolls to confirm total hours worked, checking invoices submitted by vendors, and verifying internal payroll records when an FTE is directly employed by the recipient.

Use and Impact of Recovery Act Funds by State of Texas and Local Governments

As of August 1, 2010, Texas state entities reported spending approximately \$12.2 billion of the approximately \$19.8 billion in awarded Recovery Act funds.²⁶ At the local government level, city officials in Austin and Round Rock reported that while Recovery Act funds have been helpful in furthering specific efforts, such as energy efficiency and rehabilitation of homes, the funds have had a limited overall impact on their ability to address ongoing fiscal challenges.

²⁵FTEs as of August 10, 2010.

²⁶The term “state entities” refers to state agencies and public institutions of higher education.

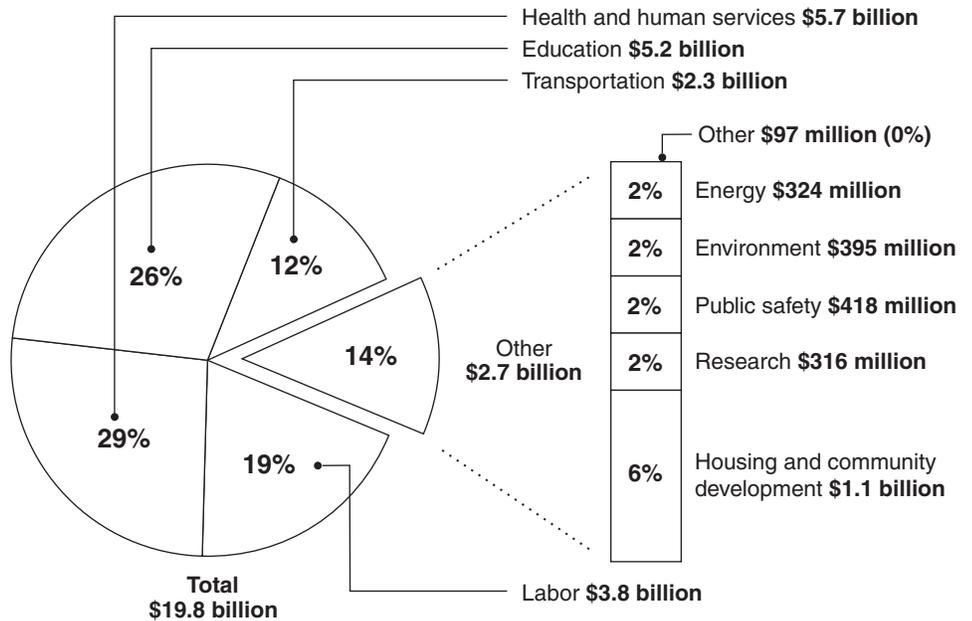
State of Texas Continues
to Use Recovery Act Funds

According to the State Comptroller's Office, approximately \$19.8 billion in Recovery Act funds have been awarded to Texas state entities, as of August 1, 2010. This amount represents an increase of approximately \$2.3 billion from the \$17.5 billion total presented in our previous report.²⁷ The \$2.3 billion increase in Recovery Act funding is concentrated in Texas's Medicaid program. The State Comptroller's Office reported that Recovery Act funding for the Medicaid program in Texas increased approximately 40 percent from \$3.5 billion in March 2010 to slightly more than \$5 billion by August 2010. The State Comptroller's Office classifies Recovery Act funding into 10 categories.²⁸ As figure 1 indicates, four categories—Health and Human Services, Education, Transportation, and Labor—account for 86 percent of Recovery Act funding awarded to Texas state entities.

²⁷Our May 2010 report ([GAO-10-605SP](#)) presented Recovery Act funding data as of March 28, 2010, for Texas.

²⁸The funding categories are based on the Catalogue of Federal Domestic Assistance, a governmentwide compendium of federal programs, projects, services, and activities that provide assistance or benefits to the American public.

Figure 1: Recovery Act Funding Awarded to Texas State Entities by Category (as of Aug. 1, 2010)



Source: State Comptroller's Office.

Note: The detailed funding amounts do not add to total due to rounding.

As of August 1, 2010, according to the State Comptroller's Office, Texas state entities had spent a majority—approximately \$12.2 billion or about 62 percent—of their awarded \$19.8 billion Recovery Act funds.²⁹ This spend-out percentage is an increase from the 48 percent as of March 28, 2010, reported by the State Comptroller's Office. Similarly, the broader perspective in table 2 shows that spend-out rates of Recovery Act funds in Texas increased from March to August 2010 for many major programs.

²⁹The State Comptroller's Office considers funds to be spent when they have been expended or transferred to another state agency and calculates the amount on a cash basis.

Table 2: Spend-Out Percentages of Recovery Act Funds in Selected Programs, as of March and August 2010

Program	Spend-out percentages as of: ^a	
	March 28, 2010	August 1, 2010
Highway Infrastructure Investment Program	20	34
State Fiscal Stabilization Fund Education Stabilization Funds	31	59
Housing Tax Credit Exchange Program	1	12
Clean Water and Drinking Water State Revolving Funds	Less than 1	24
Weatherization Assistance Program	5	16
Energy Efficiency and Conservation Block Grant (EECBG)	Less than 1	2
State Energy Program	Less than 1	Less than 1
Edward Byrne Memorial Justice Assistance grants (JAG)	7	41

Source: State Comptroller's Office.

Note: For our May 2010 report ([GAO-10-605SP](#)), we selected nine programs that accounted for approximately three-quarters of Recovery Act funding awarded to Texas state entities. Table 2 provides updated information on seven of these nine programs as well as the Energy Efficiency and Conservation Block Grant (EECBG) awarded to Texas state entities. We added information about EECBG because this program is assessed in this report. We did not report updated information on two programs, Medicaid and Unemployment Insurance. The Governor's Office staff described these two programs as entitlement programs, noting that entitlement program funds increase or decrease with demand.

^aThe spend-out percentage indicates the portion of awarded Recovery Act funding that has been spent.

Key Texas officials provided various perspectives regarding the impact Recovery Act funding may have had on the state's 2010-2011 biennial budget. Texas is midway through its current 2-year budget cycle (formally called the 2010-2011 biennium), which began in September 2009 and runs through August 2011. As discussed in our July 2009 report³⁰ and our September 2009 report,³¹ staff from the state's Legislative Budget Board (LBB)—as well as staff representing various offices in the Texas legislature—commented that Recovery Act funding helped to support programs in the state.³² One direct impact is that state entities received

³⁰GAO, *Recovery Act: States' and Localities' Current and Planned Uses of Funds While Facing Fiscal Stresses (Appendixes)*, [GAO-09-830SP](#) (Washington, D.C.: July 8, 2009).

³¹GAO, *Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Addressed (Appendixes)*, [GAO-09-1017SP](#) (Washington, D.C.: Sept. 23, 2009).

³²For our previous reports, we interviewed staff representing various offices in the Texas legislature—the Speaker of the House of Representatives, the Lieutenant Governor, the House Select Committee on Federal Economic Stabilization Funding, and the Senate Finance Committee.

increased federal funds. Regarding education, for example, LBB staff estimated that the Recovery Act's State Fiscal Stabilization Fund provided Texas with increased federal funds of more than \$3.5 billion for textbooks, public schools, and higher education. Also, under the Recovery Act, the state legislature anticipated that the federal government would reimburse Texas for 68.3 percent of the state's expenditures for Medicaid services for the 2010 federal fiscal year.³³ However, the actual reimbursement rate proved to be higher, at 70.9 percent, which resulted in additional funding for the Medicaid program in Texas, according to Texas officials.³⁴

As an overview perspective, the LBB Director commented that Recovery Act funds helped the Texas legislature balance the 2010-2011 budget within available revenue. The director explained that, in January 2009, the Texas legislature was considering a general appropriations bill (for the 2010-2011 biennium) wherein general revenue spending would have exceeded the amount of revenue the State Comptroller estimated was available.³⁵ According to the director, passage of the Recovery Act in February 2009 allowed Texas to use Recovery Act funds to cover certain costs that otherwise would have been covered by general revenue. A similar perspective is presented in a July 2009 report by the research organization for the Texas House of Representatives. Specifically, in reference to the general appropriations bill for 2010-2011, the research organization reported that \$6.4 billion in Recovery Act funds were "substituted for state general revenue funds."³⁶ Also, the Texas legislature's

³³Texas Legislature, *Conference Committee Report for S.B. No. 1 General Appropriations Bill, 81st Leg. Sess.* (Austin, Tex.: May 26, 2009), at XII-20.

³⁴The federal government matches state expenditures for Medicaid services based on a formula known as the federal medical assistance percentage (FMAP). The Recovery Act initially provided eligible states with an increased FMAP for 27 months from October 1, 2008, to December 31, 2010. Recovery Act, div. B, title V, § 5001, Pub. L. No. 111-5, 123 Stat. at 496. On August 10, 2010, federal legislation was enacted amending the Recovery Act and providing for an extension of increased FMAP funding through June 30, 2011, but at a lower level. See Pub. L. No. 111-226, § 201, 124 Stat. 2389 (Aug. 10, 2010).

³⁵The State Comptroller is responsible for providing the state legislature with a revenue estimate to ensure general-purpose spending does not exceed anticipated funds available for general-purpose spending.

³⁶Texas House of Representatives, House Research Organization, *Texas Budget Highlights: Fiscal 2010-2011*, State Finance Report No. 81-4 (Austin, Tex.: July 13, 2009). The House Research Organization is an independent administrative department of the Texas House of Representatives and is governed by a steering committee of 15 House members elected by the House membership to set policy for the organization, approve its budget, and ensure that its reports are objective.

May 2009 conference committee report on the state's general appropriations act for the 2010-2011 biennium makes references to these Recovery Act funds.³⁷ Moreover, an analysis presented in March 2010 by LBB staff to the Texas legislature's House Committee on Ways and Means and the House Committee on Appropriations indicated that Recovery Act funds replaced more than \$6 billion in general revenue in the state's 2010-2011 budget.³⁸ In sum, the LBB analysis and other documentation indicated that the availability of Recovery Act funding allowed Texas to cover certain costs with Recovery Act funds in place of the state's general revenue—and, thus, enabled Texas to balance its budget at a higher level than would have been possible otherwise.

When discussing the Recovery Act's impact on the state's budget, the Governor's staff said that Recovery Act funds did not affect Texas's efforts to balance its budget in reference to the state's constitutional requirement, although the staff said that the funds could be viewed as helping the state to balance the budget at a higher level. The Governor's staff emphasized that the Texas constitution requires a balanced budget. In this regard, the staff pointed out that Texas has achieved a balanced budget for the 2010-2011 biennium, and the staff particularly noted the State Comptroller has certified that sufficient funding exists to support the budget for the 2010-2011 biennium. Consequently, the Governor's staff concluded that the balanced budget requirement was met irrespective of the Recovery Act.³⁹

In preparing for the end of Recovery Act funding, Texas officials continue to emphasize the Governor's and the state legislature's guidance to avoid using Recovery Act funds for ongoing expenses. In a 2009 proclamation, the Governor stated that "state agencies and organizations receiving

³⁷Texas Legislature, *Conference Committee Report for S.B. No. 1 General Appropriations Bill, 81st Leg. Sess.* (Austin, Tex.: May 26, 2009), at XII-1, XII-2, XII-3, XII-4, and XII-14.

³⁸Although entitled "Budget/Revenue Outlook for 2012-2013 Biennium," the analytical presentation also includes general revenue data for the 2010-2011 biennium and is publicly available at [www.lbb.state.tx.us/Notice/Budget Revenue_Outlook_2012-13_0310.pdf](http://www.lbb.state.tx.us/Notice/Budget_Revenue_Outlook_2012-13_0310.pdf).

³⁹In commenting on a draft of this appendix, a senior official representing the Office of the Governor explained that at the time the Recovery Act was passed in February 2009, the Texas legislature was in the process of adopting the state's 2010-2011 biennial budget, which subsequently was signed into law in June 2009. The senior official commented that because the Recovery Act was passed in the middle of the state's budget-adoption process, it is not possible to say with any certainty how the state's general revenue would have been appropriated in the absence of the Recovery Act. Also, the senior official commented that Recovery Act funds represent only a small portion of Texas's \$182 billion biennial budget.

[Recovery Act] funds should not expect them to be renewed by the state in the next biennium.”⁴⁰ Similarly, the state legislature’s conference committee report on the general appropriations act specified that any state employee position funded by the Recovery Act should be eliminated once the agency exhausts Recovery Act funds for the position.⁴¹ We asked state officials about budget assessments their offices may have done analyzing the end of Recovery Act funding. As referenced above, in March 2010, LBB staff prepared a budget and revenue outlook for the 2012-2013 biennium for the Texas legislature’s House Committee on Ways and Means and the House Committee on Appropriations. The analysis indicated Texas could face a \$10 billion shortfall for the 2012-2013 biennium. Also, the LBB staff noted that approximately \$6 billion of the estimated shortfall can be attributed to the end of Recovery Act funding. The staff explained, for example, that Recovery Act funds reduced the amount of general revenue needed in the current biennium (2010-2011) to support certain programs, particularly education and Medicaid.

In commenting on a draft of this appendix, the Governor’s staff emphasized that under Texas’s constitution the State Comptroller’s Office has the sole responsibility for preparing the official revenue estimate, which is used to certify the biennial budget. The Governor’s staff pointed out that the State Comptroller’s revenue estimate for the 2012-2013 biennium is anticipated to be submitted some time in January 2011, and the state legislature’s passage of an appropriations bill for the biennium is expected in spring 2011. Thus, because the State Comptroller’s Office has yet to submit a revenue estimate for the 2012-2013 biennium and the legislature has not passed an appropriations bill, the Governor’s staff characterized the LBB lookout as speculative and misleading. Further, the Governor’s staff emphasized that Texas has a history—long predating the Recovery Act—of setting priorities and cutting spending to achieve a balanced budget. We reviewed statistics comparing spending and revenue in Texas with other states. For example, according to U.S. Census Bureau statistics, Texas’s per capita state government spending is the lowest among all 50 states; and, consequently, state tax revenue is a lower share of personal income in Texas than in most other states.

⁴⁰Proclamation by the Governor of the State of Texas Concerning the General Appropriations Act (June 19, 2009).

⁴¹Texas Legislature, *Conference Committee Report for S.B. No. 1 General Appropriations Bill, 81st Leg. Sess.* (Austin, Tex.: May 26, 2009), at XII-9, § 8.

Texas is taking various actions to address potential fiscal challenges. In January 2010, the Governor, the Lieutenant Governor, and the Speaker of the House of Representatives requested state agencies identify savings for the remainder of the 2010-2011 biennium.⁴² More recently, in preparing for the next biennium, the Speaker of the Texas House of Representatives created (by proclamation on January 12, 2010) the House Select Committee on Fiscal Stability. The Select Committee is charged with assessing the state's ability to meet its current and future budget obligations and determining whether the past and anticipated budget shortfalls are due primarily to the current economic recession or a more systemic problem. The proclamation directs the Select Committee to file a report no later than December 1, 2010.

In recent months, several indicators point to an improving fiscal outlook for Texas. For instance, LBB staff said that sales tax collections have been increasing in recent months. Specifically, the staff noted that for 3 consecutive months (April through June 2010), the State Comptroller's Office reported that state sales tax collections exceeded the amounts collected in 2009 for this 3-month period.⁴³ Also, the Federal Reserve Bank of Dallas recently reported the likelihood that "the Texas economy should pick up steam in 2010 and beyond."⁴⁴ The bank's assessment noted improving home sales; increased demand for energy; and increases in the state's exports, especially to Canada and Mexico. Further, Texas continues to have access to a sizable reserve fund.⁴⁵ Oil and gas production taxes continue to be an important source of revenue for this rainy day fund. The State Comptroller's Office reported in an August 2009 presentation to the Texas House Select Committee on Federal Economic Stabilization Funding that the current fund balance was \$6.7 billion. Texas officials noted that Texas has not used its reserve fund in the 2010-2011 biennium.⁴⁶

⁴²The specific request was to identify savings totaling 5 percent of the general revenue and general revenue-dedicated appropriations for the 2010-2011 biennium.

⁴³The reported data represent state sales tax net collections deposited to general revenue.

⁴⁴Federal Reserve Bank of Dallas, "Texas Economy Shakes Off Rough Ride in 2009," in *Southwest Economy* (First Quarter 2010), at page 3.

⁴⁵The state's economic stabilization fund is commonly referred to as the "rainy day fund." According to the State Comptroller's Office, the state is required to transfer into the rainy day fund one-half of any surplus general revenue in the biennium budget and 75 percent of any oil and natural gas production taxes exceeding 1987 levels.

⁴⁶According to Texas officials, appropriating funds from the rainy day fund would require a supermajority vote in the state legislature.

Instead, the State Comptroller's Office anticipates transferring additional money into the rainy day fund, resulting in a fund balance forecast to be \$8.156 billion at the end of the 2010-2011 biennium.

Texas Local Governments' Use of Recovery Act Funds

We assessed the use of Recovery Act funding for two local governments in Texas, the cities of Austin and Round Rock. We had previously reported on the City of Austin's use of Recovery Act funds for our May 2010 report ([GAO-10-605SP](#)). Table 3 provides information about the two localities and identifies their five largest Recovery Act awards. Officials in both cities we visited cited various positive effects that Recovery Act funds are expected to have on their communities. Austin officials noted that many of the projects funded through the Recovery Act, such as Community Development Block Grant funding for the construction of several buildings for nonprofits, would not have occurred without Recovery Act funding. Officials in Round Rock discussed the Energy Efficiency and Conservation Block Grant (EECBG) the city received from the U.S. Department of Energy. They said the grant will be used for energy efficiency retrofits to replace older and less efficient equipment, resulting in reduced maintenance and utilities costs. In addition, since our May 2010 report, the City of Austin reported that it was awarded a competitive EECBG from the Department of Energy. Austin city officials said they are coordinating with the City of San Antonio, which also received competitive EECBG funds, and plan to use the funding for a retrofit ramp-up program, which may include financing mechanisms for energy efficiency home improvements.

Table 3: Use of Recovery Act Funds by Two City Governments in Texas

Locality information		Five largest Recovery Act awards	
Austin	Locality type	City	• Clean Water State Revolving Fund—\$31.8 million
	Population	786,382	• Energy Efficiency and Conservation Block Grant—competitive grant—\$10 million
	Unemployment rate	6.9%	• Energy Efficiency and Conservation Block Grant—formula grant—\$7.5 million
	Operating budget	\$614.9 million	• Communities Putting Prevention to Work—\$7.5 million
	Total Recovery Act funding awarded	\$81.7 million	• Weatherization Assistance Program—\$5.8 million
Round Rock	Locality type	City	• Transit Capital Assistance Grant—\$2.0 million
	Population	105,412	• Energy Efficiency and Conservation Block Grant—formula grant—\$955,400
	Unemployment rate	6.7%	• Edward Byrne Memorial Justice Assistance Grant ^a —\$384,587
	Operating budget	\$84.0 million	• Community Development Block Grant—\$108,742
	Total Recovery Act funding awarded	\$3.5 million	• Edward Byrne Memorial Justice Assistance Grant ^a —\$54,825

Sources: U.S. Census Bureau, U. S. Department of Labor, City of Austin, and City of Round Rock.

Note: Population data are from the latest available estimate, July 1, 2009. Unemployment rates are preliminary estimates for June 2010 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

^aRound Rock received two Recovery Act Edward Byrne Memorial Justice Assistance Grants. Specifically, the first grant for \$384,587 represents a subgrant passed from the Texas Governor’s Criminal Justice Division and the second grant for \$54,825 is an allocation received directly from the U.S. Department of Justice, Bureau of Justice Assistance.

Consistent with perspectives presented in our May 2010 report, officials in the two cities commented that Recovery Act funds have had a limited overall budgetary impact but have been helpful in furthering specific efforts. Austin officials told us they did not use Recovery Act funds to help balance the city budget. Similarly, Round Rock officials reported Recovery Act funds have had “a nominal effect” on the city’s fiscal stability, noting that while energy efficiency retrofits may reduce utility costs, the city faces increased maintenance costs for a new transit facility funded by a Recovery Act grant.⁴⁷ Officials in the two cities explained that they are using Recovery Act funds for capital projects, equipment purchases, and one-time programs. Austin officials estimated that 98 percent of Recovery

⁴⁷Round Rock is using a Federal Transit Capital Assistance Grant to fund a transit facility to connect downtown Round Rock to a bus network in north Austin.

Act funds are being used for one-time programs or efforts.⁴⁸ Round Rock officials identified rehabilitation of homes (for low- to moderate-income families) funded by a Community Development Block Grant as an example of a one-time cost. Consequently, officials in both cities said they anticipate no significant impacts when Recovery Act funds are phased out.

The two cities continue to take other actions to address fiscal challenges they are facing. For Austin's next fiscal year, which begins October 1, 2010, city officials reported that the city is facing a projected budget gap of approximately \$11 million to \$28 million. To put this in perspective, Austin's annual operating budget for fiscal year 2009-2010 was a little more than \$600 million; consequently, the projected budget gap is approximately 2 to 5 percent of the city's annual operating budget. Austin officials noted that city employees have received no pay increases since December 2008, and the city is "scrubbing" department budgets for cost savings. Similarly, according to Round Rock officials, the operating budget of each department of the city's government was reduced 3 percent for the current fiscal year compared to the previous year's budget.⁴⁹ In addition, Round Rock officials noted that city employees were given time off instead of pay increases for the current fiscal year. Going forward, Round Rock officials identified the city's heavy reliance on sales tax revenue and the city's rapid population growth as two challenges. Sales tax revenue represents nearly half of Round Rock's general fund revenue. Round Rock officials noted sales tax revenue tends to be a less stable revenue source than property taxes. The U.S. Census Bureau has identified Round Rock as one of the nation's fastest growing cities, which puts substantial demands on city services and infrastructure. Looking ahead for Austin, city officials noted sales tax revenues have increased but commented that this increase largely has been offset by declines in other revenue, such as fees and charges for residential and commercial development.

⁴⁸Austin officials explained an exception is that the city is using an Edward Byrne Memorial Competitive Grant to fund a dozen 911 dispatchers for 2 years. The officials noted that, after 2 years, the city plans to evaluate this funding against other needs.

⁴⁹Round Rock's current fiscal year runs from October 1, 2009, through September 30, 2010.

State and Local Government Efforts in Ensuring Accountability of Recovery Act Funds in Texas

Texas state entities, particularly the State Auditor's Office (SAO), the Governor's Office, and the State Comptroller's Office, continue efforts to help ensure that Recovery Act funds are used appropriately. These efforts include conducting audits and tightening controls to help ensure only eligible recipients receive Recovery Act payments. Also, local government audit offices or other responsible officials in the five cities we contacted—Austin, Bryan, Dallas, Houston, and Round Rock—have similar efforts underway or planned. Many of the oversight activities we described in our May 2010 report continue, so we focused on providing updated information on these activities.

State Auditor's Office Continues to Further Accountability Efforts through Performance Audits and the Single Audit; the Governor's Office and the State Comptroller's Office Continue to Have Important Roles

In July 2010, SAO completed a Recovery Act-related performance audit report—based on a review of jobs and expenditure reporting for programs under the Workforce Investment Act of 1998 (WIA).⁵⁰ SAO found that the two local workforce development boards it reviewed had incorrectly calculated the number of jobs created and retained with Recovery Act funds. For example, SAO found that the Capital Area Workforce Development Board significantly overreported the number of jobs (full-time equivalents) by more than 400 percent for February through September 2009.⁵¹ SAO reported that the Texas Workforce Commission had provided timely and adequate guidance to the local boards on how to calculate the number of jobs created and retained using Recovery Act funds. However, SAO noted that the boards did not consistently follow the guidance and also noted that the Texas Workforce Commission's documented monitoring procedures did not include steps for validating the completeness and accuracy of the boards' self-reported information. To ensure accurate calculation and reporting of the number of jobs created and retained, SAO recommended that the Texas Workforce Commission document its processes for reviewing, collecting, and reporting these data and that the local boards continue to monitor

⁵⁰Texas State Auditor's Office, *American Recovery and Reinvestment Act Funds for Selected Programs at the Texas Workforce Commission*, SAO Report No. 10-037 (Austin, Tex.: July 2010). The scope of the audit included reviewing and analyzing data (covering February through December 2009) at the Texas Workforce Commission, two local boards (the Capital Area Workforce Development Board and the Lower Rio Grande Valley Workforce Development Board), and the local boards' contractors.

⁵¹Specifically, whereas the board reported 691 jobs created and retained, the SAO auditors calculated approximately 129 jobs. The auditors did note improvement by both of the local boards in calculating the number of jobs for the subsequent quarter (October through December 2009).

applicable guidance. SAO reported that the Texas Workforce Commission and the two local boards generally concurred with the findings and recommendations.⁵²

SAO has begun preliminary work for the next Single Audit report that will assess Texas's financial statements for fiscal year 2010, which ends August 31, 2010.⁵³ Single Audit is intended, among other objectives, to test compliance with program requirements for certain federal programs as well as ensure a fair presentation of financial statements. SAO officials expect that various Recovery Act programs will be selected for review. Recovery Act programs will likely receive heightened attention because, according to SAO officials, the majority of Texas's Recovery Act funding was appropriated for use during the state's 2010 and 2011 fiscal years. The Single Audit for the previous year, 2009, did assess programs receiving Recovery Act funding, but an SAO official indicated that more programs would be assessed for fiscal year 2010, as state entities use Recovery Act funds.

Our May 2010 report ([GAO-10-605SP](#)) noted that Texas completed the Single Audit for the previous year (Texas's 2009 fiscal year) in less time than the requisite 9 months, thereby providing early warnings of

⁵²One of the local boards, while acknowledging concurrence with SAO's recommendation, commented that the jobs-reporting guidance—initiated from the federal level to the state level and then to the local level—was subject to continuous change and was inconsistent, which creates problems that have been recognized as a national issue.

⁵³Single Audits are prepared to meet the requirements of the Single Audit Act, as amended, and provide a source of information on internal control and compliance findings and the underlying causes and risks. The Single Audit Act requires states, local governments, and nonprofit organizations expending \$500,000 or more in federal awards in a year to obtain an audit in accordance with the requirements set forth in the act. A Single Audit consists of (1) an audit and opinions on the fair presentation of the financial statements and the Schedule of Expenditures of Federal Awards; (2) gaining an understanding of and testing internal control over financial reporting and the entity's compliance with laws, regulations, and contract or grant provisions that have a direct and material effect on certain federal programs (i.e., the program requirements); and (3) an audit and an opinion on compliance with applicable program requirements for certain federal programs.

deficiencies in internal controls.⁵⁴ For example, the Single Audit for Texas's 2009 fiscal year identified a weakness in determining eligibility for three programs—Medicaid, Temporary Assistance for Needy Families, and the Supplemental Nutrition Assistance Program.⁵⁵ Under the Recovery Act, Texas has been awarded more than \$5 billion for Medicaid, more than \$200 million for Temporary Assistance for Needy Families, and more than \$27 million for the Supplemental Nutrition Assistance Program, according to August 1, 2010, data from the State Comptroller's Office. Officials from the U.S. Department of Health and Human Services' Office of Inspector General reviewed Texas's Single Audit report for the 2009 fiscal year and made a number of recommendations to Texas officials for tightening eligibility procedures and monitoring subrecipients.

Providing oversight to ensure that corrective actions are taken is an important aspect of the Single Audit process. For example, in May 2010, the Texas Health and Human Services Commission finalized a corrective action plan, with provisions that include improving its existing computer systems for determining eligibility for Medicaid and the other entitlement programs and providing appropriate instruction for staff in reviewing documents. The State Auditor's Office noted that the Single Audit report for fiscal year 2010 will assess the corrective actions taken to address the

⁵⁴The Federal Audit Clearinghouse received Texas's report on March 26, 2010. The clearinghouse operates on behalf of the Office of Management and Budget to disseminate audit information to federal agencies and the public. The Single Audit requires grantees to submit a financial reporting package, including the financial statements and the Single Audit report, to the clearinghouse no later than 9 months after the end of the grantee's fiscal year under audit. An SAO official indicated that Texas routinely completes its Single Audit report in this time frame. The official explained that Single Audit work in Texas is done concurrently with completing the state's financial statements, which must be completed within 6 months of the end of the fiscal year.

⁵⁵State Auditor's Office, *State of Texas Federal Portion of the Statewide Single Audit for the Fiscal Year Ended August 31, 2009*, SAO Report No. 10-339 (Austin, Tex.: March 2010).

previous year's findings.⁵⁶ Also, the Governor's Office staff said that their office is emphasizing the importance of timely resolution of issues identified in the Single Audit for the 2009 fiscal year. The staff noted that, in May 2010, the Governor's Office sent the U.S. Department of Health and Human Services—which is the designated cognizant federal agency for Texas's Single Audit—a formal communication explaining how state agencies plan to address the various findings and recommendations resulting from the 2009 Single Audit.

Further, Governor's Office staff told us that Texas is attempting to serve as an example of accountability and transparency in its administration of Recovery Act funds. The staff noted that the Governor's Stimulus Working Group—which includes representatives from state agencies receiving significant amounts of Recovery Act funding—continues to be a useful mechanism for sharing information to help ensure accountability and transparency.⁵⁷ The staff noted, for example, that the Stimulus Working Group has been used to distribute information to state agencies about Recovery Act recipient reporting requirements, help focus audit and monitoring efforts, and address program concerns if necessary.

⁵⁶Overall, Texas's Single Audit report for the 2009 fiscal year identified 132 significant internal control deficiencies related to compliance with federal program requirements, and 18 of these were classified as material weaknesses. Of the overall findings, 14 of the 132 significant internal control deficiencies involved programs that received Recovery Act funds, and 3 of these were classified as material weaknesses. As reported, the 3 material weaknesses involved the following: (1) for certain benefit programs, the Texas Health and Human Services Commission had some incomplete files and some errors in calculating benefits, resulting in questioned costs of \$118,033; (2) regarding development of a management information system application, the Texas Education Agency did not have adequate controls regarding, for example, access and separation of duties; and (3) for subrecipient agreements tested, the Texas Department of Transportation did not include the federal award number on applicable documentation, and the department did not consistently conduct annual compliance reviews and other periodic monitoring, resulting in questioned costs of \$10,840. The Single Audit report noted that the respective state agencies had taken corrective actions or had such actions underway or planned. Regarding the first of the three material weaknesses listed above, the Office of the Governor informed us in August 2010 that although the figure of \$118,033 was the amount questioned in SAO's report, the Texas Health and Human Services Commission had determined since issuance of the report that only \$1,363 was incorrectly paid to clients.

⁵⁷Our first bimonthly report noted that after the Recovery Act passed, the Office of the Governor began hosting regularly scheduled meetings (twice weekly) of a Stimulus Working Group to help ensure statewide communication of the need for accountability and transparency regarding Recovery Act funds. See 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 23, 2009).

As a portal for providing transparency of Recovery Act funds in Texas, the state's official Recovery Act Web site (<http://window.state.tx.us/recovery/>) is maintained by the State Comptroller's Office.⁵⁸ Since establishing the Web site in 2009, the State Comptroller's Office has made various enhancements. For instance, the State Comptroller's Office instituted a process for state agencies and institutions of higher education to report all awards using Recovery Act funds on a weekly basis—for the purpose of making the data publicly available on the state's Web site. Also, state officials noted that the Web site now has an interactive map, allowing county-by-county displays of Recovery Act funds and activities.⁵⁹

Local Government Audit Offices or Other Officials Also Have a Significant Accountability Role

The city auditor offices or other responsible officials we contacted in Austin, Bryan, Dallas, Houston, and Round Rock reported having Recovery Act-related accountability efforts underway or planned. The Austin city auditor, after being appointed in December 2009, initiated an assessment of the office to determine areas for improvement, among other objectives. The resulting March 2010 assessment report noted that federal stimulus funding received by the city “presents additional risks related to spending oversight and reporting requirements which can be expected to continue in the current and subsequent years.”⁶⁰ Regarding planned action, the assessment report stated that these risks would be specifically considered when developing audit plans for fiscal year 2011 and subsequent years.

City officials in Bryan and Round Rock noted that the Single Audit of their respective city includes an assessment of federal grants. We reviewed the Single Audit report of the City of Bryan for the year ended September 30, 2009. The independent auditor reported no material weaknesses and no

⁵⁸The common or popular name of the Web site is “A Texas Eye on the Dollars.” The portal provides links to the Web sites of applicable state agencies in Texas and a link to the national Web site (www.recovery.gov). Another portal that provides additional accountability and transparency for Recovery Act funds flowing to the state is www.txstimulus.com. This Web site is maintained by the Texas legislature's House Select Committee on Federal Economic Stabilization, which was established in February 2009 by proclamation of the Texas legislature's Speaker of the House.

⁵⁹The previous absence of county-mapping data was critically noted in a 2009 report issued by a national policy resource center. See Good Jobs First, *Show Us the Stimulus: An Evaluation of State Government Recovery Act Websites* (Washington, D.C.: July 2009). The report is available online at <http://www.goodjobsfirst.org/stimulusweb.cfm>.

⁶⁰Office of the City Auditor, City of Austin, *Initial Assessment of the Office of the City Auditor* (Austin, Tex.: March 23, 2010).

significant deficiencies regarding internal controls over major programs that received federal awards, which included a grant program (Community Development Block Grant) funded by the Recovery Act.⁶¹

Since passage of the Recovery Act, the Dallas city auditor has taken a number of steps to promote accountability, as noted in our May 2010 report. Initially, for example, the city auditor conducted a risk assessment of the city's internal control systems relevant to ensuring compliance with Recovery Act requirements.⁶² Also, the city auditor initiated efforts to monitor Recovery Act funding received by the city; assess the city's compliance with requirements; and issue periodic audit reports, such as the one issued in April 2010.⁶³ More recently, in August 2010, the city auditor issued another audit report, which again noted that no allegations of fraud, waste, and abuse regarding Recovery Act funds had been identified or received.⁶⁴ However, in reference to the Recovery Act-funded Weatherization Assistance Program⁶⁵—operated locally by both the City of Dallas and the County of Dallas—the audit report stated that the city avoided potentially unallowable costs of up to \$481,000. The audit report explained that the city auditor's office used computerized audit techniques to identify 74 duplicate applications—69 duplicate applications between the city's database and the county's database and 5 duplicate applications within the city's database. The audit report further noted that management took immediate action to eliminate the 74 duplicate applications and that management also agreed with a recommendation to continuously monitor for potential duplication by collaborating with Dallas County.

In late June 2010, the Houston city auditor told us that field work had been completed for the risk assessment that was ongoing at the time of our May

⁶¹Weaver and Tidwell, L.L.P., *City of Bryan, Texas, Single Audit Report, September 30, 2009* (Houston, Tex: March 2, 2010).

⁶²Dallas City Auditor, *Risk Assessment of City of Dallas Implementation of the American Recovery and Reinvestment Act*, Report No. A10-004 (Dallas, Tex.: Oct. 9, 2009).

⁶³Dallas City Auditor, *Audit of American Recovery and Reinvestment Act of 2009: January 1, 2010 to March 31, 2010*, Report No. A10-012 (Dallas, Tex.: April 23, 2010). Of particular importance, the audit report noted that no "allegations for fraud, waste, and abuse" have been received by the city auditor's office.

⁶⁴Dallas City Auditor, *Audit of American Recovery and Reinvestment Act of 2009: April 1, 2010 to June 30, 2010*, Report No. A10-018 (Dallas, Tex.: August 13, 2010).

⁶⁵Implementation of the Recovery Act-funded Weatherization Assistance Program in Texas is discussed in detail in our May 2010 report ([GAO-10-605SP](#)).

2010 report.⁶⁶ The city auditor said that a risk assessment report is to be issued in September 2010. Also, the Houston city auditor mentioned that one of his office's goals is to begin issuing quarterly reports assessing the Recovery Act, starting on September 30, 2010. Further, the Houston city auditor noted that his office's Web site has a link for reporting fraud but no allegations had been reported as of August 2010.⁶⁷

Texas's Comments on This Summary

We provided the Governor of Texas with a draft of this appendix on August 9, 2010. A senior official (the Director of Financial Accountability) in the Office of the Governor responded on August 11, 2010. The senior official characterized as speculative several passages of text—regarding Texas's budget and the impact of Recovery Act funds—and suggested that the passages be eliminated from the appendix. In particular, the senior official objected to the inclusion in the appendix of budget and revenue estimates for the upcoming 2012-2013 biennium prepared by LBB staff. The senior official commented that the estimates may be several months old and are based on a series of assumptions that may prove to be inaccurate. Also, the senior official noted that the State Comptroller's Office, which is the state entity legally responsible for determining the official state revenue amount, has not yet published an estimate.

In addressing these comments, we added information where appropriate in the appendix to reflect the Office of the Governor's perspectives. Also, as appropriate in this appendix, we incorporated the senior official's suggestions for technical clarifications. However, because the Texas legislature has an important role in establishing the state's budget, we retained relevant estimates prepared by LBB staff for the 2012-2013 biennium; and, to provide enhanced transparency, we included a hyperlink to the LBB staff's supporting analysis. Further, we provided additional or clarifying context regarding other publicly available reports produced by or for the Texas legislature, especially the Texas legislature's conference committee report and the Texas House Research Organization's report on 2010-2011 appropriations.

⁶⁶GAO-10-605SP (May 2010). Our report noted that the city was conducting an enterprise risk assessment to comprehensively identify risks that the city's various departments face in ensuring accountability for Recovery Act funds.

⁶⁷The Houston city auditor heads the Audit Division within the Office of the City Controller. (<http://houstontx/controller/audit/index.html>)

On August 9, 2010, we also provided of copy of a draft of this appendix to the State Auditor's Office and a copy of applicable sections of a draft of this appendix to the Director, Legislative Budget Board. A senior official in the State Auditor's Office responded on August 12, 2010. The senior official generally agreed with the information presented and provided a suggestion for a technical clarification, which we incorporated. The Legislative Budget Board Director responded on August 11, 2010. The director reiterated that Recovery Act funds helped the Texas legislature balance the 2010-2011 budget within available revenue. The director also provided technical clarifications, which we incorporated where appropriate.

Further, on August 9, 2010, we provided of copy of applicable sections of a draft of this appendix to the HUD Fort Worth Regional Office, the HUD San Antonio Field Office, the San Antonio Housing Authority, the City of Austin, the City of Bryan, the City of Dallas, the City of Houston, and the City of Round Rock. Responding officials generally agreed with the information presented and, if applicable, provided technical suggestions that we incorporated where appropriate.⁶⁸

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⁶⁸With one exception (HUD Fort Worth Regional Office), all of the entities provided a response.

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