December 2009

RECOVERY ACT

Status of States’ and Localities’ Use of Funds and Efforts to Ensure Accountability (Appendixes)
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Overview
This appendix summarizes GAO's work on the fourth of its bimonthly reviews of American Recovery and Reinvestment Act of 2009 (Recovery Act) spending in Arizona. The full report covering all of GAO's work in 16 states and the District of Columbia may be found at http://www.gao.gov/recovery.

What We Did
We reviewed three specific program areas—Education, Highway Infrastructure, and Public Housing—funded under the Recovery Act. We selected these program areas primarily because they have received and are in the process of obligating Recovery Act funds. Our work focused on the status of the program area's funding, how funds are being used, and issues that are specific to each program area. (For descriptions and requirements of the programs we covered see appendix XVIII of GAO-10-232SP.) As part of our review, we surveyed a representative sample of local educational agencies (LEAs) from across the nation, including those in Arizona about their planned uses for Recovery Act funds for the State Fiscal Stabilization Fund (SFSF); Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA), as amended; and Part B of the Individuals with Disabilities Education Act (IDEA), as amended. We also visited five LEAs and two community colleges. For highway infrastructure work, we spoke with the Arizona Department of Transportation (ADOT) and the Arizona Division of the Federal Highway Administration. We also spoke with representatives of two localities receiving Recovery Act funds. As part of our review, we revisited five public housing agencies that we reported on earlier in 2009.

To gain an understanding of the state's experience in meeting Recovery Act reporting requirements, we examined documents prepared by and held discussions with, the Governor's Office of Economic Recovery and ADOT. Because Arizona is a centralized reporting state, each prime recipient of Recovery Act funds is required to report quarterly on a number of measures, including the use of funds and estimates of the number of jobs created and retained. The first quarterly reports were due and submitted in October 2009.

Our work in Arizona involved monitoring the state's fiscal situation and, for the first time, visiting two counties to review their use of Recovery Act funds. We chose to visit the counties of Maricopa and Yavapai because they were among the localities that have experienced consequences of the economic downturn. According to county officials, the counties are using
the funds to provide critical, timely, and increased services to households hardest hit by the economic downturn.

What We Found

- **Education.** Arizona has received approximately $529 million in Recovery Act funds as of November 13, 2009, for SFSF, ESEA Title I, Part A and IDEA Part B education programs. Arizona used SFSF funds to stabilize the state budget; the state distributed funds to kindergarten through 12th grade (K-12) LEAs by making a regular state aid payment, and the community colleges we visited used the money to restore services and to pay instructional salaries. The LEAs are using the Recovery Act ESEA Title I, Part A funds to hire new staff and offer additional educational programs. They also planned to use the Recovery Act IDEA, Part B funds to hire new staff, to support student needs, and as seed money for new educational initiatives.

- **Recipient reporting.** Arizona used a centralized reporting system to report data for the state agencies that received Recovery Act funds through the state. Other recipients, such as counties and housing authorities that received Recovery Act funds directly from federal agencies, submitted their first quarterly recipient reports directly to www.federalreporting.gov (FederalReporting.gov). We found that the initial recipient reporting was timely with a few ultimately resolved challenges.

- **Arizona’s fiscal condition.** The Recovery Act funds have been used in Arizona in place of, or to match state contributions for, state-funded services such as education. In addition, nonfederal funds freed up as a result of the Recovery Act have been used to cover certain Medicaid costs. However, despite $750 million in Recovery Act funds in fiscal year 2009 and $1.13 billion for fiscal year 2010, Arizona is facing an estimated $2 billion state budget shortfall in this fiscal year, according to Arizona Joint Legislative Budget Committee staff estimates.

- **Counties’ use of Recovery Act funds.** Maricopa County reported receiving $55 million and Yavapai County received $1 million in Recovery Act funds directly from federal agencies. The counties are using the funds to expand healthcare and human services in response to demand resulting from the economic downturn and to enhance law enforcement by upgrading communication and security equipment.

- **Highway Infrastructure Investment.** As of October 31, 2009, the U.S. Department of Transportation’s Federal Highway Administration has obligated $293 million of the $522 million of Recovery Act funds
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apportioned to Arizona. Thirty percent of all apportioned highway funds are required to be suballocated to metropolitan and local areas of the state under the Recovery Act, and of the $157 million in these suballocated funds, only $29 million, or about 18 percent, has been obligated. Nevertheless, local officials from two metropolitan planning organizations we spoke to and ADOT said that they expect Arizona to obligate 100 percent of its apportionment by the March 2010 deadline.

- **Public housing.** Arizona has 15 public housing agencies that have received about $12 million from the Public Housing Capital Fund. As of November 14, 2009, the agencies used funds to complete several projects that have improved existing public housing sites, such as rehabilitating kitchens, installing new heating and cooling systems, and replacing rooftops. Arizona also received one Capital Fund competitive grant, which the city of Phoenix Housing plans to combine with other funding to renovate 374 housing units.

Arizona has received approximately $529 million in Recovery Act funds as of November 13, 2009, for the three Recovery Act education programs GAO reviewed (see table 1). The approximately $12 million from Recovery Act IDEA, Part B and $17 million from Recovery Act ESEA Title I, Part A funds were in addition to the regular IDEA and ESEA Title I funds the state received. The state has also drawn down approximately $500 million in SFSF funds. Due to state budget shortfalls, Arizona used the SFSF funds to maintain state education funding levels by making a state aid payment for elementary and secondary education (K-12) and freeing up state general funds for other needs. In addition, the state’s institutions of higher education used the SFSF monies as a reimbursement for fiscal year 2009 expenses.

### Arizona Schools Are Facing Budget Reductions, but Recovery Act Funds Helped Prevent Potential Layoffs and Provided Seed Money for Educational Programs

### Table 1: Allocations, Draw Downs, and Expenditures for the Three Recovery Act Education Programs Reviewed in Arizona

<table>
<thead>
<tr>
<th>Recovery Act program</th>
<th>Made available to Arizona*</th>
<th>Drawn down by Arizona</th>
<th>Expenditures by subrecipients¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFSF education funds</td>
<td>$557,352,452</td>
<td>$499,519,094</td>
<td>$499,517,793</td>
</tr>
<tr>
<td>ESEA Title I, Part A</td>
<td>$195,087,321</td>
<td>$17,002,033</td>
<td>$13,460,217</td>
</tr>
<tr>
<td>IDEA Part B</td>
<td>$184,178,924</td>
<td>$11,986,711</td>
<td>$10,844,641</td>
</tr>
</tbody>
</table>


*Data as of November 6, 2009.

¹Data as of November 13, 2009.
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Arizona used SFSF funds to stabilize the state budget and distributed funds to K-12 LEAs equal to one regular state education aid payment. We visited five LEAs for this report, and officials at the LEAs said they primarily used the SFSF funds to pay teachers and other district staff.\(^1\) One LEA also used some of its SFSF funds to pay for utilities at its elementary schools.

Since our discussion of the impact of SFSF on Arizona’s universities in our September 2009 report, we also visited two community college districts.\(^2\) The officials at these community college districts stated that they used the SFSF funds as reimbursement for fiscal year 2009 instructional salaries, and have plans to use the resulting freed-up funds to stabilize their educational programs. Both community college districts reported reductions in state education aid over the past 2 years, and one expressed concerns regarding additional mid-year cuts expected to occur in fiscal year 2010. One community college district chose to keep the state funds freed-up by SFSF as a cash reserve to prevent having to reduce educational programs if the anticipated mid-year cuts occur. The other community college district planned to restore educational programs that had been reduced by budget cuts in fiscal year 2009. For example, the community college district would like to restore summer school course offerings, which had been reduced by 35 percent. Officials in neither community college district planned to use the funding to begin new educational programs out of concern that they would not be able to sustain new programs when the SFSF funding was no longer available.

The LEA officials we interviewed said they are using the additional Recovery Act ESEA Title I, Part A funds to hire new staff and offer additional educational programs. For example, Arlington Elementary District is using its ESEA Title I, Part A money to fund a reading and writing specialist to improve students’ performance on the state standardized tests. Another LEA, Buckeye Elementary District, is using its ESEA Title I, Part A funds to purchase software for a longitudinal data system that it had been developing in collaboration with several other Arizona districts over the past 10 years to help bring students up to grade level or beyond. The LEA did not have the funding to purchase the

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\(^1\)One LEA we visited was only eligible for $622 of SFSF funding, and so declined the funding.

\(^2\)Arizona’s Community College system is organized as districts. One district we visited has 6 campuses, while the other district is comprised of 10 individually accredited colleges.
necessary software and train its staff until the Recovery Act ESEA Title I, Part A funding was made available.

The LEAs we visited planned to use the Recovery Act IDEA, Part B funds to hire new staff, to support student needs, and as seed money for new educational initiatives. For example, several LEAs planned to increase the number of specialty teachers, such as a reading specialist, thereby serving more students. Buckeye Elementary District plans to use its funding to implement a new educational initiative, called Response to Intervention. This program targets struggling students and provides them with instructional assistants who can address the students’ learning needs, thereby preventing them from needing more intensive special education services. The Recovery Act IDEA, Part B funds will also serve as seed money for this district to purchase software for the program and to hire six instructional assistants specializing in communication and emotional difficulties.

In addition to visiting the Arizona LEAs, we surveyed a representative sample of LEAs—generally school districts—nationally and in Arizona about their planned uses of Recovery Act funds. Table 2 shows Arizona and national GAO survey results on the estimated percentages of LEAs that (1) plan to use more than 50 percent of their Recovery Act funds from three education programs to retain staff, (2) anticipate job losses even with SFSF monies, and (3) reported a total funding decrease of 5 percent or more since last school year. In Arizona, an estimated 61 percent of LEAs said they planned to use more than 50 percent of their SFSF funds to retain staff. Because the SFSF funds were distributed to LEAs to restore a shortfall in state education aid, these funds did not represent increased funding levels for LEAs, and an estimated 34 percent of Arizona LEAs anticipated they would lose staff, even with SFSF funds.
Table 2: Selected Results from GAO Survey of LEAs

<table>
<thead>
<tr>
<th>Responses from GAO survey</th>
<th>Estimated percentages of LEAs</th>
<th>Arizona</th>
<th>Nation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to use more than 50 percent of Recovery Act funds to retain staff</td>
<td>29</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>IDEA funds</td>
<td>23</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Title I funds</td>
<td>61</td>
<td>63</td>
<td></td>
</tr>
<tr>
<td>SFSF funds</td>
<td>34</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Anticipated job losses, even with SFSF funds</td>
<td>22</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>Reported total funding decrease of 5 percent or more since school year 2008-2009</td>
<td>22</td>
<td>17</td>
<td></td>
</tr>
</tbody>
</table>

Source: GAO survey of LEAs.

Note: Percentage estimates for Arizona have margins of error, at the 95 percent confidence level, of plus or minus 13 percentage points or less. The nation-wide percentage estimates have a margin of error of plus or minus 5 percentage points.

Because in Arizona the SFSF monies did not increase overall K-12 education funding levels but instead were used to make a regular state education funding payment, there was confusion among some of the LEAs we visited regarding the impact of SFSF on jobs retained. Without the state payment, some LEAs we visited said they would have had to reduce costs, which could have included reducing jobs. However, because the SFSF money was provided instead of state funding, some LEAs were not sure how to calculate the number of retained jobs for the Recovery Act’s Section 1512 recipient reporting. A Governor’s Office of Economic Recovery (OER) official said they were concerned that this confusion among LEAs could lead to inconsistent jobs data reporting. Therefore, the OER did not delegate subrecipient reporting to the LEAs. Instead, the OER prepared the report and determined the number of jobs retained through SFSF funds using the actual SFSF expenditures and the average educational employees’ total compensation that included average salary and benefits.
Under the Recovery Act, all prime and subrecipients are to report quarterly, with the first report due on October 10, 2009. For the first quarterly recipient report, Arizona used a centralized reporting system to submit data for Arizona agencies that received Recovery Act funds through the state. Other recipients, such as counties and housing authorities, that received Recovery Act funds directly from federal agencies, submitted their first quarterly recipient reports directly to the respective federal agencies that provided those funds. Under both methods, data were submitted using FederalReporting.gov. Arizona and the other recipients that we spoke with—Yavapai County, Maricopa County, and five housing authorities—submitted their project-level data on time to meet the required October 10, 2009, deadline. The data were made available to the public at www.recovery.gov on October 31, 2009.

As stated in our September report, Arizona planned to use a centralized reporting approach, known as Stimulus 360, for reporting the Recovery Act funds that the state received. Using this centralized approach, the OER compiled more than 400 Section 1512 reports from its 18 prime recipients, including all of its state agencies and Arizona’s institutions of higher education. Close to half of the recipient reports that were submitted, according to OER officials, were for ADOT Recovery Act highway projects. According to OER officials, several challenges occurred initially while compiling the data for the submission deadline. These challenges included such issues as recipients not having the required DUNS numbers and lengthy wait-times for answers from the Office of Management and Budget (OMB) help site on technical questions. The OER team was able to overcome these issues and submitted its Section 1512 reporting data on time. Subsequent to the submission, the OER team continued to make corrections and identified data that did not conform to the expected data ranges during the time specified by OMB for corrections. OMB guidance set aside the period between the initial submission on October 10, 2009,

\[\text{City of Phoenix Housing Department, Pinal County Housing Department, City of Glendale Community Housing Division, City of Tucson Department of Housing and Community Development, and Housing Authority of Maricopa County.}\]

\[\text{GAO, Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to be Fully Addressed (Arizona), GAO-09-1017SP (Washington, D.C.: September 2009).}\]

\[\text{A data universal numbering system (DUNS) is a number issued by Dun and Bradstreet that provides business information.}\]
and October 21, 2009, as the period for prime recipients—in this case, the state agencies—to make corrections and revisions, and the period between October 22, 2009, and October 29, 2009, as the period for the respective federal agencies to make corrections and revisions. The OER received corrections and revisions from both the state and federal agencies. An OER official said that by working with both sources, the data, overall, were more accurate. According to these officials, one of the positive outcomes of the reporting process was that representatives of many different state agencies developed new and improved working relationships by collaborating to help ensure data reliability.

OER officials reported data centrally for each state agency. For example, ADOT provided its data to the OER but was responsible for calculating the number of jobs retained or created for its Recovery Act highway funds. According to one of the contractors we met with, ADOT receives detailed information from its contractors on the number of employees working on Recovery Act projects, along with the payroll data ADOT uses to calculate the full-time equivalents reported to FederalReporting.gov. Additionally, ADOT itself had oversight staff on these Recovery Act projects who reported on the activities and the status of the contractors’ data. On the other hand, OER calculated the number of jobs retained or created for SFSF using data from the Arizona Department of Education’s data system.

The two local governments—Maricopa County and Yavapai County—and the five housing authorities that we visited received Recovery Act funds directly from various federal agencies and did not participate in the state’s centralized recipient reporting. County officials submitted the counties’ relevant recipient reporting data directly to FederalReporting.gov. According to officials from both Maricopa and Yavapai counties, they had some initial challenges. For example, Maricopa county officials said that it was challenging to report data by the October 10, 2009, deadline because the accounting period ended only 10 days prior, on September 30, 2009. However, according to both counties’ officials, they overcame the challenges and were able to submit their report data on time. Officials from the five public housing authorities that we met with stated that they were prepared with the appropriate information to enter project and job data and did successfully submit data on time, but also encountered various access and data entry challenges. For example, two of the housing officials said that they had difficulty obtaining codes to access the reporting system, and one official stated that data were lost during transmission. These issues, however, were resolved. Most of the housing officials we visited with commented that the recipient reporting was not
an easy process for the first reporting round, but believe that the next reporting round should be easier as a result of this first experience.

Recovery Act Funds Providing Some Relief While Arizona Faces Ongoing Fiscal Challenges

Arizona has used Recovery Act funds in place of or to match state contributions for state-funded services such as education. In addition, nonfederal funds freed up as a result of the Recovery Act have been used to cover certain Medicaid costs. These offsets of general fund spending have allowed the state to reduce anticipated state budget shortfalls. However, despite $750 million in Recovery Act funds in fiscal year 2009 and $1.13 billion anticipated for fiscal year 2010, Arizona is facing a $2 billion state budget shortfall in fiscal year 2010, according to Arizona Joint Legislative Budget Committee (JLBC) staff estimates.

Facing these fiscal conditions, Recovery Act funding for fiscal year 2010 provides Arizona with some relief and has prevented deeper state agency budget cuts. For example, as of November 20, 2009, the state used $320 million of Recovery Act SFSF monies rather than Arizona general fund monies to make a payment for K-12 education state aid. This kept the average daily balance for the state’s operating fund positive in September, according to the JLBC. Actions such as this temporarily ease the burdens placed on the state’s general fund and help Arizona to continue meeting the needs of its citizens.
Given that Recovery Act funds now flow to localities, we visited two counties in Arizona—Yavapai County and Maricopa County—to review their use of these funds. Both counties have experienced consequences of the economic downturn. According to county officials, the two counties have used Recovery Act funds to provide critical, timely, and increased services to low- and moderate-income households hit hardest by the economic downturn. Recovery Act funds have also enhanced law enforcement operations in both counties.

| Yavapai and Maricopa Counties Use Recovery Act Funds to Expand Services, Especially to Low- and Moderate-Income Households Hit Hardest by the Economic Downturn |

Yavapai County

Spanning more than 8,000 square miles in central Arizona, Yavapai County is a sparsely populated rural county with a population of 215,503 and an unemployment rate of 9.5 percent. The county government is one of the largest employers in the area, with more than 1,600 employees. As of November 18, 2009, Yavapai County was awarded three Recovery Act grants—two grants were awarded to the Yavapai Community Health Center (CHC) for health care and a third was awarded to the Sheriff’s Office for public safety (see table 3):

Table 3: Recovery Act Grants Awarded to Yavapai County Government

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of grants</th>
<th>Award amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>2</td>
<td>$839,326</td>
</tr>
<tr>
<td>Public safety</td>
<td>1</td>
<td>$173,853</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
<td><strong>$1,013,179</strong></td>
</tr>
</tbody>
</table>

Source: GAO presentation of Yavapai County government data.

According to county officials, Yavapai CHC has expanded dental care services from 2 to 4 days a week, with new staff funded by the $254,166

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6GAO’s examination of Recovery Act funds counties received includes only funds received by the local governments directly from federal agencies.

7According to U.S. Census Bureau of Labor Statistics, population data are from July 1, 2008; and, unemployment rates are preliminary estimates for September 2009, have not been seasonally adjusted, and are shown as a percentage of the labor force.
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Increased Demand for Services Grant;\(^8\) and the $585,160 Capital Improvement Grant,\(^9\) along with funds from the county and CHC reserves, will be used to build a new health care facility.

Yavapai County spent more than 50 percent of general fund expenditures in fiscal year 2009 on criminal justice. According to county officials, its Edward Byrne Memorial Justice Assistance Grant\(^{10}\) (JAG) will be used to enhance its law enforcement operations through upgrading communication and security equipment.

**Maricopa County**

Located in south central Arizona, Maricopa County is the state’s most heavily populated county with a population of 3,954,598 and an unemployment rate of 8.5 percent.\(^{11}\) Phoenix is the county seat, and the county is also home to other metropolitan areas, such as Mesa, Scottsdale, and Tempe. The county spans more than 9,000 square miles.

As of October 16, 2009, more than $55 million in Recovery Act funds have been awarded to Maricopa County across six categories, spanning human services, public safety, workforce training, transportation, energy and environment, and health care. Table 4 presents a summary of the awards.

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\(^8\)The U.S. Department of Health and Human Services Increased Demand for Community Health Center Services grants support the expansion of services offered by Community Health Centers and allow them to serve more patients, as more Americans join the ranks of the uninsured.

\(^9\)The U.S. Department of Health and Human Services made Capital Improvement Program grants available to Community Health Centers to support their efforts to upgrade and expand their facilities and open their doors to more patients.

\(^{10}\)The JAG program within the Department of Justice’s Bureau of Justice Assistance provides federal grants to state and local governments for law enforcement and other criminal justice activities, such as crime prevention and domestic violence programs, corrections, treatment, justice information sharing initiatives, and victims’ services. JAG funds are allocated based on a statutory formula determined by population and violent crime statistics, in combination with a minimum allocation to ensure that each state and territory receives some funding.

\(^{11}\)According to U.S. Census and Bureau of Labor Statistics, population data are from July 1, 2008; and, unemployment rates are preliminary estimates for September 2009, have not been seasonally adjusted, and are shown as a percentage of the labor force.
Table 4: Recovery Act Grants Awarded to Maricopa County Government

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of grants</th>
<th>Award amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human services*</td>
<td>7</td>
<td>$19,854,623</td>
</tr>
<tr>
<td>Public safety</td>
<td>11</td>
<td>$15,867,354</td>
</tr>
<tr>
<td>Workforce training</td>
<td>2</td>
<td>$7,874,563</td>
</tr>
<tr>
<td>Transportation</td>
<td>3</td>
<td>$7,219,193</td>
</tr>
<tr>
<td>Energy and environment</td>
<td>3</td>
<td>$3,567,800</td>
</tr>
<tr>
<td>Health</td>
<td>3</td>
<td>$1,006,250</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29</strong></td>
<td><strong>$55,389,783</strong></td>
</tr>
</tbody>
</table>

Source: GAO presentation of Maricopa County Government data.

*Human services includes Head Start/Early Head Start, Community Services Block Grant, Community Development Block Grant, Homeless Prevention Rapid Re-housing, and Weatherization.

Recovery Act funds allow the county to provide critical, timely, and increased services to low- and moderate-income households hardest hit by the economic downturn, according to county officials. In particular, county officials have observed an increase in demand for human services programs, such as education, as well as workforce training programs. According to county officials, Recovery Act funds have allowed the county to expand some services to residents, particularly in areas where demand has increased:

- Recovery Act funds will support an increase in enrollment and create new teaching and other positions in Head Start and Early Head Start programs. Contract employees are being used to help administer programs that are funded through the Recovery Act for the duration of the grant.

- With rising unemployment in the county, visits to the county’s workforce centers have increased significantly, according to county officials. Under the Workforce Investment Act, Recovery Act funds allow the county to expand services that support the entry or re-entry of dislocated adults into the job market and encourage young people to complete their education.\(^\text{12}\)

Recovery Act funds also support law enforcement programs that previously were reliant on declining state resources. Maricopa County had $1.25 billion for public safety in its 2010 budget and received a total of

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$15.9 million in public safety grants in that period, $10.5 million of which are JAG grants. Agencies and municipalities formed a partnership within Maricopa County to allocate the $10.5 million in JAG funds among the members and to coordinate the programs to fund, such as the following:

- County agencies are using roughly 70 percent of the JAG funds to retain and hire personnel, including hiring a specialized prosecutor and retaining two juvenile probation officers that were on a reduction-in-force list.

- Municipalities within the county are using their more than $8 million in JAG funds for security and communications equipment to enhance areas such as surveillance, patrolling, information software, and community outreach.

Both Counties—Yavapai and Maricopa—Are Preparing for the End of Recovery Act Funds

According to the county officials, both counties recognize that Recovery Act funds are temporary and are developing plans for the end of the grant period. Yavapai CHC believes that once the economy begins to recover, its new facility will have the resources necessary to serve the population’s needs. CHC officials also recognize that the Increased Demand for Services grant is temporary and intended to enable CHC to meet the surge in demand for patient services resulting from the increase in unemployment. Maricopa county officials said that all new positions funded by Recovery Act funds are contract positions for the duration of the grant and that the program activity will be monitored and assessed to determine if the program is worthy of non-stimulus funding in the future.

In the case of JAG grants, Yavapai County’s plans for the funds are, generally, for one-time expenditures for the duration of the grant; therefore, the county would face limited, if any, problems when Recovery Act funds are no longer available. However, Maricopa County officials noted the potential for a “cliff effect” at the end of the grant period and hope that the economy will improve and that the programs can then be sustained—otherwise programs will have to be eliminated.
Highway Funds in Arizona Continue to be Obligated, but Obligations for Local Area Projects Continue to Lag and Steps are Being Taken to Comply with Federal Guidance

The Federal Highway Administration (FHWA) apportioned $522 million in Recovery Act funds to Arizona, 30 percent of which is required to be suballocated to metropolitan and local areas. As of October 31, 2009, the federal government has obligated $293 million to Arizona, and reimbursed the state $56 million.

Table 5: Arizona Recovery Act Federal Aid Highway Amounts as of October 31, 2009 (in millions)

<table>
<thead>
<tr>
<th>Total apportionment = $522</th>
<th>Amount obligated = $293</th>
<th>Amount reimbursed = $56</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suballocated amount = $157</td>
<td>Amount obligated = $29</td>
<td>Amount reimbursed = $0.7</td>
</tr>
</tbody>
</table>

Source: GAO analysis of FHWA data.

Recovery Act highway funds were apportioned to Arizona, which was then required to suballocate 30 percent of those funds to metropolitan and local areas. As we stated in our September 2009 report, these local projects lagged behind statewide projects and only three contracts had been awarded with those suballocated dollars. This is because localities did not have “ready-to-go” projects, and were largely unfamiliar with federal highway requirements. Between September 1 and October 31, 2009, only one additional locality’s solicitation had been publicized. Overall, only $29 million of the $157 million suballocated to localities has been obligated. ADOT has instituted a December 2, 2009, deadline for localities to submit their proposals for suballocated highway projects in localities and said that it would have a better idea of where those projects stand after that date. ADOT reported that if it finds that projects in localities are not able to be advertised for construction prior to the March 2010 deadline, ADOT would use Recovery Act funds on “ready-to-go” statewide highway

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13For the Highway Infrastructure Investment Program, the U.S. Department of Transportation has interpreted the term “obligation of funds” to mean the federal government’s commitment to pay for the federal share of the project. This commitment occurs at the time the federal government signs a project agreement. This does not include obligations associated with $1 million of apportioned funds that were transferred from FHWA to Federal Transit Administration (FTA) for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA.

14States request reimbursement from FHWA as the state makes payments to contractors working on approved projects.

15The Recovery Act mandates that all apportioned funds, including suballocated funds, need to be obligated before March 2, 2010, one year from apportionment or they will be subject to withdrawal by FHWA.
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projects in order to not lose any Recovery Act highway funding. Similarly, officials from two localities we visited said that if the projects intended for Recovery Act funds were in danger of not having funds obligated by the March 2010 deadline, they would use the funds on projects whose designs are complete but were not initially targeted for Recovery Act funds. The localities would also do this in order to not lose Recovery Act funding. We will follow-up on these matters in a future report.

To meet Recovery Act reporting requirements, ADOT officials state that they included in all of ADOT’s contracts a mandate that contractors report on the number and types of jobs created or preserved through this work. Contractors we spoke to said that they reported on the jobs and pay of both laborers and office staff working on Recovery Act projects, and ADOT said that it converted the hours and pay reported to them into full time equivalent positions for recipient reporting to the Office of Management and Budget.  

Arizona is working to comply with Recovery Act requirements on both maintaining state levels of transportation spending and giving priority to projects located in economically-distressed areas. First, as part of Section 1201 (a) of the Recovery Act, states are required to certify to the Secretary of Transportation that the state will maintain the level of state transportation spending that it had planned on the day the Recovery Act was passed. This is known as the maintenance-of-effort (MOE) requirement. Arizona has submitted two certifications that were reviewed by FHWA. However, on September 24, 2009, FHWA issued supplemental guidance on MOE, which clarified that states should include in their MOE-certified amounts the level of funding that the state provided to local governments or agencies for transportation projects; Arizona did not provide this information in its initial submission because the state was unaware that the state transportation funding to local governments were part of its MOE requirement. As a result, Arizona plans to recalculate and recertify its highway MOE amount, although the U.S. Department of Transportation (DOT) has not yet set a submission deadline for the revised MOE certification. According to a FHWA official in Arizona, this recertification most likely would not have an impact on ADOT meeting its MOE requirement.

Recipients of Recovery Act funds are required to submit quarterly reports under Section 1512 of the act to the federal agencies apportioning those Recovery Act funds.
Second, under the Recovery Act, states are required to give priority to highway projects that can be completed within 3 years and that are located in economically-distressed areas. When the Recovery Act was enacted, ADOT based the identification of economically-distressed areas on home foreclosure rates and other factors—data not specified in the Public Works Act. We recommended that DOT develop criteria for states to identify “special need” areas that do not meet the statutory economically distressed criteria in the Public Works Act. In response to our recommendation, DOT, in consultation with the Department of Commerce, developed such criteria and issued guidance to the states in August 2009.\textsuperscript{17} Applying this revised guidance, the state’s calculation again concluded that all 15 counties in Arizona are economically distressed, so ADOT does not believe it will have to revise how it is distributing funding across the state.

Arizona has 15 public housing agencies that received a total of $12,068,449 in Recovery Act Public Housing Capital Fund formula grants (see figure 1). As of November 14, 2009, 13 public housing agencies have obligated $5,819,738 and have drawn down $2,585,851 of the total. On average, housing agencies in Arizona are obligating funds at about the same rate as other housing agencies nationally. We visited the following five housing agencies to determine the progress of projects: the city of Glendale Community Housing Division, the city of Phoenix Housing Department, the Housing Authority of Maricopa County, the Housing and Community Development Department of the city of Tucson, and the Pinal County Housing Department.

\textsuperscript{17}As we reported, the criteria align closely with special need criteria used by the Department of Commerce’s Economic Development Administration in its own grant programs, including factors such as actual or threatened business closures (including job loss thresholds), military base closures, and natural disasters or emergencies.
Housing Agencies Are Using Recovery Act Formula Capital Funds on Various Rehabilitation Projects and Are on Track to Meet Recovery Act Time Frames

The five housing agencies that we visited in Arizona received $8,840,880 in Capital Fund formula grants. Officials at each housing agency stated that they expect to meet the March 17, 2010, Recovery Act Capital Fund formula obligation deadline. As of November 14, 2009, these five housing agencies had obligated $3,675,832 and had drawn down $1,295,686 of the total award. The housing agencies we visited had completed 13 projects and had 22 projects underway that continue to follow their 5-year plans and most of the contracts were awarded within 120 days of when the funding was made available. Some housing officials received contract bids for projects that were lower than cost estimates and were able to use the savings to reinvest in additional Recovery Act-funded projects. Housing officials believe that bids submitted below original estimated costs were caused by the current low levels of economic activity in the construction industry. Also, according to housing officials we met with, because all the projects were previously unfunded, the Recovery Act funds

18The 5-year plan addresses the housing agencies’ mission and their overall plan and priority list of projects to achieve their mission goals.
Appendix I: Arizona

were used to supplement, not replace or supplant other funds, in accordance with the Recovery Act.

One of the five public housing agencies—the city of Glendale Community Housing Division—expended all $319,325 of its allocated funds by completing the rehabilitation of 50 kitchens. The other four public housing agencies have completed at least one project.

- The city of Phoenix has expended a total of $352,877 on several projects such as interior and exterior painting, sidewalk repairs, roof replacements, and completed a roof seal coating project on two public housing sites which is expected to maintain the integrity of the roof and promote energy efficiency.

- Maricopa County installed new evaporative coolers, refrigerators, and stoves across several of its public housing sites at a cost of $45,141.

- The city of Tucson completed the interior and exterior rehabilitation of a single-family home at a cost of $46,700, which improved the physical condition of the home and installed water and energy efficient appliances.

- Pinal County completed two roof replacement projects at a cost of $132,403.

According to housing officials and one contractor we spoke with, the types of formula-funded projects completed or currently underway have only temporarily created jobs and, in some cases, individuals that were hired for project work have already been laid off or let go. For example, city of Glendale officials stated that five out of seven newly-hired workers were laid off immediately after their 7-week kitchen rehabilitation project ended because no other work was available. In another example, a Pinal County housing official stated that an unemployed roofer worked on its first roofing project but once the 4-week project was completed, he again became unemployed. Also, according to a painting company owner in Phoenix, she hired three unemployed painters but after the 5-week project ended, she laid them off because the work was temporary and new work was not available to sustain their employment.
Arizona Received One Competitive Grant to Make Energy Efficient Upgrades

HUD awarded one Capital Fund competitive grant in Arizona to the city of Phoenix Housing Department for $3.4 million under the category for creating energy efficient public housing units. Of the five public housing agencies we met with, two stated they applied for the competitive grant, while the other three stated they did not apply because their priority was managing existing housing projects, they believed that their applications may not be as competitive, and they did not have enough time or staff available to complete the application within the required timeframe. The city of Glendale Community Housing Division submitted one application, which was not awarded, and the Phoenix Housing Department submitted three applications, one of which was awarded. Phoenix housing officials plan to combine their competitive grant award with other funding to renovate 374 units at the Marcos de Niza public housing site. According to the grant application, the total development cost is approximately $24.7 million and construction work is expected to begin in May 2010 and be completed by June 2011. Specifically, the project includes, among other things, converting evaporative cooling systems to geothermal-powered central heating and cooling systems, and installing water- and energy-conserving fixtures and appliances in units.

State Comments on This Summary

We provided the Governor of Arizona with a draft of this appendix on November 18, 2009. The Director of the Office of Economic Recovery responded for the Governor on November 20, 2009. The state agreed with our draft and provided some clarifying information which we incorporated.

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Staff Acknowledgments

In addition to the contacts named above, Steven Calvo, Assistant Director; Lisa Brownson, auditor-in-charge; Rebecca Bolnick; Aisha Cabrer; Steven Rabinowitz; Jeff Schmerling; Radha Seshagiri; James Solomon; and Ann Walker made major contributions to this report.
Appendix II: California

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

What We Did
GAO's work in California included reviewing three specific programs funded under the Recovery Act—Highway Infrastructure Investment funds, Transit Capital Assistance Program, and Weatherization Assistance Program. These programs were selected primarily because they are in the process of obligating Recovery Act funds in California. Our work focused on the status of the programs' funding, how funds are being used, and issues that are specific to each program. In addition to these programs, we updated information on three Recovery Act education programs with significant funds being disbursed—the State Fiscal Stabilization Fund (SFSF) and Recovery Act funds for Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA), as amended, and Part B of the Individuals with Disabilities Education Act (IDEA), as amended. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP.

We also met with the California Recovery Act Task Force (Task Force) to understand the state’s experience in meeting Recovery Act reporting requirements and preparing the state’s quarterly report in October 2009. In addition, we visited two California local governments to discuss the amount of Recovery Act funds each is receiving directly from federal agencies and to learn how those funds are being used. We chose to visit the city of Los Angeles and the county of Sacramento. We selected Los Angeles because it is Southern California’s most populous city, with an unemployment rate above the state’s average of 12.0 percent. We selected the county of Sacramento because it is located in Northern California’s central valley, encompasses the State Capitol, and also has an unemployment rate above the state average.

What We Found
- **Highway Infrastructure Investment.** As of October 31, 2009, the U.S. Department of Transportation (DOT) Federal Highway Administration (FHWA) has obligated $2.079 billion of the $2.570 billion apportioned to California in Recovery Act funds and $90 million had been reimbursed by FHWA. The majority of these projects involve pavement widening and improvement projects, but the state is also
using highway infrastructure funds for numerous safety and transportation enhancement projects. California has awarded contracts for 364 projects worth $1.647 billion and advertised an additional 119 projects for bid. Overall, 90 percent of Recovery Act contracts are being awarded for less than the state engineer’s estimated costs and the California Department of Transportation (Caltrans) plans to request FHWA obligate excess funds for additional highway projects. While the pace of federal outlays for California highway projects continues to be slower than the national average, the amount reimbursed grew from $22 million in September to $90 million as of October 31, 2009, and officials expect it to increase in the near future as a number of large state highway projects are under way.

- **Transit Capital Assistance Program.** As of November 5, 2009, DOT’s Federal Transit Administration (FTA) has obligated $916 million of the $1.002 billion in Transit Capital Assistance Program Recovery Act funds apportioned to California and urbanized areas in the state for transit projects. Transit agencies in California are using Transit Capital Assistance Program Recovery Act funds for preventive maintenance, vehicle purchases and rehabilitation, equipment replacement, and large capital projects. The transit agencies we visited, the San Francisco Municipal Transportation Agency (SFMTA) and the San Diego Association of Governments (SANDAG), are in the process of awarding contracts for Recovery Act funded projects and are using Transit Capital Assistance Program Recovery Act funds for a variety of capital projects, which otherwise might not have been funded until future fiscal years.

- **Selected education programs.** As of October 31, 2009, California has distributed about $3.2 billion in Recovery Act funding to local education agencies (LEA), and special education local plan areas through three education programs. This includes SFSF education stabilization funds ($2.5 billion), ESEA Title I, Part A funds ($463 million), and IDEA, Part B funds ($269 million). California LEAs are generally using Recovery Act funding to retain jobs for teachers, teacher aides, and other staff, as well as for training and purchasing instructional materials and equipment. However, as we have previously reported, Recovery Act funding was distributed to some LEAs prior to their being ready to spend it, and the concerns we raised in our previous reports about cash management, including the appropriate process for calculating interest on federal cash balances, have yet to be fully resolved.
Appendix II: California

- **Weatherization Assistance Program.** California awarded almost $57 million to 35 local service providers throughout the state for Recovery Act weatherization activities. The state has required service providers to adopt an amendment to their Recovery Act weatherization contracts to ensure that they comply with Recovery Act requirements before they are provided Recovery Act funds to weatherize homes. Most service providers did not adopt the amendment by the October 30 deadline, due to ongoing negotiations with the state regarding concerns about some amendment provisions. On October 30, the state announced it would issue a modified amendment within 30 days incorporating changes agreed upon by the state and service providers. As of November 10, no homes in California had been weatherized with Recovery Act funds.

- **Recipient reporting.** Task Force officials believe that, using their centralized reporting system, they successfully reported jobs created or retained as a result of Recovery Act funds received through state agencies, but faced several challenges in doing so. One such challenge related to differing interpretations of federal guidance on jobs reporting, which resulted in variations in the number of jobs reported. On behalf of the Task Force, the state’s Chief Information Officer (CIO) was responsible for collecting the data from state agencies, validating it, and uploading the data to www.federalreporting.gov (FederalReporting.gov).

- **Localities’ use of Recovery Act funds.** Los Angeles City and Sacramento County reported using Recovery Act funds to preserve the delivery of essential local government services. For example, Los Angeles has been awarded $178.6 million in Recovery Act grants and Sacramento $21.0 million that are funding airport improvement, anticrime programs, art agencies, community development projects, community policing, diesel emission reduction, energy efficiency projects, homelessness and foreclosure relief, port security, purchases of buses, and public housing rehabilitation. According to officials in both localities, activities funded with Recovery Act funds will not require ongoing financial support after the funds are spent.
Appendix II: California

Over 80 Percent of Apportioned Highway Funds Have Been Obligated and California Has Awarded More than 300 Highway Contracts

The U.S. Department of Transportation’s (DOT) Federal Highway Administration (FHWA) apportioned about $2.570 billion in Recovery Act funds to California in March 2009. As of October 31, 2009, more than 80 percent of these funds had been obligated ($2.079 billion)\(^1\) and $90 million had been reimbursed by FHWA. As of October 31, 2009, Caltrans awarded 364 contracts for state and local highway projects with a total value of $1.647 billion. Of these, 49 have been completed and 250 are under construction. Contracts have not yet been awarded for an additional 119 projects or proposals that are in the bid review process. As part of our review, we visited the site of a new road construction project intended to reduce congestion on State Route 905 in San Diego County. Construction on the Recovery Act-funded portion of the project began in July 2009 and, according to Caltrans, the construction phases of the project are expected to be completed by summer 2012 (see fig. 1).

Our analysis of contract bid data for state highway projects found that approximately 90 percent of Recovery Act bids on contracts issued as of October 31, 2009, have come in under state estimated costs.\(^2\) On average,

\(^{1}\)This does not include obligations associated with $27 million of apportioned funds that were transferred from FHWA to FTA for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA.

\(^{2}\)Although we examined the data for obvious discrepancies, the data we collected are self-reported by individual states. Therefore, the data may not be complete and we consider the reliability of these data undetermined.
these contracts have been awarded for approximately 26 percent less than the state engineer’s estimated costs for the project. According to Caltrans officials, lower material costs and increased competition among contractors due to the weak economy in California are among the reasons bids are under the state engineer’s estimated costs. Caltrans plans to request that FHWA obligate funds made available as a result of savings from receiving bids lower than state estimated costs and use those funds for other projects, specifically projects from its State Highway Operations and Protection Program (SHOPP) and Highway Maintenance Program. As of November 1, 2009, FHWA deobligated approximately $108.5 million from state and local projects, which Caltrans plans to use to fund 16 additional state projects—13 SHOPP and 3 Highway Maintenance Program projects—for which additional funding has been sought using deobligated Recovery Act funds.

We discussed contracts for two Recovery Act-funded highway projects, including State Route 905 and a resurfacing project in Burlingame, with state and local officials (see table 1). According to Caltrans officials we spoke with about these contracts, California continues to use its existing contracting procedures to help ensure funds are used appropriately. As we reported in September, Caltrans officials stated that California has well-defined contract requirements for all highway projects, and Caltrans awards all highway contracts competitively to the lowest responsive and responsible bidder. Caltrans officials also stated that requirements specific to the Recovery Act, such as reporting requirements, were added to Recovery Act contracts.

<table>
<thead>
<tr>
<th>Table 1: Summary of Contract Information for Two Highway Projects Visited</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Route 905 project</strong></td>
</tr>
<tr>
<td>• Construction of a 3.4-mile segment of a new six-lane freeway in San Diego County, California</td>
</tr>
<tr>
<td>• Estimated contract value: $57 million</td>
</tr>
<tr>
<td>• Fixed unit price contract awarded competitively; 6 bidders</td>
</tr>
<tr>
<td>• Estimated project duration: approximately 4 years or 990 days</td>
</tr>
</tbody>
</table>

Source: GAO analysis of information provided by Caltrans and the City of Burlingame.

According to FHWA data, as of October 31, 2009, the rate of reimbursement for California highway projects, 4.3 percent ($90 million) of the $2.079 billion obligated to California, is lower than the amount
reimbursed nationwide, 18.4 percent ($3.661 billion) of the $19.88 billion obligated. However, federal reimbursements in California have increased since September 2009 from $22 million to $90 million, and Caltrans officials stated that more reimbursements are expected as a number of large state highway projects begin construction in the coming months. Caltrans officials attributed the lower reimbursement percentage to having a majority of its projects administered by local governments, which are often reimbursed more slowly than state-administered projects. Thus far, most of the reimbursements, approximately 93 percent ($84.5 million) of the $90 million, are for state projects. Caltrans officials noted that locally-administered highway projects may take longer to reach the reimbursement phase than state projects due to additional steps required to approve local highway projects. For example, highway construction contracts administrated by local agencies call for a local review and local public notice period, which can add nearly 6 weeks to the process. In addition, Caltrans officials stated that localities with relatively small projects tend to seek reimbursement in one lump sum at the end of a project to minimize time and administrative cost, which can contribute to reimbursement rates not matching levels of ongoing construction.

Caltrans has also been working to adhere to revised FHWA guidance for meeting Recovery Act requirements in two areas: (1) identification of economically distressed areas and (2) maintenance of effort.

- Based on findings in our July 2009 Recovery Act report that state DOTs, including Caltrans, used variable methodologies to identify economically distressed areas, we recommended that DOT provide clear guidance. Caltrans revised its economically distressed area determination using guidance issued by FHWA in consultation with the Department of Commerce on August 24, 2009. According to the recalculation, all 58 counties in California are designated as economically distressed, which results in no change to how Caltrans funds and administers Recovery Act projects.

- Under the Recovery Act, states are required to certify that they will maintain the level of spending planned on the day the Recovery Act

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3 Of the $2.570 billion apportioned to California under the Recovery Act, $1.799 billion (70 percent) was allocated to state-level projects and another $771 million (30 percent) was suballocated to local projects. According to state sources, under a state law enacted in late March 2009, 62.5 percent of the $2.570 billion ($1.606 billion) will go to local governments for projects of their selection.
was enacted. On September 24, 2009, FHWA issued supplemental
guidance on maintenance of effort (MOE) requirements, which
clarified that states should include in their MOE certified amounts the
funding the state provides to local governments for transportation
projects. Caltrans officials stated that they are working with FHWA on
this issue and are prepared to submit a revised MOE certification when
requested. Caltrans officials do not anticipate difficulty in meeting the
MOE requirement even after adjusting the certification amount to
include those funds.

Transit Agencies in California Are in the Process of Awarding Transit Capital Assistance Program Recovery Act Contracts for a Variety of Projects

In March 2009, $1.002 billion in Transit Capital Assistance Program Recovery Act funds were apportioned to California and urbanized areas in the state for transit projects. As of November 5, 2009, $916 million had been obligated. Transit agencies in California are using Transit Capital Assistance Program Recovery Act funds for preventive maintenance, vehicle purchases and rehabilitation, equipment replacement, and large capital projects.

The two transit agencies we visited—San Francisco Municipal Transportation Agency (SFMTA) and San Diego Association of Governments (SANDAG)—are using their Transit Capital Assistance Program Recovery Act funds for a variety of capital projects, which otherwise may not have been funded until future fiscal years. Officials at both SFMTA and SANDAG stated that project readiness and the relative need for projects within the region informed project selection.

- SFMTA distributed its Transit Capital Assistance Program Recovery Act funds, approximately $72 million, for 13 projects, including preventive maintenance and equipment replacement. For example, SFMTA plans to spend $11 million in Transit Capital Assistance Program Recovery Act funds to replace fare collection equipment. SFMTA officials stated that the availability of Transit Capital Assistance Program Recovery Act funds allowed the agency to move forward on high-priority fleet maintenance projects that could not have been funded with their annual FTA apportionment.

- SANDAG distributed approximately $70 million in Transit Capital Assistance Program Recovery Act funds among four large construction projects, including replacement of a segment of a railroad bridge and construction of a transit center (see table 2). SANDAG officials stated that the bridge replacement project would not have been funded for years without the help of Transit Capital Assistance Program Recovery Act funds.
Table 2: Overview of SANDAG Transit Capital Assistance Program Recovery Act Projects

<table>
<thead>
<tr>
<th>Project name</th>
<th>Project description</th>
<th>Transit Capital Assistance Program Recovery Act funds</th>
<th>Total estimated project cost</th>
<th>Percent of project funded with Transit Capital Assistance Program Recovery Act funds (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>System contact wire</td>
<td>Investigate existing contact wire conditions on the South Line of the San Diego Trolley and replace worn out sections of contact wire from 12th and Imperial to San Ysidro</td>
<td>$12,000,000</td>
<td>$17,643,000</td>
<td>68</td>
</tr>
<tr>
<td>Blue Line upgrade</td>
<td>Design and construction for trolley and trackway modifications, including stations to support new low-floor vehicle operations.</td>
<td>44,560,000</td>
<td>114,695,000</td>
<td>39</td>
</tr>
<tr>
<td>Railroad trestle bridge replacement</td>
<td>Replace the north segment of a railroad trestle bridge in the Los Angeles to San Diego rail corridor that is used by Amtrak, Burlington Northern Santa Fe, and Metrolink trains.</td>
<td>12,000,000</td>
<td>12,000,000</td>
<td>100</td>
</tr>
<tr>
<td>San Luis Rey Transit Center</td>
<td>Construct a 12-bay transit center in suburban North San Diego County.</td>
<td>1,500,000</td>
<td>2,700,000</td>
<td>56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$70,060,000</strong></td>
<td><strong>$147,038,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: GAO analysis of SANDAG data.

The transit agencies we visited are in the process of awarding contracts for Recovery Act-funded projects. SFMTA officials stated that they plan to award contracts for all projects receiving Transit Capital Assistance Program Recovery Act funds by November 30, 2009, and SANDAG officials reported that one project had been advertised for bid and the other three projects would be advertised for bid in the coming months. Transit agency officials stated that they will use existing processes, including site inspections, to manage Recovery Act contracts.
As of October 31, 2009, California had distributed approximately $3.2 billion in Recovery Act funds to local educational agencies (LEA) and other K-12 state funded learning institutions through the three education programs included in our review—ESEA Title I, Part A; IDEA, Part B; and SFSF. LEAs in California report that they are using Recovery Act funding to retain jobs for teachers and other staff, to provide training, and to buy a variety of instructional materials and equipment. However, as previously reported, funds were distributed before some LEAs were ready to spend them, and the cash management issues we raised in previous reports, including the appropriate method for calculating interest on federal cash balances, have not been fully resolved.

LEAs Plan to Use Recovery Act Funds to Help Retain Jobs and Improve Programs but Will Still Lose Staff Overall

We surveyed a representative sample of LEAs—generally school districts—nationally and in California about their planned uses of Recovery Act funds. Table 3 shows California and national survey results on the estimated percentages of LEAs that (1) plan to use more than 50 percent of their Recovery Act funds from three education programs to retain staff, (2) anticipate job losses even with SFSF monies, and (3) reported a total funding decrease of 5 percent or more since last school year. Notably, two-thirds of California LEAs reported a funding decrease of more than 5 percent versus 17 percent of LEAs nationwide.

### Table 3: Selected Results from GAO Survey of LEAs

<table>
<thead>
<tr>
<th>Responses from GAO survey</th>
<th>Estimated percentages of LEAs</th>
<th>California</th>
<th>Nation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to use more than 50 percent of Recovery Act funds to retain staff</td>
<td>IDEA funds</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Title I funds</td>
<td>29</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>SFSF funds</td>
<td>52</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td>Anticipated job losses, even with SFSF funds</td>
<td>50</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Reported total funding decrease of 5 percent or more since school year 2009-2009</td>
<td></td>
<td>67</td>
</tr>
</tbody>
</table>

Source: GAO survey of LEAs.

Notes: Percentage estimates for California have margins of error, at the 95 percent confidence level, of plus or minus 11 percentage points or less. The nationwide percentage estimates have a margin of error of plus or minus 5 percentage points.
We visited two LEAs in California—the largest LEA in the state and a small charter school—to find out more detail about how they are spending Recovery Act funds (see table 4). Los Angeles Unified School District (LA Unified) serves over 600,000 students and has received about $530 million in Recovery Act funds for the three programs we examined. Alvina Elementary Charter School, in Fresno County, (also an LEA) serves about 200 students and has received about $88,000 in Recovery Act funds for the ESEA Title I, Part A and SFSF programs.

Table 4: Planned Uses of Recovery Act Funds at the LEAs Reviewed by GAO

<table>
<thead>
<tr>
<th>LEA</th>
<th>ESEA Title I, Part A</th>
<th>IDEA, Part B</th>
<th>SFSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA Unified</td>
<td>Individual school councils determine how funds are used and select from a district approved list that includes staff positions (such as teacher, teacher's assistant, school nurse, and psychiatric social worker); parent training; instructional materials; and classroom equipment.</td>
<td>Funds are being used to reduce reliance on contracting by training on-site staff; train teachers to meet the instructional, social, emotional, and behavioral needs of students with disabilities integrated into the general education program; provide special education leadership training for elementary and secondary site administrators; and train teachers in practices to improve outcomes for students identified with autism.</td>
<td>All funds are being used for salaries, including salaries for 2,558 teachers and 210 administrative and other support positions.</td>
</tr>
<tr>
<td>Alvina</td>
<td>Funds are being used to increase K-3 instructional aide hours and to hire a new teacher and a new instructional aide, allowing Alvina to increase student enrollment.</td>
<td>No IDEA funds received.</td>
<td>Funds are being used for staff retention, hiring paraprofessionals, and buying math text books.</td>
</tr>
</tbody>
</table>

Source: GAO analysis of information provided by LA Unified and Alvina.

Ongoing Cash Management Issues Have Yet to Be Fully Resolved

In our September 2009 report, we highlighted concerns related to ESEA Title I, Part A cash management practices of the California Department of Education (CDE) and LEAs, specifically related to early distribution of funds to LEAs and the calculation and remittance of interest on unspent cash balances. At that time, CDE was uncertain whether unspent ESEA

\[1\] While our prior report focused on ESEA Title I, Part A funds, these cash management concerns extend to other Recovery Act funds drawn down by CDE, as reported by the U.S. Department of Education’s Office of Inspector General in its October 2009 Alert Memorandum—ED-OIG/L09J0007.
Title I, Part A Recovery Act balances could be offset against unreimbursed expenses in LEAs’ non-Recovery Act ESEA Title I funding accounts for purposes of calculating the interest due on unspent federal funds. U.S. Department of Education (Education) officials had not yet made a formal determination on this approach at the time of our September report. In our recent discussions, Education officials told us that unreimbursed expenses for one federal fund can be offset against positive cash balances in another federal fund—including, for example, regular ESEA Title I and Recovery Act ESEA Title I fund balances. Education officials told us they will finalize their decision on CDE’s proposed interest calculation procedures once they receive the proposal in writing from CDE.

The Recovery Act appropriated $5 billion for the Weatherization Assistance Program, which the U.S. Department of Energy (DOE) is distributing to each of the states, the District of Columbia, and seven territories and Indian tribes, to be spent over a 3-year period. This program enables low-income families to reduce their utility bills by making long-term energy efficiency improvements to their homes by, for example, installing insulation or modernizing heating or air conditioning equipment. On September 22, 2009, DOE obligated all the funds allocated to the states, but it has limited the states’ access to 50 percent of these funds.6 DOE allocated about $186 million of Recovery Act funds for weatherization in California.6 By June 2009, DOE had provided 50 percent—about $93 million—of these funds to the California Department of Community Services and Development (CSD), the state agency responsible for administering the state’s weatherization program. Of this amount, CSD retained about $16 million to support oversight, training, and other state activities. CSD also awarded almost $57 million to 35 local service providers throughout the state7 for planning, purchasing equipment, hiring

5DOE currently plans to make the remaining funds available to the states once 30 percent of the housing units identified in the state plans are weatherized.

6California also received about $14 million for its fiscal year 2009 annually appropriated Weatherization Assistance Program.

7CSD delivers weatherization services through a network of local service providers, including community action agencies, nonprofit organizations, and local governments.
Appendix II: California

and training, and weatherizing homes. As of November 10, CSD and its service providers spent approximately $3 million of Recovery Act funds on weatherization-related activities.

CSD requires service providers to adopt an amendment to their Recovery Act weatherization contracts to ensure that they comply with the Recovery Act, including certifying that they comply with the Davis-Bacon Act, before providing Recovery Act funds to them to weatherize homes. Only two providers adopted the amendment by the initial October 30 deadline. According to CSD, many providers did not adopt the amendment because they objected to some of its provisions, including those pertaining to compensation, cost controls, and performance requirements. As a result, CSD entered into negotiations with providers and, on October 30, announced it will release a modified amendment incorporating agreed upon changes within 30 days. CSD also announced steps that providers can take to accept the modified amendment in advance of its formal issuance and begin weatherizing homes sooner. As of November 10, nine providers had adopted the modified amendment in advance of the formal issuance, but no homes in California had yet been weatherized with Recovery Act funds.

We selected 4 of the 35 service providers to discuss their Recovery Act weatherization programs (see table 5). Each of these providers received a substantial increase in weatherization funding through the Recovery Act, and they vary in size and expected start dates for weatherizing homes. Officials from these providers initially expressed concerns about wage rates, payroll, cost controls, and other provisions of the CSD contract amendment. Subsequently, these officials told us that they anticipated their concerns would be addressed by the forthcoming modifications.

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8CSD has not yet awarded the remaining funds—approximately $20 million—to service providers for parts of Alameda County, parts of Los Angeles County, Santa Clara County, San Francisco County, and San Mateo County. For these areas, CSD is either seeking a new service provider or is withholding funds pending the completion of an investigation of the designated service provider.

9CSD currently estimates that 50,330 homes will be weatherized with Recovery Act funds in California. However, as of November 10, 2009, California had not begun measuring the impact of its weatherization program because no homes in California had been weatherized with Recovery Act funds.

10We selected these providers to capture a variety of service area characteristics, such as the amount of Recovery Act funds allocated; the number of clients served; climate zones; and a mix of rural, urban, and suburban areas.
Appendix II: California

Three of these providers adopted, or plan to adopt, the modified amendment in advance of the formal issuance—one provider met the October 30 deadline. Officials from the remaining provider stated that they will wait for the formal issuance. Officials from each of these providers stated, and CSD agreed, that they have processes and plans aimed at ensuring that funds are used for their intended purposes and in accordance with Recovery Act requirements. In addition, each has created new employment positions and has plans to hire additional employees in order to implement the Recovery Act weatherization program.

<table>
<thead>
<tr>
<th>Service provider</th>
<th>Project GO, Inc.</th>
<th>Community Action Partnership of Orange County</th>
<th>Community Action Partnership of Riverside County</th>
<th>Pacific Asian Consortium in Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service area</td>
<td>Placer County</td>
<td>Orange County</td>
<td>Riverside County</td>
<td>Parts of Los Angeles County</td>
</tr>
<tr>
<td>Organization type</td>
<td>Nonprofit</td>
<td>Community action agency</td>
<td>County government</td>
<td>Nonprofit</td>
</tr>
<tr>
<td>Primary labor and supply source</td>
<td>In-house</td>
<td>In-house</td>
<td>Subcontractors</td>
<td>In-house</td>
</tr>
<tr>
<td>2009 annually appropriated weatherization allocation</td>
<td>$87,851</td>
<td>$485,704</td>
<td>$552,737</td>
<td>$568,413</td>
</tr>
<tr>
<td>Recovery Act weatherization allocation</td>
<td>$998,278</td>
<td>$6,002,530</td>
<td>$7,616,998</td>
<td>$7,034,492</td>
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<tr>
<td>Recovery Act weatherization funds awarded</td>
<td>$498,516</td>
<td>$2,997,522</td>
<td>$3,803,748</td>
<td>$3,512,859</td>
</tr>
<tr>
<td>Recovery Act weatherization funds spent</td>
<td>$40,164</td>
<td>$110,241</td>
<td>$450,428</td>
<td>$107,969</td>
</tr>
<tr>
<td>Number of homes projected to be weatherized with Recovery Act funds</td>
<td>360</td>
<td>550</td>
<td>1680</td>
<td>1700</td>
</tr>
<tr>
<td>Estimated date to begin weatherizing homes with Recovery Act funds</td>
<td>January 2010</td>
<td>Between January and March 2010</td>
<td>November 2009</td>
<td>December 2009</td>
</tr>
</tbody>
</table>

Source: CSD; Project GO, Inc.; Community Action Partnership of Orange County; Community Action Partnership of Riverside County; and Pacific Asian Consortium in Employment.
Despite Challenges, California Officials Believe That They Successfully Met Recovery Act Reporting Requirements

California Recovery Act Task Force (Task Force) officials believe that, while facing some challenges, overall, they were successful in reporting jobs created or retained in California, as well as other information required under the Recovery Act. California established a centralized reporting system, the California ARRA Accountability Tool (CAAT), for Recovery Act funds received through state agencies. All state agencies receiving Recovery Act funds reported to the Task Force using the CAAT. The state’s Chief Information Officer (CIO), on behalf of the Task Force, was responsible for collecting the data from state agencies, validating it, and uploading the data to FederalReporting.gov. The Task Force performed a pretest by working with the technical team at FederalReporting.gov and then uploaded all data by the October 10 deadline. Data corrections were made to improve the accuracy of reports from October 11 through October 20.

State officials cited several benefits of the centralized process, including establishing the CIO as the liaison between FederalReporting.gov and the state, which eliminated the need for each state agency to reconcile issues one at a time with FederalReporting.gov. It also allowed greater control of the process at the state level and helped state officials follow the flow and impact of Recovery Act funds in California. (Figure 2 provides a simplified example of how information flowed for two state-run highway projects that we selected.) However, local governments and other entities which directly received Recovery Act funds that bypassed the state reported those funds directly to FederalReporting.gov. Therefore, the Task Force had little or no visibility over these funds.

Figure 2: Basic Flow of Recipient Reporting Information for Two State-Run Highway Projects in California That GAO Selected

<table>
<thead>
<tr>
<th>Subcontractor reports to prime contractor:</th>
<th>Prime contractor reports to Caltrans:</th>
<th>Caltrans reports to state CIO:</th>
<th>State CIO uploads reports to federalreporting.gov:</th>
<th>OMB reports information from federalreporting.gov:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Number of employees, hours worked, and payroll information for existing employees and new hires</td>
<td>• Subcontractor information</td>
<td>• Information from each prime contractor and subcontractor</td>
<td>• Upload occurs within 10 days after the end of the reporting quarter</td>
<td>• Number of jobs created or retained and other information on Recovery Act funds flowing through the state of California</td>
</tr>
<tr>
<td></td>
<td>• Employee, hour, and payroll information for prime contractor</td>
<td>• Employee, hour, and payroll information for Caltrans employees</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: GAO analysis of information provided by contractors, Caltrans, CIO, and the Task Force.

Note: Flow of recipient reporting information for locally-managed highway projects in California included additional steps.
State officials said they faced some challenges, especially in collecting required information on Dun and Bradstreet Universal Numbering System (D-U-N-S\textsuperscript{11}®) numbers for recipients and subrecipients and overcoming changing reporting requirements from federal agencies. For example, in some cases, the Office of Management and Budget (OMB) did not have D-U-N-S numbers in its system, which prevented the state from uploading job information from recipients and subrecipients. The OMB reporting system not only rejected the subrecipients’ incorrect D-U-N-S numbers, but also all recipient data for that award, including correct D-U-N-S numbers, which numbered in the hundreds or thousands, without identifying the reason for the rejection. California officials also had to contend with federal agencies making last-minute changes to the reporting requirements including to the award amounts, award identification numbers, Central Contract Registration numbers, and Catalog of Federal Domestic Assistance numbers.

Another challenge Task Force officials noted is that the number of jobs reported can vary depending on how federal job reporting guidance is applied, as was the case with California’s two university systems. For example, the California State University (CSU) system reported 26,156 jobs paid with Recovery Act funds based on $268.5 million in SFSF grants awarded and disbursed over 2 months, while the University of California (UC) officials reported 8,356 jobs paid with Recovery Act funds based on $518.5 million in SFSF grants disbursed out of the $717.5 million awarded. A CSU official said that their estimate is based on paying 26,156 full-time equivalent positions for the 2 months, May and June 2009, in which the Recovery Act funds were received. A UC official said that in contrast, the UC based its estimate on paying the 8,356 full-time equivalent positions for the full year, not just the months in which the funds were received, and by not counting tenured and other positions that would not have been cut otherwise. The CSU officials said that, on the advice of the CSU consultants, CSU followed Education guidance exactly as written without adjustments. The UC official said that UC adjusted its estimate to make it more realistic in reflecting the number of jobs retained. Task Force officials reviewed both estimates and told us that both are, in their opinion, within applicable federal agency guidance.

\textsuperscript{11}According to Dun and Bradstreet, a D&B® D-U-N-S® number is a unique nine-digit sequence recognized as the universal standard for identifying and keeping track of over 100 million businesses worldwide.
Task Force officials stated that the reporting process would be improved if OMB provided a comprehensive list of awards within California, so that the Task Force can be sure that all awards were reported. However, Task Force officials told us OMB informed them that there was not a master list of Recovery Act awards that agencies have made to each state and to recipients within the state. Task Force officials also believed that a list of all state and local Recovery Act awards provided to California would help them better assess the impact of the Recovery Act in California. We previously recommended that OMB should develop an approach that provides dependable notification to states—where the state is not the primary recipient of funds but has a statewide interest in the information.  

We met with officials in the city of Los Angeles (Los Angeles) and the county of Sacramento to discuss how Recovery Act funds are being used in these localities. (Figure 3 highlights information about the two local governments we reviewed.) Officials said that they face budget shortfalls this fiscal year due to declines in state funding for programs, property tax revenues, sales tax revenues, and other local tax revenues and fees. According to government officials in both localities, Recovery Act funds are helping to preserve the delivery of essential services and repair infrastructure, but have generally not helped stabilize their base budgets.

Select California Localities Are Using Recovery Act Funds to Preserve Services

As of November 9, 2009, Los Angeles officials reported the city had been awarded about $178.6 million in Recovery Act grants. This included about $135.2 million in formula grants to support anticrime programs, community development projects, energy-efficiency projects, homelessness and foreclosure relief, purchases of buses, and public housing rehabilitation. Additionally, the city reported it had been awarded $43.4 million in competitive grants to support airport improvement, art agencies, community policing, diesel emission reduction, port security, and public housing capital construction. Officials also reported that Los Angeles has applied for about $410 million in additional Recovery Act grants for broadband and smart grid projects, a neighborhood stabilization program, strengthening communities affected by the economic downturn, training workers for careers in the energy sector, and transportation infrastructure.

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Formula grants include: Community Development Block Grant ($19.2 million), Edward Byrne Memorial Justice Assistance Grants ($30.5 million), Emergency Shelter Grants ($29.4 million), Energy Efficiency and Conservation Block Grant ($250,000), Internet Crimes Against Children ($1.4 million), Public Housing Capital ($25.1 million), and Transportation Infrastructure ($8.0 million).
Appendix II: California

According to officials, Los Angeles is planning to use Recovery Act funds to enhance community services rather than to fund ongoing projects that require future financial support.

- As of November 10, 2009, Sacramento County officials reported the county had been awarded about $21.0 million in Recovery Act formula grants. This includes about $20.8 million in Recovery Act formula grants to provide support for law enforcement programs such as gang suppression and prevention of Internet crimes against children, energy efficiency improvements, and airport security improvements. The county also reported receiving a $259,000 Edward Byrne Memorial Competitive Grant to supervise sexual assault offenders on probation. The county has applied for an additional $42.0 million in competitive grants for highway and airport improvements and for crime investigations support, and plans to pursue additional competitive grants. County officials said they have not developed a formal exit strategy from Recovery Act funding but are using the funds on projects that will not require local financial support after the Recovery Act funds are spent.

We provided the Governor of California with a draft of this appendix on November 17, 2009.

In general, California state officials agreed with our draft and provided some clarifying information, which we incorporated.

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In addition to the contacts named above, Paul Aussendorf, Assistant Director; Joonho Choi; Guillermo Gonzalez; Chad Gorman; Richard Griswold; Don Hunts; Delwen Jones; Susan Lawless; Brooke Leary; Heather MacLeod; Joshua Ormond; Emmy Rhine; Eddie Uyekawa; and Lacy Vong made major contributions to this report.

State Comments on This Summary

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Staff

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Acknowledgments

14Formula grants include: Airport Security Grant ($11.3 million), Edward Byrne Memorial Justice Assistance Grants ($2.6 million), and Energy Efficiency and Conservation Block Grant ($5.4 million), Health Centers Increase Demand for Services ($546,318), Capital Improvement Program ($890,220), and Internet Crimes Against Children ($702,838).
Appendix III: Colorado

Overview

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

What We Did

Our work in Colorado included reviewing the state's use of Recovery Act funds and its experience reporting Recovery Act expenditures and results to federal agencies under Office of Management and Budget (OMB) guidance. We continued our review of several programs that we have been reviewing on an ongoing basis, in part because of the large amount of funds designated for these programs. These programs include the State Fiscal Stabilization Fund (SFSF); Individuals with Disabilities Education Act (IDEA), Part B; Elementary and Secondary Education Act (ESEA) of 1965, as amended, Title I, Part A; Highway Infrastructure Investment; Transit Capital Assistance; and the Public Housing Capital Fund. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP.

To understand the state’s experience reporting Recovery Act expenditures and results for the first quarterly report issued by the federal government on October 30, 2009, we examined documents prepared by state officials responsible for centrally gathering and reporting to federal agencies. We discussed these documents, and the experience of reporting, with several state and local agencies, including Colorado's Departments of Education and Transportation, two transit agencies, and three housing agencies. In particular, we focused on understanding the agencies' methods for identifying and verifying expenditures and counting jobs created and retained.

Finally, for the first time, we visited local governments to better understand their use of Recovery Act funds. All regions of Colorado are experiencing economic stress. We chose to visit three local governments based on, in part, these localities' size, location, Recovery Act funding, and unemployment rates. Specifically, we selected the City and County of Denver because it is the state's largest city and has an unemployment rate above the state's average, which is now 6.7 percent. We also selected two county governments: Adams County because its unemployment rate is higher than the state's average and Garfield County because its rate is lower than the state's average.
State Fiscal Stabilization Fund. Since we reported in September 2009, the state has changed its plans for the more than $620 million of education stabilization funds allocated to the state. The state now plans to spend all its SFSF education stabilization funds on higher education and none on K-12 programs. The state plans to submit a revised application to the U.S. Department of Education to waive state spending requirements, called maintenance of effort, for education in fiscal year 2010.

Education programs. The pace of Colorado’s spending for the IDEA, Part B program and the ESEA Title I, Part A program has slowed since we reported in September 2009. State education officials said that their review of the ESEA Title I, Part A applications and IDEA, Part B applications has taken time and that spending depends on local educational agencies (LEA). The state has reviewed all applications and LEAs have begun seeking reimbursements for expenditures made in fiscal year 2010.

Highway Infrastructure Investment. As of October 31, 2009, the U.S. Department of Transportation (DOT) Federal Highway Administration (FHWA) has obligated $335 million of the $404 million of Recovery Act funds apportioned to Colorado for highway projects. Of the $335 million obligated, FHWA has reimbursed Colorado $61 million. At the same time, FHWA issued guidance requiring Colorado, as well as other states, to recalculate the amount of state funds used to certify that it would maintain state spending at a certain level in accordance with Recovery Act requirements. Colorado has devised a method to recalculate this maintenance-of-effort amount but has not yet made it final.

Transit Capital Assistance. As of November 1, 2009, DOT’s Federal Transit Administration (FTA) apportioned $103 million in Transit Capital Assistance funds to Colorado and urbanized areas located in the state and has obligated nearly all of these funds. Denver’s Regional Transportation District, Fort Collins’s Transfort, and the Colorado

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1GAO, Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed (Colorado), GAO-09-1017SP (Washington, D.C.: September 23, 2009).

2The apportioned funds include $18.6 million that was transferred from FHWA to the Federal Transit Administration (FTA) for transit projects in accordance with 23 U.S.C. § 104(k)(1). This leaves $385 million for highway projects in the state. FTA reported that the $18.6 million has been obligated.
Appendix III: Colorado

Department of Transportation’s (CDOT) rural transit program plan to use their share of transit funds to contract for numerous projects, including purchasing buses.

- **Public Housing Capital Fund.** Colorado has 43 public housing agencies that have been allocated about $17.6 million from the Public Housing Capital Fund. The U.S. Department of Housing and Urban Development (HUD) awarded $7.9 million to the three housing agencies we reviewed and the housing agencies had obligated approximately $1.7 million as of November 14, 2009. Of the three housing agencies we reviewed, one has completed all projects using Recovery Act funds, one has projects underway, and one has yet to carry out any projects.

- **State and local use of Recovery Act funds.** In addition to paying for specific programs such as transportation and education, Recovery Act funds are helping the state stabilize its fiscal year 2010 budget as it deals with declining revenues and two rounds of budget cuts. Local governments are using Recovery Act funds to bolster programs that provide needed services but not to stabilize their budgets, as funds available to local entities cannot be used to pay for local entities’ general operating expenses. Denver reported they received awards totaling $55 million in Recovery Act funds, half of which were competitive grants and the other half of which were formula grants. Adams County reported awards of $9 million and Garfield County reported awards of $347,000.

- **Recipient reporting.** Colorado officials, for the most part, viewed their experience with the first quarterly Recovery Act recipient report as successful but difficult. The state’s reporting efforts are a good first step. However, officials reported a number of technical problems uploading data to the official federal Web site and federal guidance changes that complicated their reporting experience. Our review of a small selection of reported items found some errors in calculating jobs associated with Recovery Act expenditures, suggesting that further review of the reporting results is needed.

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3The state’s fiscal year runs from July to June and localities’ fiscal years run from January to December.

4Two methods of distributing federal grant funds are by formula and through competition. Congress can direct that funds be apportioned among eligible recipients on the basis of a statutorily defined formula or it can authorize federal agencies to award funding competitively.
Colorado Will Use All SFSF Education Stabilization Funds for Higher Education and Will Submit a Revised Waiver for Maintenance-of-Effort Requirements in Fiscal Year 2010

Since we reported in September 2009, Colorado officials have decided to disburse all of the SFSF education stabilization funds allocated to the state to institutions of higher education (IHE). The Recovery Act created SFSF in part to help state and local governments stabilize their budgets by minimizing budgetary cuts in education and other essential government services. The state has been allocated a total of $760 million in SFSF funds, $622 million of which will be for education stabilization and $138 million of which will fund government services. In taking action to cut its fiscal year 2010 budget, the state cut almost $377 million from its contribution to higher education, which it has restored with SFSF education stabilization funds. As of November 10, 2009, Colorado planned to disburse all its SFSF funds to IHEs: $150 million in fiscal year 2009, $377 million in fiscal year 2010, and the remainder in fiscal year 2011. Although the state’s original plan for SFSF education stabilization funds allocated almost $170 million to K-12 programs for fiscal years 2010 and 2011, these changes result in no SFSF funds being spent on K-12 education.\(^5\)

The state plans to submit a revised SFSF application to the U.S. Department of Education requesting a waiver from maintenance-of-effort requirements for fiscal year 2010. The Recovery Act requires that states assure that they will maintain state education spending at least at the level of fiscal year 2006 spending, or receive a waiver from this requirement. To receive a waiver from this maintenance-of-effort requirement, a state has to show that its share of education spending as a percentage of total state revenues is equal to or greater than that of the previous year. As we reported in September 2009, the state requested a waiver of this maintenance-of-effort requirement for SFSF funds in fiscal year 2010 after an initial round of cuts to the higher education budget in August caused the state’s higher education spending to drop below fiscal year 2006 spending.

According to Education officials, Colorado’s waiver request was not yet approved as of November 19, 2009, because the state’s spending and revenue figures for fiscal year 2010 were not yet final. According to state

\(^5\)According to state budget documents, the state’s fiscal year 2010 budget increases K-12 funding 5 percent from fiscal year 2009 spending. According to a Colorado state legislative study, in 2000, Colorado voters approved a measure to increase education spending in the state; this amendment directed a portion of state tax revenues to the State Education Fund through fiscal year 2011. The amendment requires an annual increase in per-pupil funding and requires the state general fund appropriation for state aid to schools to increase by 5 percent per year, unless state personal income increased by less than 4.5 percent during the previous year.
officials, Education officials said that if the numbers do not change, the waiver would be approved. State officials also said, however, that spending and revenue figures would not be considered final until August 2010, after the fiscal year ends on June 30. Further, state officials said the numbers required by the waiver are projected estimates that will likely change. In the meantime, the state has made additional cuts to its higher education budget and plans to submit a revised SFSF waiver request reflecting the latest spending levels. As of November 19, 2009, the state had not heard anything more from Education regarding the first waiver or submitted a revised waiver.

Colorado LEAs continue to spend Recovery Act education funds, although the pace of spending has slowed since we last reported. The Recovery Act provided supplemental funding for education programs authorized under IDEA, Part B, a major federal program that supports early intervention and special education for children and youth with disabilities, and under ESEA Title I, Part A, which provides funding to help educate disadvantaged youth. The state’s Department of Education has finished its reviews of LEAs’ applications for both programs but the process took additional time. In addition, the department has been meeting with LEAs to discuss specific IDEA, Part B authorities and reviewing ESEA Title I, Part A waiver applications. When they expend the funds, about 14 percent of Colorado’s LEAs plan to use more than 50 percent of education funds to retain jobs.

Spending on education programs has slowed since we reported in September 2009. According to department officials, as of November 13, 2009, Colorado LEAs had been reimbursed about $4.1 million or 3 percent of the state’s $154 million IDEA, Part B allocation and about $280,000 or 0.25 percent of the state’s $111 million allocation for ESEA Title I, Part A. While these amounts have not changed since we last reported in September 2009, as of November 23, 2009, the state has obligated an additional $2.1 million for the IDEA, Part B program and $977,000 for the ESEA Title I, Part A program. Under ESEA Title I, LEAs must obligate at least 85 percent of ESEA Title I, Part A funds by September 30, 2010, unless they receive a waiver, and must obligate all of their funds by
Appendix III: Colorado


Expenditures have not increased since we last reported because the Colorado Department of Education has been reviewing applications for the programs, and in addition, department officials said that expenditures depend on LEAs. Department officials said that the review of LEA applications for ESEA Title I, Part A and IDEA, Part B doubled their workload, but that the review is complete, although LEAs are permitted to revise the narrative and budget portions of the IDEA, Part B applications, requiring further review throughout the course of the year. Department officials said the reimbursement of Recovery Act funds depends on requests from LEAs and historically, LEAs often wait several months to accumulate expenses prior to requesting reimbursement. Officials said this delay may slow down the recording and reporting of expenditures. Colorado LEAs have begun requesting reimbursement for expenditures made in the state’s current fiscal year under both programs.

Department officials said that, in addition to reviewing and approving IDEA, Part B and ESEA Title I, Part A applications, they have been establishing additional guidance for certain provisions of IDEA and reviewing and approving waiver applications related to ESEA Title I, Part A. In particular, state officials have been meeting with local officials to discuss how to manage the increase in IDEA funds under the Recovery Act, given existing authority under IDEA to decrease local expenditures. Specifically, under IDEA, Part B, eligible LEAs may decrease their local expenditures by up to half of the amount of the increase in their IDEA allocation, freeing up these funds for non-special education expenditures.

For example, by using the authority granted under IDEA, LEAs can direct Recovery Act funds to salaries and redirect local funds from salaries to

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6Colorado has received a statewide waiver for all LEAs to carry over for obligation more than 15 percent of their total ESEA Title I, Part A funds, including their ESEA Title I, Part A Recovery Act funds, until September 30, 2011.

7In Colorado, special education programs are organized into 61 administrative units, which, according to Colorado officials, are considered LEAs for the purposes of IDEA. Colorado also has five state-operated programs that are considered LEAs under IDEA, including two mental health institutes, two correction facilities, and one school for the deaf and blind.

8To be eligible for the funding flexibility, an LEA must receive a determination of “Meets Requirements” by the state, which is established by meeting the measurable targets established in Colorado’s 2005-2010 State Performance Plan. LEAs must spend the “freed-up” state and local funds on activities that are authorized under ESEA.
other purposes, such as acquiring curriculum materials that are not specifically related to special education. Almost half of the state’s LEAs will be allowed to spend local funds more flexibly, according to state officials. Although the decision is made at the local level, and state officials did not know exactly how many will utilize the flexibility, state education officials said that all of the eligible LEAs in Colorado plan to use this authority.

Department officials also said that they have been working with LEAs to apply for waivers of certain requirements under ESEA Title I, Part A that will provide the LEAs with flexibility in using those funds. The state received approval for the use of four waivers in August 2009, but now LEAs have to apply to the state to use these waivers. As of November 17, 2009, a number of LEAs have been granted waivers by the Colorado Department of Education as follows:

- Thirty-three were granted approval for waivers of the requirement for LEAs to spend an amount equal to 20 percent of their fiscal year 2009 ESEA Title I, Part A, Subpart 2 funds for public school choice-related transportation and supplemental educational services.  
- Twenty-six were granted approval for waivers of the requirement for LEAs identified for improvement to spend 10 percent of their fiscal year 2009 ESEA Title I, Part A, Subpart 2 funds on professional development.
- Twenty-three were granted approval for waivers of professional development spending requirements for schools that are identified for improvement. An LEA is identified for improvement if it has missed academic achievement targets for 2 consecutive years.
- Twenty-four were granted approval for waivers of the requirement that LEAs include some or all of the ESEA Title I, Part A Recovery Act funds on professional development.

*Schools that have missed academic achievement targets for 3 consecutive years must offer students public school choice or supplemental education services, which are additional academic services, such as tutoring or remediation, designed to increase the academic achievement of students.

*An LEA is identified for improvement if it has missed academic achievement targets for 2 consecutive years.*
Colorado LEAs Plan to Use Education Funds to Retain Jobs

We surveyed a representative sample of LEAs—generally school districts—nationally and in Colorado about their planned uses of Recovery Act funds. Table 1 shows Colorado and national GAO survey results on the estimated percentages of LEAs that (1) plan to use more than 50 percent of their Recovery Act funds from three Education programs to retain staff, (2) anticipate job losses even with SFSF funds, and (3) reported a total funding decrease of 5 percent or more since last school year.¹¹

¹¹GAO’s survey asked LEAs about their use of SFSF funds. However, because Colorado plans to use its full allocation of SFSF education stabilization funds for higher education, the responses from LEAs regarding SFSF are not applicable.
Table 1: Selected Results from GAO Survey of LEAs

<table>
<thead>
<tr>
<th>Responses from GAO survey</th>
<th>Estimated percentages of LEAs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Colorado</td>
</tr>
<tr>
<td>Plan to use more than 50 percent of Recovery Act funds to retain staff</td>
<td>IDEA funds</td>
</tr>
<tr>
<td></td>
<td>Title I funds</td>
</tr>
<tr>
<td></td>
<td>SFSF funds</td>
</tr>
<tr>
<td>Anticipate job losses, even with SFSF funds</td>
<td>NA*</td>
</tr>
<tr>
<td>Reported total funding decrease of 5 percent or more since school year 2008-2009</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: GAO survey of LEAs.

Note: Percentage estimates for Colorado have margins of error, at the 95 percent confidence level, ranging from plus or minus 11 to 23 percentage points. The nationwide percentage estimates have a margin of error of plus or minus 5 percentage points.

*Colorado plans to use its full allocation of SFSF education stabilization funds for higher education, making the responses from LEAs regarding SFSF not applicable.

Colorado’s Highway Infrastructure Work Continues, Although the State Also Plans to Revise the Amount of State Spending Needed to Meet Recovery Act Requirements

Colorado’s highway work using Highway Infrastructure Investment funds continues. Of the $404 million apportioned to Colorado in March 2009, $18.6 million was transferred to FTA for transit projects, leaving $385 million for highway projects in the state. As of October 31, 2009, FHWA had obligated almost $335 million of this amount and had reimbursed $61 million to the state. As of the same date, CDOT planned 100 projects, and FHWA had approved or committed funding for 79 of these projects. The number of planned projects has increased by eight since we reported in September 2009. Table 2 shows the status of the 100 projects that CDOT has planned as of October 31, 2009.

Obligations refer to the federal government’s commitment to pay for the federal share of a project. An obligation occurs when the federal government signs a project agreement. States request reimbursement from FHWA as the state makes payments to contractors working on approved projects.
CDOT plans to complete the additional eight projects in areas across the state, including six projects in economically distressed areas of the state. In our last report, we noted that CDOT planned 36 projects in economically distressed areas, which are those areas experiencing relatively low income levels or relatively high unemployment rates, or experiencing a “special need” arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe short-term or long-term changes in economic conditions. The additional projects in distressed areas include pavement improvement projects and construction of a pedestrian bridge.

Five of the additional planned projects will be funded from savings accumulated by CDOT. Savings, in this case, represent the difference between the amount of Recovery Act funds CDOT allocated to spend on highway projects and the amount FHWA has obligated for these same projects, which takes into account funds that have been deobligated. As of October 31, 2009, Colorado had awarded 68 contracts, a number of which were awarded for less than the amount the state had allocated for these projects, representing savings totaling $32.6 million. CDOT officials told us that the difference is due, among other reasons, to larger numbers of contractors bidding on work in fiscal year 2009 than in fiscal year 2008, bringing down the average bid amount. CDOT has asked FHWA to deobligate funds on an ongoing basis.

While CDOT continues to award contracts and carry out projects, it is also revising its calculation of state highway infrastructure funding needed to meet Recovery Act requirements. The Recovery Act requires states to certify that they will maintain state spending at a certain level, called maintenance of effort, to qualify for a planned redistribution of highway

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Table 2: Status of CDOT’s Use of Recovery Act Funds for Highway Infrastructure Projects

<table>
<thead>
<tr>
<th>Planned</th>
<th>Projects approved</th>
<th>Obligations (millions)</th>
<th>Awarded contracts</th>
<th>Construction underway</th>
<th>Completed</th>
<th>Savings (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>79</td>
<td>$335</td>
<td>68</td>
<td>55</td>
<td>8</td>
<td>$32.6</td>
</tr>
</tbody>
</table>

Source: GAO analysis of CDOT data.

*aCDOT also received $250,000 for a project FHWA approved to provide on-the-job training in highway construction to individuals from traditionally underutilized communities throughout northern Colorado.

*bFor five of the awarded contracts, construction has not yet begun.

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infrastructure funds that will occur after August 1, 2010, for fiscal year 2011. States that do not maintain spending will be prohibited from participating in the August redistribution of federal-aid highway and highway safety construction program obligational authority for fiscal year 2011. Colorado provided its certification to DOT on March 19, 2009.

In response to new guidance from FHWA on maintenance-of-effort certifications, CDOT plans to revise its calculation to include revenues collected by the state but allocated directly to local entities. On September 24, 2009, FHWA issued guidance to states, including Colorado, to report state transportation funding allocated to local governments. In Colorado, these revenues are the local share—40 percent—of funds received from a state gas tax that are to be used to improve public roads and highways in the state. CDOT originally calculated its maintenance of effort using the amount of state funds planned, as of February 17, 2009, to be expended through September 30, 2010. According to CDOT officials, they did not include locally planned expenditures in this calculation because the agency has no direct knowledge of or control over how localities spend the portion allocated to them by the state. CDOT officials said that to revise the calculation, the agency plans to work with the State Treasury to identify the amount of tax funds transferred to local entities. CDOT has not yet resubmitted its certification with this new maintenance-of-effort amount to DOT because it is waiting for DOT to give states final guidance.

Although some state officials expressed concern that gas tax revenues could fall significantly, thus lowering the state’s planned spending, CDOT officials said they expect to meet the maintenance-of-effort amount. They said that CDOT has a long history of qualifying for and receiving redistribution funds through the annual process and that the state passed a new vehicle registration fee within the last year that is helping to make up for lower gas tax revenues in the state. According to CDOT officials, the agency could potentially receive $10 million to $20 million of the redistributed funds.
State transit agencies continue to use Recovery Act funds for a variety of high-priority Transit Capital Assistance projects. As of November 1, 2009, nearly all of the $103 million apportioned to the state and urbanized areas for such projects had been obligated. We reviewed and discussed with officials projects at three of Colorado’s transit agencies, including Denver’s Regional Transportation District (RTD); Fort Collins’s transit agency, Transfort, which serves the city of Fort Collins in northeastern Colorado; and CDOT’s rural transit program. RTD officials said that they plan to use the agency’s $72 million in Recovery Act funds for projects such as expanding light rail service and buying buses. Transfort officials said that they plan to use $3.4 million in Recovery Act funds for, among other projects, purchasing buses and improving bus corridors.\(^{14}\) And, as we reported in September 2009, CDOT is using its transit funds to build a bus maintenance facility and purchase buses in nonurbanized areas of the state.

Colorado’s transit agencies are using a portion of their Recovery Act funds to purchase buses primarily to replace an aging fleet. We reviewed and discussed with officials plans for bus purchases at two Colorado transit agencies, RTD and Transfort. According to agency officials, both agencies are purchasing replacement buses under the terms of existing contracts: RTD plans to use $3 million to purchase six 45-foot intercity buses and Transfort is using $2.4 million to purchase six 40-foot city buses. Transfort also provided $700,000 in Recovery Act funds to Loveland to buy two buses, including one to replace an older bus and another to provide new bus service between the cities of Longmont and Loveland.

As we reported in September 2009, RTD and CDOT plan to use their existing internal controls and processes to manage and expend Recovery Act funds. Officials at Transfort also stated that they are using their existing internal controls and processes to manage and expend Recovery Act funds. However, FTA reviewed Transfort’s compliance with statutory and administrative requirements in 2009 and identified deficiencies in eight areas, including oversight of subrecipients. In particular, the review found that Transfort does not monitor its subrecipients to ensure that they comply with FTA requirements. Transfort is taking action to address this deficiency by having subrecipients sign supplemental agreements that

\(^{14}\)FTA apportioned Transit Capital Assistance funds to Fort Collins (the urbanized area). The funds were then made available for obligation by transit agencies in the urbanized area, which includes the cities of Fort Collins and Loveland.
make them responsible for seeking reimbursement directly from FTA and reporting directly to FTA on expenditures.

In addition to their planned bus purchases, RTD and Fort Collins officials said they have awarded contracts for other projects. Specifically, RTD officials told us that they have awarded contracts to undertake safety improvements along a bus corridor, replace a roof on a maintenance facility, upgrade a computer system, enhance light rail service in several locations, and extend train platforms. Transfort officials told us that they plan to upgrade the agency's fare collection system and have provided funds for other transit projects in the cities of Loveland and Berthoud. Finally, CDOT officials told us that they have awarded a contract to a rural transit agency in Summit County to seek a contractor to build the bus maintenance facility. Summit County in turn contracted with a private firm to build the facility (see fig. 1 for a picture of the facility under construction).

Figure 1: Summit County Bus Maintenance Facility under Construction

Source: GAO.
We reviewed and discussed with agency officials the contract for Transfort bus purchases and the Summit County contract to build the bus maintenance facility. Contracting officials with the city of Fort Collins and Summit County provided us the following information about the contracts:

- On April 27, 2009, the city of Fort Collins modified an existing contract with North American Bus Industries to supply six 40-foot city buses by March 31, 2010. The new buses, fueled by compressed natural gas, will reduce carbon emissions as they are replacing diesel buses. The estimated cost of the modification is $2.4 million, to be paid after inspection, on delivery. The original contract was awarded competitively in 2007 and is a fixed-price contract in that the price of each bus is $406,000.

- On August 13, 2009, Summit County entered into an $8.4 million contract with AP Mountain States, LLC, to construct a new multiuse fleet maintenance facility by July 28, 2010, with a possible extension if needed due to variable weather conditions. This fixed-price contract was awarded competitively.

Colorado has 43 public housing agencies that have received Recovery Act formula grants. In total, these public housing agencies received almost $17.6 million in Public Housing Capital Fund formula grants. As of November 14, 2009, these public housing agencies had obligated almost $5.9 million and had drawn down approximately $2.8 million (see fig. 2). On average, housing agencies in Colorado are obligating formula funds more slowly than housing agencies nationally. In addition to the Capital Fund formula grants, HUD awarded nine competitive grants to housing agencies in Colorado, including five to the Housing Authority of the City and County of Denver. We reviewed the following three housing agencies for this report: the Housing Authority of the City and County of Denver, Holyoke Housing Authority, and the Housing Authority of the Town of Kersey. We reviewed these three housing agencies because we visited them for our July 2009 report.  

For the July report, we selected three housing agencies throughout the state that received varying amounts of Recovery Act funds and were of varying sizes; the Housing Authority of the City and County of Denver is a large housing authority that received almost $7.8 million in Recovery Act funds, whereas the Housing Authorities of Holyoke and the Town of Kersey are very small housing authorities that each received well under $100,000 in Recovery Act funds. We also selected these housing agencies because one had already spent Recovery Act funds at the time of our first visit while the other two had not.
The three public housing agencies we visited in Colorado received Capital Fund formula grants totaling almost $7.9 million. HUD allocated approximately $7.8 million in formula capital funds to the Denver Housing Authority, $59,934 to the Holyoke Housing Authority, and $29,193 to the Kersey Housing Authority. As of November 14, 2009, the Denver Housing Authority had obligated about $1.7 million and drawn down about $795,000 in Recovery Act funds, the Holyoke Housing Authority had both obligated and drawn down its full allocation, and the Kersey Housing Authority had not obligated or drawn down any Recovery Act funds. Only one of the housing agencies we visited—Denver—was awarded competitive grants; it received all five of the grants—totaling $27 million—for which it applied.

The Denver Housing Authority originally planned to complete five to eight projects with formula funds, but reprioritized this workload to include more projects when it found out that it had won the five competitive grants for which it applied. Three of the five projects funded with competitive grants had been scheduled as priorities to be completed with formula funds; the receipt of the competitive funds freed up formula funds to be used for other projects. Because of the competitive grant application process, Denver Housing Authority was flexible about which projects would be funded with formula grants until the agency found out which competitive awards it would receive. Officials said they plan to use the

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

<table>
<thead>
<tr>
<th>Funds obligated by HUD</th>
<th>Funds obligated by public housing agencies</th>
<th>Funds drawn down by public housing agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>$16,949,529</td>
<td>$5,887,381</td>
<td>$2,863,838</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Entering into agreements for funds</th>
<th>Obligating funds</th>
<th>Drawing down funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of public housing agencies</td>
<td>43</td>
<td>36</td>
</tr>
</tbody>
</table>

Source: GAO analysis of HUD data.
Appendix III: Colorado

competitive grant funds to pay for activities such as renovation of public housing units, new construction of senior/disabled public housing units, and community center enhancements and site work. They plan to use formula grants to undertake rehabilitation and replacement of public housing units’ water heaters, as well as deferred maintenance work on four housing projects.

Because the Denver Housing Authority decided to use competitive funds for projects that had been scheduled for formula funds, the time frames for these newly converted competitive projects were revised while the time frames for new formula funded projects were accelerated. Despite the changes to time frames, housing officials do not anticipate any problems in meeting the March 17, 2010, deadline for obligating 100 percent of formula funds. Officials said that they had begun planning work on selected projects in anticipation of receiving competitive funds.

During our review of the three public housing agencies, we updated the status of projects we reported on in July 2009. At that time, the Denver Housing Authority planned to use $250,000 of formula funds to pay for replacing water heaters in 200 units with energy-efficient water heaters, and to complete exterior painting. The project was scheduled to begin in June 2009, and to be completed by December 2009. In the interim, Denver officials decided not to advertise and competitively award the contract for this project until September 2009 because they were waiting for Buy American guidance which was issued on August 21, 2009. Consequently, the officials revised the project’s schedule for completion to February 2010. To date, the water heaters have been ordered and the exterior painting, which was part of the initial scope of work, was dropped.

The Housing Authorities of Holyoke and the Town of Kersey are small, rural housing authorities that have used or are planning to use Recovery Act funds for smaller-scale projects. For example, we reported in July 2009 that the Holyoke Housing Authority planned to use about $14,000 in Recovery Act funds to replace wooden patio fences at 30 units with vinyl fences and attached solar lights. This project was completed on July 14, 2009. Holyoke Housing Authority officials told us that they have spent 100 percent of the agency’s allocation, and as such, do not have an issue in meeting the March deadline. As we reported in July 2009, the Kersey Housing Authority planned to use some of its Recovery Act funds to replace older windows in 18 units with energy-efficient windows. The agency has not yet spent any Recovery Act funds because its directorship recently changed, delaying the start of projects.
We reviewed three housing contracts, two managed by the Denver Housing Authority and one managed by the Holyoke Housing Authority. Housing agency officials provided the following information about the contracts:

- On March 30, 2009, the Denver Housing Authority awarded a $295,926 contract to PS Arch Incorporated to provide architectural and engineering design services for its Westwood Homes Project by December 5, 2009. This contract was awarded competitively as an indefinite-delivery, indefinite-quantity contract, and officials said it contained a fixed hourly labor rate.

- On September 9, 2009, the Denver Housing Authority awarded a $24,800 contract to Wholesale Specialties Incorporated to supply 64 40-gallon hot water heaters for its Columbine Homes Project by December 31, 2009. This fixed-price contract was awarded competitively.

- On September 14, 2009, the Holyoke Housing Authority awarded a $27,409 contract to Whittaker Construction to replace hinged patio doors at its Sunset View Apartment Project. This fixed-price contract was awarded competitively.

As Colorado’s revenues continue to decline, Recovery Act funds have helped stabilize the state’s budget by making up for reductions in the state’s general fund. As we reported in September 2009, Colorado had already planned to use more than $600 million in Recovery Act funds in fiscal year 2010. It now plans to use an additional $190 million in SFSF funds to offset proposed cuts in budgets for higher education and corrections. We reported in September that Colorado’s Governor had begun making $318 million in budget cuts and adjustments, including eliminating 300 full-time equivalent jobs, to the state’s fiscal year 2010 general fund budget of $7.48 billion. After a new economic forecast released in September showed further declines expected in state revenues, the Governor announced a second set of actions, totaling $286 million, to balance the state’s general fund budget. Colorado officials expect the state’s budget to continue to be challenging in fiscal year 2011, as the flow
of Recovery Act funds that have helped stabilize the budget stops and the financial requirements of Medicaid and other caseloads continue to increase.

The three local governments we visited—Denver, Adams County, and Garfield County—each used Recovery Act funds to support local programs, although they differed significantly in terms of their economic situations and budgets as shown in table 3. As a result of these different conditions, local officials expressed different levels of interest in applying for Recovery Act funds. For example, officials with Denver's Recovery Act management team said that although Recovery Act funds cannot be used to backfill cuts in their general operating budget, they are actively seeking grants for social services and other programs that provide critical services during a recession. On the other hand, officials with Garfield County said that the county's reserve funds are healthy and while they have received funds from formula grants, they are not actively applying for competitive grants. Adams County officials indicated that they knew of opportunities for grants, but said they did not have people in positions to apply for or manage those grants. For example, the officials mentioned that they do not have someone in a position to research or apply for grants to expand broadband Internet coverage. This potential lack of capacity at the local level may signal an opportunity for state officials to offer assistance and leverage Recovery Act funds across several smaller entities. State officials said that they have had many outreach sessions and that they will continue to do so.

17We did not look at Recovery Act funds that went to separate jurisdictions within the counties, such as school districts and transit or housing agencies.
Appendix III: Colorado

Table 3: Information on Three Local Governments Visited by GAO

<table>
<thead>
<tr>
<th>Locality</th>
<th>Population</th>
<th>Unemployment rate(^a)</th>
<th>Budget (millions)</th>
<th>Recovery Act funds reported (millions)(^b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City and County of Denver</td>
<td>598,707</td>
<td>7.7</td>
<td>$2,100</td>
<td>$55.3</td>
</tr>
<tr>
<td>Adams County</td>
<td>430,836</td>
<td>8.1</td>
<td>426.2</td>
<td>9</td>
</tr>
<tr>
<td>Garfield County</td>
<td>55,426</td>
<td>5.8</td>
<td>135.7</td>
<td>.35</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, U.S. Department of Labor, and local governments.

Note: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009, and have not been seasonally adjusted. Rates shown are a percentage of the labor force. Estimates are subject to subsequent revision.

\(^a\)The state’s average unemployment rate is 6.7 percent.

\(^b\)We did not look at Recovery Act funds that went to separate jurisdictions within the counties, such as school districts and transit or housing agencies.

**Denver:** Denver officials said the city faces a difficult economic and budget situation and is actively applying for Recovery Act funds. The city had to close a $120 million funding gap in its fiscal year 2010 budget created by declining revenues and increasing costs associated with law enforcement, fuel, and health insurance. As a result, the city is taking such actions as eliminating over 600 positions, of which 176 are layoffs, and implementing program efficiencies. Although Denver reported $55.3 million in Recovery Act awards, according to city officials, these funds are having a limited effect on the city’s general fund budget because the funds cannot be used for general operating expenses. City departments are actively applying for Recovery Act funds, however. According to officials, the funds support needed services, such as law enforcement and emergency food and shelter. As a result, Denver has dedicated resources to grant screening and applications and, according to officials, half of the city’s Recovery Act funds have been competitively awarded based on proposals submitted by the city and half are formula grants. Table 4 shows the benefits beyond job creation that officials said have resulted from Recovery Act spending.
Table 4: Examples of Recovery Act Programs and Benefits in Denver, Colorado

<table>
<thead>
<tr>
<th>Program</th>
<th>Funding</th>
<th>Description</th>
<th>Full-time equivalent jobs created or retained</th>
<th>Benefits beyond jobs created or retained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Care Assistance</td>
<td>$5 million</td>
<td>Provided child care subsidies for 874 children</td>
<td>0</td>
<td>Allowed parents to seek or retain jobs</td>
</tr>
<tr>
<td>Airport Improvement Program (three projects)</td>
<td>$11.5 million</td>
<td>Denver International Airport runway repair and widening</td>
<td>128 private jobs</td>
<td>Will enable larger planes to use runway</td>
</tr>
<tr>
<td>Workforce Investment Act—Youth program</td>
<td>$1.9 million</td>
<td>Support summer youth employment and training</td>
<td>280, of which 279 were in the private or nonprofit sector</td>
<td>716 youth enrolled and employed</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Denver’s Recovery Act management team data.

**Adams County:** Adams County, facing high unemployment and decreased tax revenues, plans to use $9 million in Recovery Act funds to provide social and other services during the current economic downturn. As of October 31, 2009, Adams County spent the majority of its Recovery Act funds (approximately 88 percent of $3.8 million) for workforce investment (including job training) and social services (including child care and food assistance). While declining revenues may cause county officials to reduce the county’s general fund budget in fiscal year 2010 in an attempt to avoid layoffs, the county maintains a substantial general fund balance to help it through major economic downturns, according to officials. However, the county has made limited efforts to apply for competitive Recovery Act funds (almost 9 percent, or approximately $791,000, of Adams County’s total awarded Recovery Act funds are competitive grants), applying for grants that individual departments identify and select if the grants fit within the department’s existing strategic plan. County officials have not applied for more Recovery Act grants because, according to officials, the county does not have staff dedicated to identifying and applying for such grants. For example, officials said they would not compete for broadband funding because they do not have an existing county department that would determine eligibility, develop the application, and implement the program.

**Garfield County:** Garfield County officials plan to use the Recovery Act funds they have been awarded for different programs, but county officials said that they are not actively applying for competitive Recovery Act funds. The county’s economy and revenues, which depend on oil and gas production, have allowed it to maintain a large fund balance to deal with economic downturns. According to county officials, Garfield County tries to maintain at least 50 percent of the following year’s expected expenditures in reserve. Although county officials expect these revenues...
to decline in fiscal years 2011 and 2012, they believe the fund balance will cover the loss in revenues. Through October 31, 2009, the county reported receiving $347,000 in Recovery Act funds, including a $227,500 Energy Efficiency and Conservation Block Grant. This block grant is intended to assist U.S. cities, counties, states, territories, and Indian tribes to develop, promote, implement, and manage energy efficiency and conservation projects and programs. The Garfield New Energy Communities Initiative, a regional collaborative group composed of representatives from state and local agencies, nonprofits, and clean energy businesses, will use this grant to build a residential and commercial energy efficiency program started under a state initiative. According to county officials, the remaining Recovery Act funds are for job training and law enforcement equipment.

Officials in Colorado Deemed Their Initial Reporting Successful, Although They Expressed Concerns About Jobs Data and Guidance

State officials said they experienced difficulties in the overall process of reporting their use of Recovery Act funds but were able to successfully upload the state’s data for the first quarterly Recovery Act report. OMB guidance describes how recipients and subrecipients of Recovery Act funds are to report on their use of those funds. Generally, prime recipients—nonfederal entities that receive Recovery Act funds from federal agencies—are to submit information to www.federalreporting.gov, an online portal managed by the Recovery Accountability and Transparency Board that collects Recovery Act information. Subrecipients—any nonfederal entity that is responsible for program requirements and spends federal funds awarded by a prime recipient—may be delegated reporting responsibility by a prime recipient. Colorado used its centralized reporting process, which we described in our September 2009 report, to gather data from state agency recipients and subrecipients and provide it to www.federalreporting.gov. This data was then made public on www.recovery.gov on October 30, 2009.

Garfield County is not centrally tracking or reporting Recovery Act funds, but compiled this data upon our request.

State guidance instructed recipients not to delegate reporting responsibilities to subrecipients.
Although they described the overall process of reporting to the federal Web site as frustrating, time-consuming, and burdensome, Colorado officials expressed satisfaction with the results of their centralized reporting process. As we previously reported, state officials believed a centralized process afforded the best opportunity to ensure that complete, reliable, and non-duplicative information was submitted for state agencies. Colorado’s Office of Information Technology (OIT) was the central point for collecting information from state agencies and uploading it to the federal Web site. To control data submissions and corrections, the state used OIT as the central point (with one Dun and Bradstreet (DUNS) number) to gather and submit data. OIT uploaded the information for over 400 grants on October 9 and 10, 2009, the original deadline for state agencies. The data consisted of 340 zipped files from state agencies and IHEs, and another 75 separate files from CDOT. Subsequently, Colorado submitted an additional 22 files raising the total to 437.

Officials responsible for Colorado’s centralized reporting experienced difficulties before, during, and after reporting, as described below. In certain cases, Colorado officials offered suggestions to remedy the difficulties.

- The process for registering as an authorized user on www.federalreporting.gov was difficult, with no way of gaining assurance the steps in the process were completed. According to state officials, obtaining DUNS numbers was time-consuming and delayed the DUNS numbers being available for registration in the Central Contractor Registration system, an interim step necessary to use the federal Web site.

- The federal Web site rejected numerous files that OIT uploaded but did not always identify the problem that caused the rejection. As a result, OIT had to review the files, look for issues that appeared problematic, make changes or corrections, and resubmit the data. Some problems that caused rejections were technical, pertaining to batch processing, and others were simple, such as words not being capitalized. Officials stated that more explicit feedback from the Web site would have been helpful to diagnose the problems more quickly.

- OIT received late information on 23 grants because the grants were awarded in late September and the grant recipients had to collect and report information for them in October. State officials said they would like the federal government to establish a mid-month cut off date for awarding grants at the end of the quarterly reporting period to allow adequate processing time.
The Controller’s office had to relinquish an internal control designed for state reporting because of federal policy changes that occurred. State officials originally planned to have state agencies view their data on www.recovery.gov on October 11, but the plan had to be changed when the Recovery Accountability and Transparency Board announced on September 14, 2009, that Web site data would not be available until October 30, 2009, the day following the end of the review period. State officials then planned to have agencies review their data on www.federalreporting.gov using the DUNS numbers associated with their awards. However, because this function was not available, the data was viewable by the state agencies only if the Controller’s office provided them with OIT’s DUNS number. In making the OIT DUNS number available to state agencies, the Controller relinquished one of his planned internal controls over reporting—limited access to the state’s data. The Controller provided the OIT DUNS number to all agencies and also downloaded the information from the www.federalreporting.gov Web site and provided it to all state agencies for their review.

During the federal review period (October 22 to 29), the state received numerous comments that were difficult to manage. The majority of federal comments received by the state related to reported full-time equivalent (FTE) numbers. Certain federal agencies questioned the reported FTEs using parameters they had developed for the review process to determine whether the numbers were in acceptable ranges. However, according to the Controller, it was unclear from the review comments what the parameters were based on, which made it difficult for his office to assist agency personnel in making any necessary changes. The state also received comments from federal agencies (1) demanding changes in expenditure amounts that the state could not support with its records; (2) presenting conflicting comments on the same grant; and (3) providing comments by phone and email rather than in the www.federalreporting.gov system.

According to the State Controller and other officials, the Departments of Education and Justice issued guidance on reporting that conflicts with the state’s Recovery Act reporting guidance. If implemented, the directives would have degraded or eliminated certain of the state’s internal controls over Recovery Act data. One of the core control

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FTEs are calculated by dividing total hours worked in a period by the number of total hours in a full-time schedule. This is done to avoid overstating the number of less than full-time positions.
elements of the Controller’s centralized reporting process is the use of separate accounting codes and indicators to identify and track Recovery Act receipts, expenditures, and other data for reporting to federal agencies and for reporting on the state’s financial statements. The federal agencies’ directives, if followed, would have required the state to change the indicator used for state IHEs and justice agencies. This would have caused Recovery Act funds to be reported as expenditures rather than as transfers to other agencies, which would be incorrect for the purpose of the state’s financial statements. As a result, the Controller’s Office would have had to perform considerable manual reviews and reconciliations of the data to prevent gaps or duplications in the state’s reporting records. According to the State Controller, this issue did not affect the October reporting cycle because the state asked to hold off on applying the directives in the first reporting cycle. As the directives are still in effect, however, the state would like to resolve the matter before the next reporting cycle.

Officials with local entities also deemed the reporting process a success despite difficulties they faced in reporting. Local agencies are not included in the state’s centralized reporting process, but we inquired about recipient reporting as part of our visits to two transit agencies and one county. Examples of their experiences included:

- A transit official encountered problems when trying to upload subrecipient financial information to www.federalreporting.gov. He was instructed by help desk personnel to enter the total amount of the grant under one recipient, not for the subrecipients.

- A county official said that she had problems with her password logging on to the system and did not receive a call back for several days from the help desk. She finally called the Colorado Governor’s Office contact who connected her to the state’s OMB liaison.

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21Colorado’s centralized reporting process uses indicators to distinguish between reportable and non-reportable Recovery Act transactions. To record Recovery Act transactions, state agencies use an indicator to identify internal transfers of funds, which are not reported under the act, and external transfers of funds, which are reported under the act. Internal transfers generally occur among state agencies, including IHEs, and external transfers refer to funds provided to subrecipients, vendors, or state expenditures.
Some state and local officials had the following concerns about jobs data and guidance provided on jobs reporting:

- CDOT officials expressed concerns that the public would compare the FTE figures reported on www.recovery.gov and the number of jobs CDOT is reporting monthly to the House Committee on Transportation and Infrastructure and would not understand the wide discrepancies between the figures, which are calculated differently. They said that this will create a public relations challenge for their agency that could be minimized with further explanations of FTEs and jobs created or retained on the www.recovery.gov Web site.

- Local transit officials expressed concern about conflicting FTA guidance on how to count jobs associated with the manufacturing of buses being purchased with Recovery Act funds. Specifically, FTA’s guidance for the OMB Recovery Act report stated that jobs associated with manufacturing buses should be counted as direct jobs resulting from Recovery Act expenditures. On the other hand, FTA guidance for another report required of transportation agencies—called the 1201(c) report for the section in the Recovery Act that requires it—directs agencies not to count jobs associated with manufacturing buses. Local officials believe the guidance should be clarified to remove the conflict.

- Colorado Department of Education officials stated that jobs-related guidance they received in September from the U.S. Department of Education was late and contradicted OMB guidance provided in June, particularly as it pertained to how LEAs should count jobs with contractors. Officials said that OMB’s June reporting guidance indicated not to report these jobs, but guidance issued by Education in August and September directed that these jobs be counted. While the Colorado Department of Education issued reporting guidance on September 16, 2009, directing that the jobs be counted, state education officials were concerned that LEAs did not have time to incorporate the new guidance into their reporting. Specifically, because the state reported centrally, LEA data were due to the Colorado Department of Education by September 25, 2009, to report to the Controller’s Office by September 29, 2009.

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22 Jobs reported to the House Committee on Transportation and Infrastructure consist of worker counts and hours worked.
Appendix III: Colorado

While we did not conduct a full review of data reported by Colorado state agencies in October 2009, we reviewed jobs data for a selection of projects and found discrepancies. We reviewed jobs data for three highway construction projects with expenditures that represented over 50 percent of Colorado’s highway project expenditures of $17.5 million as of September 4, 2009. We found several discrepancies in the reported data. For two of the projects we examined, CDOT officials reviewed their file information and found that almost 1,400 work hours had been overlooked in the calculation of FTEs and would have to be corrected during the next reporting cycle. For the third project, CDOT officials stated that additional review was necessary because they could not explain hourly and payroll discrepancies between CDOT and FHWA data. They said any necessary corrections will be made as part of the next quarter’s data submission. We also reviewed jobs information reported by RTD and Transfort for two transit projects and found that the jobs numbers were incorrect. RTD officials said that FTA instructed them to prorate the jobs based on the Recovery Act funds in the project. As a result, they revised the jobs number from 670 to 296 and resubmitted the data to www.federalreporting.gov. FTA also instructed Transfort to revise its jobs data so that the expenditures and the jobs numbers would match. According to a Transfort official, he misinterpreted FTA guidance when responding to the FTA instructions and reported 1.4 jobs when he should have reported no jobs. The jobs reported were estimated for the purchase of passenger vans from a dealer’s inventory which is not in compliance with FTA guidance.

Given the limited time frames to gather and report such a large amount of state and local data using a newly developed, centralized process, the state’s efforts are a good first step. State officials described having to deal with last-minute changes in guidance that they believed could cause confusion and errors. We did not conduct a full review of the data to determine reliability and therefore cannot confirm the sources of the errors. However, the circumstances and the errors we encountered indicate the need for further review of the data.

We provided officials in the Colorado Governor’s Recovery Office, as well as other pertinent state officials, with a draft of this appendix for comment. State officials agreed with this summary of Colorado’s recovery efforts to date. The officials provided technical comments, which were incorporated into the appendix as appropriate.
Appendix III: Colorado

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Staff Acknowledgments

In addition to the contacts named above, Paul Begnaud, Steve Gaty, Kathy Hale, Kay Harnish-Ladd, Susan Iott, Jennifer Leone, Tony Padilla, Kathleen Richardson, Lesley Rinner, and Mary Welch made significant contributions to this report.
Overview

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

What We Did

GAO’s work in the District focused on specific programs funded under the Recovery Act, as well as general issues involving the effect of Recovery Act funds on the District’s budget and the District’s readiness to report on the use and effect of these funds by program. The programs we reviewed—three Recovery Act programs funded by the U.S. Department of Education (Education), and the Weatherization Assistance Program funded by the U.S. Department of Energy—were selected primarily because they include existing programs receiving significant amounts of Recovery Act funds or programs receiving significant increases in funding from the Recovery Act. We also updated information on the use of Highway Infrastructure Investment funds, and Public Housing Capital funds. In addition, we reviewed contracting procedures and selected and discussed with officials four contracts awarded with Recovery Act funds—two for highway infrastructure projects, and two for public housing projects—to examine how District agencies were implementing the Recovery Act. Our work focused on the status of the program’s funding, how the funds were being used, and issues that were specific to each program. We also reviewed the District’s experience in meeting Recovery Act reporting requirements concerning jobs created and sustained. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP.

What We Found

- **U.S. Department of Education (Education) State Fiscal Stabilization Fund:** Education awarded the District about $65.3 million of the District’s total State Fiscal Stabilization Fund (SFSF) allocation of about $89.3 million. As of November 6, 2009, the District had not distributed any of these funds to local educational agencies (LEA).

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• **Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA), as amended:** Education allocated about $37.6 million in Recovery Act funds to the District to be used to help improve teaching, learning, and academic achievement for disadvantaged students. As of November 6, 2009, the District had not yet drawn down any of its ESEA Title I Recovery Act funds.

• **Individuals with Disabilities Education Act (IDEA), Part B:** Education allocated about $16.7 million to the District to be used to support special education and related services for children with disabilities. As of November 6, 2009, the District had not yet drawn down these funds.

• **Highway Infrastructure Investment Funds:** The U.S. Department of Transportation’s Federal Highway Administration (FHWA) apportioned $124 million to the District in March 2009 for highway infrastructure and other eligible projects. As of October 31, 2009, $106 million had been obligated, and $3 million had been reimbursed by the federal government. The District Department of Transportation (DDOT) is using its apportioned funds for 13 “ready-to-go” projects to repave streets and interstates, rehabilitate bridges, improve and replace sidewalks and roadways, and expand the city’s bike-share program. We selected two contracts to discuss in greater depth with the relevant agency contracting officials. One contract we reviewed was for the construction portion of the “Great Streets” project, which includes reconstruction and streetscape improvements of Pennsylvania Avenue, and the other for construction and demolition of the New York Avenue Bridge.2

• **Public Housing Capital Fund:** The U.S. Department of Housing and Urban Development (HUD) has allocated $27 million to the District of Columbia Housing Authority (DCHA). DCHA plans to use Recovery Act funds on 20 projects to be performed at 13 different public housing developments. The projects include the rehabilitation of nearly 2,000 housing units and the installation of new energy-efficient projects at public housing facilities. We selected two contracts to discuss in greater depth with the relevant agency contracting officials. The first contract we reviewed was for window replacement at the Regency House public housing community, and the second contract we

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2We selected these contracts managed by DDOT for review because they were the largest dollar contracts that had been awarded as of October 8, 2009.
reviewed was for unit renovations at the Horizon House public housing community.\(^3\)

- **Weatherization Assistance Program:** The U.S. Department of Energy (DOE) allocated about $8 million in Recovery Act weatherization funds to the District for a 3-year period. The District Department of the Environment (DDOE), which is responsible for administering the program for the District, has not yet obligated or spent the weatherization funds. According to DDOE officials, they have been developing the capacity and infrastructure to administer the program, such as hiring new staff and adding three new community-based organizations to manage the weatherization projects that are funded through the Recovery Act. DDOE plans to use the funds to weatherize and improve the energy efficiency of about 785 low-income families’ homes and rental units.

- **Recipient reporting:** The District met the October 10, 2009, quarterly Recovery Act recipient reporting deadline after modifying its approach when the federal reporting Web site did not have the capability to permit the District to submit data in a batch format. Officials within the Office of the City Administrator took steps to help ensure the quality and completeness of the recipient data, including reviewing the data for reasonableness and potential inaccuracies, before allowing District agencies to submit the reporting information. Overall, District officials told us that the reporting process went smoothly, and District agencies generally did not have issues with the report submission process or submission deadline.

- **The District’s use of Recovery Act funds:** While the infusion of Recovery Act funds have helped mitigate the negative effects of the recession on the District’s budget, the District continues to face fiscal challenges. As a result of deteriorating economic conditions and a decrease in expected revenues, in June 2009 the District faced a projected budget shortfall of $150 million for fiscal year 2010. The District closed this budget shortfall using a combination of measures including Recovery Act funds, reduced spending by District agencies, and tax increases.

\(^3\)We selected one contract managed by DCHA because it was for a new and higher dollar value project in a housing complex GAO visited for a prior Recovery Act report, and the other because it was the largest dollar contract awarded as of October 19, 2009.
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The U.S. Department of Education (Education) has allocated $143.6 million in Recovery Act funds to the District for three programs:

- State Fiscal Stabilization Fund (SFSF), which was created under the Recovery Act, in part to help state and local governments stabilize their budgets by minimizing budgetary cuts in education and other essential government services;
- Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA), as amended, which provides funding to help educate disadvantaged youth; and
- Part B of the Individuals with Disabilities Education Act (IDEA), as amended, which provides funding for special education and related services for children with disabilities.\(^4\)

The District Has Yet to Disburse Any Recovery Act Education Funds

The District’s Office of the State Superintendent of Education (OSSE) has not yet distributed SFSF funds to the District’s 58 local educational agencies (LEA). OSSE officials told us that the SFSF funds had not been distributed because the District had amended its application and was waiting for Education to approve the amendment prior to distributing funds. As noted in our September 2009 report, the District’s SFSF application was modified to allocate a larger percentage of SFSF funds to restore the District’s fiscal year 2010 funding for elementary and secondary education to the fiscal year 2008 funding level. In addition, OSSE had not yet requested assurances from the LEAs that SFSF funds would be used in accordance with federal requirements. OSSE requires that LEAs submit such assurances before LEAs obligate federal funds, including SFSF funds.

SFSF funds will be used to restore the District’s primary elementary and secondary funding to the fiscal year 2008 level, and will be distributed across LEAs through the District’s Uniform Per Student Funding Formula. Currently, LEAs receive District funds periodically throughout the year, and OSSE officials told us that LEAs will receive SFSF funds in a similar manner. In addition, OSSE officials told us that LEAs can use SFSF funds in the same manner that they use the District’s funds—provided that the uses are for purposes specified in the Recovery Act. LEAs do not report to

\(^4\)GAO surveyed a representative sample of local educational agencies (LEA) nationally and in the District about their use of Recovery Act funds for three education programs: SFSF, ESEA Title I, and IDEA Part B. The response rate for the LEAs in the District was too low for GAO to generalize the results of the survey to the District. Accordingly, the District’s survey responses are not discussed in this appendix.
OSSE on their use of the District’s funds; however, OSSE will require LEAs to report on their use of SFSF funds through detailed workbooks delineating their expenditures. OSSE officials told us that they plan to monitor the LEAs’ use of SFSF funds along with other Recovery Act funds, though officials noted that they are still developing guidance related to using and reporting the use of SFSF funds.

In general, LEAs have broad discretion in how they can use SFSF funds. We contacted 3 of the District’s 58 LEAs and found 2 of the 3 LEAs had preliminary plans for using the SFSF funds. Officials at one LEA told us they plan to use the funds to cover the salaries and benefits of approximately 475 educators; and an official at the other LEA told us they plan to implement a character development and violence prevention program for students in prekindergarten through eighth grade, including purchasing program materials and providing staff development courses. The third LEA, a public charter school, did not as yet have specific plans for using SFSF funds. With regard to SFSF, officials at the 3 LEAs we contacted told us that they required additional guidance from OSSE on appropriate uses of the funds and reporting on the impact of the funds.

The District Has Not Drawn Down Its ESEA Title I Recovery Act Funds

Education allocated about $37.6 million in ESEA Title I Recovery Act funds to the District; however, as of November 6, 2009, OSSE had not yet drawn down any of these funds. According to OSSE officials, they have not yet finished reviewing the LEAs’ applications describing the planned uses of the ESEA Title I Recovery Act funds, which OSSE must approve before any of these funds can be drawn down. OSSE officials told us it was necessary to provide the LEAs with more guidance on completing the application and on how best to use these federal funds. For example, OSSE officials told us that they were concerned that many of the LEAs had proposed using the ESEA Title I Recovery Act funds to pay salaries for positions that could extend after the Recovery Act funds expire. OSSE officials told us that while they could encourage the LEAs to use the funds differently, OSSE did not have the authority to deny applications solely because they proposed using funds for expenses that might continue after the Recovery Act funds expire. OSSE officials told us that they will

The three LEAs included the District of Columbia Public Schools (DCPS)—the District’s largest LEA representing about 65 percent of District students—and two public charter schools that each constitute their own LEA. To determine which LEAs to contact, we selected the two largest LEAs in the District and one LEA that included all grade levels and used DCPS as its LEA for IDEA.
monitor the use of ESEA Title I funds, including Recovery Act funds, beginning in December 2009 by visiting each LEA at least one time in the next 2 years, and more frequently if warranted. In addition, OSSE officials told us they plan to conduct document reviews, including proof of actual expenditures submitted by LEAs.

The three LEAs we contacted plan to use ESEA Title I Recovery Act funds to improve student achievement. For example, two LEAs planned to use the funds to purchase new software to compile and disseminate student-level data, such as test scores and other performance measures, allowing teachers to make informed data-driven decisions regarding student progress. The third LEA planned to use the funds for a variety of activities to improve student achievement, including expanding after-school academic activities, Saturday classes, and programs to increase math and reading levels. All three LEAs also planned to use some of these funds to retain or hire a total of about 17 staff, including instructors, technology specialists, and other support staff, to improve student achievement.

Officials from the three LEAs we contacted told us that guidance for ESEA Title I Recovery Act funds was generally adequate, although each requested additional guidance in specific areas, including reporting the impact of these funds and requesting waivers. Officials at all three LEAs described OSSE as responsive and helpful in terms of providing guidance.

The District Has Not Drawn Down Its IDEA Part B Recovery Act Funds

The District was allocated $16.7 million in IDEA Part B Recovery Act funds; however, as of November 6, 2009, OSSE had not yet drawn down any of these funds. OSSE officials said that their distribution of IDEA applications was delayed because they had sought additional guidance from Education on how to characterize schools that had both preschool and elementary grades for grant eligibility. According to OSSE officials, they have not yet finished reviewing the LEAs’ applications describing how they planned to use the IDEA Recovery Act funds, which OSSE must approve before these funds can be drawn down. OSSE officials told us that it was necessary to provide the LEAs with more guidance on completing applications to ensure that LEAs fully understood both their programmatic

As we reported in September 2009, Education planned to withhold $500,000 in IDEA funding from OSSE because of past incidents of grant mismanagement. As of November 3, 2009, OSSE officials told us that they were in the process of negotiating a settlement on this matter with Education that they hoped would resolve the issue, and also had a scheduled hearing to present their appeal.
and fiscal obligations. OSSE officials told us that they also intend to monitor LEAs’ use of IDEA funds, including Recovery Act funds, to ensure funds are spent appropriately, but they had yet to finalize the schedule and the protocols.

Officials from the LEAs we contacted told us they planned to use IDEA Recovery Act funds for jobs, services, and materials. For example, uses of the IDEA Recovery Act funds include

- hiring instructional and support staff;
- supporting a program for young children who could benefit from early interventions, but had not been identified as having special needs;
- supporting programs for struggling students with emotional disabilities;
- purchasing materials for listening centers, which help students with disabilities improve their language development, including reading, speaking, and listening skills;
- contracting certain resource services, such as physical and speech therapists; and
- improving data systems, which would help LEAs organize and track an array of information about students with special needs.

In March 2009, the District was apportioned $124 million in Recovery Act funds for highway infrastructure and other eligible projects. As of October 31, 2009, $106 million had been obligated, and $3 million had been reimbursed by the Federal Highway Administration (FHWA). Figure 1 shows obligations by the types of road and bridge improvements being made.

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**The District Continues to Award Highway Contracts Using Existing Contracting Procedures to Ensure Proper Use of Funds**

States request reimbursement from FHWA as the state makes payments to contractors working on approved projects.
Figure 1: Highway Obligations for the District of Columbia by Project Improvement Type as of October 31, 2009

- Pavement improvement: reconstruction/rehabilitation ($31.6 million)
- Pavement improvement: resurface ($5.2 million)
- Pavement widening ($3 million)
- Bridge improvement ($31 million)
- Other ($35.3 million)

Source: GAO analysis of Federal Highway Administration data.

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

Funds appropriated for highway infrastructure spending must be used as required by the Recovery Act. States are required to ensure that all apportioned Recovery Act funds—including suballocated funds—are obligated within 1 year. The Secretary of Transportation is to withdraw and redistribute to other states any amount that is not obligated within these time frames.³ As of November 6, 2009, DDOT has awarded contracts and issued task orders for 10 projects worth $84 million and advertised an additional 3 projects worth $8.1 million for bid. According to DDOT officials, bids continue to come in lower than DDOT’s original estimated

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costs due to the poor state of the economy, greater price competition among contractors, and falling prices for materials. DDOT typically requests that FHWA deobligate excess funds when bids for contracts come in lower than the original estimated costs. Being able to award contracts for less than original estimated costs has allowed DDOT to apply $9 million to other transportation projects in the District. DDOT has received FHWA’s approval to use these funds for additional paving and sidewalk restoration work, and DDOT is identifying more “ready-to-go” projects should further funds become available.

We selected two contracts for ongoing projects to discuss in greater depth with the relevant agency contracting officials. One contract we reviewed was for the construction portion of the “Great Streets” project, which includes reconstruction and streetscape improvements of Pennsylvania Avenue. The contract has an award value of $25.2 million and has a period of performance from October 15, 2009, to November 26, 2010. According to the DDOT grant manager, the contract was competed and DDOT awarded the work using a fixed-price contract. Another contract we reviewed was for the construction and demolition of the New York Avenue Bridge, which is considered fracture-critical. Work on this project will include rebuilding the bridge deck to include a wider sidewalk and new lighting and installing new piers. The contract has an award value of $24.9 million and has a period of performance from October 31, 2009, to February 1, 2011. According to the DDOT grant manager, this work was also awarded competitively as a fixed-price contract.

DDOT’s Chief Contracting Officer stated that no changes have been made to the contracting or financial management processes specifically for Recovery Act contracts because DDOT officials deemed its existing processes suitable to track the use of funds. According to DDOT officials, the agency has standard procedures for oversight on all contracts. These procedures include having DDOT personnel or qualified consultants retained by DDOT, or both, perform regular inspections on each project, as well as monthly reports submitted by the contractor. In addition, DDOT personnel or qualified consultants are on-site on a daily basis checking on the project status and progress. They are responsible for generating a daily report that describes the number of tasks completed that day, workers present, and equipment used.

Fracture-critical bridges are bridges that contain elements whose failure would be expected to result in the collapse of the bridge.
The U.S. Department of Housing and Urban Development (HUD) has allocated $27 million in Recovery Act funds to the District of Columbia Housing Authority (DCHA). As of November 14, 2009, DCHA had obligated about $12 million or about 44 percent of the $27 million it received in capital grant funds, and drawn down about $3 million from DCHA’s Electronic Line of Credit Control System account with HUD.

As of November 14, 2009, DCHA has awarded 20 job orders for projects to be performed at 13 different public housing developments. The projects include the rehabilitation of nearly 2,000 housing units, the installation of new energy-efficient equipment (such as solar-powered irrigation, energy-efficient windows, and boiler upgrades), and public space upgrades.

DCHA continues to use its existing contracting management procedures to monitor and safeguard the use of Recovery Act funds. According to the DCHA Contracting Officer, no changes have been made to contracting or financial management processes specifically for Recovery Act contracts because DCHA believes its existing processes are suitable to monitor the use of the funds. In addition, according to DCHA officials, the agency has standard procedures for oversight on all contracts. These procedures include having DCHA contracting personnel perform regular inspections on each project and contractors filing weekly progress reports.

We selected two contracts for ongoing projects to discuss in greater depth with the relevant agency contracting officials. One contract we reviewed was for window replacement at the Regency House public housing community. According to contract documentation and DCHA officials, the fixed-price job order was placed on August 10, 2009, for an amount not to exceed $750,000, for work including, but not limited to, removing all existing windows and frames, providing and installing new windows, installing new fiberglass panels over the existing panels, and providing and installing new vertical blinds for all windows (see fig. 2). The period of performance for the job order is August 2009 to February 2010.
Another contract we reviewed was for unit renovations at the Horizon House public housing community. According to contract documentation and DCHA officials, the fixed-price job order was placed on August 17, 2009, for an amount not to exceed $2,613,868, for work including, but not limited to, renovating kitchens and bathrooms, replacing flooring, upgrading lighting and electrical equipment, and installing audio/visual smoke detectors in each selected unit (see fig. 3). The period of performance for the job order is August 2009 to May 2010.
DCHA stated that it involves residents in the oversight of the projects at their development throughout the life of the project. They are invited to all DCHA monthly board meetings to discuss their thoughts on the progress of the projects and quality of the contractor. DCHA also hires residents as project monitors to oversee the daily progress of the project and its effect on the quality of life for the residents in that community.

The District Has Not Yet Expended Recovery Act Funds for the Weatherization Assistance Program

The Recovery Act appropriated $5 billion for the Weatherization Assistance Program, which the U.S. Department of Energy (DOE) is distributing to each of the states, the District, and seven territories and Indian tribes, to be spent over a 3-year period. This program enables low-income families to reduce their utility bills by making long-term energy-efficiency improvements to their homes by, for example, installing insulation or modernizing heating or air conditioning equipment. DOE allocated about $8 million in Recovery Act funds to the District for the weatherization program for a 3-year period. The District Department of the Environment (DDOE) is responsible for administering the program for the District. As of October 7, 2009, DDOE had received the final 50 percent

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10 On September 22, 2009, DOE obligated all the funds allocated to the states and the District, but it has limited the states’ and the Districts’ access to 50 percent of these funds. DOE currently plans to make the remaining funds available to the states and the District once 30 percent of the housing units identified in the state plans are weatherized.
of its total allocation of Recovery Act weatherization funding. DDOE plans to spend about $6.5 million to weatherize approximately 785 homes over 3 years. The remaining $1.5 million will be used for salaries and other administrative expenses, such as training and technical assistance.

As of November 15, 2009, DDOE has not obligated or expended the weatherization funds. DDOE officials explained that weatherization funds have not yet been spent because they have been developing the infrastructure to administer the program. For example, DDOE is in the process of hiring six new staff members to oversee and manage the program. According to DDOE officials, they had hoped to hire these new staff members sooner, but there were delays in posting the job announcements. In addition, DDOE has added three new community-based organizations (CBO)—for a total of seven—to manage the weatherization projects that are funded through the Recovery Act. DDOE selected these three additional CBOs based on certain criteria, such as the CBOs’ experience and performance in weatherization work, as well as their experience in assisting low-income persons. The CBOs are responsible for hiring and monitoring the local contractors that weatherize homes. According to DDOE officials, each CBO will receive about $935,000 in Recovery Act funds for weatherization activities. On November 17, 2009, DDOE provided the CBOs and their contractors with training and information regarding the administration of the weatherization program, including the requirements associated with Recovery Act funding. Because Recovery Act weatherization funds have not yet been expended, the impact of these funds on job creation or energy savings cannot be measured at this time.

DDOE and the CBOs have a number of internal control procedures in place or planned to monitor the weatherization program. To ensure quality weatherization work is being performed by the contractors, currently DDOE auditors randomly inspect 30 percent of the weatherized homes, which exceeds the DOE requirement of inspecting 10 percent of the homes. For the new CBOs, DDOE officials told us they anticipate inspecting between 60 and 70 percent of weatherized homes. DDOE officials also told us they intend to perform annual monitoring inspections at each of the CBOs, which involve file reviews of records and payments. In addition to DDOE’s oversight of the program, the CBOs plan to monitor

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11DDOE was provided 10 percent of Recovery Act funding on March 30, 2009, and an additional 40 percent on June 18, 2009.
the performance of contractors by conducting spot checks or surprise visits to the work site, as well as performing postinstallation inspections on 100 percent of weatherization projects. According to officials from one CBO, they have multiple entities that conduct inspections of the weatherized homes, including a third-party audit agency and an internal quality assurance unit. Officials from one CBO we met with said that it will use its own employees for weatherization projects, and that each employee will be trained at an in-house weatherization training center. DDOE officials said they have not identified problems with the internal control processes for any of the CBOs.

Officials from DDOE and CBOs expressed some concerns about Davis-Bacon Act requirements, citing the potential effect of wage and payroll requirements on their administrative costs. For example, DDOE officials stated that although Recovery Act wage rates are similar to the previous wage rates, understanding and ensuring compliance with the wage rate requirements would create more work for both DDOE and the CBOs.

The District met the October 2009 quarterly Recovery Act recipient reporting deadline after modifying its approach when the federal reporting Web site did not have the capability to permit the District to submit data in a batch format. In our September report, we noted that the District planned to centrally report data for all District agencies receiving Recovery Act funds to address recipient reporting requirements, and had developed a centralized Web-based system to collect all required data. The intent of this Web site (reporting.dc.gov) was to allow officials in the District’s Office of the City Administrator (OCA) to review the aggregate data for accuracy and completeness and to have OCA submit the data directly into the federal recipient reporting Web site. However, OCA officials modified their planned reporting approach when they learned—several months before the reporting deadline—that the federal reporting Web site did not have the capability to receive the District’s preferred process of batch data submissions. Instead, District agencies individually submitted recipient reporting information to the federal reporting Web site. The files for individual agency submissions were generated by reporting.dc.gov based on the information entered into the District’s reporting system. OCA officials told us that it would help simplify their reporting process if the federal reporting Web site could accommodate the District’s batch data submission process—submitting one consolidated file for all District agencies—for future rounds of recipient reporting.
Overall, the District’s reporting process went smoothly, according to OCA officials. These officials stated that the trial run of the District’s reporting Web site during September 2009 was a key factor in successfully submitting recipient reporting data by the October 10, 2009, reporting deadline, because it allowed OCA officials and District agencies to address issues, revise data, and finalize reports before submitting data to the federal reporting Web site. To help ensure data quality, OCA officials performed a high-level review of the data for reasonableness and potential inaccuracies, and validated data before allowing District agencies to submit the reporting information. According to OCA officials, most of the errors found during their internal review and validation process were minor, such as the letter “O” recorded for the number zero, an agency misreporting a grant title, or an agency clarifying a job description reported.

Figure 4: Flow of the District’s Recipient Reporting Data

Source: GAO analysis based on information provided by the Office of the City Administrator.

Although the District and its agencies generally did not have issues with the report submission process or submission deadline, some agencies encountered data errors in their submissions. For example, during the period set aside for the federal review of the data submitted (October 21-30, 2009) the U.S. Department of Transportation notified the District Department of Transportation (DDOT) that DDOT reported an inaccurate jobs count. Specifically, DDOT had reported expenditures of $37,717 for an engineering project, but there were no associated job-creation data
reported. A DDOT official responsible for reporting this information explained that the expenditures were used for in-house contract administration costs, which he thought were not subject to recipient reporting requirements. DDOT officials stated that the agency corrected the report once the discrepancy was brought to its attention.

OCA officials were generally satisfied with the District’s first quarter of reporting and are discussing possible improvements to their reporting process for future reports. For example, officials plan to add data fields to the District’s reporting Web site to collect information that would be useful to the District, such as whether a Recovery Act grant was competitively awarded. In addition, officials stated they want to use the District’s Recovery Act reporting Web site and reporting process as a system to collect and manage all of the District’s federal grants.

Recovery Act Funds Continue to Help the District Address Fiscal Challenges

While the infusion of Recovery Act funds have helped mitigate the negative effects of the recession on the District’s budget, the District continues to face fiscal challenges. As we previously reported, in June 2009 the District’s Chief Financial Officer identified a projected revenue shortfall of $150 million for fiscal year 2010, as a result of deteriorating economic conditions and a decrease in expected revenues. The District’s amended fiscal year 2010 budget—sent to Congress for approval on September 23, 2009—addressed the revenue shortfalls and balanced the District’s budget. Specifically, the District addressed its $150 million budget shortfall through a combination of reduced spending by District agencies, using $36 million in Recovery Act State Fiscal Stabilization Fund (SFSF) funds in fiscal year 2010, using funds from the District’s general fund, and generating revenue through tax increases.

According to the District’s Chief of Budget Execution, overall, the District eliminated approximately 1,850 positions across the District’s government—about 460 vacant positions and 1,390 filled positions eliminated through attrition, retirement, and reductions-in-force—to help balance the fiscal year 2010 budget. The official told us that originally the District planned on eliminating about 1,600 positions; however, the District eliminated an additional 250 positions after the $150 million

12The District’s fiscal year begins on October 1 and ends on September 30. Each February the Office of the Chief Financial Officer issues a revenue estimate that is used to develop the budget for the next fiscal year. The estimate is revised as the new fiscal year begins and at regular intervals afterward.
revenue shortfall was identified. In addition to the 1,850 positions eliminated, on October 2, 2009, the Chancellor of the District of Columbia Public Schools (DCPS) announced that DCPS laid off 388 school employees, citing a funding shortfall in the District’s 2010 education budget for DCPS. The District’s Chief of Budget Execution noted that without the Recovery Act funds, job cuts throughout District agencies would have been much larger. For example, SFSF funds stemmed the loss of jobs in DCPS, and without the availability of about $39 million in SFSF funds for DCPS for fiscal year 2010 under the Recovery Act, the District may have had to cut additional positions from DCPS, according to the Chief of Budget Execution.

In September 2009, the District’s Chief Financial Officer reported that revenue estimates for fiscal year 2009 through fiscal year 2013 had not changed since the June 2009 quarterly revenue estimates. According to the Chief of Budget Execution, these revenue projections are contingent upon economic conditions staying relatively constant. However, this official noted that if economic conditions in the District worsen and revenue estimates decrease, the District may need to take further actions to close any projected budget shortfall.

The District has developed a strategy to prepare for when Recovery Act funds are phased out because the District is required by law to prepare an annual balanced budget and multiyear plan. As a result, District officials have accounted for the future decrease in Recovery Act funds in planning budgets for fiscal years 2011 to 2013. In addition, the Chief of Budget Execution told us that all District agencies have been instructed to decrease their expenditures for fiscal year 2011 to facilitate balancing the District’s budget. This official said that specific percentage reductions will be determined by District agencies on a case-by-case basis, with a maximum reduction of 10 percent.

We provided the Office of the Mayor of the District, and the District agencies for the programs we examined, with a draft of this summary on November 18, 2009. On November 20 and 23, 2009, the Office of the Mayor and the District agencies provided technical comments, which we have incorporated where appropriate.
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In addition to the contact named above, John Hansen, Assistant Director; Adam Hoffman, analyst-in-charge; Laurel Beedon; Sunny Chang; Marisol Cruz; Nagla’a El-Hodiri; Mattias Fenton; LaToya King; and Linda Miller made major contributions to this report.

Acknowledgments
Appendix V: Florida

Overview

This appendix summarizes GAO's work on the fourth of its bimonthly reviews of American Recovery and Reinvestment Act of 2009 (Recovery Act) spending in Florida.¹ The full report on our work in 16 states and the District of Columbia is available at www.gao.gov/recovery.

What We Did

Our work in Florida focused on specific programs funded under the Recovery Act: the Highway Infrastructure Investment Program; the State Fiscal Stabilization Fund (SFSF); Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA), as amended; and the Individuals with Disabilities Education Act (IDEA), as amended. We looked at the status of program funding, how funds are being used, and other issues specific to each program.

For our review of highway investment, we selected two Florida Department of Transportation (FDOT) districts—one in northeast Florida (District 2) and another in central Florida (District 5)—to understand the pace of contract awards for local highway projects. We selected these districts because they varied in terms of having projects administered mainly either by FDOT or local agencies. To gain an understanding of the state’s experience in meeting Recovery Act recipient reporting requirements, we examined documents prepared by, and held discussions with, officials in FDOT, the Florida Office of Economic Recovery, and the office of Florida’s Chief Inspector General. We specifically focused our work on FDOT's methodology for collecting data on job creation and retention, and on FDOT's experience in preparing the first quarterly report due to federalreporting.gov and submitted by October 10, 2009. We also examined recipient reporting, use of Recovery Act funds in local government budget stabilization in southwest Florida, and contract management practices. We visited one city, Fort Myers (population 65,394), and one county, Lee (population 593,136), to determine the amount of Recovery Act funds each is receiving and how those funds are being used. We selected these local governments because they have high unemployment and foreclosure rates relative to the state average. In September 2009, unemployment in Fort Myers and Lee County was 12.1

percent and 13.9 percent, respectively—higher than Florida’s average rate of 11.2 percent and the United States’ rate of 9.8 percent for that period.²

To review education programs, we gathered information on Florida’s plan to monitor the use of SFSF allocations by local educational agencies (LEAs) and to seek waivers on ESEA Title I, Part A funds, which are made available for programs for disadvantaged students. In addition, we briefed state officials and obtained their comments on the results of GAO’s nationwide survey of LEAs and on the Florida results specifically. We also talked to the Inspectors General of several Florida agencies about their oversight role for Recovery Act funds. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP.

What We Found

- **Highway Infrastructure Investment.** The pace of awarding contracts is generally lower in FDOT districts with large numbers of projects suballocated for metropolitan and local use in conjunction with projects administered by local agencies rather than by the state, according to FDOT officials. FDOT officials said projects managed by local agencies may face delays because additional time is required to educate local agencies on federal requirements and for project coordination and required reviews and approvals by FDOT. In addition, statewide, FDOT has identified excess funds of about $202 million as the result of construction contracts awarded for less than the official project estimate, according to FDOT officials. The excess funds can be used to fund other highway projects. FDOT officials said they plan to seek Federal Highway Administration (FHWA) approval for obligating the funds by December 31, 2009.

- **Contract management and oversight.** According to FDOT officials, FDOT uses its standard procedures and processes to award and manage Recovery Act-funded highway construction projects. FDOT’s Inspector General said the office’s recent audits related to contract management and oversight, such as single source³ and limited

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²U.S. Census Bureau and U.S. Department of Labor. Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

³According to FDOT’s Office of Inspector General, single source contracts occur when a contract can only be satisfied with commodities or services from one vendor and there are no known able competitors.
Appendix V: Florida

...competition contracts, incentive payment analysis, and contract estimating, have not identified weaknesses that would affect FDOT's ability to award and manage contracts.

- **Recipient reporting.** According to state officials, Florida state agencies experienced no significant issues collecting and reporting recipient information for the first required quarterly report due October 10, 2009. At FDOT—the one agency at which we examined reporting in greater detail—officials said there were no significant problems. Florida has a centralized system into which all 17 pertinent state agencies report Recovery Act data. The state developed and tested the system well in advance of reporting deadlines. Agencies took steps to validate data, such as recipient name, address, number of subrecipients/vendors, and Recovery Act funds received and expended. However, for one agency we looked at, FDOT, subrecipients and vendors were not required to submit verification of their job data, but were advised to maintain documentation, according to FDOT officials. For two subrecipients we visited, both kept documentation of tabulated hours and wages associated with Recovery Act projects for regular employees, but only one did so for management employees. The Florida state Recovery Czar expressed concerns that the federal Office of Management and Budget (OMB) methodology for calculating jobs created and retained will underestimate the numbers, and that guidance provided to state agencies by various federal agencies may differ with that of OMB.

- **Local governments’ use of Recovery Act funds.** Officials from Lee County and, to a lesser extent, the City of Fort Myers, said they anticipate using available Recovery Act funds primarily to expand existing services or fund new initiatives on a nonrecurring basis. Recovery Act funding contributed only a small amount to the county’s and city’s budgets. As of November 18, 2009, the county had been awarded $16.3 million and the city $4.5 million for use over multiple years, a small amount of a single fiscal year (2010) operating budget of about $1 billion county and $241 million city. Lee County and Fort Myers have largely used their own financial reserves rather than Recovery Act funds to stabilize their annual budgets because, according to local officials, the type of funding available to fill budget gaps does not meet their greatest needs and certain grants require

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4According to FDOT’s Office of Inspector General, limited competition contracts are contracts for construction projects that receive only one bid.
local governments to use their own funds when the grant period expires.

- **Education funding and monitoring.** Florida LEAs largely used Recovery Act funding to retain teachers and staff. An estimated 86 percent of Florida LEAs are planning to use over half of their SFSF funding to retain staff compared with an estimated 63 percent of LEAs nationally. A senior Florida official reported that the state successfully implemented a three-part monitoring plan for the largest portion of Recovery Act education funding, the SFSF; however, officials said the monitoring requirements doubled staff workload. State education officials also said they applied for ESEA Title I, Part A waivers to provide more flexibility for LEAs on how they spend Recovery Act funds to improve education.

- **Florida Inspector General oversight.** The Inspectors General (IG) community in Florida continues to play a prominent role in providing oversight for Recovery Act expenditures and reporting, and guidance. The community has targeted specific areas of emphasis for different groups of IGs, including fraud deterrence and data quality.
Appendix V: Florida

Volume of Projects and Local Administration May Affect Pace of Local Highway Contract Awards; Overall, Officials Plan to Use Excess Funds from Contracts Coming in Under Estimate

As we reported in September 2009, $1.35 billion in Recovery Act funds were apportioned to Florida for highway infrastructure and other eligible projects. Of this amount, $404 million—or 30 percent—was suballocated for metropolitan and local use while approximately $943 million remained available for use in any area of the state (statewide projects). As of October 31, 2009, 77 percent (or about $1 billion) has been obligated for highway projects. Specifically, $707.3 million has been obligated for statewide projects and $12.7 million has been reimbursed by FHWA. The remaining $330.9 million has been obligated for local projects; $4.5 million has been reimbursed by FHWA. Compared to the national average of 18.4 percent, the overall rate of reimbursement in Florida (1.7 percent) is among the lowest in the nation. The state has until March 2, 2010 to obligate all apportioned highway funds.

The $330.9 million obligated for projects in metropolitan and local areas in Florida represents 82 percent of the $404 million suballocated for this purpose. Also, the number of contracts awarded using Recovery Act funds obligated for this purpose has increased since September 1, 2009. As of October 28, 2009, 149 of 395 planned projects were awarded construction contracts compared to 5 contracts when we last reported in September, according to officials.

According to FDOT officials, the award of contracts is generally lower in FDOT districts with large numbers of local projects in conjunction with projects administered by local agencies. The state had the option of administering Recovery Act projects with funds suballocated for metropolitan and local use or giving that authority to local qualified

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5This figure does not include obligations associated with $0.7 million of apportioned funds that were transferred from FHWA to the Federal Transit Administration (FTA) for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA.

6As we reported in September 2009, Florida is using Recovery Act funds for more complex projects, such as constructing new roads and bridges and adding lanes to existing highways that require more time before bids can be requested and contracts can be awarded, according to Florida officials.

7According to the FDOT local agency program manual, a local agency is defined as a governmental body related to transportation that is responsible for planning, design, right-of-way acquisition, and construction.
agencies, such as towns, cities, and counties, through the local agency program (LAP) according to these officials.

To better understand the pace of contract awards for local projects, we reviewed two FDOT districts, which varied in their approach to administering projects: District 2 in northeast Florida and District 5 in central Florida (see table 1).

Table 1: Number of Suballocated Projects and Type of Administration for Districts 2 and 5

<table>
<thead>
<tr>
<th>Number of projects</th>
<th>Percent administered by locality</th>
<th>Percent administered by FDOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>District 2</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>District 5</td>
<td>81</td>
<td>99</td>
</tr>
</tbody>
</table>

Source: FDOT data.

Note: According to FDOT, the total amount obligated by the FHWA for the 40 projects in District 2 is $39,165,034 and $77,884,817 for the 81 projects in District 5.

The relationship between volume of contracts, administering party, and pace of contracting in these two districts reflects the pattern observed by FDOT officials in Florida overall. As of October 27, 2009, District 2 had awarded about 78 percent of its Recovery Act-funded contracts and District 5 had awarded about 15 percent (see table 2).

Table 2: Status of Construction Contracts for Local Highway Projects in FDOT Districts 2 and 5 as of October 27, 2009

<table>
<thead>
<tr>
<th>FDOT Districts</th>
<th>District 2</th>
<th>District 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administering party</td>
<td>Local</td>
<td>State</td>
</tr>
<tr>
<td>Total number of projects</td>
<td>16</td>
<td>24</td>
</tr>
<tr>
<td>Construction contracts awarded</td>
<td>8</td>
<td>23</td>
</tr>
</tbody>
</table>

Total awarded: 31 (78%)  Total awarded: 12 (15%)

Status of work performance

| Completed | 0 | 3 | 0 | 0 |
| Begun but not completed | 7 | 7 | 0 | 0 |
| Not begun | 1 | 13 | 12 | 0 |

Status of planned contracts

| Construction contracts out for bid | 4 | 1 | 33 | 1 |
| Construction contract solicitation waiting on bids | 4 | 0 | 35 | 0 |

Source: GAO analysis of FDOT data through October 27, 2009.

Note: According to FDOT officials, multiple contracts may be associated with a project; however, each project in District 2 and 5 has only one contract associated with it.
Other districts with high numbers of locally administered projects as in District 5 are experiencing delays in awarding contracts, according to FDOT officials. FDOT officials offered the following reasons for why locally administered projects take more time to award contracts: (1) when local agencies administer a project, the agencies must coordinate with FDOT and obtain state-level reviews and approval; (2) some local agencies may have little experience with federally funded projects; and (3) Recovery Act funding comes with multiple requirements, and some localities are more prepared than others to meet the requirements and manage a local project because they have previous experience with federally funded projects. FDOT certifies a local agency to administer a project—designing Recovery Act-funded projects, advertising bid solicitations, and administering contract awards—when the agency can demonstrate it has sufficient staff and resources to meet all applicable state and federal requirements, according to the FDOT LAP manual. According to an official in District 2, local agencies with previous LAP experience were utilized to administer local projects. In District 5, the approach was to distribute Recovery Act funds throughout the district, according to officials. Some FDOT officials said the time involved in the certification process may affect the pace of projects. For example, in District 5, nine localities were certified for the first time and several others had to be re-certified, according to officials. Each district has been working with local agencies, providing training and workshops on LAP certification and federal requirements, according to FDOT officials. Officials at local agencies we spoke with said the FDOT guidance and technical assistance were useful.

Florida Plans to Request FHWA to Obligate Excess Funds Resulting from Contracts Being Awarded for Less than Project Estimates

FDOT has identified excess funds of about $202 million as the result of construction contracts being awarded for less than the official project estimate, which could be used to fund other highway projects, according to FDOT officials. Overall, as of October 28, 2009, FDOT awarded a total of 194 highway construction contracts with a total value of $676 million, which was 32 percent less than project estimates. FDOT officials stated that FHWA has been asked to deobligate $2 million of that amount and obligate it for five new local projects meeting Recovery Act criteria. For the remaining $200 million, an FDOT official said FDOT is seeking state and federal approval to deobligate and then obligate the funding for 12

—According to FDOT officials, within each district, projects are distributed to localities based, in part, on population. District 5 has almost twice as many residents as District 2.
new state projects. Moreover, 11 of the 12 projects will be obligated by November 30, 2009, and the remaining project by December 31, 2009, according to the same official.

FDOT uses its existing standard procedures and processes to award and manage Recovery Act-funded highway construction projects. Specifically, FDOT officials said that FDOT has processes for requiring that contracts be linked to Recovery Act objectives, using prequalified contractors and awarding fixed-price contracts on a competitive basis.\(^9\) State officials said:

- projects were selected with transportation partners at the local level, including cities, counties, and metropolitan planning organizations with Recovery Act objectives in mind, and that these objectives were communicated to prospective bidders;
- prospective bidders were prequalified based on factors such as experience, performance records, and debarment or suspension by FHWA, State of Florida, or FDOT from receiving contract awards; and
- some projects were awarded to the lowest technically responsive prequalified bidder and some were awarded based on an adjusted score method, although the winning bid may not necessarily have been the lowest bid, according to FDOT officials.\(^10\)

Figure 1 shows the multiple highway construction management positions and functions that are assigned to oversee and ensure project quality and performance.

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\(^9\)According to FDOT officials, fixed-price contracting is FDOT's standard contracting method and all construction workers on federally funded projects must be compensated according to prevailing wage rates determined by the United States Department of Labor.

\(^10\)Under FDOT's guidelines, adjusted score means the contract award is based on the lowest adjusted score, which is determined by dividing the price proposal by the technical proposal score.
Figure 1: Oversight of Florida’s Highway Construction Contracts

Source: FDOT.

Note: FDOT officials said that FHWA full oversight contracts receive the same level of FDOT scrutiny and oversight as other projects performed by FDOT staff, but the FHWA Division Office personnel will review and approve project designs; approve plans, specifications, and estimates; concur on award selection; approve contracts; and conduct project inspections.
Appendix V: Florida

FDOT’s Inspector General said that his office’s recent audits related to contract management, such as single source and limited competition contracts, incentive payment analysis, and contract estimating, have not identified weaknesses that would affect FDOT’s ability to award and manage contracts.

According to Florida officials there were no significant issues collecting and reporting the information required under section 1512 of the Recovery Act\(^\text{11}\) by the October 10, 2009 reporting deadline, although it required great effort and diligence.\(^\text{12}\) Florida has a centralized system into which all 17 state agencies report, then the information is uploaded to the federal system, FederalReporting.gov. Florida developed and tested its centralized system well in advance of the reporting deadline. In addition, to ensure the accuracy and completeness of the data, state officials developed a checklist for use by the state agencies.

Agencies took a range of steps to review data quality.\(^\text{13}\) According to state officials, most of the validation for such data as recipient name, address, and DUNS number\(^\text{14}\) was done using source material, for example, original grant agreements or Internet sources. Most of the 17 agencies were able to perform 100 percent validation of recipient names and addresses. For verifying jobs created and retained as reported by subrecipients, the methodologies used by the agencies’ inspectors general covered a broad spectrum, from tracing the information reported back to source documents, to performing reasonableness checks of the reported numbers, to simply tracing the numbers from subrecipients’ reports to the state’s centralized reporting system. In addition to the reviews conducted by the agencies, content experts from the Governor’s Office of Policy and Budget (OPB) reviewed agencies’ submissions to the state, according to

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\(^{11}\)The Recovery Act contains multiple reporting requirements. We refer to the reports required by section 1512 as recipient reports.

\(^{12}\)According to the Florida state Recovery Czar, the majority of Recovery Act funds received by Florida fall under division B of the Recovery Act and, thus, are not subject to section 1512 reporting requirements. Division B includes tax provisions, unemployment compensation, and certain other provisions.

\(^{13}\)Inspectors general and others involved in the data quality reviews attended training and technical advisory meetings to explore in detail data quality issues prior to uploading the data into the Federal Recovery system, according to Florida's Chief Inspector General.

\(^{14}\)An identifier assigned applications and proposals for federal money.
Florida’s Recovery Czar. The choices made at both the agencies and OPB about how to conduct reviews were based on the number of staff and amount of time available in relation to the amount of data required to be reported. Florida’s Chief Inspector General released a report providing a synopsis of steps taken by agencies to help ensure data quality. In addition, the Recovery Czar’s office, along with the state’s IG community, plans to meet to discuss lessons learned from the first round of reporting, officials said.

To better understand how reporting worked we focused on FDOT, which has a large volume of Recovery Act awards, according to Florida officials. FDOT has reporting requirements under both sections 1512 (recipient reporting) and 1201(c) of the Recovery Act. According to Florida officials, although the state had a system in place for section 1201(c) reporting, officials decided to develop two additional systems for recipient reporting. One system was created to assist state agencies in reporting information to the Florida state Recovery Czar, and a second system to allow subrecipients and vendors to enter total number of employees, employee hours, and payroll for Recovery Act-funded FDOT projects. FDOT officials said they provided training and guidance to subrecipients, and conducted town hall meetings on reporting requirements and processes. Subrecipients we spoke with told us the employment reporting system was user-friendly and they did not experience any significant challenges with collecting and reporting required Recovery Act information.

FDOT officials said they took steps to ensure the quality of data in recipient reports, such as comparing data to previously submitted

15 According to the FDOT Office of Inspector General, FDOT IG has been given responsibility by the state for Recovery Act recipient reporting. According to the Florida state Recovery Czar, content experts from the Governor’s Office of Policy and Budget were assigned to each Recovery Act award and no award was uploaded to FederalReporting.gov without sign-off by the OPB reviewer.

16 For section 1201(c), the first periodic report was due no later than 90 days after the date of enactment of the act, with updated reports due no later than 180 days, 1 year, 2 years, and 3 years after enactment. Section 1201(c) requires periodic reports, which include information on the pace at which funds are spent and the status of FDOT projects.

17 According to Florida officials, the first system was developed by the Florida Office of Economic Recovery and titled “FlaReporting System” and the second system was developed by FDOT titled “FDOT ARRA Employment Reporting System” for employment reporting. Although FDOT utilized the FHWA Recovery Act Data System for 1201(c) reporting, it did not utilize it for 1512 reporting.
information to find anomalies, omissions, or variances. However, according to FDOT, subrecipients and vendors were not required to submit verification of their job data. Instead, according to FDOT officials, they advised subrecipients and vendors to maintain documentation in the event that auditors or other officials asked to view job data, but said they did not specify the nature of the documentation to be maintained. We found the extent of such documentation varied for the two subrecipients we visited. For example, both subrecipients kept documentation of tabulated hours and wages associated with Recovery Act projects for regular employees, but only one did so for management employees. 18

Although Florida met recipient reporting deadlines, the Florida state Recovery Czar expressed concerns that OMB’s methodology for using full-time equivalents (FTE) to calculate jobs created or retained will understate the actual number of jobs created. 19 In addition, the Florida state Recovery Czar told us that individual federal agencies distributed guidance with their own interpretation of OMB’s calculation of jobs created or retained to their Florida counterparts and believes state agencies may have used different variations of the calculation to report jobs. 20 Furthermore, the Florida state Recovery Czar raised concerns that the federal recovery Web site will make it appear as if the majority of Recovery Act funds coming to Florida is being allocated to projects in Tallahassee because there is no mechanism for recognizing their dispersal through Tallahassee. The Florida state Recovery Czar said the federal Recovery Accountability and Transparency Board is aware of this concern.

18 At the second subrecipient, of the eight employees associated with Recovery Act projects, four were management employees. Although documentation such as time sheets was available for regular employee hours and wages, no supporting documentation was kept for management employees.

19 For example, if a full-time job was created in mid-September—meaning that it existed for only 2 weeks of the reporting period—federal instructions require taking those 80 hours and dividing by 520 hours, or the entire quarter. This calculation equals 0.15 of an FTE, even though one full-time job was created.

20 According to the Florida state Recovery Czar, some agencies indicated the hours in the denominator should reflect hours from the date of the award, some from the beginning of the quarter, and some from the start of the project.
Officials from Lee County and, to a lesser extent, the City of Fort Myers, said they anticipate using available Recovery Act funds primarily to expand existing services or fund new initiatives on a nonrecurring basis. Recovery Act funding contributed only a small amount to the county's and city's overall budgets: As of November 18, 2009, the county had been awarded $16.3 million and the city $4.5 million in Recovery Act funds for use over multiple years, a fraction of even a single fiscal year (2010) operating budget of about $1 billion county and $241 million city. (See table 3.)

Lee County and Fort Myers Are Primarily Using Available Recovery Act Funding for Nonrecurring Expenses

Table 3: Recovery Act Funding Reported by Lee County and Fort Myers Government Officials

<table>
<thead>
<tr>
<th>Program area</th>
<th>Lee County project or federal award</th>
<th>Fort Myers project or federal award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highways*</td>
<td>Five road improvement projects, including turn lanes and paved shoulders</td>
<td>Two road improvement projects to install culverts</td>
</tr>
<tr>
<td></td>
<td>Total: $2.5 million in fiscal year 2010</td>
<td>Total: $0.8 million in fiscal year 2010</td>
</tr>
<tr>
<td>Human services and housing</td>
<td>Community Development Block Grant ($0.6 million), Homeless Prevention ($0.9 million), Community Service Block Grant ($0.5 million)</td>
<td>Community Development Block Grant</td>
</tr>
<tr>
<td></td>
<td>Total: $2 million over 3 years</td>
<td>Total: $0.2 million over 3.6 years</td>
</tr>
<tr>
<td>Transit</td>
<td>Buses and bus shelters</td>
<td>Not applicable</td>
</tr>
<tr>
<td></td>
<td>Total: $7.5 million over 3 to 5 years</td>
<td></td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>Energy Efficiency and Conservation Block Grant, including a biodiesel plant ($3 million over 3 years)</td>
<td>Energy Efficiency and Conservation Block Grant, including installation of a solar power generator, among other projects</td>
</tr>
<tr>
<td></td>
<td>Weatherization Assistance ($1.3 million)</td>
<td>Total: $0.75 million</td>
</tr>
<tr>
<td></td>
<td>Total: $4.3 million over 3 years</td>
<td></td>
</tr>
<tr>
<td>Public safety</td>
<td>Not applicable</td>
<td>Community Oriented Policing Services (COPS) Hiring Recovery Program grant providing salaries for 9 officers over 3 years ($2.3 million); and Justice Assistance Grant (JAG) funding ($0.4 million)—added staff, overtime pay, and equipment for a total of $2.7 million over 4 years</td>
</tr>
<tr>
<td>Total Recovery Act funding</td>
<td>$16.3 million over multiple years</td>
<td>$4.5 million over multiple years</td>
</tr>
</tbody>
</table>

Source: Lee County and Fort Myers governments.

*As required by the Recovery Act, the state of Florida suballocated transportation funds for local use. The local projects cited in the table are being administered by the county and city, according to FDOT officials.

*Although Fort Myers was awarded $800,000 for local highway projects, city officials said that contracts for the projects are being awarded for less than the estimated costs and, as a result, excess funding will be applied to projects that may not be within the city.

In general, these Recovery Act funds were awarded to the city and county between April and August 2009. However, county officials said they have
not received the majority of these funds, which will be reimbursed upon service delivery or project completion; city officials said they have not expended most funds. Fort Myers, which has some older substandard housing in low-income neighborhoods, reported using about $8,000 of an approximately $200,000 Community Development Block Grant awarded under the Recovery Act to install solar water heaters and energy-efficient windows in owner-occupied buildings.

Officials of Lee County and Fort Myers reported largely using their own financial reserves rather than Recovery Act funds to stabilize annual budgets because the type of funding available is limited and certain grants require local funds when the grant period expires (see table 4). The city is using Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) funding to avoid the layoff of six police officers, according to city officials. This use of funds accounts for about 2 percent of the city’s police budget in fiscal year 2010.

Table 4: Actions Taken to Close Lee County and Fort Myers General Fund Shortfalls in Fiscal Year 2010

<table>
<thead>
<tr>
<th>Budget actions</th>
<th>Lee County</th>
<th>Fort Myers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percent of total budget actions</td>
</tr>
<tr>
<td>Recovery Act funds</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>Budget cuts</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Deferring expenses</td>
<td>9.5</td>
<td>12</td>
</tr>
<tr>
<td>Funds shifted</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Reserves used</td>
<td>60.3</td>
<td>76</td>
</tr>
<tr>
<td>Tax increases</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$79.8</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Lee County and Fort Myers governments.

*A city official said the city used Recovery Act funds to address a budget gap in the General Fund. The official explained that the city classified the grant under its Special Revenue Fund, but the grant funds were for expenses usually paid for out of the General Fund.

Totals may not add due to rounding.

Lee County and Fort Myers are experiencing gaps remaining between revenues and expenditures. County officials explained that their budget gaps are a result of declining revenue sources, such as a 24 percent decline in property taxes in fiscal year 2010. In fiscal years 2008 through 2010 the city reported increasing property taxes to offset expenditure pressures that include pension and benefit obligations for city employees, revenue losses from falling property values, and declining funds from state revenue-sharing programs.
Appendix V: Florida

In the fiscal year 2010 budget, Fort Myers officials said the city exhausted its available reserves. Lee County officials anticipate having sufficient reserves for the next 2 to 3 fiscal years. According to officials we interviewed at the Florida League of Cities and the Florida Association of Counties, if additional revenue is unavailable and reserves can no longer be tapped, the county and city will face major cuts to programs and services.

County and city officials cited various reasons for not applying for competitive grants or using other available Recovery Act grants more widely to address budget shortfalls. County officials said they did not want to use Recovery Act funds that might require county funds for programs in the future. For example, even though public safety is one of its largest expenditures, Lee County officials said they did not apply for a COPS CHRP grant, which could have funded 21 officers over 3 years, because a requirement to maintain those positions with state and/or local funds for a fourth year would cost their taxpayers about $2 million. Fort Myers officials said available Recovery Act money generally funds programs that are not part of the city budget, such as education and health programs, rather than key city responsibilities, such as replacing aging water and sewer systems and other infrastructure. Of the Recovery Act funding available for infrastructure—primarily transportation—Fort Myers officials said that $0.8 million went to the city because state highway projects are a priority for Recovery Act funds, with 30 percent of highway funds suballocated for metropolitan and local use.

22 The city’s largest expenses involve infrastructure—such as water and sewer projects funded through its Utility Fund—as well as public safety, which is funded through the General Fund. The county’s largest expenses are for public safety, such as the sheriff’s office, funded through the General Fund.
Florida LEAs largely used Recovery Act funds to retain teachers and staff, and the State Department of Education developed systems to track how funds are spent as well as sought a federal waiver to provide greater flexibility in how some funds are allocated. We surveyed a representative sample of LEAs—generally school districts—nationally and in Florida about their plans for Recovery Act funds. An estimated 86 percent of Florida LEAs are planning to use over half of their SFSF funding to retain staff compared with an estimated 63 percent of LEAs nationally, according to our survey (see table 5). A senior Florida official said the higher percentage may reflect, in part, the collapse of the Florida housing market: 50 percent of Florida’s LEAs’ operating funds come from local property taxes and property values have fallen significantly. The official also said that LEAs have greater discretion with SFSF funds than with ESEA Title I, Part A or IDEA funds, which target programs for disadvantaged youth and children with disabilities, respectively.

Despite Recovery Act SFSF funds, an estimated 56 percent of Florida LEAs reported that their schools will lose staff compared to an estimated 32 percent of LEAs nationwide. A Florida official attributed staff reductions at least partially to an overall decline in student enrollment, requiring fewer teachers in the 2009-2010 school year. The official added that Recovery Act funding has been critical to supporting existing teachers, given significant declines in state and local revenues.
Table 5: Selected Results from GAO Survey of LEAs

<table>
<thead>
<tr>
<th>Responses from GAO survey</th>
<th>Estimated percentages of LEAs</th>
<th>Florida</th>
<th>Nation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to use more than 50 percent of Recovery Act funds to retain staff</td>
<td>IDEA funds</td>
<td>86</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td>Title I funds</td>
<td>34</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>SFSF funds</td>
<td>34</td>
<td>19</td>
</tr>
<tr>
<td>Anticipate job losses, even with SFSF funds</td>
<td></td>
<td>56</td>
<td>32</td>
</tr>
<tr>
<td>Reported total funding decrease of 5 percent or more since school year 2008-2009</td>
<td></td>
<td>11</td>
<td>17</td>
</tr>
</tbody>
</table>

Source: GAO survey of LEAs.

Note: Percentage estimates for Florida have margins of error, at the 95 percent confidence level, of plus or minus 15 percentage points or less. The nation-wide percentage estimates have a margin of error of plus or minus 5 percentage points.

A senior Florida official also reported the state’s successful implementation of a three-part monitoring plan for SFSF, the largest portion of the state’s Recovery Act education funding. (See figure 2.) However, the official said the monitoring requirements doubled staff workloads with no increases in resources. The official said staff has been particularly challenged to meet the Recovery Act’s section 1512 quarterly recipient reporting requirements with respect to SFSF, but has applied the monitoring plan as written. State education officials have identified several issues with the first quarterly report submitted by LEAs on expenditures and jobs retained or created due to the federal government by October 10, 2009. Florida officials told us the U.S. Department of Education guidance on converting jobs retained or created to FTEs, as required, was not issued until September 2009, shortly before the quarterly report was due, and LEAs did not have sufficient time to absorb the subtleties of it. As a result, the officials told us the state Education Inspector General’s office has begun a survey of selected LEAs to identify issues so technical assistance can be developed for the next quarterly report. In addition, when state education staff reconciled LEAs’ monthly expenditure reports with their first quarterly reports they found some discrepancies in a small number, and state education staff are in the

23OMB issued reporting guidance on June 22, 2009; however, the U.S. Department of Education guidance contained additional clarifications on how to calculate and report jobs created or retained. For example, Education specifically addressed how a recipient should calculate the full-time equivalent for a teacher on a contract less than 12 months.
State education officials told us they applied for authority to grant ESEA Title I, Part A waivers to LEAs for more flexibility in spending Recovery Act funds to improve education through innovative strategies.24 For example, a waiver of the inclusion of Recovery Act funds in the calculation of the requirement to spend an amount equal to 20 percent of ESEA Title I, Part A funds would allow LEAs to free up those funds to address specific student needs identified through data analysis, according to state education officials. Florida officials told us they completed their online waiver application form for LEAs at the end of October 2009. Some of the

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24The Department of Education accepts applications from state educational agencies to apply, on behalf of their LEAs, for waivers of one or more “set-aside” requirements that are affected by the availability of ESEA Title I, Part A Recovery Act funds. For example, LEAs are obligated to spend an amount equal to at least 20 percent of their ESEA Title I, Part A, Subpart 2 allocation on transportation for public school choice and supplemental educational services (SES). These services include tutoring, remediation and other supplemental academic enrichment services designed to increase the academic achievement of students. LEAs must offer students in schools that have missed academic targets for two consecutive years an opportunity to transfer to a high-performing school in the district (public school choice) and in addition, must offer SES students from schools that have missed academic targets for three consecutive years.
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requested waivers have been approved by the U.S. Department of Education, and LEAs are submitting applications to the state for those waivers. The state's remaining waiver requests are under consideration by the U.S. Department of Education.

Florida Inspectors General Community Is Coordinating Oversight Activities

Florida's Inspectors General (IG) community continues to play a prominent role in providing oversight of Florida's Recovery Act funds. The Florida IG community has chosen to coordinate across all state agencies and communicate regularly. To that end, they formed five committees to work on Recovery Act issues. (See figure 3.)
Figure 3: Steps Reported by IG Community to Provide Statewide Oversight

**Inspection General oversight of Recovery Act funds**
- Federal Guidance
- Data quality
  - Established protocols and check sheet for reviewing data quality
  - Provided instruction and technical assistance on ensuring data quality
  - Discussed data quality reviews with agencies where needs were atypical
  - Reviewed agency data, both static and variable, prior to submission to federal system (in some cases, going back to source documents)
- Risk readiness
  - Agencies determined which programs would receive funds and which were most at-risk for fraud waste or abuse
  - For identified programs, IGs are reviewing risk-mitigation strategies
- Fraud/deterrence/training
  - Coordinated training of approximately 1,000 auditors, investigators and procurement professionals on identifying potential fraud
  - Trained 70 staff from OIG community on advanced investigative techniques
  - Issued alert recommending OIG-state agency procurement staff coordination regarding prohibition on contracting with convicted vendors
  - Issued alert requiring OIGs to submit details of investigations into Recovery Act contracts fraud
  - Transmitted letter advising Florida CPA’s of their significance in single audits of entities receiving Recovery Act funds
- Special issues
  - Engaged Chief Financial Officer staff regarding Recovery Act oversight administrative costs and other topics
  - Working to verify the capacity of the states financial management reporting system
  - Working to encourage an assessment of adequacy of staffing levels for certified procurement and project management professionals
  - Meeting to discuss lessons learned

Source: GAO analysis of Inspectors General documents.
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State Comments on This Summary

We provided the Special Advisor to Governor Charlie Crist, Florida Office of Economic Recovery, with a draft of this appendix on November 18, 2009. The Florida official concurred with the information in the appendix and provided technical suggestions that were incorporated, as appropriate. In addition, we provided relevant excerpts to officials of the state agencies as well as the city and county we visited. They agreed with our draft and provided some clarifying information, which we incorporated, as appropriate.

GAO Contacts

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Staff Acknowledgments

In addition to the contacts named above, Patrick di Battista, Lisa Galvan-Trevino, Sabur Ibrahim, Kevin Kumanga, Frank Minore, Brenda Ross, Margaret Weber, and James Whitcomb made major contributions to this report. Susan Aschoff assisted with writing, and Barbara Steel-Lowney assisted with quality assurance.
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Overview

The following summarizes GAO’s work on the fourth of its bimonthly reviews of American Recovery and Reinvestment Act of 2009 (Recovery Act) spending in Georgia. The full report on all of our work, which covers 16 states and the District of Columbia, is available at http://www.gao.gov/recovery.

What We Did

Our work in Georgia focused on the Public Housing Capital Fund because projects funded with the formula funds were under way and the competitive funds had just been awarded. In addition to this program, we updated information on Highway Infrastructure Investment funds and three Recovery Act education programs—the State Fiscal Stabilization Fund; Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA), as amended; and the Individuals with Disabilities Education Act (IDEA), Parts B and C—because significant Recovery Act funds had been obligated. For descriptions and requirements of the programs covered in our review, see appendix XVIII of GAO-10-232SP. We also focused on the state’s initial reporting on the jobs created and retained with Recovery Act funds and the use of Recovery Act funds in selected localities.

What We Found

Following are highlights of our review.

- **Public Housing Capital Fund.** The U.S. Department of Housing and Urban Development (HUD) has allocated about $113 million in Recovery Act funding to 184 public housing agencies in Georgia. As of November 14, 2009, 124 of these agencies had obligated $55.8 million, and 100 agencies had drawn down $8.4 million. We visited public housing agencies in Athens, Atlanta, and Macon. With its formula funds, the Athens Housing Authority has completed a roofing project and begun work on modernizing 23 scattered sites. The Atlanta Housing Authority recently reassessed its design plans for 13 rehabilitation projects to be funded with formula awards and plans to begin work on them in the spring of 2010. The Macon Housing Authority plans to use $8.6 million in competitive grant funds to make a 100-unit housing development more energy efficient.

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- **Highway Infrastructure Investment funds.** The U.S. Department of Transportation’s Federal Highway Administration (FHWA) apportioned $932 million in Recovery Act funds to Georgia. As of October 31, 2009, the federal government had obligated $703 million to Georgia, and $43 million had been reimbursed by the federal government.

- **Education.** Our survey of local educational agencies (LEA) in Georgia showed that they plan to use Recovery Act funds to retain staff, but most LEAs still expect to lose staff overall.

- **Recipient reporting.** Georgia used a decentralized approach to meet Recovery Act reporting requirements—that is, 18 state agencies reported directly into the federal government’s reporting Web site. The State Accounting Office monitored the reporting process and identified some discrepancies, such as jobs associated with zero expenditures, that needed to be corrected. Although there were last minute changes to federal guidance that required data to be resubmitted, the State Accounting Office was generally satisfied with how the state completed the first round of reporting.

- **Selected localities’ use of Recovery Act funds.** The city of Atlanta, city of Macon, and Tift County had been awarded Recovery Act funding of $78 million, $4.5 million, and $378,000, respectively, as of November 12, 2009. For instance, Atlanta and Macon each received funds to hire additional police officers. Tift County received an award to hire additional staff in the District Attorney’s office.

In Georgia, 184 public housing agencies received about $113 million in Public Housing Capital Fund formula grants (see fig. 1). Recovery Act requirements specify that public housing agencies must obligate funds within 1 year of the date they are made available to public housing agencies. Agencies are to give priority to projects that (1) can award contracts based on bids within 120 days from the date the funds are made available, (2) rehabilitate vacant units, or (3) are already under way or included in required 5-year Capital Fund plans. As of November 14, 2009, 124 of the public housing agencies in Georgia had obligated $55.8 million and 100 agencies had drawn down $8.4 million. On average, public housing agencies in Georgia are obligating funds at about the same rate as housing.

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This does not include obligations associated with $25 million of apportioned funds that were transferred from FHWA to the Federal Transit Administration for transit projects.
Appendix VI: Georgia

agencies nationally. We visited three housing agencies for this report: the Housing Authority of the City of Athens (Athens Housing Authority), the Housing Authority of the City of Atlanta (Atlanta Housing Authority), and the Housing Authority of the City of Macon (Macon Housing Authority).³

Figure 1: Percentage of Public Housing Capital Fund Formula Grants Allocated by HUD That Had Been Obligated and Drawn Down in Georgia, as of November 14, 2009

<table>
<thead>
<tr>
<th>Funds obligated by HUD</th>
<th>Funds obligated by public housing agencies</th>
<th>Funds drawn down by public housing agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>$112,675,806</td>
<td>$55,845,802</td>
<td>$8,402,602</td>
</tr>
<tr>
<td>100%</td>
<td>49.6%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

Source: GAO analysis of HUD data.

Athens Housing Authority

The Athens Housing Authority received about $2.6 million in Recovery Act formula grant awards. As of November 14, 2009, the housing agency had obligated about $1.6 million and drawn down approximately $226,000. It plans to use the majority of its Recovery Act funds to complete three projects.⁴ The agency awarded the contracts for the first two projects—replacing the roofs on 40 units and the comprehensive modernization of 23 scattered site housing units—within 120 days of the date the funds were

³We visited the Athens and Atlanta Housing Authorities to update information we reported in July 2009. See GAO, Recovery Act: States’ and Localities’ Current and Planned Uses of Funds While Facing Fiscal Stresses (Georgia), GAO-09-830SP (Washington, D.C.: July 8, 2009). We visited the Macon Housing Authority because it had been awarded competitive as well as formula grant funds.

⁴The remaining funds will be spent on renovations such as new kitchen countertops and new windows.
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released for use. The roofing project was completed at a cost of about $42,000. The $1.3 million modernization of scattered sites will include asbestos and lead abatement and the installation of new windows, doors, cabinets, appliances, water heaters, and heating and air systems. This work has begun and is scheduled to be completed by May 2010. The agency also plans to replace two elevators at a senior high-rise; the agency’s estimated cost for this third project has increased from $330,000 to $400,000 because the agency decided to upgrade to more energy-efficient equipment, rather than refurbish the old elevators. The housing agency expects bids by December 15, 2009, work to begin by January 2010, and the project to be completed by September 2010. None of the units affected by these renovations were vacant because the agency’s units are typically at least 98 percent occupied, with the few vacancies being attributable to turnover. Agency officials stated that while only the scattered site project was in the agency’s 5-year plan prior to the Recovery Act, all three projects were in an updated plan approved in May 2009. Athens Housing Authority officials were confident that they could meet the Recovery Act requirement to obligate 100 percent of funds by March 17, 2010.

Atlanta Housing Authority

The Atlanta Housing Authority received about $26.6 million in Recovery Act formula grant awards. As of November 14, 2009, the agency had obligated about $26.5 million and drawn down about $730,000. It plans to use about $19 million of its Recovery Act funds to rehabilitate 13 properties containing a total of 1,953 units and the remaining $8 million to demolish 4 properties. The housing agency recently reassessed its design plans for the 13 properties to ensure that it maximized the use of the funds. The work will include energy conservation measures, renovations to common areas, and exterior and site improvements. The agency plans to begin this work in the spring of 2010. Because the agency has very few vacancies, only three of the units to be rehabilitated are vacant. All of the planned projects were in the Atlanta Housing Authority’s fiscal year 2010 annual plan, which was completed in April 2009. The Atlanta Housing Authority has obligated the majority of its funds through amended

As a Moving to Work agency, the Atlanta Housing Authority is required to submit a Moving to Work annual plan to HUD in lieu of the 5-year plan and annual plan traditionally required by section 5A of the U. S. Housing Act of 1937, as amended. Moving to Work is a demonstration program established by Congress and administered by HUD, giving participating public housing agencies the flexibility to design and test various approaches to facilitating and providing quality affordable housing opportunities in their localities.
contracts with the private management companies that manage the properties. According to Atlanta Housing Authority officials, the remaining funds will be obligated by March 17, 2010.

Macon Housing Authority

The Macon Housing Authority received about $4.8 million in Recovery Act formula grant awards. As of November 14, 2009, the agency had obligated about $150,000 and drawn down about $77,000. The agency plans to use all of these funds to complete a major rehabilitation of a 250-unit housing development. The planned work includes replacing the baths, kitchens, appliances, windows, doors, and flooring; painting; landscaping; and resurfacing parking lots and streets. The agency awarded a contract for approximately $4.5 million on October 14, 2009, and work will begin in December 2009. None of the units to be rehabilitated were vacant, and the project was in the agency’s 5-year plan prior to the Recovery Act. According to Macon Housing Authority officials, all of their funds will be obligated by March 17, 2010.

Some Housing Agencies Also Received Competitive Recovery Act Grants

In addition to the Public Housing Capital Fund formula grants, HUD awarded six competitive grants to housing agencies in Georgia, including one to the Macon Housing Authority. The Macon Housing Authority will use its $8.6 million grant awarded under the Energy Efficient, Green Community category for substantial rehabilitation of a 100-unit housing development. Agency plans include wrapping the exterior of the buildings in a ridged insulation system covered with siding; re-engineering the roof with a higher pitch to allow for more insulation and more efficient duct work for heating and air systems; and installing energy-efficient windows and heating and air systems and water-conserving appliances and fixtures. Also, the units will be reconfigured to reposition doors and windows to give the appearance of single-family houses. The agency plans to start the work in April 2010 and complete it by December 2011.

The Athens and Atlanta Housing Authorities chose not to apply for competitive grants. According to Athens Housing Authority officials, they did not apply because they were concerned about their ability to meet the deadlines for obligating and expending funds. Atlanta Housing Authority officials stated that they chose not to apply because there were too many restrictions on the use of the funds. For example, only certain funds could be used to meet the leveraging requirement, and funds could only be used for demolition if a replacement project was identified.
Recovery Act Funds Apportioned to Georgia Continue to Be Obligated by FHWA for Federal-Aid Highway Projects

As we reported in September 2009, $932 million was apportioned to Georgia in March 2009 for highway infrastructure and other eligible projects. As of October 31, 2009, $703 million had been obligated. As of the same date, $43 million had been reimbursed by FHWA. Almost 72 percent of Recovery Act highway obligations for Georgia have been for pavement projects. Specifically, $505 million of the $703 million obligated as of October 31, 2009, has been for resurfacing, pavement reconstruction and rehabilitation, pavement widening, and new road construction projects. Another $61 million was obligated for bridge projects. State officials told us they selected projects based on various factors, including eligibility requirements, whether the project was “ready to go,” and the geographic dispersion across the state. Figure 2 shows obligations by the types of road and bridge improvements being made.

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6GAO, Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed (Georgia), GAO-09-1017SP (Washington, D.C.: Sept. 23, 2009).

7This does not include obligations associated with $25 million of apportioned funds that were transferred from FHWA to the Federal Transit Administration (FTA) for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA. For the Highway Infrastructure Investment Program, the U.S. Department of Transportation has interpreted the term “obligation of funds” to mean the federal government’s commitment to pay for the federal share of the project. This commitment occurs at the time the federal government signs a project agreement.

8States request reimbursement from FHWA as the state makes payments to contractors working on approved projects.

9About $185 million (or 26 percent) of the $703 million that had been obligated as of October 31, 2009, was for resurfacing.
Figure 2: Highway Obligations for Georgia by Project Improvement Type, as of October 31, 2009

As of November 12, 2009, the Georgia Department of Transportation (GDOT) had awarded 131 contracts with a total value of $434 million.\textsuperscript{10} According to state officials, bids for contracts continue to come in below the state’s estimated costs. For example, 96 percent of the contracts awarded were below GDOT’s estimated cost, and the savings from awarding contracts for less than the estimated costs ranged from about 3 percent to 68 percent.\textsuperscript{11} Officials explained that bids have been coming in lower than expected costs due to current economic conditions. GDOT will

\textsuperscript{10}This amount represents only those contracts awarded by GDOT. Some localities within Georgia also may have awarded contracts with Recovery Act funds.

\textsuperscript{11}We excluded five contracts awarded with other federal funds as well as Recovery Act funds from these analyses.
request that FHWA obligate the project savings on a monthly basis to other projects. In anticipation of continued savings, the department has identified additional projects and developed contingency plans for further obligation of Recovery Act funds.

Our review covers three education programs receiving Recovery Act funds: (1) the Individuals with Disabilities Education Act (IDEA), as amended, Parts B and C, which supports early intervention, special education, and related services for infants, toddlers, children, and youth with disabilities; (2) Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA), as amended, which provides financial assistance to help educate disadvantaged youth; and (3) the State Fiscal Stabilization Fund (SFSF), which was created under the Recovery Act, in part, to help state and local governments stabilize their budgets by minimizing budgetary cuts in education and other essential government services. We surveyed a representative sample of local educational agencies (LEA)—generally school districts—nationally and in Georgia about their planned uses of Recovery Act funds.\textsuperscript{12} Table 1 shows Georgia’s and national survey results on the estimated percentages of LEAs that plan to use more than 50 percent of their Recovery Act funds under these three education programs to retain staff. It also shows the estimated percentages of LEAs that anticipate job losses even with SFSF funds and that reported a total funding decrease of 5 percent or more since the last school year. In each case, the percentage for Georgia is higher than the national percentage.

\textsuperscript{12}We sent the survey to 101 LEAs in Georgia, and 90 percent responded.
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Table 1: Selected Results from GAO Survey of LEAs

<table>
<thead>
<tr>
<th>Responses from GAO survey</th>
<th>Estimated percentages of LEAs</th>
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<th>Nation</th>
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<td>63</td>
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</tr>
<tr>
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<td>65</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Reported total funding decrease of 5 percent or more since school year 2008-2009</td>
<td>39</td>
<td>17</td>
<td></td>
</tr>
</tbody>
</table>

Source: GAO survey of LEAs.

Note: Percentage estimates for Georgia have margins of error, at the 95 percent confidence level, of plus or minus 8 percentage points or less. The nationwide percentage estimates have a margin of error of plus or minus 5 percentage points.

Despite a Few Last-Minute Changes to Federal Guidance, Georgia Met Its Reporting Requirements

To meet Recovery Act reporting requirements, Georgia used a decentralized approach—that is, the 18 state agencies that were awarded Recovery Act funds reported directly into the federal government’s reporting Web site. Prior to the October 10 submission deadline, Georgia’s State Accounting Office (SAO) provided training and held meetings to help state agencies prepare. During the period designated for review of initial submissions (Oct. 11–21, 2009), SAO reviewed the data that each state agency submitted for reasonableness and potential inaccuracies. Its review identified the following issues:

- In some cases, there was no apparent connection between the number of jobs created and retained and the amount of Recovery Act funds spent. For example, one state agency reported that jobs were created or retained but did not report that any funds were expended. SAO officials stated that it was an error and the agency revised the report once the issue was brought to its attention.

- In some instances, the average cost of a job seemed unreasonable. In these cases, SAO asked the state agency to review its data and revise them, if necessary.

- In some cases, subrecipients reported to a state agency the number of jobs created or retained with Recovery Act funds as of September 30, 2009, as required. However, because the state agency had not
reimbursed the subrecipients for their expenditures as of September 30, 2009, the agency could not report jobs created or retained as the money had not been expended at the state level.

Although most state agencies did not have issues with the report submission process and meeting the submission deadline, some state agencies experienced last-minute challenges. For example, on October 9, 2009, the U.S. Department of Education issued additional guidance to institutions of higher education with instructions for calculating the number of jobs created or retained using Federal Work-Study Program funds. However, according to SAO officials, 11 institutions of higher education in Georgia already had submitted their reports and were required to submit revisions. In another case, FHWA asked GDOT to resubmit its data in late October 2009. According to GDOT officials, FHWA identified information to be updated in the data fields “Total Federal Award” and “Total Federal Recovery Act Funds Received/Invoiced” during the period set aside for federal review of the data submitted (Oct. 21-29, 2009). FHWA wanted the Total Federal Award amount to include all federal funds used in the project, including non-Recovery Act funds. It also wanted the Total Federal Recovery Act Funds Received/Invoiced field to match information captured in its financial management system on the total Recovery Act award to Georgia, while GDOT had reported the amount of Recovery Act funds that had been reimbursed to it by FHWA. GDOT officials stated they were hesitant to make these changes because they thought the request conflicted with U.S. Office of Management and Budget (OMB) Recovery Act reporting guidance and following FHWA guidance would overstate the amount of funding actually received or invoiced in the state. The agency sought clarification from FHWA and approval from OMB on this issue. Although GDOT officials told us that they did not believe their first submission was incorrect or that their concerns were fully addressed by OMB or FHWA, they elected to amend their 169 highway project reports on October 27, 2009, per FHWA’s guidance.

Despite these challenges, SAO generally was satisfied with the state’s first quarter of reporting. However, it identified some areas that could be improved. For example, SAO officials stated that some state agencies could benefit from a more in-depth review of the data prior to submission.

13 The Federal Work-Study Program provides funds that are earned through part-time employment to assist students in financing the costs of postsecondary education.
Therefore, SAO plans to develop a tool for agencies to use to review data prior to submission. In addition, SAO plans to develop additional training for state agencies on Recovery Act reporting.

We visited three local governments in Georgia—the city of Atlanta, the city of Macon, and Tift County—to discuss their fiscal condition and use of Recovery Act funds. The state of Georgia provides minimal direct financial support to local governments—an estimated 4 percent of their budgets, according to a 2008 National League of Cities report—and does not have revenue sharing agreements with them.

Selected Localities in Georgia Have Begun to Receive Recovery Act Funds, but They Still Have Budget Challenges

Atlanta, Georgia

According to city officials, Atlanta had applied for approximately $530 million in Recovery Act funding as of November 12, 2009 (see fig. 3). Of that amount, about $298 million is for a grant from the U.S. Department of Transportation for a streetcar system. City officials told us they had been awarded about $78 million, including $34 million for security and terminal improvements at the Atlanta airport and $14.7 million to hire additional police officers through the COPS Hiring Recovery Program and the Edward Byrne Memorial Justice Assistance Grant Program ($11.2 million and $3.5 million, respectively).

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14We chose these locations because they represented a mix of cities and counties, population sizes, unemployment rates, and amount of Recovery Act funds received.


16Other funds for which Atlanta has applied include funds to improve broadband technology and renovate fire stations.
Appendix VI: Georgia

Figure 3: City of Atlanta Profile and Status of Formula and Competitive Recovery Act Funding

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Recovery Act funding reported by city of Atlanta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated population (2008):</td>
<td>537,958</td>
</tr>
<tr>
<td>Unemployment rate (Sept. 2009):</td>
<td>11.4%</td>
</tr>
<tr>
<td>FY10 budget:</td>
<td>$541.0 million</td>
</tr>
<tr>
<td>(change from FY09):</td>
<td>(-5.2%)</td>
</tr>
<tr>
<td>Locality type:</td>
<td>Large city</td>
</tr>
<tr>
<td></td>
<td><img src="chart.png" alt="Bar chart showing Recovery Act funding" /></td>
</tr>
</tbody>
</table>

Sources: (Left) U.S. Census Bureau, U.S. Department of Labor, and Art Explosion. (Right) City of Atlanta officials.

Note: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision. Funds “awarded” represents grants awarded to the city of Atlanta by federal and state agencies and includes some funds in excess of the original amount for which the city applied, due to a redistribution of funds. Funds “not awarded” are grants for which the city applied but did not receive.

While the Recovery Act has provided additional funding for Atlanta, city officials stated that the funds, with the exception of those for police officers, have not had an impact on the city’s operating budget. Atlanta had to take a number of actions to balance its fiscal year 2009 budget and close a $74 million budget gap. For example, the city furloughed staff (including public safety officials), eliminated approximately 300 positions, implemented a hiring freeze, and closed 20 recreation centers. For the fiscal year 2010 budget, officials told us the city raised the property tax rate to address a projected $56 million budget gap. Given the minimal impact on operating funds, the city has not developed a strategy for winding down its use of Recovery Act funds.

Macon, Georgia

According to city officials, Macon had applied for $15.6 million in Recovery Act funds, of which the city had received $4.5 million as of
November 12, 2009 (see fig. 4). Its largest award was $1.7 million in COPS Hiring Recovery Program funds to hire 14 additional police officers. Given the minimal impact on operating funds, officials explained that the city has not developed a strategy for winding down its use of Recovery Act funds.

Macon had a balanced fiscal year 2010 budget of approximately $69.5 million, $860,000 less than its fiscal year 2009 budget. To balance its budget, Macon increased the health care contribution of all city employees and retirees, used more than $2 million in targeted sales tax funds to cover the city’s fiscal year 2010 lease payments, and did not fund 45 authorized positions.

According to county officials, Tift County had received approximately $378,000 in Recovery Act funds through three grant awards as of November 12, 2009 (see fig. 5). The majority of the funds ($325,000) were for two positions in the District Attorney’s office. About $40,000 will be combined with an award to the city of Tifton to purchase a backup

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17The $15.6 million for which Macon had applied includes outstanding applications for $5 million to purchase and redevelop foreclosed and abandoned homes and $3.8 million to help individuals transition out of poverty.
emergency radio tower and generator, and the remaining $13,000 went to the Sheriff's Office. County officials stated they expect that some of these awards will have a positive impact on the county’s budget because they freed up funds for other uses. Once the Recovery Act funds have been depleted, officials plan to maintain the positions at the District Attorney’s office by charging fees for services. Tift County applied for a COPS Hiring Recovery Program grant to hire additional police officers but did not receive this award.

Figure 5: Tift County Profile and Status of Formula and Competitive Recovery Act Funding

Tift County had a balanced fiscal year 2010 budget of approximately $30 million, about $420,000 less than its fiscal year 2009 budget. For fiscal year 2010, the county cut the total budget by 1.4 percent. The restrained budget did not include funds to purchase capital items, fill vacancies, or hire new employees (with the exception of the public safety department).

Georgia’s Comments on This Summary

We provided the Governor of Georgia with a draft of this appendix on November 19, 2009, and a representative from the Governor’s office responded on November 20, 2009. The official agreed with our draft, stating that it accurately reflects the current status of the Recovery Act program in Georgia.
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### Acknowledgments
This appendix summarizes GAO’s work on the fourth of its bimonthly reviews of American Recovery and Reinvestment Act of 2009 (Recovery Act) spending in Illinois. The full report covering all of GAO’s work in the 16 states and the District of Columbia may be found at http://www.gao.gov/recovery.

Overview

What We Did

We conducted work on four specific programs funded under the Recovery Act—Highway Infrastructure Investment, Transit Capital Assistance, Fixed Guideway Infrastructure Investment, and the Public Housing Capital Fund. For descriptions and requirements of the programs we included in our review, see appendix XVIII of GAO-10-232SP. We selected the four programs primarily to follow up on issues we reported on in previous bimonthly reviews. Our work focused on the status of the programs’ funding, how funds are being used, and other issues that were specific to each program. As part of our review, we visited agencies in Arlington Heights, Chicago, Springfield, and Ottawa.

To gain an understanding of the state’s experience in meeting the Recovery Act reporting requirements, we held discussions with the Office of the Governor. Although Illinois is a decentralized reporting state—meaning each prime recipient of Recovery Act funds is required to report quarterly to federalreporting.gov on a number of measures, including the use of funds and estimates of the number of jobs created and retained—the state plays a role in reviewing the data state agencies plan to report to federalreporting.gov. The first quarterly reports were due in October 2009.

Finally, our work in Illinois included monitoring the state’s fiscal situation and visiting three cities—Chicago, Joliet, and Springfield—to determine the amount of Recovery Act funds each received and learn how those funds were spent. We selected Chicago because it is the largest city in Illinois; Joliet because it had an unemployment rate above the state average; and Springfield because it had an unemployment rate below the state average.

What We Found

- **Highway Infrastructure Investment Funds.** The U.S. Department of Transportation’s Federal Highway Administration (FHWA) apportioned $935.6 million in Recovery Act funds to Illinois. As of October 31, 2009, the federal government had obligated $772.2 million to Illinois and $313 million had been reimbursed by the federal government. Because the Illinois Department of Transportation (DOT)
was able to award contracts for less than the estimated cost of some projects, FHWA has deobligated $105.5 million and Illinois DOT has requested that these funds be obligated toward other highway projects. The state also revised both its definition of economically distressed areas and its maintenance-of-effort calculation based on new federal guidance.

- **Transit Capital Assistance and Fixed Guideway Infrastructure Investment.** The Federal Transit Administration apportioned $375.5 million in Transit Capital Assistance and $95.5 million in Fixed Guideway Infrastructure Investment funds to Illinois and urbanized areas within the state for transit projects. Transit agencies under northeastern Illinois's Regional Transportation Authority were allocated $414.2 million for transit projects, including $318.7 million from the Transit Capital Assistance program and $95.5 million from the Fixed Guideway Infrastructure Investment program. As of October 1, 2009, the three transit agencies that make up the Regional Transportation Authority had initiated most of the transit projects they planned to fund with Recovery Act dollars.

- **Public Housing Capital Fund.** Illinois has 99 public housing agencies that have received Recovery Act formula grants. In total, these public housing agencies have received $221.5 million in Public Housing Capital Fund formula grants. As of November 14, 2009, 89 of these public housing agencies have obligated $41.8 million and 76 have drawn down $16.4 million. In addition to the Capital Fund formula grants, HUD awarded 32 competitive grants to housing agencies in Illinois. Both the Chicago Housing Authority and the Housing Authority for LaSalle County—the two housing agencies we visited for this and previous reports—continued to make progress on Recovery Act projects.

- **Recipient reporting.** The Illinois Office of the Governor requires state agencies to submit employment and other data to the Illinois Federal Reporting Test site for review and verification before they submit their data to federalreporting.gov in order to help ensure that information reported were correct. Most of the errors the state identified during its review of agencies’ data were relatively minor.

- **Illinois’s fiscal condition.** Recovery Act funds continued to assist the state primarily in funding its education, infrastructure, and Medicaid programs and will allow the state to provide an additional $2.4 billion in assistance this fiscal year. The state plans to reduce
Appendix VII: Illinois

Illinois’s Highway Contracts Awarded for Less than Cost Estimates and the State Has Revised the Number of Economically Distressed Counties and Maintenance-of-Effort Estimate

As we reported in September 2009, $935.6 million was apportioned to Illinois in March 2009 for highway infrastructure and other eligible projects. As of October 31, 2009, $772.2 million had been obligated, resulting in 518 highway projects (see table 1). As of October 31, 2009, $313 million had been reimbursed by FHWA.

<table>
<thead>
<tr>
<th></th>
<th>Allocated</th>
<th>Obligated</th>
<th>Unobligated</th>
</tr>
</thead>
<tbody>
<tr>
<td>70 percent for use on state highways</td>
<td>$654,914,893</td>
<td>$617,883,081</td>
<td>$37,031,812</td>
</tr>
<tr>
<td>30 percent of apportioned funds suballocated for metropolitan, regional, and local use</td>
<td>$280,677,811</td>
<td>$154,345,074</td>
<td>$126,332,737</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$935,592,704</strong></td>
<td><strong>$772,228,155</strong></td>
<td><strong>$163,364,549</strong></td>
</tr>
</tbody>
</table>

Source: GAO analysis of FHWA data.

1See GAO, Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed (Appendixes), GAO-09-1017SP (Washington, D.C.: September 2009).

spending and will seek new revenue sources in anticipation of an end to Recovery Act assistance after fiscal year 2010.

- **Cities’ use of Recovery Act funds.** Chicago, Joliet, and Springfield have all received Recovery Act grants directly from multiple federal agencies. Chicago received a total of $1 billion, Joliet received a total of $3.8 million, and Springfield received a total of $5.3 million. The cities generally used the Recovery Act grants to create or expand a variety of programs and services that would otherwise have remained unfunded, such as energy efficiency upgrades.
Illinois Department of Transportation Continues to Award Contracts for Highway Projects for Less than the Estimated Cost

Illinois DOT officials told us that project bids have been about 15 percent less than initial cost estimates on average. According to Illinois DOT officials, because the agency was able to award contracts for less than the estimated cost of some projects, FHWA has deobligated $105.5 million and Illinois DOT has requested that these funds be obligated toward other highway projects. Illinois DOT officials attribute the lower bids to multiple bids being submitted per project and contractors’ willingness to price their bids competitively.

Illinois Has Revised Its Determination of Economically Distressed Areas to Include 18 Additional Counties

FHWA issued new guidance in August 2009 for states to designate “special need” areas in order to meet the statutory definition of economically distressed areas. As we reported in September, Illinois had developed its own criteria based on applicable federal law and guidance for designating such areas as economically distressed, a key component for prioritizing highway projects for funding under the Recovery Act. Based on the supplemental guidance issued by FHWA, Illinois DOT revised its analysis of counties that meet the definition of economically distressed areas. As part of its new analysis, Illinois DOT determined that 92 of 102 counties in the state qualified as economically distressed areas—18 more than were identified in March 2009. Of the 518 Recovery Act projects Illinois has started to date, about 96 percent (496) are located in economically distressed counties. The total estimated cost for the 496 projects is $724 million, or about 93 percent of total Illinois funds FHWA has obligated to date.

2GAO-09-1017SP.
3FHWA Supplemental Guidance on the Determination of Economically Distressed Areas under the Recovery Act (August 24, 2009). This guidance included criteria for designating counties as economically distressed based on special need, which took into consideration factors such as actual or threatened business closures, business restructuring, military base closures, and natural disasters or emergencies.
4Officials from the FHWA Illinois Division Office reviewed the rationale the Illinois DOT used to identify economically distressed counties.
Illinois to Revise and Recertify Maintenance-of-Effort Estimate

The state of Illinois is revising its highway infrastructure investment maintenance-of-effort certification and will submit it to the U.S. Department of Transportation once the department establishes a submittal deadline. On September 24, 2009, FHWA issued supplemental guidance on the maintenance-of-effort requirement, which clarified that states should include in their certified amounts the funding they provide to local governments for transportation projects. Based on the supplemental guidance, Illinois recalculated its highway infrastructure investment maintenance-of-effort amount, which increased from $814 million to $1.7 billion.

Recovery Act Transit Funds Benefited Metropolitan Chicago

The Federal Transit Administration apportioned $375.5 million in Transit Capital Assistance funds and $95.5 million in Fixed Guideway Infrastructure Investment funds to Illinois and urbanized areas within the state for transit projects. Approximately $414.2 million was allocated to transit agencies under northeastern Illinois’s Regional Transportation Authority, including $318.7 million from the Transit Capital Assistance program and $95.5 million from the Fixed Guideway Infrastructure Investment program. As of October 1, 2009, the three transit agencies that comprise the Regional Transportation Authority—the Chicago Transit Authority, Metra (a regional commuter rail system), and Pace (a suburban bus system)—had initiated most of the transit projects they planned to fund with Recovery Act dollars (see fig. 1). The Chicago Transit Authority and Pace used Recovery Act funds to, among other things, purchase...

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5The Recovery Act requires that the state certify that it will maintain the level of spending for the types of transportation projects funded by the Recovery Act that it had planned to spend the day the Recovery Act was enacted. Recovery Act, div. A, title XII, § 1201(a).

6The Transit Capital Assistance Program provides capital assistance for transit projects in urban and non-urban areas. The Fixed Guideway Infrastructure Investment Program provides capital assistance for the modernization of existing fixed guideway systems, such as heavy rail, commuter rail, and light rail. The jurisdictions of some urbanized areas within the state cross into at least one other state. These urbanized areas are reflected in each of the states in which they are located. Therefore, some urbanized areas are included in multiple state totals.

7As of November 5, 2009, the Federal Transit Administration had obligated $362.1 million (96 percent) of the Transit Capital Assistance funds—including $318.6 million to the transit agencies under the Regional Transportation Authority—and all of the Fixed Guideway Infrastructure Investment funds.
Metra used Recovery Act funds to, for example, repair locomotives and rehabilitate stations.

### Figure 1: Status of Transit Projects in the Chicago Metropolitan Area, as of October 1, 2009

<table>
<thead>
<tr>
<th>Transit agency</th>
<th>Program</th>
<th>Number of projects</th>
<th>Dollars obligated (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago Transit Authority</td>
<td>Transit Capital Assistance</td>
<td>3</td>
<td>$191.3</td>
</tr>
<tr>
<td></td>
<td>Fixed Guideway</td>
<td>2</td>
<td>48.9</td>
</tr>
<tr>
<td>Metra</td>
<td>Transit Capital Assistance</td>
<td>10</td>
<td>94.2</td>
</tr>
<tr>
<td></td>
<td>Fixed Guideway</td>
<td>5</td>
<td>46.6</td>
</tr>
<tr>
<td>Pace</td>
<td>Transit Capital Assistance</td>
<td>3</td>
<td>33.1</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Chicago Transit Authority, Metra, and Pace data.

Chicago Transit Authority and Pace officials said that they did not experience any major difficulties reporting employment data to federalreporting.gov during the October 2009 reporting cycle. However, both agencies expressed some reservation about the quality of the employment information they had gathered from bus manufacturers. Officials from both agencies said that the manufacturers provided them

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8We reviewed two contracts the Chicago Transit Authority and Pace used to procure buses. According to Chicago Transit Authority officials, the agency used an option on an existing Washington Metropolitan Area Transit Authority contract to procure 58 60-foot articulated hybrid buses for $48.9 million. Chicago Transit Authority officials said that the existing contract was awarded competitively to the best value bidder, was fixed price, and in accordance with existing contracting procedures. Officials confirmed that the manufacturer had delivered all of the buses as of September 11, 2009. According to Pace officials, they issued a $16.6 million change order to an existing 5-year contract to purchase an additional 58 30-foot buses. Pace officials said that the original contract was awarded competitively to the lowest bidder and in accordance with the existing contracting procedures. They also stated that the unit price per bus was the same as the original contract price. Officials said they expect the manufacturer to begin production in February 2010 for delivery later that year.

9Under § 1512 of the Recovery Act, direct recipients of Recovery Act funds are expected to report quarterly to federal agencies (through the federalreporting.gov Web site) on a number of measures, including the use of funds and the number of jobs created and retained.
Appendix VII: Illinois

Illinois has 99 public housing agencies that have received Recovery Act formula grants. In total, these public housing agencies have received $221.5 million in Public Housing Capital Fund formula grants (see fig. 2). As of November 14, 2009, 89 of these public housing agencies have obligated $41.8 million and 76 have drawn down $16.4 million. On average, housing agencies in Illinois are obligating funds slower than housing agencies nationally. We visited the following two housing agencies for this report: the Chicago Housing Authority and the Housing Authority for LaSalle County.

Both the Chicago Housing Authority and the Housing Authority for LaSalle County have made progress on the Recovery Act projects they identified for our July 2009 report. However, Chicago Housing Authority officials reported that they had to replace 3 of the 12 projects on their original list.

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**Figure 2: Percent of Public Housing Capital Fund Formula Grants Allocated by HUD That Have Been Obligated and Drawn Down by Public Housing Agencies in Illinois, as of November 14, 2009**

<table>
<thead>
<tr>
<th>Funds obligated by HUD</th>
<th>Funds obligated by public housing agencies</th>
<th>Funds drawn down by public housing agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>$221,498,521</td>
<td>$41,755,151</td>
<td>$16,426,807</td>
</tr>
</tbody>
</table>

18.9%   7.4%  

<table>
<thead>
<tr>
<th>Number of public housing agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entering into agreements for funds</td>
</tr>
<tr>
<td>Obligating funds</td>
</tr>
<tr>
<td>Drawing down funds</td>
</tr>
</tbody>
</table>

Source: GAO analysis of HUD data.

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because they began prior to HUD’s Recovery Act project eligibility date. Nevertheless, the Chicago Housing Authority expects to meet the March 17, 2010, deadline for obligating all of its allocated funds. The Housing Authority for LaSalle County did not change its planned Recovery Act projects and, like the Chicago Housing Authority, expects to meet the March 17, 2010, deadline. As of June 18, 2009 (120 days after the date Recovery Act funds were made available to housing agencies), the Chicago Housing Authority had awarded contracts totaling approximately 13 percent of its Recovery Act funds. The Housing Authority of LaSalle County had awarded contracts totaling just over 50 percent of its allocated funds.

| Recovery Act Projects Will Result in Rehabilitated Units for Seniors and Families | Figure 3 describes some of the projects the Chicago Housing Authority and the Housing Authority for LaSalle County funded with Recovery Act monies. |

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12Under the Recovery Act, public housing agencies are to give priority to projects that can award contracts based on bids within 120 days from the date the funds are made available, as well as projects that rehabilitate units, or those already underway or included in the required 5-year capital fund plans.
The Chicago Housing Authority estimates that the fourth phase of its Dearborn Homes rehabilitation project, which will involve the comprehensive rehabilitation and modernization of 172 public housing units, will cost $32.3 million. The housing agency has reserved $28.2 million in Recovery Act funds for this project. The approximately $4 million gap in funding will be covered with non-Recovery Act capital funds. To date, the housing agency has not obligated any money to the project, which is expected to begin in January 2010 and be completed in November 2010.

At the Kenmore Senior Apartments, the Chicago Housing Authority is demolishing and rehabilitating the interiors of 132 units. The completed building will include 100 expanded, renovated units for seniors. The housing agency has obligated $987,348 to the demolition project and has expended $717,630. The housing agency has obligated $16.9 million to the rehabilitation project ($16.4 million in Recovery Act funds and $419,626 in non-Recovery Act capital funds and Low-Income Housing Tax Credit equity). Work on the project began in May 2009 and is expected to be completed in January 2011.

At the Philip J. Mueller House, the Housing Authority for LaSalle County is replacing a retaining wall. To date, the housing agency has obligated $262,496 to the project and has expended all of those funds. Work on the project began in June 2009 and is complete.

In addition, at the Ravlin Congregate Center, the housing agency is updating kitchens and bathrooms in 84 senior apartments and updating common areas. The housing agency has obligated $658,626 to the project and has expended $570,225. Work began in August 2009 and is expected to be completed in December 2009.\footnote{We reviewed a $651,345 contract for the renovation of the kitchens and bathrooms the housing agency awarded for this project. Housing agency officials said that the contract was awarded competitively to the lowest bidder and was fixed price. They also said that they followed HUD contracting guidance in awarding the contract, as they do for all contracts.}
Both the Chicago Housing Authority and the Housing Authority for LaSalle County reported challenges in meeting the requirements of, and monitoring contractors’ compliance with, the Buy American provision in the Recovery Act. For example, the Chicago Housing Authority is using Recovery Act funds to update the security camera systems throughout its housing portfolio. Housing agency officials said that the new cameras must be compatible with the agency’s own security monitoring systems, as well as with those of the Chicago Police Department; however, they also said that the cameras that meet their specifications are not made in the United States. The housing agency is working with HUD to resolve the issue. Similarly, officials from the Housing Authority for LaSalle County said that despite including requirements to comply with the Buy American provision in its contracts, they have identified at least one project in which non-American materials were used. In this case, the housing agency required the contractor to redo the work with American-made products.

Chicago Housing Authority officials said that they did not experience any major difficulties reporting employment data to federalreporting.gov during the October 2009 reporting cycle. The housing agency also partnered with the City of Chicago to train contractors and other vendors on how to collect and report employment data to the housing agency. Housing Authority for LaSalle County officials said that they reported the number of people, by trade, who worked on Recovery Act-related projects, rather than applying the full-time equivalents calculation outlined by the Office of Management and Budget (OMB) in its reporting guidance. Subsequent to October 10, 2009, HUD directed the housing authority to revise its employment data using the OMB calculation.

Section 1605 of the Recovery Act requires that “none of the funds appropriated or otherwise made available by [the] Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or a public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States.” Federal agencies may, under certain circumstances, waive the Buy American requirement and the requirement is to be applied in a manner consistent with the United States obligations under international agreements. For more information, see HUD, PIH Implementation Guidance for the Buy American Requirement of the American Recovery and Reinvestment Act of 2009 including Process for Applying Exceptions, PIH-2009-31 (HA) (Washington, D.C.: August 21, 2009).

In addition to the Capital Fund formula grants, HUD awarded 32 competitive grants to housing agencies in Illinois, including 27 to the Chicago Housing Authority. One of these grants is for the redevelopment of the housing agency’s Ogden North project. The $9.9 million grant will be used in combination with other public and private financing to develop 60 new replacement public housing units and 77 non-public housing rental units, 123 for-sale homes, a community space, and a management and maintenance facility. The project is scheduled to begin in July 2010 and be completed in January 2012.

The Illinois Office of the Governor requires state agencies to submit employment and other data to the Illinois Federal Reporting Test site for review and verification before they submit their data to federalreporting.gov.\textsuperscript{16} The Illinois Office of Internal Audit is responsible for reviewing and verifying these data submissions against baseline data the state collected from the agencies in September 2009.\textsuperscript{17} Once the Office of Internal Audit has verified, and the state’s Recovery Act Executive Committee has approved agencies’ data submissions, agencies upload their data onto federalreporting.gov. Local governments, such as the City of Chicago, and local entities, such as the Chicago Transit Authority and the Chicago Housing Authority, receive certain Recovery Act funds directly from the federal agencies. These direct recipients of funds do not submit their data to the state for review. Instead, these local governments and entities are responsible for assuring the quality and timeliness of their reports.

\textsuperscript{16} Illinois is considered a decentralized reporting state because state agencies, not the state, are responsible for uploading their employment and other data into federalreporting.gov.

\textsuperscript{17} According to state officials, state agencies uploaded baseline data from their award notices and grant agreements to the Illinois Federal Reporting Test site in September 2009. The state’s review of agencies’ data submissions includes verifying DUNS numbers, expenditures, and receipts. The state also performs a “reasonableness check” of agencies’ employment data by comparing it to federally established employment reporting guidelines. When the state identified errors or discrepancies, it required the agencies to make appropriate corrections.
Illinois’s Quality Review Process Helped Identify and Reduce Reporting Errors among State Agencies

Illinois required state agencies to submit information to the Illinois Federal Reporting Test Site for review and verification before submitting their data to federalreporting.gov. Most of the errors the state identified during its review of agencies’ data were relatively minor. For example, the state found instances in which agencies had entered incorrect activity codes, ZIP codes, and activity descriptions. State officials said that after state agencies reported their data to federalreporting.gov, a few had to address questions from, or make small changes at the request of, their respective federal agencies, but for the most part, these questions and corrections were easily addressed.

Subsequent to the October 10, 2009, reporting date, state officials told us that the Illinois State Board of Education had received and reported incorrect employment data from a number of local education agencies (LEAs)—generally school districts. For example, some LEAs double-counted the number of positions created and retained with Recovery Act funds, attributing the positions to both State Fiscal Stabilization Fund education stabilization funds—which were distributed and expended in state fiscal year 2009—and State Fiscal Stabilization Fund government services funds—which were distributed and expended in state fiscal year 2010. Other LEAs reported zero positions. According to state officials, in these cases, LEAs received Recovery Act funds before finalizing staff layoffs and were unsure whether those jobs should count as jobs retained because of Recovery Act funds. State officials said that they had identified some of these errors through the review process, but were not aware of the full extent of the problem until after October 10, 2009. According to state officials, the Governor’s Office and the Illinois State Board of Education have discussed these reporting issues with the U.S. Department of Education. They said that the Department of Education plans to issue additional reporting guidance before the January 2010 reporting cycle.

State officials said that they plan to continue reviewing agencies’ data submissions during future reporting cycles. As it did with state agencies that reported during the October 2009 reporting cycle, the state plans to collect baseline data from, and conduct upload tests with, newly reporting state agencies prior to the January 2010 reporting cycle. In addition, state

18The State Fiscal Stabilization Fund is a one-time appropriation that the U.S. Department of Education awards to governors to, among other things, help stabilize state and local budgets. States must use education stabilization funds to restore state support for education and government services funds for public safety and other government services, which may include education.
officials said that they hope to build automated edit checks into the Illinois Federal Reporting Test site to speed the state’s review of agencies’ data and further reduce reporting errors. Finally, state officials said that the Governor recently created an independent Office of Accountability to work with state agencies to ensure the correct reporting of data to federalreporting.gov.

Some Local Entities We Spoke to Faced Reporting Challenges

We spoke to several local governments and entities, including three local governments, two transit agencies, and two public housing agencies and all told us that they had reported their employment data to federalreporting.gov by the October 10, 2009, deadline. However, as discussed in more detail earlier in this report, some faced challenges in verifying and reporting employment data. For example, the Chicago Transit Authority and Pace, the two local transit agencies with which we spoke, said that while the manufacturers that were fulfilling their bus orders sent them detailed data on the actual hours their employees worked, they could not verify the accuracy of the data they received. The Housing Authority of LaSalle County told us that it reported the number of people, by trade, who worked on Recovery Act-related projects. The housing agency did not apply the full-time equivalents calculation outlined by OMB in its reporting guidance. Subsequent to October 10, 2009, HUD directed the housing authority to revise its employment data using the OMB calculation.

Recovery Act Funds Aid Illinois’s State Budget and Help Local Governments Create and Expand Programs

The Director of the Illinois OMB said that Recovery Act funds continued to assist the state in funding its education, infrastructure, and Medicaid programs. Recovery Act funds—including $1 billion from the State Fiscal Stabilization Fund and $1.4 billion made available as a result of increased federal assistance to Medicaid—are expected to allow the state to provide an additional $2.4 billion in services this fiscal year. The state plans to reduce spending and seek new revenue sources—including tax increases and video gaming terminals—in anticipation of an end to Recovery Act assistance after fiscal year 2010. The Illinois OMB will present a formal strategy for continuing state operations without Recovery Act funds to the Governor in the spring of 2010.

19See OMB, Implementing Guidance, M-09-21.
Local Governments Create and Expand Programs with Recovery Act Funds

We visited three cities in Illinois—the Chicago, Joliet, and Springfield—to review their use of Recovery Act funds. Table 2 provides recent demographic information for these cities.

Table 2: Demographic Data for the Cities of Chicago, Joliet, and Springfield, Illinois

<table>
<thead>
<tr>
<th>Local government</th>
<th>Population</th>
<th>Locality type</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Chicago</td>
<td>2,853,114</td>
<td>City</td>
<td>11.3%</td>
</tr>
<tr>
<td>City of Joliet</td>
<td>146,125</td>
<td>City</td>
<td>12.2%</td>
</tr>
<tr>
<td>City of Springfield</td>
<td>117,352</td>
<td>City</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau and U.S. Department of Labor.

Note: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

The cities generally used the Recovery Act grants to create or expand a variety of programs and services that in many cases would otherwise have remained unfunded. City officials noted that they generally did not use Recovery Act grants for programs or personnel costs that would result in additional city funding for long-term obligations.

City of Chicago. City of Chicago officials reported that the city received 31 Recovery Act grants as of October 22, 2009, totaling over $1 billion. City officials included funds that were not awarded directly to the city in this $1 billion total, including $240.2 million in grants awarded to the Chicago Transit Authority, a $143.9 million grant awarded to the Chicago Housing Authority, and $293.6 million in State Fiscal Stabilization Fund monies for Chicago Public Schools. Table 3 describes the six largest Recovery Act grants awarded directly to the City of Chicago. In addition to these grants, city officials said that they have applied for three additional grants totaling $107 million.

20 The Recovery Act funds for transportation, housing, and education programs mentioned in this appendix were awarded directly to the agencies responsible for administering these programs, not to the city.

21 Pending grants include $105.9 million from the National Telecommunications and Information Administration’s Broadband Technologies Opportunity program, $1.1 million from the U.S. Department of Agriculture Forest Service’s Wildland Fire Management program, and $97,038 from the U.S. Department of Justice’s Services, Training, Officers, Prosecutors (STOP) Violence Against Women Formula Grant program.
Appendix VII: Illinois

<table>
<thead>
<tr>
<th>Agency</th>
<th>Grant</th>
<th>Examples of uses of funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td>Homelessness Prevention and Rapid Re-Housing Program</td>
<td>Homelessness prevention</td>
<td>$34.4 million</td>
</tr>
<tr>
<td>U.S. Department of Justice</td>
<td>Edward Byrne Memorial Justice Assistance Grant</td>
<td>Overtime pay for police officers; new police cars</td>
<td>$28.7 million</td>
</tr>
<tr>
<td>U.S. Department of Energy</td>
<td>Energy Efficiency and Conservation Block Grant</td>
<td>Energy efficiency upgrades in city buildings and facilities, including new boiler units and solar panels</td>
<td>$27.6 million</td>
</tr>
<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td>Community Development Block Grant</td>
<td>Foreclosure prevention; homebuyer counseling; housing rehabilitation; job training for formerly incarcerated individuals</td>
<td>$22.5 million</td>
</tr>
<tr>
<td>U.S. Department of Justice</td>
<td>COPS Hiring Recovery Program</td>
<td>To hire 50 police officers</td>
<td>$13.3 million</td>
</tr>
<tr>
<td>Federal Aviation Administration</td>
<td>Airport Improvement Program</td>
<td>Replace airport runway</td>
<td>$12.3 million</td>
</tr>
</tbody>
</table>

Source: City of Chicago.

Note: An agreement between the City of Chicago and Cook County reserved $7.2 million of the Edward Byrne Memorial Justice Assistance Grant for Cook County.

City of Joliet. City of Joliet officials said that the city had been awarded $3.8 million in Recovery Act funds as of October 27, 2009. This total included a $2.0 million grant for roadway resurfacing through the Illinois Department of Transportation that was not awarded directly to the city. In addition to those funds, the Joliet Housing Authority received $2.5 million from the U.S. Department of Housing and Urban Development.\(^22\) Table 4 lists the $1.9 million in grants awarded directly to the city. As of November 13, 2009, the city awaited decisions on its applications for a $55 million Transportation Investment Generating Economic Recovery (TIGER) grant for a new transportation center through the U.S. Department of Transportation and a $1.3 million Energy Efficiency and Conservation Block Grant through the U.S. Department of Energy.

\(^{22}\)LEAs serving the city also received State Fiscal Stabilization Fund monies; however, city officials said that the exact amount the city received was difficult to determine because the LEAs serving Joliet also serve other cities.
Table 4: Direct Sources of Recovery Act Funding for the City of Joliet

<table>
<thead>
<tr>
<th>Agency</th>
<th>Grant</th>
<th>Examples of uses of funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Homeland Security</td>
<td>Assistance to Firefighters Fire Station Construction Grant</td>
<td>Construction of a fire station</td>
<td>$1.2 million</td>
</tr>
<tr>
<td>U.S. Department of Justice</td>
<td>Edward Byrne Memorial Justice Assistance Grant</td>
<td>To purchase law enforcement equipment, including cameras</td>
<td>$459,820</td>
</tr>
<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td>Community Development Block Grant</td>
<td>Road reconstruction; down payment assistance for home buyers</td>
<td>$249,000</td>
</tr>
</tbody>
</table>

Source: City of Joliet.

Note: An agreement between the City of Joliet and Will County reserved $229,910 of the Edward Byrne Memorial Justice Assistance Grant for Will County.

City of Springfield. City of Springfield officials said that the city had been awarded $5.3 million in Recovery Act funds. This total included a $2.4 million grant for road work through the Illinois Department of Transportation that was not awarded directly to the city. The Springfield Housing Authority received $2.0 million from the U.S. Department of Housing and Urban Development and $8.6 million in State Fiscal Stabilization Fund monies went to the Springfield School District. The $2.9 million awarded directly to Springfield is summarized in table 5. As of November 12, 2009, the city did not have any additional direct grants pending.

Table 5: Direct Sources of Recovery Act Funding for the City of Springfield

<table>
<thead>
<tr>
<th>Agency</th>
<th>Grant</th>
<th>Examples of uses of funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Justice</td>
<td>Edward Byrne Memorial Justice Assistance Grant</td>
<td>To purchase law enforcement equipment, including cameras</td>
<td>$1.7 million</td>
</tr>
<tr>
<td>U.S. Department of Energy</td>
<td>Energy Efficiency and Conservation Block Grant</td>
<td>Rebates for energy efficient appliances</td>
<td>$1.2 million</td>
</tr>
<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td>Homelessness Prevention and Rapid Re-Housing Program</td>
<td>Homelessness assistance</td>
<td>$517,000</td>
</tr>
<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td>Community Development Block Grant</td>
<td>Repaving streets and sidewalks</td>
<td>$337,000</td>
</tr>
</tbody>
</table>

Source: City of Springfield.

Note: An agreement between the City of Springfield and Sangamon County reserved $481,129 of the Edward Byrne Memorial Justice Assistance Grant for Sangamon County to retain police officers.
We provided the Office of the Governor of Illinois with a draft of this appendix on November 18, 2009. The Deputy Chief of Staff responded for the Governor on November 19, 2009. In general, the state concurred with our statements and observations. The official also provided us with technical comments that we incorporated, as appropriate.

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Cynthia Bascetta, (202) 512-7114 or bascettac@gao.gov

In addition to the contacts named above, Paul Schmidt, Assistant Director; Dean Campbell; Robert Ciszewski; Gail Marnik; Cory Marzullo; Roberta Rickey; and Rosemary Torres Lerma made major contributions to this report.
Appendix VIII: Iowa

Overview


What We Did

Our work in Iowa examined specific programs and funds under the Recovery Act—the Highway Infrastructure Investment Program, Transit Capital Assistance Program, Weatherization Assistance Program, Public Housing Capital Fund, and education programs. We selected these programs because they are among the programs receiving the greatest amount of Recovery Act funds in Iowa and have recently begun to obligate or are already using significant amounts of Recovery Act funds. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP. To review the transportation programs, we visited four transit authorities: the Des Moines Area Regional Transit Authority; the Ames Transit Agency; the Mid-Iowa Development Association and Dodger Area Transit in Fort Dodge; and the Southwest Iowa Transit Agency in Atlantic, Iowa. We selected these to provide a mix of large urban, small urban, and nonurban transit authorities. To review the weatherization program, we revisited the Polk County Public Works Department in Des Moines, an urban local action agency, as well as Mid-Iowa Community Action in Marshalltown, a rural local action agency. We revisited four public housing agencies that we reported on in our July 2009 report: the Des Moines Municipal Housing Agency, the Evansdale Municipal Housing Authority, the North Iowa Regional Housing Authority and the Ottumwa Housing Authority. Finally, we surveyed a representative sample of local educational agencies (LEA) nationally and in Iowa about their planned uses of Recovery Act funds. We also examined the state’s actions to stabilize its budget, monitor controls over the use of Recovery Act funds, and report the number of jobs created and retained as a result of these funds. We analyzed state and local budget information, including state revenue estimates, and met with state and municipal officials. We visited three Iowa localities—Cedar Rapids, Des Moines, and Newton—to determine the amount of Recovery Act funds each is receiving from federal agencies and how those funds are being used. We selected Cedar Rapids because it is the second largest city in Iowa and was already managing federal funds to recover from significant flooding that occurred.

in 2008. We selected Des Moines because it is the largest city in Iowa and has been awarded at least $16.5 million in Recovery Act funds for various projects. We selected Newton because its unemployment rate is above the state’s average—8.1 versus a state average of 6.3—and because of the recent loss of a major area employer. As part of our review of Iowa’s reporting on the number of jobs created and retained under the Recovery Act, we met with highway contractors as well as county and district engineers in Cass and Polk counties and from the cities of Atlantic, Jefferson, and Fort Dodge.

What We Found

- **Highway Infrastructure Investment.** The U.S. Department of Transportation’s Federal Highway Administration (FHWA) apportioned $358 million in Recovery Act funds to Iowa. As of October 31, 2009, the federal government had obligated $334 million to Iowa; and $165 million had been reimbursed by the federal government for work submitted for payment by highway contractors. About 84 percent of Recovery Act highway obligations for Iowa have been for pavement improvement projects. Iowa’s October 2009 report to www.federalreporting.gov on the number of jobs created or retained shows that Recovery Act funds have contributed to the equivalent of more than 1,200 full-time highway infrastructure jobs in Iowa. In addition, Iowa transportation officials estimate that the Recovery Act has helped complete repairs on more than 250 lane-miles of road in the state.

- **Transit Capital Assistance Program.** The U.S. Department of Transportation’s Federal Transit Administration (FTA) apportioned $36.5 million in Recovery Act funds to Iowa and urbanized areas located in the state. As of November 5, 2009, FTA had obligated $35.2 million. About 90 percent of Iowa’s Recovery Act Transit Capital Assistance Program funds are being used to replace and expand aging bus fleets and to rehabilitate or improve transit facilities. Transit agencies we visited—Des Moines Area Regional Transit Authority; Ames Transit Agency; Mid-Iowa Development Association and Dodger Area Transit in Fort Dodge; and the Southwest Iowa Transit Agency in Atlantic, Iowa—are using Transit Capital Assistance Recovery Act funds primarily to replace buses that have been in their fleets for 10 years or longer. In total, the state and urbanized areas in Iowa reported

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2States request reimbursement from FHWA as they make payments to contractors working on approved projects.
Appendix VIII: Iowa

12 jobs created or retained as a result of Transit Capital Assistance program expenditures.

- **Weatherization Assistance Program.** Iowa has obligated most of the $40.4 million received in Recovery Act funds to the local agencies that carry out the weatherization work. Seventeen of 18 agencies are using these funds to complete weatherization work, such as insulating walls and attics and reducing air infiltration in homes. Actual work on homes did not, however, start until September 2009; therefore, only 71 homes had been weatherized, as of October 31, 2009.

- **Public Housing Capital Fund formula grants and competitive grants.** Iowa’s 48 public housing agencies received approximately $7.6 million in Public Housing Capital Fund formula grants. As of November 14, 2009, Iowa’s public housing agencies had obligated about $6.1 million and had drawn down about $3 million in Capital Fund formula grants. On average, Iowa public housing agencies are obligating funds faster than public housing agencies nationally. Only one public housing agency in Iowa was awarded competitive grant funds—the Ottumwa Housing Authority—which was awarded two competitive grants totaling about $178,000 to improve energy efficiency at two sites.

- **Education.** Based on a survey of a representative sample of LEAs in Iowa about their planned use of Recovery Act funds, we estimated that about one-third of Iowa LEAs plan to use more than 50 percent of Individuals with Disabilities Education Act (IDEA) funds to retain staff and about two-thirds of LEAs plan to use more than 50 percent of State Fiscal Stabilization Fund (SFSF) funds to retain staff. However, about one-third of Iowa LEAs anticipate job losses, even with SFSF funds.

- **State and Local Government use of Recovery Act funds.** The receipt of Recovery Act funds enabled Iowa to mitigate the effects of a recent budget cut to state agencies. Due to projected declines in fiscal year 2010 revenues, Iowa’s governor recently implemented a 10 percent across-the-board budget reduction for the fiscal year, which will result in government furloughs and layoffs. However, according to state officials, the receipt of Recovery Act funds has enabled Iowa to maintain education services, and avoid additional state government layoffs. The three localities we visited—Cedar Rapids, Des Moines, and Newton—said that they have benefited from the receipt and use of Recovery Act funds. However, officials from these three localities also said that they faced significant challenges in applying for and
implementing Recovery Act programs due to continuing budgetary and staffing constraints.

- **State monitoring and internal controls.** Iowa’s State Auditor and the Iowa Accountability and Transparency Board continue to monitor controls over Recovery Act funds. The Office of the State Auditor’s audit plan includes consideration of the increased risk associated with state agencies and localities receiving Recovery Act funding. The Iowa Accountability and Transparency Board (Board) identified six high-priority programs that it expects will have some difficulty in fully complying with the accountability and transparency requirements in the Recovery Act. The Board has required that these high-priority programs submit a comprehensive accountability plan.

- **State Reporting under Section 1512.** In accordance with section 1512 of the Recovery Act, Iowa submitted a detailed report to the federal government that included information on the number of jobs created and retained by the implementation of the Recovery Act. Based on data provided by state and local agency officials, Iowa created a centralized database and used it to calculate the number of jobs created or retained for programs funded through the state. Iowa has implemented internal controls, such as requiring agency and local officials to certify their review and approval of information prior to submission, to help ensure the accuracy of the data reported to the state. Iowa officials told us that a relatively small amount of data were improperly submitted based on the number of awards that required resubmission.

Over 90 Percent of Iowa Recovery Act Highway Infrastructure Funds Have Been Obligated

The Iowa Department of Transportation has acted quickly to obligate its Recovery Act Highway funds for highway infrastructure improvements. Specifically:

- As we reported in September 2009, $358 million was apportioned to Iowa in March 2009 for highway infrastructure improvements. As of October 31, 2009, $334 million (93 percent) had been obligated and

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4This does not include obligations of $539,424 associated with “Transfers to FTA” of apportioned funds that were transferred from FHWA to FTA for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k) (1) to transfer funds made available for transit projects to FTA.
$165 million had been reimbursed to Iowa by FHWA for work submitted for payment by highway contractors.

- Iowa’s October 2009 report to the Office of Management and Budget (OMB) on the number of jobs created or retained shows that Recovery Act funds have contributed to the equivalent of more than 1,200 full-time highway infrastructure jobs in Iowa. In addition, transportation officials estimate that the Recovery Act has helped complete repairs on more than 250 lane-miles of road in the state.\(^5\)

- About 84 percent of Recovery Act highway obligations for Iowa ($282 million of the $334 million obligated) have been for pavement improvement projects—$197 million for pavement resurfacing and $85 million for pavement reconstruction and rehabilitation. Additionally, $21 million is being used for bridge replacements. Iowa officials told us that focusing on pavement projects allowed them to advance a significant number of needed projects, which will reduce the demand for these types of projects and free up federal and state funding for larger, more complex projects in the near future. Figure 1 shows obligations by the types of road and bridge improvements being made.

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\(^5\) A lane-mile is one lane of road for one mile. Two-hundred fifty lane-miles equal 62.5 miles of 4-lane highway or 125 miles of 2-lane highway.
Appendix VIII: Iowa

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

- Less than 1% Bridge improvement ($660,000)
- Less than 1% New bridge construction ($135,000)
- Other ($14 million)

Source: GAO analysis of Federal Highway Administration data.
Note: Totals may not add due to rounding. “Other” includes safety projects, such as improving safety at railroad grade crossings, and transportation enhancement projects, such as pedestrian and bicycle facilities, engineering, and right-of-way purchases.

- To ensure highway funds are utilized in accordance with the Recovery Act, the Iowa Department of Transportation has detailed, documented procedures for the administration and inspection of work performed by contractors including written contracting procedures, contractor qualification standards, and material and construction specifications and guidelines. The state and local governments also employ construction and material inspectors and technicians, and construction engineers to review, measure, and accept work performed by contractors.

- In October, the Iowa Department of Transportation submitted its first Section 1512 report and the department continues to report project, financial, and employment information to FHWA. This reporting is required by the Recovery Act to provide greater accountability and transparency and includes, among other things, monthly reporting of contracts awarded, projects in process, employees working, and employee hours worked. In addition, the department reports this
Iowa is using Recovery Act transit funds to replace 160 buses and add 20 new buses to its transit fleet. Specifically:

- In March 2009, $36.5 million in Recovery Act Transit Capital Assistance funds were apportioned to Iowa and urbanized areas located in the state for transit projects. Of this amount, $15.2 million was for nonurbanized areas, $10.7 million for smaller urbanized areas, and $10.6 million for urbanized areas with a population of 200,000 or more. As of November 5, 2009, FTA had obligated $35.2 million for Iowa transit capital assistance and reimbursed Iowa about $4 million for transit expenditures.

- About 90 percent of Iowa’s Recovery Act Transit Capital Assistance Program funds are being used to replace and expand aging bus fleets and rehabilitate or improve transit facilities. Specifically, $24 million is being used to replace 160 buses of various sizes, many of which are 10 years old or older. Another $5.6 million is being used to expand bus fleets in areas of growth around the state. In all cases, these purchases were included in the region’s transportation improvement plan and could be started quickly. Iowa transportation officials said they believe that the purchase of new buses will reduce maintenance costs across the state and, in some cases, could improve fuel efficiency.

$539,424 was transferred from FHWA to FTA to fund additional transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k) (1) to transfer funds made available for transit projects to FTA.

Of the $10.6 million total for the urbanized areas, $7.9 million is apportioned to Des Moines, $1.5 million to Davenport, and $540,000 to Bettendorf.
The Recovery Act provides that Transit Capital Assistance Program funds may be used for activities such as vehicle replacements, facilities renovation or construction, and preventive maintenance. Additionally, up to 10 percent of funds apportioned to urbanized or nonurbanized areas may be used for operating expenses.

Transit agencies we visited—Des Moines Area Regional Transit Authority; Ames Transit Agency; Mid-Iowa Development Association and Dodger Area Transit in Fort Dodge; and the Southwest Iowa Transit Agency in Atlantic, Iowa—are using Recovery Act Transit Capital Assistance Program funds primarily to replace high-mileage buses that have been in their bus fleets for 10 years or longer. Three of the four agencies were also renovating or expanding facilities. Officials from all four agencies we met with reported that Recovery Act funds allowed them to fund projects that would likely not have been funded this fiscal year because demand exceeded resources.

The Des Moines Transit Authority plans to use about $3 million to improve information available to customers by adding new “automated vehicle location” technology for its bus fleet. This technology will allow transit riders to use their cell phones and similar technology to check the status of their bus. It also plans to use 10 percent of its funds—about $788,800—to fund operations. This proposal, currently awaiting FTA approval, would provide Recovery Act funds to pay for staff, facilities, and fuel.

Officials for the transit agencies we visited said that they are using existing processes and procedures to monitor Recovery Act funds, such as a detailed inspection of all new vehicles received before payment is authorized and an engineering inspection of all completed facilities work such as building renovations and pavement repair. The state transit assistant director said that he and his staff have been regularly monitoring the status of local transit agency procurements to ensure that all procurement actions are completed in a timely manner.

Reporting the number of jobs created or retained as required by section 1512 was calculated and submitted to OMB by the Iowa Department of Transportation, through the Iowa Department of Management, for smaller urbanized and nonurban areas. Larger urbanized areas, such as Des Moines, reported directly to the federal government. The state provided information on jobs associated with renovated facilities as well as some new bus purchases. Des Moines’ transit authority reported only on facilities-related work. In total, the state of Iowa and urbanized areas reported 12 jobs created or retained.
Appendix VIII: Iowa

as a result of Transit Capital Assistance program expenditures. In calculating the number of jobs created or retained, Iowa transit officials relied upon bus manufacturers to provide hours worked associated with basic bus production. Additional hours identified with local bus customizing were calculated by the local transit authorities based on input from local contractors.

Iowa Has Obligated a Majority of Weatherization Funds Received, but Only a Few Homes Have Been Weatherized

The Recovery Act appropriated $5 billion for the Weatherization Assistance Program, which the U.S. Department of Energy (DOE) is distributing to each of the states, the District of Columbia, and seven territories and Indian tribes, to be spent over a 3-year period. This program enables low-income families to reduce their utility bills by making long-term energy efficiency improvements to their homes by, for example, installing insulation or modernizing heating or air conditioning equipment. On September 22, 2009, DOE allocated all of these funds to the states, but it has limited the states’ access to 50 percent of these funds.

As of October 31, 2009, DOE had obligated $80.8 million to Iowa but limited the amount of funds available to one-half of this amount, or $40.4 million. The Iowa Division of Community Action Agencies (DCAA) has obligated most of these funds, or $38.5 million, to 18 local agencies that carry out the weatherization work. Seventeen of the local agencies are currently using these funds to weatherize homes; funding to one agency is on hold until DCAA corrective actions are implemented by the agency.

Because DCAA decided not to spend Recovery Act funds on weatherization work until the Department of Labor (Labor) provided the prevailing wage rates for weatherization workers in Iowa, weatherization work did not start until September 2009. Therefore, only 71 homes had been weatherized at a total

8DOE currently plans to make the remaining funds available to the states once 30 percent of the housing units identified in the state plans are weatherized.

9During routine program monitoring of homes weatherized by the Southern Iowa Economic Development Agency, DCAA staff said that they found numerous weaknesses in the agency’s oversight of the contractors’ work. As a result, DCAA found that the work completed on numerous homes did not meet the required state standards and needed to be redone. While Recovery Act funds were not used on these homes, DCAA believed that the program weaknesses were serious enough so that it suspended Recovery Act funding to the agency on September 24, 2009. Before this funding can be restored, DCAA is requiring that the local agency implement specific corrective actions, such as requiring the local agency to engage an independent audit firm to review all DCAA findings and report to DCAA. According to DCAA officials, the full extent of the problems at this agency is not yet known because the local agency is still inspecting all homes weatherized since April 1, 2009. However, DCAA officials said that the local agency has implemented some of the required corrective actions and they expect that the agency can resume receiving Recovery Act weatherization funding sometime in the future.
cost of $395,151, as of October 31, 2009. To date, most of the Recovery Act funds spent in Iowa were used to provide training and technical assistance, and to purchase equipment for the local agencies’ use in weatherizing homes (see table 1 for more details on funding). Nevertheless, DCAA officials are confident that Iowa will be able to spend all of the Recovery Act funds obligated by DOE within the program time frames and will successfully weatherize the number of homes originally planned.

### Table 1: Iowa’s Use of Recovery Act Weatherization Assistance Program Funds, as of October 31, 2009

<table>
<thead>
<tr>
<th>Funds obligated by DOE</th>
<th>Funds available to Iowa</th>
<th>Funds obligated by Iowa</th>
<th>Funds spent by Iowa</th>
<th>Number of homes Iowa plans to weatherize with Recovery Act funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$80.8 million</td>
<td>$40.4 million</td>
<td>$38.5 million</td>
<td>$3.1 million</td>
<td>7,200</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Iowa DCAA data.

- DCAA officials said they continue to be concerned about issues regarding compliance with the Davis-Bacon Act. Their concerns focus primarily on how to respond in situations where specific work is completed on a weatherization project, but Labor has not determined a specific wage rate covering the work. For example, electricians and plumbers are sometimes needed for the weatherization work, but Labor has not set wage rates for these workers.

- DCAA’s oversight of its weatherization program includes a combination of desk reviews of detailed reports on program spending and activities, on-site fiscal and program monitoring at each local agency, and annual reviews of independent auditors’ reports on each local agency. In addition, DCAA requires local agencies to perform a final inspection of all homes completed by their contractors to ensure that weatherization work meets state standards. DOE, in turn, requires DCAA to inspect 5 percent of the homes weatherized by each local agency. Where Recovery Act funds were used, however, DCAA staff said that they plan to inspect 7 to 9 percent of homes weatherized.

- DCAA officials told us they are using existing program measures to track weatherization program effectiveness. For example, each year DCAA engages a private consultant to assess program costs and results and the assessments are provided to DOE. The most recent assessment, completed June 1, 2009, found first-year client fuel savings averaged $388, compared with $394 per dwelling the previous year.
DCAA expects to use this same program measure to help demonstrate energy savings from Recovery Act Funds.

- DCAA reported the number of hours worked by state and local weatherization staff and contractor personnel that were directly funded using Recovery Act funds. These hours, along with other pertinent information, were reported to the Iowa Department of Management which, in turn, determined the number of jobs created or retained and reported this information to OMB.

- We visited two of the local agencies—Polk County Public Works and Mid-Iowa Community Action, Inc. (MICA)—that are currently using Recovery Act funding to weatherize homes. Officials at both local agencies told us that since the establishment of prevailing wages required by the Davis-Bacon Act, they have begun spending Recovery Act funds to weatherize homes.

- Polk County officials told us that they rely on private contractors to complete all weatherization work. As of October 31, 2009, Polk County had spent $15,750 to weatherize 2 homes. MICA, on the other hand, uses its own crew-based staff to complete all work. MICA officials said they are considering using some weatherization contractors in the future. As of October 31, 2009, MICA had spent $41,005 to weatherize 9 homes.

Iowa housing agencies are using Recovery Act funds to improve and modernize public housing. Specifically:

- In Iowa, 48 public housing agencies have received Recovery Act formula grant funds. In total, these public housing agencies received approximately $7.6 million in Public Housing Capital Fund formula grants (see fig. 2). As of November 14, 2009, 44 public housing agencies had obligated about $6.1 million, and 35 had drawn down about $3 million. On average, according to Department of Housing and Urban Development (HUD) data, public housing agencies in Iowa are obligating funds faster than public housing agencies nationally.
The four public housing agencies that we visited—the Des Moines Municipal Housing Agency, the Evansdale Municipal Housing Authority, the North Iowa Regional Housing Authority, and the Ottumwa Housing Authority—have obligated almost all of their Recovery Act formula grant funds and have begun or completed most projects (see table 2). Specifically, as of November 14, 2009, the four housing agencies have obligated over 99 percent and expended about 25 percent of their formula grant funds, and agency officials told us that they will meet the obligation and expenditure deadlines outlined in the Recovery Act. Officials at these housing agencies identified 19 projects that have been or will be funded using Recovery Act funds, from relatively simple tasks, such as repairing concrete walkways, to more comprehensive work, such as a renovation of a building and its individual units.
## Table 2: Use of Recovery Act Formula Grant Funds at Selected Iowa Public Housing Agencies, as of November 14, 2009

<table>
<thead>
<tr>
<th>Public housing agency</th>
<th>Funds awarded</th>
<th>Funds obligated</th>
<th>Funds expended</th>
<th>Project status at time of GAO visit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Des Moines Municipal Housing Agency</td>
<td>$1,455,108</td>
<td>$1,455,108</td>
<td>$323,758</td>
<td>one project currently underway</td>
</tr>
<tr>
<td>Evansdale Municipal Housing Authority</td>
<td>77,364</td>
<td>77,364</td>
<td>50,677</td>
<td>two projects completed three projects yet to begin</td>
</tr>
<tr>
<td>North Iowa Regional Housing Authority</td>
<td>209,780</td>
<td>209,780</td>
<td>209,741</td>
<td>five projects completed</td>
</tr>
<tr>
<td>Ottumwa Housing Authority</td>
<td>601,765</td>
<td>596,858</td>
<td>0</td>
<td>six projects completed two projects currently underway</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,344,017</strong></td>
<td><strong>$2,339,110</strong></td>
<td><strong>$584,176</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: GAO analysis of HUD and public housing agency data.

According to an Ottumwa Housing Authority official, the agency experienced technical problems with its Internet service that prevented it from accurately reporting its Recovery Act formula grant expenditures to HUD. According to the official, the Ottumwa Housing Authority had expended about $242,535 as of November 14, 2009.

- In general, housing agencies that we visited have not changed their plans for using Recovery Act formula grant funds since our July 8, 2009 report. These housing agencies also did not report any significant concerns about compliance with the Davis-Bacon Act or the Buy American provision of the Recovery Act. More specifically, at the time of our visit, housing agency officials reported the following:
  
  - Thirteen of 19 projects were complete, 3 were under way, and 3 had not yet begun.
  - All 19 projects were on the public housing agencies’ 5-year plans.
  - Twenty-four contracts had been awarded, 17 of which were awarded competitively within 120 days of when the housing agencies received the funds.
  - The Des Moines Municipal Housing Authority was rehabilitating 18 vacant units. No other housing agencies that we visited were rehabilitating vacant units.

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10The Buy American provision of the Recovery Act prohibits, with certain exceptions, the use of Recovery Act funds “for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States.” Federal agencies may, under certain circumstances, waive the Buy American requirement and the requirement is to be applied in a manner consistent with United States obligations under internal agreements. Recovery Act, div. A, § 1605.
We visited seven sites with projects funded using Recovery Act formula grant funds in Iowa. Construction was under way or complete at all projects that we visited. For example, the Ottumwa Public Housing Authority is replacing the roof on a high-rise, 97-unit public housing facility. We observed that work was under way at the time of our visit in October 2009. As of October 21, 2009, officials at the Ottumwa Housing Authority told us they had obligated $61,150 for this project, but had not yet expended any funds (see fig. 3).

Figure 3: Roof Repairs to an Iowa Public Housing Facility, before Work Began and Work in Progress

We selected and discussed with officials one contract for each of the four housing agencies we visited. Officials told us that all four were competitively bid. One contract received only one bid, which officials attributed to the rural location of the housing authority and the limited number of qualified contractors in the area.

Officials reported few problems using www.federalreporting.gov or the Recovery Act Management and Performance System. However, at least one housing agency official complained that the additional reporting requirements were burdensome for smaller housing agencies such as his (he works alone with just one part-time assistant.)

Reporting on the number of jobs created or retained was inconsistent across the four housing agencies we visited. Officials at two housing agencies did not report any jobs created or retained because officials said that they did not believe they had collected sufficient data to
report results. One official told us that she received HUD’s guidance on counting jobs after Recovery Act contracts were complete, making it difficult to collect the necessary data, although contractors told her some jobs were retained or created. Officials at the other two housing agencies we visited used different methods to estimate the number of jobs created or retained: one housing agency official said he counted the number of workers on each project, based on his understanding of guidance from HUD officials, while an official from a second housing agency used Davis-Bacon payroll data. As previously discussed, Iowa’s housing agencies do not submit their quarterly reports to the Iowa Department of Management for review, rather they report directly through www.federalreporting.gov or, as we found at one housing authority, officials provided data to the city finance office which, in turn, reported to the Web site.

One housing agency in Iowa plans to use Capital Fund Recovery Act competitive grants to fund energy efficiency improvements at public housing facilities.

- In addition to Capital Fund formula grants described above, HUD awarded two competitive grants to public housing agencies in Iowa. Both grants were awarded to the Ottumwa Housing Authority for creating energy-efficient communities. On September 23, 2009, HUD notified the Ottumwa Housing Authority that it was awarded the following competitive grants:
  - $100,000 to install energy-efficient refrigerators and washing machines in individual units in high-rise public housing facilities, and
  - $78,300 to install energy-efficient refrigerators and lighting in individual units at family facilities.

The Ottumwa Housing Authority plans to solicit bids to award contracts for both projects in November 2009 and install the new appliances before the end of the year.

- Two other public housing agencies that we visited applied for competitive grants: the North Iowa Regional Housing Authority and the Des Moines Municipal Housing Agency. An official from the North Iowa Regional Housing Authority said that she was very dissatisfied with the competitive grant process because, as a small agency that is responsible for an area exceeding 4,000 square miles, she does not believe her application received the same level of consideration as other larger public housing agencies. While Ottumwa Housing
Authority officials were somewhat satisfied with the application process, they also said the process required a lot of data.

Iowa Is Using Recovery Act Education Funds to Save Jobs

We surveyed a representative sample of LEAs—generally school districts—nationally and in Iowa about their planned uses of Recovery Act funds. Table 3 shows Iowa and national GAO survey results on the estimated percentages of LEAs that (1) plan to use more than 50 percent of their Recovery Act funds from three education programs to retain staff, (2) anticipate job losses even with SFSF monies, and (3) reported a total funding decrease of 5 percent or more since last school year.

<table>
<thead>
<tr>
<th>Responses from GAO survey</th>
<th>Estimated percentages of LEAs</th>
<th>Iowa</th>
<th>Nation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to use more than 50 percent of Recovery Act funds to retain staff</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDEA funds</td>
<td>32</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Title I funds*</td>
<td>46</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>SFSF funds</td>
<td>68</td>
<td>63</td>
<td></td>
</tr>
<tr>
<td>Anticipate job losses, even with SFSF funds</td>
<td>31</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Reported total funding decrease of 5 percent or more since school year 2008-2009</td>
<td>10</td>
<td>17</td>
<td></td>
</tr>
</tbody>
</table>

Source: GAO survey of LEAs.

Notes: Percentage estimates for Iowa have margins of error, at the 95 percent confidence level, of plus or minus 13 percentage points or less. The nationwide percentage estimates have a margin of error of plus or minus 5 percentage points.

Iowa ended fiscal year 2009 with a balanced budget,\(^\text{11}\) in part by using $45.3 million from the state’s Economic Emergency Fund which, state officials explained, is allowed under state law. However, senior officials from the Iowa Department of Management said that on October 8, 2009, in response to reduced revenue estimates for fiscal year 2010,\(^\text{12}\) the Governor issued an executive order requiring a 10 percent cut to state fiscal year 2010 general fund expenditures for all departments and entities receiving such funds from the state.\(^\text{13}\) This cut is expected to result in the elimination of positions at state agencies,\(^\text{14}\) and the implementation of furloughs for over 3,200 state employees. According to a senior official from the Iowa Department of Management, the receipt of Recovery Act funds can continue to enable Iowa to mitigate the effects of the 10 percent cut by maintaining state and local education services and reducing the number of layoffs in state agencies and local school districts. The official stated that without Recovery Act funds, Iowa would have had to cut additional programs, services, and staff. This official also said that the across-the-board reduction should have a minimal, if any, effect on implementation of Recovery Act programs. However, the Iowa State Auditor said that reductions in staff can negatively affect the application of internal controls over Recovery Act expenditures, potentially making Recovery Act–funded programs more vulnerable to fraud, waste, and abuse.

- We visited three localities in Iowa to determine the extent to which local governments used Recovery Act funds (see table 4). Similar to Iowa’s state government, local municipal governments have benefited from the use of Recovery Act funds under various programs, but implementation has strained municipal operational budgets and personnel resources.

\(^{11}\)Iowa’s fiscal year begins July 1 and ends June 30.

\(^{12}\)On October 7, 2009, the Iowa Revenue Estimating Conference lowered the fiscal year 2010 revenue estimate, previously set in March 2009, from about $5.853 billion to about $5.438 billion, about a $414.9 million reduction.

\(^{13}\)Executive Order 19, 32 Admin. Bull. 1139. As a result of the fiscal year 2010 across-the-board cuts, the total reduction in General Fund expenditures for executive branch departments and entities is $564.4 million. Additionally, the legislative and judicial branches announced reductions to their fiscal year 2010 budgets of $3.3 million and $11.4 million, respectively. The fiscal year 2010 budgets for all three branches of government in Iowa was reduced by a total of $579.1 million.

\(^{14}\)State agencies plan to implement reductions-in-force for at least 180 positions, while leaving at least 230 positions vacant.
Table 4: Localities in Iowa Visited to Address Use of Recovery Act Funds

<table>
<thead>
<tr>
<th>Locality</th>
<th>Population</th>
<th>Locality type</th>
<th>Unemployment rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cedar Rapids</td>
<td>128,056</td>
<td>City</td>
<td>6.6</td>
</tr>
<tr>
<td>Des Moines</td>
<td>197,052</td>
<td>City</td>
<td>7.3</td>
</tr>
<tr>
<td>Newton</td>
<td>15,042</td>
<td>City</td>
<td>8.1</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau and U.S. Department of Labor.

Note: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

- To administer Recovery Act–funded programs, local governments in Iowa need to find other financial resources, such as local tax revenue, according to a senior official from the Iowa Department of Management. They pointed out that local governments in Iowa are mostly funded by local sources of revenues, and that the state does not share a significant amount of revenue with local governments, nor does it provide funding to local governments to address administrative costs for Recovery Act–funded programs.

- These localities have benefited from the receipt and use of Recovery Act funds, but faced budget and staffing constraints in implementing Recovery Act–funded programs. For instance, officials from Des Moines said the city used about $1.2 million to improve neighborhood infrastructure such as streets and sidewalks, and about $1.8 million to fund homelessness prevention and rapid rehousing efforts. Des Moines officials noted that the availability of Recovery Act funds from federal and state sources enabled community development officials to assist more citizens than in previous years; however, the city has been affected by reduced revenue collection and higher administrative costs to implement Recovery Act programs. Due to reduced availability of staff and financial resources, Des Moines officials said they faced

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15Local sources of revenue include taxes on residential and commercial properties, as well as sales taxes levied by localities in Iowa.

16Senior officials from the Iowa Department of Management said that Iowa did not plan to take advantage of federal allowances to recoup administrative costs related to Recovery Act activities because the General Assembly has already appropriated and prescribed the use of Recovery Act funds for fiscal years 2009 and 2010.

17Funding for these initiatives would originate from the Recovery Act Community Development Block Grant and Homelessness Prevention and Rapid Re-Housing Program, respectively.
significant challenges adhering to requirements for Recovery Act–funded programs. For instance, city officials struggled to finish design applications needed to apply for funding for a new fire station from the Recovery Act Assistance to Firefighters Fire Station Construction Grant program.

- Similarly, officials from Newton said that Recovery Act funds obtained through state agencies allowed the city to construct capital projects that would not have otherwise been funded. For example, the city received about $620,000 in grants through the state’s highway infrastructure program for street overlay projects and $660,000 in loans and grants for an aeration basin replacement project to improve Newton’s wastewater facilities.\(^\text{18}\) However, city officials needed to use funds from their operating budget, as well as from Recovery Act funds, to complete Recovery Act projects under their jurisdiction. Cedar Rapids also received Recovery Act funds from federal and state sources for several programs, including about $1,487,000 for transit capital assistance and about $537,000 for homelessness prevention efforts.\(^\text{19}\) Cedar Rapids has applied for Recovery Act competitive grants but city officials said that they have limited staffing available to administer the grants program.

Iowa’s State Auditor and Accountability and Transparency Board continue to monitor controls over Recovery Act Funds. Specifically:

- The Office of the State Auditor recently completed its 2009 audit plan. According to state officials, the audit plan reflects the increased risk associated with the receipt of Recovery Act funds by agencies and localities, as well as agency risk assessments submitted by agency auditors. For example, state audit officials told us that audits are in process at Iowa’s Department of Human Services, Department of Transportation, and the Workforce Development Agency because these agencies are receiving the bulk of Recovery Act funds.

\(^{18}\text{According to a Newton city official, funding for the street overlay projects originated from the Iowa Department of Transportation, while funding for the aeration basin replacement project originated from the Iowa Finance Authority’s State Revolving Fund. The Iowa Department of Transportation and the Iowa Finance Authority both received Recovery Act funds.}\)

\(^{19}\text{The Iowa Department of Transportation and the Homelessness Prevention and Rapid Re-Housing Program would fund these initiatives.}\)
Recently, Iowa reduced the State Auditor’s appropriation by 10 percent, which followed the 30 percent reduction to the State Auditor’s appropriation implemented at the beginning of fiscal year 2010. These reductions are not expected to affect the State Auditor’s ability to oversee Recovery Act funds, state audit officials said, because of the auditor’s ability to bill state agencies directly for work associated with auditing federal funds. However, as a result of these reductions, the Office of the State Auditor may not be able to perform sufficient audit work at certain state agencies to issue an unqualified opinion on the state of Iowa comprehensive annual financial report, according to officials from the office.

The Iowa Accountability and Transparency Board’s Internal Control Evaluation Team surveyed 82 programs and identified 6 high-priority programs—such as the Weatherization Assistance Program and the education stabilization portion of the SFSF program—that it expects will have some difficulty in fully complying with the accountability and transparency requirements in the Recovery Act. The board has required that these high-priority programs submit comprehensive accountability plans for the board’s review of Recovery Act activities. These plans are due by November 16, 2009.

The U.S. Department of Justice and the DOE Office of the Inspector General provided training on federal procurement guidelines and fraud prevention on October 27, 2009. This training was mandatory for staff involved in programs identified as a high-priority by the board.

Senior officials from the Iowa Department of Management said that they plan to create a more detailed “dashboard” of Recovery Act data on Iowa’s Economic Recovery Web site. Additionally, senior officials from the department want to create a Web-based system that allows users to pull up the number of jobs created or retained, by job classification code, from the use of Recovery Act funds in Iowa.

Iowa’s centralized database and validation and certification processes helped to ensure the accuracy of data, reported jobs, and other information related to the use of Recovery Act funds to the federal government, as follows:

On October 10, 2009 the state of Iowa submitted a detailed report to the federal government that included Recovery Act expenditures and the number of jobs created and jobs retained by the act.
The Iowa Department of Management used a centralized database to report Iowa’s Recovery Act information—funds received and expended, and performance measures, such as jobs created and retained—to federal entities. The state’s centralized database calculated the number of jobs created or retained based upon data provided by state agency and locality officials, such as hours worked. State officials told us that they used a centralized database to help ensure the accuracy and consistency of the information reported. However, localities, such as public housing authorities and urbanized transit agencies—which receive their funding from federal agencies—report Recovery Act information to OMB, not through the state’s centralized reporting database.

The centralized database used to report Recovery Act information was created by the Iowa Recovery Act implementation executive working group. This executive working group was created in March 2009 to provide a coordinated process for (1) reporting on Recovery Act funds available to Iowa through various federal grants and (2) tracking the federal requirements and deadlines associated with those grants. A larger implementation working group—made up of representatives from 24 state agencies—is led by the executive working group and assisted by groups focused on implementation topics such as budget and tracking, intergovernmental coordination, and communication.

Iowa officials told us that they developed internal controls to help ensure that the data submitted to federal entities are accurate. Specifically, Iowa inserted validation processes in the database to help identify and correct inaccurate data as it was entered. Officials told us that these validation processes generally worked and identified inaccuracies in the data. In addition, state agency and locality officials were required to certify their review and approval of their agency’s information prior to submission to the state’s centralized database and OMB. These certifications are intended to help ensure ownership and accuracy of the information.

According to Iowa officials, the number of errors reported in the grant awards data was relatively small. Specifically, information on 29 of the 2,137 individual Recovery Act awards reported to OMB had to be removed from the original submission due to coding errors. In addition, the state’s internal controls helped officials identify and correct duplicate subrecipient report submissions. To improve the process, state officials plan to provide additional training to agencies and localities that had problems with reporting required Recovery Act data. As a result, Iowa officials said they believe that the majority of
the problems identified in their initial quarterly report to OMB will be corrected before they are required to report in the next quarter.

State Comments on This Summary

We provided the Governor of Iowa with a draft of this appendix on November 17, 2009. The Director, Iowa Office of State-Federal Relations, and the Director for Performance Results, Department of Management, responded for the Governor on November 19, 2009. Officials agreed with our findings. The officials also offered technical suggestions, which we have incorporated, as appropriate.

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Staff Acknowledgments

In addition to the contacts named above, Thomas Cook, Assistant Director; Christine Frye, analyst-in-charge; James Cooksey; Daniel Egan; Ronald Maxon; Marietta Mayfield; Mark Ryan; and Ben Shouse made key contributions to this report.
Appendix IX: Massachusetts

Overview

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

What We Did

GAO’s work in Massachusetts for this reporting period focused on three specific programs funded under the Recovery Act—Highway Infrastructure Investment, Public Housing Capital Fund (formula and competitive grants), and the Weatherization Assistance Program. We selected these programs because all three have significant funds being obligated at this point. The highway program in Massachusetts has a major obligation deadline approaching in March 2010 and was behind other states in getting these funds obligated and reimbursements for projects previously obligated. Competitive grants for the housing program were recently awarded, and the formula grant projects are under way. Lastly, the Massachusetts weatherization program has begun spending its Recovery Act funds following a delay while the U.S. Department of Labor set weatherization wage rates. Our work focused on the status of the programs’ funding, how funds are being used based on issues specific to each program (including procedures for procurement of goods and services), and how results were being reported and assessed. As part of our review of public housing, we revisited two agencies, the Boston and Revere public housing agencies, that we reported on earlier in 2009. We also visited two recipients of weatherization funds—community action agencies in Chelsea and Gloucester. In addition, we are including updated funding information and results of our national survey on three Recovery Act education programs with significant funds being disbursed. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP.

To gain an understanding of the state’s experience in meeting Recovery Act reporting requirements, we examined documents prepared by, and held discussions with, the Massachusetts Department of Transportation (MassDOT) and its predecessor, the Massachusetts Executive Office of Transportation (EOT) and met with two highway general contractors.\(^1\)

\(^1\)As of November 1, 2009, Massachusetts reorganized its transportation agencies and authorities into a new Massachusetts Department of Transportation (MassDOT).
Appendix IX: Massachusetts

Massachusetts, state agencies that are prime recipients of Recovery Act funds report through the commonwealth on a number of measures, including the use of funds and estimates of the number of jobs created and retained. The first quarterly reports were due in October 2009. We focused our work on MassDOT’s methodology for collecting data, particularly job creation and sustainment data, and on MassDOT’s experience in preparing the October report.

Finally, we continued to track the use of Recovery Act funds on state fiscal stabilization, and also visited two Massachusetts cities to determine the Recovery Act funds each is receiving from federal agencies and how those funds are being used as they deal with their difficult fiscal situations. We chose to visit the cities of Boston and Springfield, the largest and third-largest cities in population in Massachusetts, respectively. Both are receiving Recovery Act funds under several programs. They have unemployment rates of 9.2 percent and 12.8 percent, respectively, thus providing an example of cities with unemployment rates above and below the commonwealth’s unemployment rate of 9.3 percent.

What We Found

- **Highway Infrastructure Investment.** As of October 31, 2009, the U.S. Department of Transportation (DOT) Federal Highway Administration (FHWA) has obligated $253 million of the $438 million of Recovery Act funds apportioned to Massachusetts. Although still behind other states, the commonwealth has made progress in having funds obligated for highway projects, including those in metropolitan areas. Upcoming projects for which Massachusetts will seek approval will strike a balance between projects that can be obligated quickly and projects that support the state’s long-term economic development plans. Bids for highway projects continue to come in below state cost estimates, as competition continues among contractors for these projects. According to FHWA officials, Massachusetts has been meeting its maintenance of effort spending goals, but the commonwealth will need to recertify to higher spending levels because of errors in their original calculation and additional guidance that state highway aid to local governments must be included.

- **Public Housing Capital Fund.** Public housing agencies in Massachusetts were allocated about $82 million in Public Housing Capital Fund formula grants under the Recovery Act. As of November 14, 2009, they had obligated about $31 million of these funds and drawn down about $12 million. These funds flow directly to the public housing agencies. The two public housing agencies we visited—Boston and Revere—both said they are using their formula funds primarily to
accelerate capital improvement projects that were already on their long-term plans. The Boston Housing Authority has faced some challenges to awarding contracts and starting construction work quickly, but has taken steps to meet the March 2010 deadline for obligating all formula funds. The Revere Housing Authority expects the construction work on its one formula project to be completed by the end of December 2009. In addition, Boston received about $40 million in competitive grant funds for specific purposes, while Revere did not apply for any competitive grants.

- **Weatherization Assistance Program.** Massachusetts was allocated $122.1 million in Recovery Act Weatherization Assistance Program funds in March 2009 for improving the energy efficiency of low-income families' homes. As of November 17, 2009, the commonwealth reported overall Recovery Act weatherization expenditures of $16.4 million primarily for advance payments to subgrantees and estimated the completion of over 500 units with Recovery Act funding, with an additional 1,100 units in process. The commonwealth opted to use these funds once the U.S. Department of Labor set prevailing wage rates for Massachusetts weatherization workers. To handle the increased funds, local community action agencies that implement the weatherization program identified potential new contractors. Those new to weatherization receive special training and agencies report doing more oversight and inspections of these contractors' work.

- **Updated funding information on education programs.** Massachusetts has been awarded Recovery Act education funds through three major programs. The commonwealth has been awarded $726 million in State Fiscal Stabilization Fund money, designed in part to help state and local governments stabilize their budgets by minimizing budgetary cuts in education and other essential government services. As of November 6, 2009, the commonwealth has drawn down about $423 million. Actual and planned recipients include local educational agencies (LEA) (which have expended $412 million), institutions of higher education (IHE), fire departments, and the state police. Massachusetts was also awarded $164 million in Recovery Act funds through Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA), as amended, which helps educate disadvantaged youth, and as of November 6, 2009, the commonwealth had drawn down almost $7 million. In addition, under Part B of the

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2On September 22, 2009, the U.S. Department of Energy obligated all the funds allocated to the states, but it has limited the states' access to 50 percent of these funds.
Individuals with Disabilities Education Act (IDEA), as amended, which supports special education services, the commonwealth has been awarded $291 million. As of November 6, 2009, the commonwealth had drawn down almost $20 million in IDEA, Part B Recovery Act funds for LEAs. In addition, we found that LEAs in Massachusetts are generally not planning to use more than half of their Recovery Act funds for staff retention, and that the commonwealth’s current plans for monitoring LEAs’ use of State Fiscal Stabilization Fund monies include an up-front review of LEAs’ funding applications and the Single Audit.

- **Recipient reporting.** Massachusetts developed a centralized system to collect award-level data from prime recipients that supplements data from the commonwealth’s financial management system with employment data collected by state agencies from their vendors and subrecipients. The commonwealth took steps to ensure the quality of recipient reports that included the centralized calculation of full-time equivalent positions (FTE) based on hours worked and the requirement that each prime recipient validate data before submission to www.federalreporting.gov (FederalReporting.gov). While some nonstate entities we visited were largely successful with quarterly report submission, other entities we visited that did not report through the commonwealth’s centralized data system faced challenges.

- **Cities’ use of Recovery Act funds.** Boston and Springfield have received Recovery Act funds directly from federal agencies and indirectly through state government. The cities’ plans for the funds include using education and public safety dollars to help retain jobs in schools and police departments.
Massachusetts Makes Further Progress in Having Highway Funds Obligated but May Face Challenges with Additional Maintenance of Effort Requirements

Massachusetts has recently made progress in having more funds obligated for federal aid highway projects, including those in metropolitan areas (see table 1). States are required to suballocate 30 percent of their apportionment to metropolitan and other areas of the state, and as of October 31, 2009, 46 projects in Massachusetts have been approved overall, with 14 in suballocated areas. According to the Economic Stimulus Coordinator at the Massachusetts Executive Office of Transportation (EOT), the upcoming round of projects for which Massachusetts will seek approval will strike a balance between projects that can be obligated quickly to create jobs immediately and more complex projects that will yield additional jobs over the long-term and are part of the commonwealth’s economic development plans.

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Amount obligated</th>
<th>Amount reimbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds suballocated to metropolitan areas (30 percent)</td>
<td>$131</td>
<td>$41</td>
<td>$0</td>
</tr>
<tr>
<td>Funds for state-wide use (70 percent)</td>
<td>307</td>
<td>211</td>
<td>20</td>
</tr>
<tr>
<td>Total Massachusetts apportionment</td>
<td>438</td>
<td>253</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: GAO analysis of FHWA data.

Notes: Amounts may not add up to totals due to rounding.

*This does not include obligations associated with $12.8 million of apportioned funds that were transferred from FHWA to the Federal Transit Administration (FTA) for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA.

Massachusetts has increased its reimbursement rate from 2.4 percent on September 1, 2009, to 8.1 percent on October 31, 2009, for all Recovery Act highway projects. However, compared to the national average of 18.4 percent, the commonwealth has a low reimbursement rate for these projects. The EOT Economic Stimulus Coordinator and the Federal Highway Administration (FHWA) Region I Director of Project Delivery identified several reasons for a low reimbursement rate on Recovery Act projects. These include (1) lag time between when the contractor submits his certified payroll and other contract expenses and their actual reimbursement, (2) the time needed for the Massachusetts Highway

*The U.S. Department of Transportation has interpreted the term “obligation of funds” to mean the federal government’s commitment to pay for the federal share of the project. This commitment occurs at the time the federal government approves a project and a project agreement is executed.
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Department (MassHighway) to review and approve contractor expenses, and (3) the longer time required for design and permitting for more complicated and expensive projects. The FHWA Region I Director of Project Delivery stated that it can take up to 2 months from when a contractor performs highway work and completes the appropriate paperwork until it receives payment from the commonwealth and the commonwealth seeks reimbursement from FHWA. Additionally, highway contractors said that the frequent rain in May and June contributed to slower progress on paving projects, which made up a large portion of Massachusetts’s initial round of projects.

Bid Amounts for Advertised Highway Projects Have Been Coming in Below MassHighway Cost Estimates

Data obtained from MassHighway on bids received for advertised highway projects indicate that bids continue to come in under their cost estimates. In our review of all Recovery Act highway project bid amounts, 28 out of 35 projects came in below MassHighway cost estimates, and on average, these projects came in at 13 percent below the state cost estimates. According to the EOT Economic Stimulus Coordinator, there continues to be significant competition among contractors for these projects. The FHWA Region I Division Administrator and highway contractors said that contractors are reducing their profit margins to keep people working. Massachusetts will request to have the excess project funds deobligated and to obligate the savings to other Recovery Act highway projects. According to the FHWA Region I Financial Manager, by early October, they had deobligated approximately $10 million in Massachusetts Recovery Act highway funds. According to the EOT Economic Stimulus Coordinator, the deobligated funds have already been used to cover contingencies, such as when bids come in over the state cost estimates, or they may be obligated to other Recovery Act projects in fiscal year 2010.

4MassHighway, formerly overseen by Massachusetts EOT, is now part of the Massachusetts Department of Transportation.

5MassHighway has advertised 46 projects, but as of October 31, 2009, only 35 have had bid openings.

6The data provided included projects that had been awarded contracts and projects where contracts had not yet been awarded. Our analysis included projects that had engineers’ estimates and the contract award amount. Therefore, only projects that had positive values for the estimate and award amounts were included in our analysis. Although we examined the data for obvious discrepancies, the data we collected are self-reported by individual states. Therefore, the data may not be complete and we consider the reliability of these data undetermined. Because of this, we are only reporting ranges, percentages, and other description statistics.
Massachusetts will need to recertify to include approximately $150 million more in spending than originally calculated to satisfy its maintenance of effort (MOE) requirement. The FHWA Region I Financial Manager stated that an FHWA analysis of Massachusetts’s initial MOE calculation and additional guidance requiring states to include highway aid to localities in their MOE necessitates that the commonwealth commit to higher spending levels. State officials told us they plan to meet the MOE requirements. According to the EOT Economic Stimulus Coordinator and the FHWA Region I Director of Program Development, on average, Massachusetts has been on track for meeting its MOE spending goals.

Sixty-eight of the 253 public housing agencies in Massachusetts have been allocated Public Housing Capital Fund formula grants, which are provided directly to housing agencies by the Department of Housing and Urban Development (HUD) and are intended to improve the physical condition of and modernize housing units, as well as improve management. In total, these agencies have been awarded $81,886,976 in formula grant funds. As of November 14, 2009, 52 of these public housing agencies have obligated $30,600,977, and 32 have drawn down $12,231,507 (see fig. 1). On average, housing agencies in Massachusetts are obligating funds slower than housing agencies nationally.

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7States were required to certify that they will maintain the level of spending that they had planned on February 17, 2009.
The Boston and Revere housing agencies we visited are using their formula funds primarily to speed up the completion of previously planned capital improvement projects. The Boston Housing Authority received $33,329,733 in formula funds, and the Revere Housing Authority received $324,072. Ten of Boston’s 14 planned formula-funded projects and Revere’s 1 formula-funded project were already on their 5-year plans. The Boston Housing Authority originally planned to use its formula funds for 15 projects; it has dropped one project in part because the need will be addressed through a Recovery Act competitive grant. These 14 projects include, for example, bathroom renovations and wall and foundation repairs. Revere is using its funds for a window replacement project at one housing development. Both agencies said their projects most likely will not involve the rehabilitation of vacant housing units.

Both agencies said they are on track to meet the March 17, 2010, deadline for obligating 100 percent of their formula funds, but the Boston Housing Authority has experienced more challenges in awarding contracts and getting projects started quickly. Boston awarded design contracts for two of its projects within 120 days of receiving formula funds. As of October 20, 2009, it had put just over half of its contracts for formula projects out to solicit bids, and expected to put the remaining contracts out to solicit bids by December 1, 2009. Boston officials cited the time required to design improvements in existing buildings, the requirements of the
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The competitive bidding process, and the city of Boston permitting process as factors that affect how quickly contracts can be put in place. But Boston officials said they are making special efforts to meet the obligation deadline. For example, the Boston Housing Authority has tried to speed up the contracting process by no longer allowing successful bidders to negotiate contract terms after they have been selected to receive the contract; this procedural change will be continued after all Recovery Act funds have been exhausted. The Boston Housing Authority also hired additional staff to manage its formula-funded projects. The Revere Housing Authority, meanwhile, has made faster progress on its one formula grant project. It started the actual work on its project in October and expects the work to be completed by the end of December 2009. Revere officials said they were able to get work started quickly because environmental regulations are less extensive in a smaller city and their window replacement project is relatively straightforward.

Competitive Grants Have Presented New Opportunities for Some Local Housing Agencies

In addition to the Capital Fund formula grants, HUD awarded 15 competitive grants to housing agencies in Massachusetts. Housing agencies across the country could apply for these funds to support specific priority investments in four categories. The housing agencies we visited had different experiences with the competitive grant application process. The Boston Housing Authority applied for seven competitive grants (worth $60,211,241 total) and was awarded four grants (worth $40,211,241 total). Boston officials reported that the availability of competitive grants for specific purposes spurred them to plan projects they otherwise would not have undertaken. For example, Boston received $22,196,000 to reconstruct part of an older development as a model energy-efficient community. It received $4,062,717 to create a comprehensive services center for frail elderly individuals. Boston officials found the competitive application process more streamlined than other HUD funding competitions, because it required less narrative and allowed applicants to self-certify that they met certain requirements rather than submit extensive documentation.

The Revere Housing Authority, on the other hand, did not apply for any competitive grants, although Revere officials considered applying for a grant. Officials said the application process was cumbersome, and that, with their limited staff, they could not complete the application by HUD's deadline. Revere officials said they would still be interested in seeking any additional competitive grant funds that become available, in order to take advantage of a Recovery Act provision allowing local housing agencies to use Recovery Act funds for improvements to state-funded housing units and then continue to support these units with regular federal capital and
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operating funds in the future. Massachusetts has encouraged local housing agencies to take advantage of this provision.\(^8\)

<table>
<thead>
<tr>
<th>Recovery Act Has Required Some Changes in Contracting Procedures</th>
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</table>
| Local housing agencies in Massachusetts typically award Capital Fund contracts according to state procurement law, but HUD requires them to follow federal procurement policies when awarding contracts funded exclusively by the Recovery Act.\(^9\) Officials at the Boston Housing Authority stated they have modified their contracts for projects funded by the Recovery Act. For these projects, Boston officials have eliminated an extra step that they say is required by Massachusetts but not by federal procurement policy—obtaining sub-bids for specific categories of the project before obtaining bids from the general contractor that manages the whole project.

For this report we reviewed two specific contracts that were supported in part by Recovery Act funds. We reviewed a contract awarded by the Boston Housing Authority for design of bathroom renovations at one housing development, which was modified to add $328,000 in Recovery Act funds for the design of renovations to additional units. The contract was modified on June 23, 2009. According to housing authority officials, the contract amendment does not specify a deadline for completion of the Recovery Act-supported work, but requires each successive phase of the work to be completed within a certain number of days after the Boston Housing Authority has approved the contractor to move on to that phase. Housing authority officials also said that although a deadline is not explicitly included in the contract, the contract requires the contractor to complete the work within the time frame specified in the Recovery Act. We also reviewed a contract in the amount of $421,400 awarded by the

\(^8\)The federal government subsidizes the operating and capital improvement costs of public housing units throughout the nation. Massachusetts and some other states also use some state funds to subsidize public housing units. The majority of the units managed by the Revere Housing Authority, in fact, are subsidized by state funds. However, the Massachusetts State Auditor has reported that the operating subsidies provided by the state have not been sufficient to maintain in good condition the state-aided units in Massachusetts.

\(^9\)However, according to guidance developed by the Massachusetts Office of the Inspector General and the Massachusetts Office of the Attorney General, based on discussions with HUD's Boston Field Office, public housing agencies may use their own state and local procurement laws and regulations if their use is not contrary to the purposes of the Recovery Act, one of which is to expedite or facilitate the use of Public Housing Capital Funds.
Revere Housing Authority for window replacement work at one housing
development. This contract was awarded on August 20, 2009, and is
expected to be completed by December 31, 2009.

Boston and Revere officials largely followed similar procedures in
awarding these contracts. We noted, and Boston officials confirmed, that
the Boston Housing Authority awarded its contract competitively, used a
fixed-price contract, and obtained self-certifications from bidders that they
are not on the state’s debarment list. Revere Housing Authority officials
also told us they awarded their contract competitively, used a fixed-price
contract, and checked to make sure the bidders were not on the state
debarment list. Boston and Revere officials said they have procedures for
monitoring their contractors’ work. Boston officials said a project
manager reviews the reports and design submissions provided by the
contractor during each phase of the project, and if necessary, makes
comments that the contractor must address. Revere officials said their
contractor is monitored regularly by an on-site Clerk of the Works and by
the architecture firm that designed the window replacement work.

Massachusetts
Accelerates Funding
for Weatherization

In March 2009, the U.S. Department of Energy (DOE) allocated
Massachusetts $122.1 million in Recovery Act funds for its Weatherization
Assistance Program to improve the energy efficiency of low-income
families’ homes. However, because the U.S. Department of Labor had not
yet established a Davis-Bacon prevailing wage for weatherization workers
for Massachusetts, the commonwealth opted to use funding from other
sources, including its regular (non-Recovery Act) funding under the
program for weatherization work and for training of new contractors until
the wage rate was set. The process of contracting for the weatherization
of individual housing units using Recovery Act money then began on
September 1, 2009. In Massachusetts, 11 community action agencies (CAA)
and one nonprofit housing agency function as subgrantees for DOE
weatherization funding; they do not do weatherization with their own staff

According to state officials, the rates established for Massachusetts counties, and
provided to them in August 2009, are consistent with what has generally been paid for this
work.
but rather utilize private sector contractors. In describing attempts to accelerate weatherization spending, state officials said they advised Recovery Act subgrantees to consider using a standard contract developed by CAPLAW, a Boston-based national organization that provides technical assistance to CAAs. State officials estimated that subgrantees saved a month in time by using this contract because it simplified the task of contract development.

**Training and Quality Control Practices Focus on Requirements of New Contractors**

In order to handle a dramatic increase in weatherization funding, the number of contractors statewide increased from 55 to 77. The two CAAs we visited, Action, Inc. in Gloucester and CAPIC, Inc. in Chelsea, both described efforts to actively recruit more contractors. They acknowledged, however, that some new contractors do not have experience in weatherizing homes, which requires knowledge of various technologies and materials. To assure accountability for work done by companies new to weatherization, officials described initiatives to provide additional training and engage in quality control efforts. Massachusetts recommends that new contractors attend courses such as a weatherization “boot camp” funded by gas and electric utility companies and designed for new weatherization contractors, as well as attend training on installation of cellulose materials. Massachusetts officials also described various quality control practices. At least 50 percent of work is inspected while in progress and 100 percent at completion by energy auditors working for CAAs in the weatherization network. We observed energy auditors demonstrating the use of specialized equipment, an infrared sensor, to ensure that a contractor was meeting quality standards. Contractors are paid only when work is completed and judged to have met such standards. CAA officials told us that they do more oversight and inspections of work by less experienced contractors. Technical assistance and advice is also provided by a weatherization consultant, paid for by utility companies. State energy officials reported their plans to inspect 10-25 percent of all finished work and that they are hiring two new staff to strengthen program

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11Private sector contractors are generally chosen from a precertified list established every 2 years. CAAs have also recruited new contractors to handle the increase in weatherization funding due to the Recovery Act and screen them by criteria such as quality of prior work. Depending on the needs of each home, the cost of weatherization varies; a standard price list for materials and weatherization activities is established statewide and used by each contractor.

12State energy officials report having trained and certified 35 new energy auditors statewide with certification of others expected.
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and fiscal monitoring. Several other oversight entities are also reviewing or plan to review Massachusetts Recovery Act weatherization spending, including the state Inspector General and the Office of the State Auditor.

Of the $122.1 million allocated by DOE, Massachusetts has obligated $92 million to be spent over three fiscal years. As of November 17, 2009, the commonwealth reported overall Recovery Act expenditures of $16.4 million primarily for advance payments to subgrantees and estimated the completion of over 500 units with Recovery Act funding with an additional 1,100 units in process.13 Because utility companies in Massachusetts also support weatherization activities, officials told us that the Recovery Act funding allowed additional levering of funding. For example, an official at CAPIC, Inc. told us they could combine support from utilities with Recovery Act funds to both insulate a home and replace an inefficient furnace. Contractors also described the benefits of funding in terms of helping them diversify their business in a difficult economic climate. One contractor we spoke with had specialized in high-end renovations but noted that with new Recovery Act funding for weatherization, he has decided to establish weatherization as an ongoing activity at his company.

Massachusetts has been awarded Recovery Act education funds through three major programs:

- State Fiscal Stabilization Fund (SFSF), which is designed in part to help state and local governments stabilize their budgets by minimizing budgetary cuts in education and other essential government services;
- Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA), as amended, which helps educate disadvantaged youth; and
- Parts B and C of the Individuals with Disabilities Education Act (IDEA), as amended, which supports special education and related services.

SFSF. The commonwealth has been awarded $726 million in SFSF funds, out of its total allotment of $994 million. This award includes $545 million in education stabilization funds (Phase I of the commonwealth’s education stabilization funds) and $181 million in government services funds (all of the commonwealth’s government services funds). As of November 6, 2009, the commonwealth has drawn down about $423 million of its SFSF funds.

Recovery Act Education Funds Continue to Help Address State Funding Shortfalls, and Massachusetts Will Use the Single Audit to Monitor SFSF Spending

13Other activities listed in the state plan include weatherization of state public housing and establishment of a training institute; however, these initiatives are planned to begin in 2010.
Also as of November 6, 2009, LEAs have expended $412 million, including $322 million in education stabilization funds and $90 million in government services funds, and IHEs have expended $14 million in education stabilization funds. Of the remaining Phase I education stabilization funds, the commonwealth plans to distribute almost all to IHEs. Of the remaining government services funds, the commonwealth plans to distribute about $20 million to fire departments and $3 million to the state police to replace staff or maintain staffing levels. The commonwealth expects to be awarded its remaining $268 million in Phase II education stabilization funds in 2010. When Massachusetts is awarded these funds, it plans to distribute more than half to LEAs through its primary funding formula, primarily to address a shortfall in local education funding. It also anticipates distributing a substantial portion to IHEs, to make up for fiscal year 2010 budget cuts and restore the IHEs to their fiscal year 2009 funding levels.

**ESEA, Title I.** The commonwealth has been awarded $164 million through Title I, Part A of ESEA. The commonwealth required LEAs that were allocated funds through this program to submit applications to and have them approved by the commonwealth prior to receiving these funds, as it does with all sub-grants of federal funds. As of November 23, 2009, about 82 percent of the state’s LEAs that were allocated ESEA Title I Recovery Act funds had submitted and had approved by state officials their program applications. As of November 6, 2009, the commonwealth had drawn down almost $7 million in ESEA Title I Recovery Act funds for these LEAs.

**IDEA.** The commonwealth has been awarded $291 million in IDEA, Part B funds. The commonwealth also requires LEAs to submit applications before receiving these funds. As of November 23, 2009, about 88 percent of the LEAs that were allocated IDEA, Part B funds had submitted and had approved by state officials their program applications. As of November 6, 2009, the commonwealth had drawn down almost $20 million in IDEA, Part B Recovery Act funds for these LEAs.

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14 Actual expenditures by LEAs may be higher than the amount drawn down by the state. In Massachusetts, according to state officials, the state draws down funds according to its agreement with the U.S. Department of the Treasury, and it is not unusual for drawdowns to lag behind expenditures.
Massachusetts LEAs Generally Plan to Use Some Recovery Act Funds to Retain Jobs

Looking more specifically at how LEAs in Massachusetts are using their Recovery Act funds, we found that they generally plan to use less than half of these funds for job retention. From August to October of 2009 we surveyed a representative sample of LEAs nationally and in Massachusetts about their planned uses of Recovery Act funds. Based on our survey, for example, we estimate that 37 percent of LEAs in Massachusetts plan to use more than half of their SFSF funds to retain staff (see table 2). State officials told us that LEAs in Massachusetts have historically had a disincentive to use federal grant funds for payroll costs because of some additional costs associated with using federal grants—as opposed to LEAs' own funds—for payroll costs. According to the state educational agency, in June 2009 the commonwealth enacted legislation exempting SFSF funds—but not Recovery Act Title I or IDEA funds—from these additional costs. State officials said this change came too late to affect LEAs' fiscal year 2009 SFSF spending. They said they are now starting to receive LEAs’ plans for using Phase II SFSF funds, and expect that a higher proportion of these Phase II SFSF funds will be used for payroll costs. Based on our survey, we also estimate that a minority of LEAs in the commonwealth expect job losses or experienced a funding cut of 5 percent or more since the prior school year.

Table 2: Selected Results from GAO Survey of LEAs

<table>
<thead>
<tr>
<th>Responses from GAO survey</th>
<th>Estimated percentages of LEAs in Massachusetts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to use more than 50 percent of Recovery Act funds to retain staff</td>
<td>IDEA funds: 8%</td>
</tr>
<tr>
<td></td>
<td>Title I funds: 10%</td>
</tr>
<tr>
<td></td>
<td>SFSF funds: 37%</td>
</tr>
<tr>
<td>Anticipate job losses, even with SFSF funds</td>
<td>28</td>
</tr>
<tr>
<td>Reported total funding decrease of 5 percent or more since school year 2008-2009</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: GAO survey of LEAs.

Note: Percentage estimates for Massachusetts have margins of error, at the 95 percent confidence level, of plus or minus 16 percentage points or less.
Massachusetts Plans to Rely Primarily on the Single Audit to Monitor LEAs’ SFSF Spending, and Currently Lacks Plan for Ongoing Monitoring

The Massachusetts Executive Office of Education (EOE) plans to use the Single Audit\textsuperscript{15} to monitor SFSF expenditures, along with some additional steps, but it currently lacks a plan for ongoing monitoring of the funds throughout the year. EOE officials told us that given the wide range of allowable uses of the SFSF funds, the Single Audit process generally will be sufficient to monitor these funds. They said they are taking some additional steps to supplement the Single Audit. The commonwealth reviews LEAs’ SFSF applications to determine if they plan to use the funds for allowable purposes. It has issued guidance to LEAs that reminds them of uses that are prohibited by the Recovery Act, and encourages them to be especially cautious in using the funds for certain purposes—such as construction and repairs—that are associated with more extensive regulations and therefore more susceptible to misuse. The commonwealth has also modified the annual financial report that LEAs must submit to the commonwealth, to request a detailed breakdown of how LEAs have actually spent their SFSF funds, and will compare these end-of-year reports to the LEAs’ planned uses of the funds. The U.S. Dept. of Education (Education) has issued guidance directing states to have a comprehensive plan for monitoring LEAs’ use of SFSF funds, and Education officials said that relying exclusively on the Single Audit is not sufficient. Massachusetts officials told us they believe their approach is comprehensive and satisfies the federal requirement. However, while their approach includes up-front actions to guide LEAs’ use of funds and postexpenditure actions to ensure funds were used properly, it does not currently include any ongoing monitoring of LEAs’ expenditures during the fiscal year. The Massachusetts Recovery and Reinvestment Office conducted a training session for all state agencies in November 2009 on strategies for monitoring waste, fraud, and abuse in Recovery Act programs; EOE officials participated in this training but have not yet developed a plan for using these strategies to monitor SFSF spending.

\textsuperscript{15}Single 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.
Without ongoing monitoring, Massachusetts lacks the opportunity to correct any potential misuses of the funds before the end of the fiscal year.

Massachusetts developed a centralized system to collect award-level data from prime recipients as required under section 1512 of the Recovery Act. The Massachusetts Recovery and Reinvestment Office (MRRO) developed the Stimulus Reporting database, which supplements data from the commonwealth’s financial management system—MMARS—with employment data collected by state agencies from their vendors and subrecipients. MMARS data include many of the award-level data elements required, such as award expenditures and vendor information. However, MRRO requested that state agencies submit data not included in the MMARS system separately, primarily jobs numbers and some narrative elements. MRRO was able to generate state employee job information centrally from the commonwealth’s payroll system, but state agencies had to collect jobs numbers directly from vendors and subrecipients. Some state agencies were able to provide this information through their certified payroll systems or other systems established for Recovery Act reporting, but the majority relied on reporting templates provided by MRRO. EOT used its civil rights reporting system to provide employment data for the state Stimulus Reporting database. EOT officials, as well as contractors working on Recovery Act funded projects, told us that the ability to use this system for Recovery Act reporting required little additional effort and helped ensure the quality of the data submitted because data could be uploaded directly. Other agencies completed templates provided by MRRO to submit employment data. For example, Massachusetts’s Department of Housing and Community Development used these templates to collect data from local community action agencies administering weatherization grants.

Data required under section 1512 of the Recovery Act include the total amount of recovery funds received, and expended or obligated, a detailed list of all projects or activities, an estimate of the number of jobs created and retained by the projects and activities, and certain detailed information on any subcontracts or subgrants awarded by the recipient.
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Massachusetts implemented steps to ensure the completeness and accuracy of data submitted by state agencies and other prime recipients. MRRO issued instructions to all state agencies on the U.S. Office of Management and Budget’s prescribed method for calculating FTE positions. However, MRRO approved EOE’s use of an alternative method for estimating the jobs retained as a result of SFSF funds distributed to LEAs at the end of the state fiscal year 2009. The commonwealth also issued detailed guidance that included instructions for validating data and a checklist for ensuring the quality of data submitted to FederalReporting.gov. Individual agencies also took steps to ensure the integrity of data they collected from subrecipients. EOT compared data that contractors submitted with their certified payroll records, while the Massachusetts’s Department of Housing and Community Development used a consultant to oversee the data collection process.

State officials had some concerns about the reporting process. State officials raised concerns that reporting FTEs may understate the impact of federal stimulus spending on employment. MRRO officials noted that the way FTEs are calculated does not show the full number of workers involved with Recovery Act projects. For instance, according to the EOT Economic Stimulus Coordinator, the commonwealth reported 139 FTEs for transportation projects for the quarter ending September 30, 2009, but this number is made up of 1,362 individuals who worked on such projects. State officials also noted that some technical features of FederalReporting.gov made the process cumbersome, particularly data validation and error processing. MRRO officials told us that they compiled a list of these technical difficulties that they provided to the Recovery Accountability and Transparency Board. Despite these technical challenges, state officials noted that the statewide reporting process was largely successful. They credited several features of the federal reporting system, including the batch processing capability and the technical staff’s responsiveness.

Because the fiscal year 2009 Recovery Act SFSF grants were primarily recorded as general revenues for each school district, EOE officials were unable to distinguish funds used to retain specific employees. Instead, EOE asked school districts to provide a line-by-line accounting of their non-salary expenditures during that time period. They then divided the remainder by each school district’s average teacher salary to derive an estimated number of jobs retained.
### Nonstate Entities Successfully Submitted Reports, but Some Faced Challenges

Some prime recipients that did not submit reports through the commonwealth’s central reporting platform successfully submitted data directly to FederalReporting.gov, but other entities that reported directly to FederalReporting.gov faced challenges. The city of Boston used its human resource management system to generate data for its quarterly report. Despite minor difficulties locating federal reporting numbers, the city was able to compile data and submit its quarterly report without much difficulty. Similarly, the Boston Housing Authority, another agency that submitted reports directly to FederalReporting.gov, reported that they relied on HUD guidance and reporting templates to compile data from vendors working on 14 Recovery Act projects. However, other entities had difficulties submitting reports directly to FederalReporting.gov. Revere Housing Authority officials told us that they had difficulty locating guidance and thus did not report jobs created for an architectural firm providing design services for a Recovery Act window replacement project. In addition, the Springfield Police Department reported problems obtaining agency codes and other data required to complete their report, and the Springfield Office of Housing encountered technical challenges submitting their report through FederalReporting.gov.

### Recovery Act Funds Help Two Selected Localities’ Budgets

We visited the cities of Boston and Springfield (see table 3) to review their use of Recovery Act funds, as discussed below.¹⁸

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¹⁸City Recovery Act funds referred to in this section cover funds which are administered by city government and not the full scope of Recovery Act funds that benefit city residents such as unemployment insurance and Medicaid. This section features sources of Recovery Act funds which substitute for declines in city operating revenues. Other city-administered Recovery Act funds provide expanded services and include funds for community development, homelessness, and energy efficiency.
Table 3: Characteristics of Selected Local Governments

<table>
<thead>
<tr>
<th>Locality name</th>
<th>Population</th>
<th>Locality type</th>
<th>Unemployment rate</th>
<th>Fiscal year 2010 operating budget</th>
<th>FTE employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>609,023</td>
<td>City</td>
<td>9.2 %</td>
<td>$2.39 billion</td>
<td>16,500</td>
</tr>
<tr>
<td>Springfield</td>
<td>150,640</td>
<td>City</td>
<td>12.8%</td>
<td>529 million</td>
<td>5,125</td>
</tr>
</tbody>
</table>

Sources: U.S. Census Bureau, U.S. Department of Labor, and Boston and Springfield budget documents.

Notes: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

City of Boston

**Recovery Act funds have saved jobs in education and public safety.** According to Boston city officials, Recovery Act funds for city schools ($23.3 million in SFSF, $20.8 million in ESEA Title I, and $10.3 million in IDEA) will be used to retain 200 FTEs. In public safety, the competitive COPS Hiring Recovery Program (CHRP) grant ($11.8 million over 3 years) will fund 50 police officer positions, and the Edward Byrne Memorial Justice Assistance Grant (JAG) Program ($3.9 million for 1 year) will pay for 50 police officers.

**State aid reductions lead revenue losses in Boston.** Prior to producing a balanced budget for fiscal year 2010, city officials noted that reductions in state aid were responsible for a significant portion ($94.8 million reduction from the previous year’s levels) of the city’s $213 million budget gap during fiscal year 2010 budget development. Other revenue losses contributing to the difficult budget environment include city licenses and permits, excise taxes, and interest income ($21.8 million reduction). On the other hand, property tax receipts, the city’s largest source of funds, are expected to increase by $60.4 million during fiscal year 2010. According to city finance officials, in general, property taxes may increase by 2.5 percent per year as long as total receipts fall under a specified limit.

**Preparing for end of Recovery Act funds.** City finance officials said that although Recovery Act funds have been very helpful in closing the fiscal year 2010 budget gap, these funds comprised only about 1 percent of city revenues. To prepare for future fiscal years, city officials said they are containing spending growth through fiscal controls including layoffs, position elimination, and concessions from unions. In addition, for fiscal year 2010, the city plans to moderate its pension fund payment schedule and use reserve funds to supplement declining revenue. Potential cost...
Appendix IX: Massachusetts

pressures include personnel expenses such as wage increases related to collective bargaining agreements and rising employee health insurance costs. In addition, payments to support employee pensions are likely to continue to rise.

City of Springfield

**Recovery Act funds have saved jobs in education and public safety.** According to Springfield officials, Recovery Act funds ($14.9 million in SFSF, $8.6 million in ESEA Title I, and $4.4 million in IDEA funds) will be used to help retain 451 FTEs for city schools. In public safety, city officials reported they did not apply for a CHRP grant, since it provides funding for 3 years and Recovery Act funding would end just as new officers became proficient. In addition, CHRP grants require that recipients retain their funded officer positions for at least an additional 12 months using state or local funds and sustaining these jobs was viewed as unaffordable at the time the grant was offered. The city, however, later applied for an Edward Byrne Memorial Justice Assistance Grant (competitive) to hire 10 police officers. These positions were believed to be affordable, since training costs will be minimal (newly trained officers were available because a nearby city had paid to train them but could not afford to hire them), and will eventually replace officers who retire or leave the workforce.

**Recovery Act funds cushioned reductions in state aid.** State aid to Springfield (60 percent of the city’s revenue base) has been reduced over fiscal years 2009 and 2010, although officials acknowledged that reductions likely would have been more severe had the commonwealth not received Recovery Act funds aimed at state budget stabilization, such as increased Federal Medical Assistance Percentage funds and SFSF. Officials noted that Recovery Act funds helped to cushion state aid reductions but, nevertheless, comprise a small portion of total city revenues. Property tax collections (31 percent of city revenues) have not declined due to rate adjustments that offset lower property values and some growth in the city’s tax base.

**Preparing for end of Recovery Act funds.** Given constraints in obtaining additional revenue, city officials reported focusing on cost-cutting strategies to prepare for the absence of Recovery Act funds. Strategies include examining procurement costs, controlling hiring (e.g., carefully reviewing any new hires), and re-examining business practices (e.g., outsourcing transportation services). Potential spending pressures include pay increases in new collective bargaining agreements for teachers, increased funding for the city’s large special education population, and employee pension costs.
We provided a draft of this appendix to the Governor of Massachusetts, the Massachusetts State Auditor's Office, the Massachusetts Office of the Inspector General, the Chair of the Massachusetts House Committee on Federal Stimulus Oversight, and the Chair of the Massachusetts Senate Committee on Post Audit and Oversight, and provided excerpts of the draft to other entities including cities and housing agencies we visited. The Governor's Office, in general, agreed with our draft report. The Governor's Office and other officials provided clarifying and technical comments, which we incorporated as appropriate.

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Appendix X: Michigan

Overview

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

What We Did

We reviewed three program areas funded under the Recovery Act: Highway Infrastructure Investment, the Weatherization Assistance Program, and Education. We selected these program areas because they had a number of risk factors, including the receipt of significant amounts of Recovery Act funds or a substantial increase in funding from previous years’ levels. These programs also provided an opportunity for us to consider the design of internal controls over program activities. Our work focused on the status of the program areas’ funding, how funds are being used, safeguards and controls, and issues specific to each program. Our review of the Highway Infrastructure Investment program included a site visit to the largest Recovery Act-funded highway project in the state. As part of our review of the Weatherization Assistance Program, we visited two local agencies that had begun weatherization work—one in Jackson and another in Pontiac. Additionally, for Education, we surveyed a nationally representative sample of local educational agencies (LEA) to obtain information about their use of Recovery Act funds for three education programs. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP.

To gain an understanding of the state’s experience in meeting Recovery Act reporting requirements, we discussed the reporting process with officials at Michigan’s Economic Recovery Office (ERO), Michigan’s Department of Transportation (MDOT), the state’s Department of Human Services (DHS), two transportation vendors, and two local agencies that conduct weatherization work.

We also monitored the state’s fiscal situation and visited three Michigan localities to assess the economic challenges they faced and the Recovery Act’s impact on these communities. We met with state budget officials and visited the cities of Flint and Royal Oak, as well as Allegan County, where we met with city and county officials. We selected these communities because they represented rural, urban, and suburban areas with a variety of unemployment rates and population sizes.
Appendix X: Michigan

What We Found

- **Highway Infrastructure Investment Funds.** The U.S. Department of Transportation’s Federal Highway Administration (FHWA) apportioned $847 million in Recovery Act funds to Michigan. As of October 31, 2009, the federal government had obligated $707 million to Michigan—most of which was for highway pavement improvement projects—and reimbursed $142 million. Michigan has adapted its existing internal controls to oversee and monitor Recovery Act-funded projects. State officials told us contracts generally have been awarded for less than the original official estimates, and that excess funds are being used to fund additional projects.

- **Weatherization Assistance Program.** The U.S. Department of Energy (DOE) obligated $243.4 million to Michigan for weatherization activities under the Recovery Act but it has limited the state’s access to 50 percent of these funds. As of September 30, 2009, DHS had obligated $198.7 million to 32 local agencies with the goal of weatherizing approximately 33,000 units by March 31, 2012. DHS officials told us program expenditures and reimbursements to local agencies totaled $5.3 million through September 30, 2009. Michigan officials told us they use existing internal controls to oversee and monitor the weatherization program and have increased the number of monitors and other oversight staff to address the increased volume for this program. Officials from the two local agencies we visited told us they are also using existing safeguards and plan to increase the scope of their oversight activities for weatherization projects. DHS officials told us Michigan’s Recovery Act-funded weatherization work was delayed until the prevailing wage rates required under the Davis-Bacon Act1 were established by the U.S. Department of Labor for weatherization work. According to state officials, as of October 29, 2009, 9 of Michigan’s 32 local agencies had begun conducting weatherization work, and they estimated that 287 units had been weatherized as of October 31, 2009.

- **Education.** The U.S. Department of Education (Education) allocated $1.592 billion in State Fiscal Stabilization Fund (SFSF) monies to Michigan, of which $1.302 billion are education stabilization funds and $290 billion are government services funds. In addition, Michigan was allocated $390 million for Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA), as amended, and $414 million for Parts B and C of the Individuals with Disabilities Education Act.

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Appendix X: Michigan

Act (IDEA), as amended. An estimated 87 percent of Michigan’s 97 LEAs that responded to the survey reported that they planned to use more than half of their SFSF allocation to retain staff; however, an estimated 45 percent of Michigan LEAs told us they anticipated job losses even with the SFSF allocation.

- **Recipient reporting.** State officials told us that the state met the October 10, 2009, deadline for reporting information to the federal government on the use of Recovery Act funds and on jobs created and retained through September 30, 2009. State officials and vendors said they experienced some challenges in preparing and submitting Recovery Act reports but did not identify any significant problems. State officials told us they used a centralized reporting process wherein each state agency receiving Recovery Act funds is required to report quarterly to the ERO on a number of measures—including the use of funds and estimates of the number of jobs created and retained—and in turn the ERO submits this information to the federal government.

- **State and local government’s fiscal condition and use of Recovery Act funds.** Michigan continues to experience rising unemployment and declining tax revenues, and its fiscal year 2010 budget addresses projected shortfalls with a mix of spending cuts and Recovery Act funds. State officials expressed grave concern about the state’s long-term budget outlook, when the shortfalls are expected to continue and little or no Recovery Act funds will be available. According to local government officials, Recovery Act funds awarded through the Community Oriented Policing Services (COPS) Hiring Recovery Program and the Energy Efficiency Conservation Block Grant (EECBG) will be used to restore police officer positions and to increase the efficiency of city buildings. Local officials told us Recovery Act-funded programs are having minimal or no effect on local budgets. Local officials also told us they have experienced some challenges, such as identifying federal grant programs appropriate for their localities.
Appendix X: Michigan

Michigan Is Using Recovery Act Funds for Many Highway Projects

As we reported in September 2009, FHWA apportioned $847 million to Michigan in March 2009 for highway infrastructure and other eligible projects. As of October 31, 2009, Michigan had obligated $707 million—83 percent of the funds—and $142 million had been reimbursed by the federal government.¹

The Majority of Funds Obligated in Michigan Are for Highway Pavement Projects

As of October 31, 2009, about $430 million of the $707 million of Recovery Act highway funds obligated—61 percent—were used for pavement improvement projects such as resurfacing and rehabilitating roads. As we reported in September 2009, MDOT selected mostly pavement projects because the primary focus of Michigan's capital improvement plan for highways has been maintaining existing roads and bridges, and improving pavement conditions. An additional 19 percent of Michigan's obligated Recovery Act highway funds were for pavement widening, including the largest Recovery Act-funded project in the state.

As of October 31, 2009, Michigan had awarded 222 contracts for highway projects, work had begun on 172 contracts, and 15 contracts had been completed. MDOT officials told us contracts for Recovery Act projects have been awarded for less than the amounts officially estimated when the funds were obligated, due in part to increased competition among contractors. The officials said that they qualified about 130 new contractors for MDOT work from January to October 2009—and attributed this increased interest to decreased work in the private sector. MDOT officials also told us that as of October 19, 2009, they had identified an estimated $106 million of excess funds from the lower bids. They said they requested that FHWA deobligate these funds in order to fund additional projects and, as of October 19, 2009, FHWA had obligated funds for 19 additional highway projects totaling $33 million.

²For the Highway Infrastructure Investment Program, the U.S. Department of Transportation has interpreted the term obligation of funds to mean the federal government's commitment to pay for the federal share of the project. This commitment occurs at the time the federal government signs a project agreement.

³States request reimbursement from FHWA on an ongoing basis as the state makes payments to contractors working on approved projects.
Appendix X: Michigan

Michigan Uses Its Existing Contracting Procedures and Internal Controls to Award and Oversee Recovery Act Contracts

MDOT is using its existing procedures and internal controls to award and oversee highway contracts using Recovery Act funds. We reviewed two contracts for locally administered pavement improvement projects. According to MDOT officials, these two contracts were awarded competitively to prequalified contractors using its existing contracting procedures that, among other things, require contractors to be prequalified by MDOT before bidding on any contracts. MDOT also checks to determine that the contractors have not been suspended or debarred.\(^4\)

Consistent with internal controls in place prior to receiving Recovery Act funds, MDOT assigned contract oversight personnel to these projects. In addition, MDOT officials told us they adapted their existing procedures to monitor these contracts once the projects had begun.

The first contract we reviewed—a fixed-price $55.7 million pavement-widening project on M-59 in an economically distressed area near Detroit—is the largest Recovery Act-funded highway project in Michigan. MDOT awarded this contract in July 2009 and officials told us the work began in August 2009 and is scheduled to be completed by September 2012. An MDOT official told us that, as of November 3, 2009, this project was about 20 percent complete and most of the work will be completed by December 2010. Figure 1 shows the work that was underway on M-59 at the time of our visit. The second contract we reviewed was a fixed-price $621,392 pavement improvement project on I-94 in an economically distressed area outside Ann Arbor. MDOT awarded this contract in August 2009 and, according to the officials, it was completed November 2, 2009.

\(^4\)According to state officials, MDOT can debar a contractor if (1) the contractor has been debarred by the federal government and is on the debarment list posted on a federal Web site maintained by the General Services Administration (https://www.epls.gov) that lists contractors excluded from receiving federal contracts and certain subcontracts, or (2) the contractor has serious performance issues, such as felony convictions, work performance and safety issues, or contract violations.
Figure 1: Recovery Act-Funded Pavement-Widening Project on M-59 near Detroit

Source: GAO.

MDOT officials told us their oversight procedures for monitoring these projects include steps for monitoring contractor performance, safety, and quality. Further, MDOT monitors the projects over time for adherence to the contract schedule and the original contract budget. Additionally, officials told us they hold biweekly meetings with contractors to discuss construction progress and all issues involving quality.

Weatherization Work Has Begun, but Few Projects Have Been Completed

The Recovery Act appropriated $5 billion for the Weatherization Assistance Program, which DOE is distributing to each of the states, the District of Columbia, and seven territories and Indian tribes, to be spent over a 3-year period. This program enables low income families to reduce their utility bills by making long-term energy efficiency improvements to their homes by, for example, installing insulation or modernizing heating or air conditioning equipment.

DOE obligated $243.4 million in Recovery Act funds to Michigan for its Weatherization Assistance Program, but it has limited the state’s access to
Appendix X: Michigan

50 percent of these funds until 30 percent of the housing units in the state’s plan have been weatherized, at which time it plans to make the remaining funds available. As of September 30, 2009, DHS, the state agency responsible for administering the state’s Weatherization Assistance Program, had obligated $198.7 million to its network of 32 local agencies. The majority of agencies (27) use contractors to perform the work, while a handful use their own staff or a combination of their staff and contractor personnel. DHS officials told us that, as of October 29, 2009, 9 of its 32 agencies had begun conducting weatherization work. DHS officials told us program expenditures and reimbursements to local agencies totaled $5.3 million through September 30, 2009. DHS estimated that its local agencies had weatherized 287 units as of October 31, 2009.

Michigan’s Weatherization Work Was Delayed Until Prevailing Wage Rates Were Established Under the Davis-Bacon Act

DHS officials told us Michigan’s Recovery Act-funded weatherization work was delayed due to a requirement to establish prevailing wage rates for this work under the Davis-Bacon Act. In prior years, the Weatherization Assistance Program funded through annual appropriations was not subject to the requirements of the Davis-Bacon Act, but the Recovery Act required it to be applied to all programs. State and local officials stated that local agencies did not solicit contractors for weatherization work under the Recovery Act until they received these wage rates, which were established by the U.S. Department of Labor on August 14, 2009.

Officials at DHS and the two local agencies we visited told us preparatory actions taken by Michigan’s agencies positioned them to quickly begin weatherization work once the wage rates were established. These actions included determining the eligibility of applicants, conducting pre-inspections of homes, and hiring new staff. DHS officials also told us that, despite the delayed start of the weatherization work, they expect to meet their statewide goal of weatherizing 33,410 units by March 31, 2012.

5Other actions included conducting energy audits, purchasing materials and equipment, establishing new accounts for Recovery Act funds, and providing training to inspectors and other staff.
Concerns about Compliance with the National Historic Preservation Act Have Been Resolved

In August 2009, DOE notified DHS officials that a review under the National Historic Preservation Act\(^6\) was required of properties that would be weatherized under the Recovery Act-funded Weatherization Assistance Program. DHS officials initially told us that an estimated 90 percent of the homes to be weatherized would need such a review, which could cause a significant delay in the state’s weatherization work.

DHS and the State Historic Preservation Office executed an interagency agreement on November 18, 2009, that details the process for conducting these reviews, including the conditions under which such reviews are required and, to the extent permissible under applicable laws and regulations, allowing the process to be expedited. With this agreement in place, state officials said they are confident that the historic preservation requirements can be met without causing further delays.

Some Weatherization Work Has Been Completed

We visited two agencies and four homes where weatherization work was either in progress or had been completed. At one agency, 17 units had been weatherized and work at 67 units was in progress. At the other agency, work was in progress on 35 units, and no units had been completed. Table 1 summarizes the weatherization work at the two agencies we visited.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Community Action Agency of Jackson, Lenawee, Hillsdale</th>
<th>Oakland Livingston Human Services Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovery Act allocation</td>
<td>$5,767,356</td>
<td>$11,688,604</td>
</tr>
<tr>
<td>Amount received</td>
<td>$1,041,318(^a)</td>
<td>$1,267,813(^b)</td>
</tr>
<tr>
<td>Units to be weatherized</td>
<td>824</td>
<td>1,681</td>
</tr>
<tr>
<td>Approved applications</td>
<td>472(^c)</td>
<td>632(^c)</td>
</tr>
<tr>
<td>Units completed</td>
<td>17(^d)</td>
<td>0(^d)</td>
</tr>
</tbody>
</table>

Source: DHS; Community Action Agency of Jackson, Lenawee, Hillsdale; and Oakland Livingston Human Services Agency.

\(^a\)As of October 15, 2009.
\(^b\)As of September 30, 2009.
\(^c\)As of October 21, 2009.

Figures 2 and 3 show weatherization work in progress at the Community Action Agency of Jackson, Lenawee, and Hillsdale and at the Oakland Livingston Human Services Agency, respectively.

Figure 2: Contractors Installing Side Wall Insulation in Jackson, Michigan Under the Recovery Act-Funded Weatherization Assistance Program

Source: GAO.
DHS and Local Agencies Are Implementing Monitoring Procedures for Oversight of Recovery Act Funds

DHS officials told us they have monitored local weatherization agencies’ use of Weatherization Assistance Program funds since 2005, including reviewing their fiscal procedures and internal controls. In addition, an independent public accountant conducts an annual financial audit of each agency.

To assist in monitoring the use of Recovery Act funds, DHS officials told us they planned to add 22 additional staff. In October 2009, they said they...
had hired 15 staff, including 11 weatherization technical monitors, 2 fiscal monitors, and 2 weatherization technical supervisors. They also said they planned to hire a reports analyst, a contract administrator, a program monitor, an additional fiscal monitor, a Davis-Bacon Act analyst, and two historical preservation review analysts. The technical staff will monitor 5 to 10 percent of all weatherization projects. In addition, the DHS Office of Inspector General hired two staff to conduct weatherization audits.

DHS officials told us they had developed a monitoring plan for the 32 local agencies, which includes desk reviews by state agency staff to cover such things as the contractor selection process, compliance with Davis-Bacon Act requirements, and Recovery Act reporting. The plan also includes visits to work sites by DHS weatherization technical monitors. Agency officials at the two locations we visited told us their internal controls include using separate accounting codes to track Recovery Act funds and contracting for annual independent external audits. In addition, officials at one agency told us that they recently hired a business operations coordinator and contracted with a Davis-Bacon Act compliance specialist. Officials from both agencies described measures they plan to use to ensure that quality goods and services are provided with Recovery Act funds, including conducting pre- and post-inspections of projects, customer surveys, contractor evaluations, and requiring satisfactory post-inspections to be completed prior to paying contractor invoices.

Local Agencies Are Using Existing Procedures to Select and Monitor Recovery Act Contractors

Officials at the two agencies we visited told us they had pre-established procedures for selecting and monitoring contractors. According to these officials, the criteria used to select contractors included consideration of prior weatherization experience. We reviewed two weatherization contracts at each of the two agencies. In each case, agency officials told us they used their existing contracting procedures but added specific language to the contracts related to Recovery Act and Davis-Bacon Act requirements. Officials also told us that the contracts were awarded competitively and included detailed price schedules covering labor and material for each weatherization task, such as installing insulation and weather-stripping.

Most LEAs Plan to Use Recovery Act Funds to Retain Jobs

Education allocated $1.592 billion in SFSF funds to Michigan—of which $1.302 billion was education stabilization funds and $290 million was government services funds. In addition, Education allocated $390 million for ESEA Title I, as amended; and $414 million for IDEA, as amended. As
previously reported, Michigan Department of Education officials told us that:

- LEAs plan to use most of the SFSF funds allocated thus far for teacher salaries;
- State officials have encouraged LEAs to use their ESEA Title I Recovery Act funds for programs such as professional development for teachers and professional staff and for supplemental reading programs;
- LEAs intend to use the IDEA Part B grants to, among other things, retain special education teachers, acquire new technologies, enhance professional development for teachers, and provide additional bus transportation services to students with disabilities; and
- LEAs intend to use the IDEA Part C grants for early intervention services.

Table 2 shows the amounts of Recovery Act funding for these three education programs available to Michigan as of November 6, 2009.

<table>
<thead>
<tr>
<th></th>
<th>Total grants awarded</th>
<th>Grants drawn down</th>
<th>Percentage of grant funds drawn down</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFSF</td>
<td>$872.6 million</td>
<td>$615.8 million</td>
<td>71</td>
</tr>
<tr>
<td>ESEA Title I</td>
<td>$389.9 million</td>
<td>$4.7 million</td>
<td>1</td>
</tr>
<tr>
<td>IDEA*</td>
<td>$414.0 million</td>
<td>$9.6 million</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Education.

*Includes both Part B and Part C funds.

We surveyed a representative sample of LEAs—generally school districts—nationally and in Michigan about their planned uses of Recovery Act funds. Of the 134 LEAs surveyed in Michigan, 97 responded.
Table 3: Selected Results from GAO Survey of LEAs

<table>
<thead>
<tr>
<th>Responses from GAO survey</th>
<th>Estimated percentages of LEAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to use more than 50 percent of Recovery Act funds to retain staff</td>
<td>Michigan</td>
</tr>
<tr>
<td>IDEA funds</td>
<td>37</td>
</tr>
<tr>
<td>ESEA Title I funds</td>
<td>23</td>
</tr>
<tr>
<td>SFSF funds</td>
<td>87</td>
</tr>
<tr>
<td>Anticipate job losses in school year 2009-2010, even with SFSF funds</td>
<td>45</td>
</tr>
<tr>
<td>Reported total funding decrease of 5 percent or more since school year 2008-2009</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: GAO survey of LEAs.

Note: Percentage estimates for Michigan have margins of error, at the 95 percent confidence level, of plus or minus 11 percentage points or less. The nationwide percentage estimates have a margin of error of plus or minus 5 percentage points.

State and Local Governments Experienced Some Challenges, but Were Able to Meet the Recovery Act Reporting Requirements

The Recovery Act requires each recipient of Recovery Act funds to report information quarterly to the federal government on each award, including: (1) the total amount of Recovery Act funds received, (2) the amount of funds expended or obligated, and (3) the estimated number of jobs created and retained. The first reporting deadline was October 10, 2009 for all activity through September 30, 2009, with quarterly reports due 10 days after the end of each subsequent quarter.

According to state officials, all state agencies that are required to report on Recovery Act funds used a centralized reporting process to submit reports to the ERO, which then submitted this information to the federal government. ERO officials told us a key internal control procedure was the requirement that state agency officials review the information in agency reports and attest to its accuracy and completeness. In addition, the ERO reviewed the reported information for reasonableness and, as necessary, coordinated with state agency officials on any issues identified during these reviews, such as incomplete data. ERO officials said Michigan met the October 10, 2009, deadline, and that they plan to use the same centralized reporting process for the reports due in January 2010.

\(^{8}\)Recovery Act, div. A, title XV, § 1512(c).
We discussed the reporting process with officials at two state agencies—MDOT and DHS—as well as staff at two MDOT vendors and officials at two local agencies that conduct weatherization work. They described some challenges in obtaining the necessary information and in preparing and submitting Recovery Act information to the state, but they did not identify significant problems. For example, one vendor told us that because the end of September fell in the middle of a pay period, complete payroll information through September 30, 2009, was not provided to the state agency by the deadline on October 2, 2009. We discussed this issue with an MDOT official who told us they instructed vendors whose last pay period extended into October to submit the last pay period information in their next report. Therefore, the full information for the split pay period would be included in the January 2010 report covering payrolls for the period from October 1, 2009, to December 31, 2009.

Non-state entities such as local governments, universities, and community colleges that received Recovery Act funds directly from federal agencies submitted their reports to the federal government rather than through the state’s centralized system. Non-state entities that received Recovery Act funds through a state agency submitted their reports to the cognizant state agency. For example, localities receiving transportation funds submitted reports to MDOT, and localities receiving Recovery Act funds directly from federal agencies reported to FederalReporting.gov. Officials at local governments we visited told us they did not encounter any significant problems in meeting the reporting deadline of October 10, 2009.

ERO officials told us between 1,000 and 1,100 non-state entities in Michigan received Recovery Act funds directly from the federal government. They said the state does not have responsibility for oversight of these Recovery Act funds, and is not notified when these entities submit reports. The ERO officials also said that, although there is a public perception that the state is ultimately responsible for tracking all Recovery Act funds provided to Michigan, the state does not have access to the reports that non-state entities submit prior to their release to the general public. Therefore, although Michigan accesses available information and monitors this funding, they cannot track the funds in the same way they can track federal funds provided directly to the state.

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9MDOT officials also told us vendors could choose to split the information for the last pay period of the year ended September 30, 2009, and report payroll information for September 2009 in their reports for that year and include payroll information for October 2009 in the report for the next quarter.
The state enacted its fiscal year 2010 budget on October 30, 2009, and addressed its projected $2.7 billion deficit through both spending cuts and the use of Recovery Act funds to free up other state revenues. Since our July report, Michigan has continued to experience rising unemployment and declining tax revenues. In September 2009, Michigan's unemployment rate was 15.3 percent, compared to 8.9 percent a year ago. State officials reported that, in recent months, the state’s tax revenues have continued to fall short of previously reduced projections.

According to state officials, in comparison to the fiscal year 2009 budget, the state’s spending cuts for fiscal year 2010 include an 8 percent cut in provider reimbursement rates for Medicaid services, 10 percent cuts to state agencies’ budgets, an 11 percent cut in state revenue sharing funds provided to local governments, and an estimated $292-per-pupil funding cut from the State School Aid Fund. State officials projected that these cuts, as well as the $1.423 billion in Recovery Act funding, should allow the state to complete fiscal year 2010 with a balanced budget. However, they expressed serious concerns about the state’s long term budget outlook, when little or no Recovery Act funds will be available. Michigan is projecting a $1.1 billion shortfall in fiscal year 2011—even after including over $200 million in Recovery Act funds—and a projected shortfall of over $1.5 billion in fiscal year 2012.

Michigan’s local governments are also facing the pressure of balancing budgets with declining revenues, and have voiced concerns to the federal government that the Recovery Act does not directly alleviate local fiscal pressures. We visited three localities to better understand these pressures and the Recovery Act’s impact in these communities. Table 4 provides recent population and unemployment data for these localities.
Appendix X: Michigan

Table 4: Population and Unemployment Data for Local Governments Visited

<table>
<thead>
<tr>
<th>Locality</th>
<th>Population</th>
<th>Type</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flint</td>
<td>112,900</td>
<td>City</td>
<td>26.3%</td>
</tr>
<tr>
<td>Royal Oak</td>
<td>57,110</td>
<td>City</td>
<td>9.9%</td>
</tr>
<tr>
<td>Allegan County</td>
<td>112,975</td>
<td>County</td>
<td>13.2%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau and U.S. Department of Labor.

Note: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

City of Flint

City officials told us Flint was awarded $4.5 million in Recovery Act-funded grants; however, as of October 15, 2009, none of these funds had been received. For example, Flint applied for funds through the COPS Hiring Recovery Program to restore 40 of the 100 police officers it had laid off, and was awarded funding to restore 8 positions. While these additional officers may help increase Flint’s public safety, officials told us the city will incur additional costs because the grant requires the city to retain the positions for at least 12 months beyond the grant-funded period using state and/or local funds. Also, because the grant provides salaries at the entry level, the city must make up the difference between the amount of the grant and the amount the city pays rehired officers. City officials told us the Recovery Act has not significantly impacted Flint’s budget. They said they are experiencing continuing declines in collected tax revenues, and estimated that state revenue sharing funds—the city’s largest single source of revenue—will decrease by $2.7 million in fiscal year 2010.  

City of Royal Oak

City officials told us Royal Oak was awarded over $1.4 million in Recovery Act funds and, although none of these Recovery Act grants will provide direct assistance in stabilizing the city’s budget, they plan to use some of these funds on projects that will achieve long-term cost savings. For example, funds from EECBG will be used to improve the efficiency of city buildings and reduce the city’s energy expenses. City officials also said they had some difficulty obtaining information about competitive grants and determining whether grants were appropriate for the needs of the city.

12 Additionally, Flint is in the first year of a state-approved plan to eliminate a $10 million deficit. Under this plan, the city must adopt budgets that provide sufficient revenue to eliminate this deficit within 5 years.
Appendix X: Michigan

due to the length and complexity of the grant applications. However, they said administering and reporting on Recovery Act grants did not present significant challenges for Royal Oak. City officials told us that, overall, the Recovery Act is not expected to have a significant impact on Royal Oak’s budget. The officials expressed concerns about declining property tax revenues and cuts to state revenue sharing but said they believed the city is fiscally well-positioned due, in part, to its elimination of about 25 percent of city employees over the last 5 years through attrition and retirement.

Allegan County

Although county officials stated that the county has not directly received any Recovery Act funds, its Transportation Department was allocated a $1.6 million Recovery Act grant through MDOT to construct a new facility and the County Road Commission was allocated over $1.4 million of Recovery Act funds through MDOT to resurface county roads. The officials also told us the requirements and goals of many Recovery Act programs do not fit the needs of a rural county such as Allegan. For example, applicants for a grant from the U.S. Department of Transportation’s Transit Investments for Greenhouse Gas and Energy Reduction program must apply for at least $2 million, an amount that will make it difficult for Allegan County to put together a competitive application. In addition, they told us they were disappointed they have not received Recovery Act assistance to meet what they have identified as the county’s most critical needs, including law enforcement and improved court facilities. The officials also told us they expect the Recovery Act to improve some county facilities and roads but not to significantly affect the county’s budget in the long term. They said that, due to zero growth in property tax revenues and a decrease in revenues from sources such as court fees, property transaction fees, and state revenue sharing funds, the county is projecting a $2 million budget shortfall for fiscal year 2010.

State Comments on This Summary

We provided the Governor of Michigan with a draft of this appendix on November 18, 2009, and staff in the Governor’s office and the ERO reviewed the draft and responded on November 19, 2009. We also provided relevant excerpts to officials from the localities we visited. Officials agreed with our draft and provided clarifying or technical suggestions that were incorporated, as appropriate.
Appendix X: Michigan

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**Staff**

In addition to the contacts named above, Robert Owens, Assistant Director; Ranya Elias, analyst-in-charge; Manuel Buentello; Kevin Finnerty; Patrick Frey; Henry Malone; Giao N. Nguyen; and Amy Sweet made major contributions to this report.
Appendix XI: Mississippi

Overview

This appendix summarizes GAO's work on the fourth of its bimonthly reviews of American Recovery and Reinvestment Act of 2009 (Recovery Act) spending in Mississippi.¹ The full report covering all of GAO's work in 16 states and the District of Columbia may be found at http://www.gao.gov/recovery.

What We Did

We reviewed two programs funded under the Recovery Act—the Highway Infrastructure Investment Program and Public Housing. We selected these programs to follow up on projects we reported on in our earlier reports. Our work focused on the status of program funding, the programs’ use of funds, and other issues. As part of our review of public housing, we revisited two housing agencies, one in Picayune and another in Gulfport. For descriptions and requirements of the programs covered in our review, see appendix XVIII of GAO-10-232SP.

To gain an understanding of the state’s experience in meeting Recovery Act reporting requirements, we examined documents prepared by, and held discussions with, the Mississippi Department of Transportation (MDOT). As a prime recipient² of Recovery Act funds, MDOT is required to report quarterly on a number of measures, including the use of funds and estimates of the number of jobs created and retained. The first quarterly reports were due in October 2009. We focused our work on MDOT’s methodology for collecting data, particularly job creation and retention data, and on MDOT’s experience in preparing the October report.

Our work in Mississippi also included meeting with officials of three Mississippi cities to determine the amount of Recovery Act funds each has received, or will receive, directly from federal agencies and to learn how those funds are being used. We chose to visit the cities of Jackson, Meridian, and Vicksburg. We selected Jackson because its unemployment rate was below the state’s average, and it is one of the larger cities in Mississippi. We selected Meridian and Vicksburg because both are smaller cities with unemployment rates higher than the state’s average.


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

- **Highway Infrastructure Investment.** As of October 31, 2009, the U.S. Department of Transportation’s (DOT) Federal Highway Administration (FHWA) has obligated $301 million and reimbursed to Mississippi $69 million of the $355 million of Recovery Act funds apportioned to the state. The state is using most of the obligated funds for interstate and state road projects that MDOT plans and administers and secondary road and bridge projects that the Mississippi Office of State-Aid Road Construction oversees. In commenting on MDOT’s selection of state-wide Recovery Act projects, MDOT’s Executive Director said that the Recovery Act’s requirement that priority be given to projects projected for completion within 3 years limited Mississippi’s ability to fund projects that would have produced lasting economic impacts. Finally, we found that FHWA has obligated little of the estimated $45 million that MDOT has set aside for projects planned by local public agencies (counties and cities), largely because these entities have been slow to plan Recovery Act projects. However, the State Local Public Agency (LPA) Engineer believes that the counties and cities will have these projects ready for obligation before March 2, 2010, the date on which unobligated program funds are subject to withdrawal and redistribution in accordance with the Recovery Act.

- **Public Housing Capital Fund.** Mississippi has 52 public housing agencies that have received about $32.4 million from the Public Housing Capital fund. The Picayune Housing Authority used Recovery Act funding for two projects, one completed in August 2009 that renovated 22 units and another that began September 24, 2009, which will renovate 92 units. The Mississippi Regional Housing Authority-VIII (MRHA-8) in Gulfport planned to use funds for 5 projects. MRHA-8 has one project under way, has awarded contracts for two others, and expects to award a contract for a fourth project in December. The housing agency dropped one of its five planned projects when it found that a lengthy environmental assessment was required before the project could move forward. In addition, bids for other projects are coming in at less cost than estimated. MRHA-8 is planning to undertake additional projects with remaining Recovery Act funds.

- **Recipient reporting.** MDOT uses FHWA’s Recovery Act Data System (RADS) to collect data required for its quarterly report. This includes information such as project descriptions, project completion status, and project cost. MDOT also requires suballocants, subrecipients, and vendors to submit monthly payroll reports, which RADS uses to compute the number of jobs created and retained. However, we found that some work carried out in support of Recovery Act projects is not reported. Additionally, MDOT, its suballocants, and its vendors are not
taking steps to verify the accuracy of payroll reports that are the basis
for RADS’ computation of jobs created and retained.

- **Cities’ use of Recovery Act funds.** Jackson, Meridian, and
Vicksburg have all received or will be receiving Recovery Act funds
directly from one or more federal agencies. Jackson has received or
will be receiving a total of $6.83 million; Meridian, $1.02 million; and
Vicksburg, $773,000. The cities’ plans for the funds include
constructing and repairing facilities, purchasing police vehicles,
acquiring other public safety equipment, and providing training that
will enable low-income, older individuals to re-enter the workforce.

### Mississippi Focuses on the Obligation of Local Recovery Act Highway Projects

Two Mississippi agencies—MDOT and the Office of State Aid Road
Construction (OSARC)—administer Recovery Act funding for
transportation projects. MDOT is responsible for operating and
maintaining Mississippi’s interstate and state road projects, as well as
overseeing all road construction projects that fall under the jurisdiction of
any of the state’s local public agencies (LPA). OSARC assists Mississippi’s
82 counties in the construction and maintenance of bridges and secondary,
nonstate roads. As explained by state officials, these agencies differ in that
the Governor appoints the State Aid Engineer, while an elected
commission, independent of the Governor, controls MDOT. In addition,
because the U.S. Department of Transportation recognizes only one state
agency, all federal funds flow through MDOT.

### MDOT and OSARC Continue to Award Contracts for Less Than Estimated

FHWA apportioned $355 million in Recovery Act funds to Mississippi in
March 2009 for highway infrastructure and other eligible projects. Table 1
shows the dollar amounts both MDOT and OSARC are responsible for
administering, as well as the amount FHWA had obligated as of October
31, 2009, for projects for which each agency is responsible. The total
number of MDOT and OSARC projects with contracts awarded,
completed, or underway is also included.

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3LPAs are local government entities, usually a city or county government, eligible to
participate in the federal transportation program.
Both MDOT and OSARC continue to award Recovery Act contracts for less than the state cost estimates. Through October 31, FHWA informed us that MDOT and OSARC have awarded contracts for a total average of 11.4 percent and 10.9 percent less than estimated, respectively. Additionally, OSARC has been able to fund three extra projects using $1.6 million in excess funding.

According to MDOT's Budget Director, MDOT and OSARC committed to expend a combined total of $331.1 million in state funding for the period February 17, 2009, through September 30, 2010. As of October 31, FHWA-Mississippi Division officials stated that the two agencies have together expended $264.2 million, which is nearly 80 percent of their total commitment.

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Local Public Agencies Are Slow in Planning Recovery Act Projects

About $45 million of the $342.1 million in Recovery Act funds that MDOT administers is set aside for approximately 85 LPA city projects. Although the Recovery Act requires that these funds be obligated within 1 year of apportionment or be subject to withdrawal and redistribution, MDOT originally chose to implement an internal deadline of September 3, 2009. MDOT established this deadline to encourage the LPAs to take action in advance of the final March 2, 2010, deadline, thereby reducing the risk that the state will lose Recovery Act funding. However, on September 9, only one LPA city project for $2.7 million had been obligated. As a result, the LPA engineer informed us that MDOT extended its deadline to November
Appendix XI: Mississippi

2, 2009; at which time, each LPA must submit its Recovery Act projects’ Plans, Specifications, and Estimate Assembly (PS&E). If each LPA meets this deadline, MDOT will be able to send the paperwork to FHWA for approval no later than November 16, 2009.

On November 2, the six district offices had received PS&E assemblies for approximately 74 percent of the LPA city Recovery Act projects. The LPA engineer reiterated that all of the funding for the state’s LPA projects will be obligated by March 1, 2010. He explained that if an LPA has not forwarded its PS&E documentation by December 16, MDOT officials will proactively assist as needed to correct errors and prepare plans so that the documentation can be approved, the funds obligated, and the projects advertised.

Requirements May Have Limited Opportunities for Long-Term Infrastructure Improvements and Economic Development

The Recovery Act placed funding priority on transportation projects that states could begin quickly and complete within 3 years of the act’s enactment. When MDOT and OSARC chose projects to fund using Recovery Act dollars, both emphasized projects that were “ready-to-go,” which ensured an expedited obligation process and the likelihood that each project would be completed within 3 years. While the Executive Director of MDOT and the State Aid Engineer stated that they are seeing immediate positive impacts from Recovery Act-funded projects, both officials believe that placing priority on “ready-to-go” projects may have limited opportunities for long-term infrastructure improvements and economic development.

The MDOT Executive Director explained that the majority of MDOT’s Recovery Act projects were pavement improvements, including resurfacing and rehabilitation. Although he acknowledged that such projects improve infrastructure and increase safety, the Executive Director identified a few projects that he felt would have likely had a more lasting impact on Mississippi’s infrastructure and economic development. For example, the Executive Director would have finished upgrading the remaining portions of U.S. 78 to interstate standards. While this project

\[4\] Submittal and authorization of the PS&E Assembly is the final stage of project development. The PS&E Assembly included the plans, proposals, bid sheets, specifications, and the LPA’s professional construction estimate.

\[5\] MDOT officials describe projects as “ready-to-go” if the department has acquired right-of-way, received all environmental clearances, and developed the project plan.
Appendix XI: Mississippi

was not “ready-to-go” and required an additional $80 million in funding, the upgrades would have enabled U.S. 78, which connects Memphis to Birmingham through northern Mississippi, to become Interstate 22. An interstate road, according to the Executive Director, would not only have better serviced a new Toyota plant being built in Tupelo, but it also may have attracted new business to the state.

The State Aid Engineer reiterated what we were told by MDOT’s Executive Director. Although he also recognized the need for each Recovery Act project and gave examples of those having an impact on the state, such as an industrial park access road, the State Aid Engineer named additional projects that he believed may have had a greater impact on the state’s infrastructure. For instance, the State Aid Engineer mentioned a $10 million bridge reconstruction project connecting the cities of Gulfport and Biloxi. If this project had received Recovery Act dollars, the bridge would have served as a major hurricane evacuation route.

Public Housing Improvements Are Under Way

HUD has provided Mississippi’s 52 public housing agencies with about $32.4 million in Recovery Act funds distributed as Public Housing Capital Grant awards. As of October 24, 2009, these 52 public housing agencies had awarded contracts for about $12.9 million and expended approximately $3.3 million.

Visited Housing Authorities Have Awarded Contracts for Most Projects

We revisited two of Mississippi’s public housing authorities that we reported on in July 2009—the Housing Authority of Picayune, Mississippi, and Mississippi Regional Housing Authority No. VIII (MRHA-8), located in Gulfport, Mississippi. The Recovery Act projects initiated by each of these housing authorities and the status of the projects are shown in tables 2 and 3.
### Table 2: Picayune Housing Authority’s Recovery Act Projects

<table>
<thead>
<tr>
<th>Location of units to be renovated</th>
<th>Was the project part of the authority’s 5-year plan?</th>
<th>Contract award date</th>
<th>Estimated contract completion date</th>
<th>Estimated cost of renovations</th>
<th>Number of housing units to be renovated</th>
<th>Renovations</th>
</tr>
</thead>
<tbody>
<tr>
<td>George Weems and Mae L. Williams Developments</td>
<td>Yes</td>
<td>March 10, 2009 (change order to ongoing contract)</td>
<td>August 18, 2009 (actual completion date of project)</td>
<td>$433,763 (actual cost for completed project)</td>
<td>22</td>
<td>Kitchens, bathrooms, plumbing, entrance doors, flooring, painting, and water heaters</td>
</tr>
<tr>
<td>Pines Public Housing Development</td>
<td>Yes</td>
<td>September 24, 2009</td>
<td>March 23, 2010</td>
<td>$280,000 ($263,867 funded by Recovery Act funds)</td>
<td>92</td>
<td>Heating, ventilation, air conditioning</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Picayune Housing Authority data.

### Table 3: MRHA-8 Implemented and Planned Recovery Act Projects

<table>
<thead>
<tr>
<th>Development to be Renovated</th>
<th>In 5-year plan?</th>
<th>Contract award date</th>
<th>Estimated contract completion date</th>
<th>Estimated cost of renovations</th>
<th>Number of housing units or buildings to be renovated</th>
<th>Renovations</th>
</tr>
</thead>
<tbody>
<tr>
<td>H.C. Patterson</td>
<td>No</td>
<td>June 16, 2009</td>
<td>February 22, 2009</td>
<td>$228,600</td>
<td>1 building</td>
<td>Renovations</td>
</tr>
<tr>
<td>Dan Stepney*</td>
<td>Yes</td>
<td>October 26, 2009</td>
<td>February 23, 2010</td>
<td>$287,785</td>
<td>35 buildings</td>
<td>Reroof</td>
</tr>
<tr>
<td>Pecan Circle*</td>
<td>Yes</td>
<td>October, 2009</td>
<td>April 2010</td>
<td>$305,000</td>
<td>38 buildings</td>
<td>Reroof and upgrade siding</td>
</tr>
<tr>
<td>Dan Stepney</td>
<td>Yes</td>
<td>Expected in December 2009</td>
<td>Expected December 2010</td>
<td>Estimated to be $1.2 to $1.5 million</td>
<td>35 buildings</td>
<td>Interior</td>
</tr>
</tbody>
</table>

Source: GAO analysis of MRHA-8 data.

*The contracts for exterior renovations at the Dan Stepney and Pecan Circle developments were scheduled to begin in August, but were delayed due to a required environmental review.

As of October 24, 2009, MRHA-8 had awarded contracts for $1,048,737 of the $3,783,351 received from HUD under the Recovery Act. This housing authority has not awarded contracts for as much of its funding as originally planned because contract bids received have been substantially less than the estimated project costs. In addition, MRHA-8 was unable to initiate a fifth project because the project was in a flood plain and would have required a lengthy 8-step environmental assessment. However, MRHA-8 officials indicated that more of the funds will be used when contracts are awarded for interior renovation of units at the Dan Stepney and Pecan Circle complexes, which are expected to cost about $1.2 million.
Officials also said the roofing projects may experience cost growth because there is uncertainty about the condition of the roofs that are to be repaired. Finally, officials told us that they may reconstruct MRHA-8 office space at the Pecan Circle complex to fully use all of the grant funds.

| HUD awarded $8.5 million in competitive grants to housing agencies in Mississippi. However, neither the Picayune Housing Agency nor MRHA-8 will receive any of these funds. Picayune officials did not apply for these grants because they did not believe they had sufficient time to get the professional help needed to complete the application. MRHA-8 officials told us that they applied for a competitive grant but were not successful. |
| Picayune and MRHA-8 Will Not Receive Competitive Grants |

Officials for both housing agencies told us that they were unsure how to calculate the number of new and retained employees that resulted from Recovery Act projects. Instead, the officials said that they relied on contractors to provide the numbers that their staff entered into the Recovery Act reporting system, FederalReporting.gov. The housing authorities did not provide any guidance to contractors as to how jobs created and retained should be reported. In addition, both housing agencies found the reporting system difficult to understand. Picayune officials did not seek any assistance from HUD or the Office of Management and Budget (OMB). MRHA-8 officials sought assistance by phone from OMB, but had difficulty getting through. In addition, MRHA-8 officials told us that FederalReporting.gov logged them off while they were inputting data, causing them to lose all data added to that point. To avoid this happening again, an MRHA-8 official saved information as a draft, but was unable to locate the draft in the reporting system after saving it.

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6 HUD was required to award nearly $1 billion to public housing agencies based on competition for priority investments, including investments that leverage private sector funding or financing for renovations and energy conservation retrofitting. In September 2009, HUD awarded competitive grants for the creation of energy-efficient communities, gap financing for projects stalled due to financing issues, public housing transformation, and improvements addressing the needs of elderly or persons with disabilities.
Each prime recipient of Recovery Act funds is responsible for collecting project-level data to address section 1512 Recovery Act reporting requirements and for entering this data into FederalReporting.gov. The Recovery Act requires prime recipients of Recovery Act funds to report quarterly on these projects, and the first of these recipient reports was due in October 2009. Among other information, the reports are to describe the project, including its cost and completion status, as well as the number of jobs that the project created and retained. To learn more about a prime recipient’s methodology for collecting these data and its experience with submitting its first quarterly report, we reviewed one Mississippi agency—MDOT.

FHWA-Mississippi Division officials told us that on October 10, 2009, MDOT submitted its first quarterly report, which included the agency’s own project data and data collected from another state agency—the Office of State Aid Road Construction, to which MDOT suballocates Recovery Act funds. In this first quarterly report, MDOT also included information on 5 of the approximately 85 projects being planned by local public agencies (LPA), which are subrecipients of MDOT Recovery Act funds.

The U.S. Department of Transportation’s FHWA uses a two-part system to collect and analyze data required to be submitted under the Recovery Act. This two-part system is made up of FHWA’s computerized database, known as the Recovery Act Data System (RADS), and hard copy reporting forms. RADS compiles a range of Recovery Act project information, including each project’s name, description, purpose, and rationale, as well as the project’s estimated cost and ultimate contract award amount. Additionally, RADS provides the dates of major project milestones, such as contract advertisement, award, and completion. According to MDOT officials, the department also requires suballocants, subrecipients, and vendors to submit completed hard copies of FHWA Form 1589 every month. This form documents the total number of employees, hours worked, and payroll dollars for the month being reported. MDOT then enters this data into RADS, which produces an electronic file that contains all required reporting elements for every obligated Recovery Act project. Once each electronic file is complete, MDOT uploads all files directly into FederalReporting.gov.
Officials Experience Only Minor Reporting Problems

MDOT experienced some minor challenges in submitting its first quarterly report. For example, officials mentioned that RADS requires the entry of multiple elements, all of which are not used for section 1512 reporting. This presented an additional challenge for the MDOT official responsible for entering project data into RADS because it increased the volume of entries during an already time-constrained reporting process. Additionally, this same official told us he had difficulty obtaining the DUNS numbers for some of the subrecipients and vendors and chose to work with the Mississippi Division of the FHWA to locate these numbers.

Job Count Numbers Were not Verified

Under section 1512 of the Recovery Act, all prime recipients are required to report and estimate the number of jobs created and retained by activities and projects. However, we determined that MDOT officials responsible for section 1512 reporting did not verify or obtain supporting documentation to validate the form 1589 reports that contain jobs data for each Recovery Act Project. Instead, MDOT officials explained to us that they conducted “spot checks” of the forms to identify material omissions and significant reporting errors. For example, officials completed simple calculations to verify that the reported pay was above minimum wage. Additionally, even though MDOT’s deputy executive director and chief engineer, as well as one district engineer, told us that project engineers are expected to use their expertise and day-to-day project site observations to review each form 1589, three project engineers informed us that this expectation was not adequately communicated. As a result, one engineer told us that he only ensured that there were no unfilled blanks on the form, and another explained to us that he had been informed that MDOT Contract Administration would ultimately be responsible for reviewing the forms. Finally, two of the three engineers said that they were never verbally instructed as to how they should validate the forms, and they did not receive any written guidance on this subject.

We also found that although RADS guidance stipulates that monthly reports by subrecipients and vendors should include all employees that devote time to a particular Recovery Act contract, one vendor was not doing so because certain administrative and corporate positions are not included in the certified payroll. However, another vendor was including employees in these types of positions even though there was no documentation to validate that the employees had devoted a specific amount of time to that particular project.
To learn more about the impact of Recovery Act funds on local governments, GAO visited three localities in Mississippi: the cities of Jackson, Meridian, and Vicksburg.7

### Jackson, Mississippi

**Population:** 173,861  
**Unemployment rate:** 8.6 percent (state rate: 8.8 percent)

<table>
<thead>
<tr>
<th>Program</th>
<th>Purpose</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transit</td>
<td>Transit Capital Assistance Program</td>
<td>$3.4 million</td>
</tr>
<tr>
<td>Public safety</td>
<td>Edward Byrne Memorial Justice Assistance Grant (JAG) Program</td>
<td>$1.6 million</td>
</tr>
<tr>
<td>Community development</td>
<td>Homelessness Prevention and Rapid Re-housing Program</td>
<td>$1.0 million</td>
</tr>
<tr>
<td></td>
<td>Community Development Block Grant Program</td>
<td>$674,000</td>
</tr>
<tr>
<td></td>
<td>Senior Community Service Employment Program</td>
<td>$157,000</td>
</tr>
</tbody>
</table>

Source: Jackson city officials.

Note: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

In Jackson, we found the following:

**Construction of local transit hub.** Jackson will use Recovery Act funds to construct an administrative and maintenance facility for the city’s local transit system. The facility will provide maintenance space for the city’s buses.

**Training for senior citizens.** The city expects to provide training for low-income older individuals that will enable these individuals to re-enter the workforce.

**Maintenance and equipment upgrades.** City officials noted that they plan to use JAG funds to repair the roofs of both the local crime lab and the training academy. The city will also use the funds to purchase new

7Our examination of Recovery Act funds includes those which have been or will be received directly from federal agencies by the local jurisdictions.
equipment such as police cruisers, crime lab devices, speech translators, speed-detection lasers, and new computers, as well as equipment for the city’s Mobile Crime Scene Unit, Bomb Squad, and Narcotics Division.

*Preparing for end of Recovery Act funds.* City officials noted that they have not used Recovery Act funds in ways that would create long-term fiscal responsibilities for the city. Recovery Act funds are being used for construction and infrastructure rather than on programs that will cost the city money to maintain in coming years. An official also noted that the process of applying for Recovery Act grants and fulfilling the requirements of those grants has brought together various local, state, and federal government entities and that Jackson city officials will use those connections in the future to help them obtain more external funding.

**Meridian, Mississippi**

*Population: 38,232*

*Unemployment rate: 12.2 percent (state rate: 8.8 percent)*

| Table 5: Selected Sources of Recovery Act Funds as Reported by Meridian City Officials |
|---------------------------------|-------------------------------------------------|-----------------|
| **Program**                     | **Purpose**                                     | **Amount**      |
| Public safety                   | COPS Hiring Recovery Program                    | $582,000        |
|                                 | Edward Byrne Memorial Justice Assistance Grant (JAG) Program | $257,000        |
| Energy                          | Energy Efficiency and Conservation Block Grant Program | $182,000        |

Source: Meridian city officials.

Note: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

In Meridian, we found the following:

**Public safety.** City officials stated that Meridian has used or will use Recovery Act funds to purchase police vehicles, upgrade the department’s security camera system, and provide funding for a Direct Action Response Team. The city has also been granted funds to hire as many as five police officers for 3 years.

**Energy efficiency.** City officials noted that Recovery Act funding is being used to purchase more energy-efficient materials to be used in the restoration of Meridian’s City Hall.
Preparing for end of Recovery Act funds. A city official stated that most of the city’s projected Recovery Act funds are for equipment, infrastructure repair, or improvements, which will only require the expenditure of maintenance funds in the future. The same official stated that, as required, the city will use local government funding to continue the employment of the police officers hired with Recovery Act funds.

Vicksburg, Mississippi
Population: 24,974
Unemployment rate: 14.5 percent (state rate: 8.8 percent)

<table>
<thead>
<tr>
<th>Program</th>
<th>Purpose</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public safety</td>
<td>COPS Hiring Recovery Program</td>
<td>$508,000</td>
</tr>
<tr>
<td></td>
<td>Edward Byrne Memorial Justice Assistance Grant Program</td>
<td>$266,000</td>
</tr>
</tbody>
</table>

Source: Vicksburg city officials.

Note: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

In Vicksburg, we found the following:

Public safety. Vicksburg city officials stated that the city is planning to use Recovery Act funds to purchase crowd-control barricades to be used for city events. The city is also planning to purchase communications equipment and generators for a mobile precinct that will be used for local events and during emergency situations. The city has also been granted Recovery Act funds that would allow the city to hire as many as four police officers for 3 years.

Preparing for end of Recovery Act funds. City officials stated that the city will use local government funding, as required, to continue the employment of the police officers hired with Recovery Act funds. They also noted the city will continue to seek other sources of funding from both federal and state agencies.
State Comments on This Summary

We provided the Governor of Mississippi with a statement of facts on the Mississippi appendix on November 2, 2009. The General Counsel to the Governor, who serves as the stimulus coordinator, responded for the Governor on November 19, 2009. The official provided technical suggestions that were incorporated, as appropriate.

GAO Contacts

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Norman J. Rabkin, (202) 512-9723 or rabkinn@gao.gov

Staff Acknowledgments

In addition to the contacts named above, Barbara Haynes, Assistant Director; James Elgas, analyst-in-charge; Anna Russell; Gary Shepard; Erin Stockdale; and Ryan Stott made major contributions to this report.
Appendix XII: New Jersey

Overview

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

What We Did

We reviewed three specific programs funded under the Recovery Act: State Fiscal Stabilization Fund (SFSF), Highway Infrastructure Investment program, and Public Housing. We selected these programs for different reasons. New Jersey began disbursing its allocation of SFSF funds in September 2009. The highway program in New Jersey has an obligation deadline approaching in March 2010 and is behind other states in its obligation of funds suballocated for regional, metropolitan, and local use. The housing program recently awarded competitive grants and projects using the Recovery Act formula grant funds are under way. Our work focused on the status of each program’s funding, how funds are being used, and issues that are specific to each program. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP. As part of our review of public housing, we also revisited four housing agencies—Newark, Plainfield, Rahway, and Trenton—that we reported on earlier in 2009.1 We also reported on selected survey results for Title I, Part A of the Elementary and Secondary Education Act (ESEA), as amended and Part B of the Individuals with Disabilities Education Act (IDEA).

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


2As defined by OMB, prime recipients are non-Federal entities that receive Recovery Act funding as Federal awards in the form of grants, loans, or cooperative agreements directly from the Federal Government.
Finally, our work in New Jersey included visiting two localities to determine the amount of Recovery Act funds each has or will be receiving from the state or directly from federal agencies and to learn how those funds are being used. We chose to visit the city of Newark and Cumberland County. Both localities have unemployment rates that are higher than the state average of 9.6 percent as of September 2009. We selected Newark because it is New Jersey’s largest city, urban, and located in the northern part of the state. We selected Cumberland County because it is sparsely populated, a mix of urban and rural areas, and located in the southern part of the state.

What We Found

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

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

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

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

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

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

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

Table 1: Selected Results from GAO Survey of LEAs

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

Source: GAO.

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

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

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


\(^5\)According to the U.S. Department of Education’s guidance on SFSF, states must have an effective system to ensure that entities are able to draw down funds as needed to pay program costs but that also minimizes the time that elapses between the transfer of the funds and their disbursement by the grantee or subgrantee, in accordance with U.S. Department of the Treasury regulations at 31 C.F.R. Part 205. Education requires grantees and subgrantees to remit interest earned on advances to the department at least quarterly. 34 C.F.R. § 80.21(i).
SFSF payments, NJED will continue to send scheduled payments. If an LEA spends more than the total of the payments issued in a quarter, NJED increases the amount of the semimonthly payments. On the other hand, if an LEA spends less than 90 percent of the payments issued in a quarter, NJED withholds semimonthly payments until the LEA’s expenditures exceed 90 percent. NJED officials told us that they reviewed the first quarterly reports in October 2009 for the 390 LEAs receiving SFSF funds. As a result, 145 LEAs received larger semimonthly payments, and payments for 21 LEAs were withheld. According to guidance issued by NJED to LEAs, LEAs are directed to remit any interest accrued, of more than $100, on unspent SFSF funds to Education at least quarterly. However, NJED officials reported that they do not anticipate that LEAs will earn interest on SFSF funds because most LEAs will use the funds to pay salaries each month. One NJED official reported that, as of November 2009, no interest had been remitted to the federal government because the 21 LEAs had not earned interest on the funds because either the funds were in a non-interest bearing account or the LEAs had not accrued more than $100 in interest.

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

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

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

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

9One NJED official noted that NJED also sends guidance directly to LEAs for which the department withholds payment and works through the department’s local offices to resolve the reasons why the LEAs are not spending their SFSF funds.
Appendix XII: New Jersey

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

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

As we reported in September 2009, $652 million was apportioned to New Jersey in March 2009 for highway infrastructure and other eligible projects. As of October 31, 2009, about $492 million had been obligated and $71 million had been reimbursed by FHWA. Almost 59 percent of Recovery Act highway funds obligated for New Jersey projects are being used for pavement improvements. Specifically, $288.5 million of the approximately $492 million obligated in New Jersey as of October 31, 2009, is being used for projects such as pavement improvements, including $52 million for pavement resurfacing and $237 million for pavement reconstruction and rehabilitation. Many state officials told us they selected pavement improvement projects because these projects were already in their pipeline, were identified infrastructure needs, could advance sooner than planned because funding was available, and had met federal planning requirements. In addition to these pavement improving projects, the New Jersey Department of Transportation (NJDOT) plans to apply Recovery Act funds to other critical infrastructure needs on the state highways system including 23 structurally deficient bridges, 40 bridge decks needing rehabilitation, and 5 priority drainage projects. Figure 1 shows obligations by the types of road and bridge improvements being made.
Since bids for contracts are coming in lower than the estimated costs, state plans to use excess funds for additional highway projects. NJDOT officials noted that bids for contracts are coming in on average 15 percent lower than the state’s estimated costs, primarily due to the competitive environment amongst bidders. In turn, NJDOT expects to have FHWA deobligate excess funds from FHWA approved projects where a contract has been awarded for an amount lower than the FHWA obligated amount. NJDOT expects about $30 million in funds associated with savings from these bids. This has allowed NJDOT to submit four new projects for approval that were not in their original project submission. According to NJDOT officials, the four projects are pending final approval.

Local areas continue to identify projects and state seeks federal obligation for these projects at a slow rate. As required under the Recovery Act, about $196 million was suballocated in New Jersey, primarily based on population, for metropolitan, regional, and local use. NJDOT provided most of the suballocated funding to the three
Metropolitan Planning Organizations (MPO) covering the state so that eligible county and local projects could receive Recovery Act funds. According to NJDOT, it was important to provide the opportunity for Recovery Act funds to have the greatest impact on transportation projects across the state and not just projects in the state highway system. As of October 30, 2009, the MPOs in New Jersey had identified about 90 highway infrastructure projects estimated to cost approximately $164 million.\(^{10}\) NJDOT officials anticipate that FHWA has obligated funding for 32 of these projects costing approximately $63.6 million. Many of the projects consist of road resurfacing and adding guard rails. Compared to New Jersey’s overall obligation rate, the state has been slow in having FHWA obligate its suballocation for projects planned by local agencies. Our analysis of FHWA data as of October 31, 2009 showed that the local obligation rate is about 34 percent compared to the state’s overall rate of about 93 percent.

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

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

\(^{10}\)According to a state official, of the $196 million suballocation, NJDOT will use $32 million for state highway projects.
while they anticipate work beginning on these projects, progress is contingent on having good weather this winter.

**NJDOT officials stated that the recipient reporting process is generally working well, but some reporting concerns remain.**

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

New Jersey has 80 public housing agencies that have received Recovery Act formula grant awards. In total, these public housing agencies have received $104 million in Public Housing Capital Fund formula grants (see fig. 2 for obligations and draw downs). On average, housing agencies in New Jersey are obligating funds at about the same rate as other housing agencies in other states. As of November 14, 2009, the four housing agencies we visited had obligated $17 million and had drawn down $3 million.
Changes made to projects using Recovery Act funds. Since our report in July 2009, officials at the Newark Housing Authority and Plainfield Housing Authority told us they made changes to projects included in their annual statements.\footnote{The annual statement lists the public housing authority’s planned activities with the current year’s Capital Fund Program Grants and Capital Fund Financing Program.} The Newark Housing Authority initially proposed a project to demolish five buildings.\footnote{A Newark Housing Authority official said that the agency has removed this project from its annual statement for Recovery Act funds because, at the time, HUD had not approved the demolition of the five buildings and the agency was concerned that it would not be able to meet Recovery Act deadlines for the obligation of funds. This official also said that the agency would not use Recovery Act funds for the demolition.} However, officials decided instead to repair the roofs, siding, heating, and air conditioning in other buildings for less cost and use the remaining funds on projects such as installing security systems and cameras in other buildings. Plainfield Housing Authority officials said they will add a project in response to a violation notice issued by local fire authorities requiring the Plainfield Housing Authority to install smoke barriers on 11 floors in one of its buildings. Plainfield Housing Authority officials told us that to offset the cost of this new project, it will reduce funding to other projects.
Public housing authorities are using Recovery Act funds to rehabilitate vacant units. In total, the four public housing agencies will use Recovery Act funds to rehabilitate 568 vacant units, of which 338 had been completed as of November 17, 2009 (see table 2). For example, the Newark Housing Authority has completed rehabilitations for 313 vacant units. Figure 3 shows one unit the Newark Housing Authority rehabilitated with Recovery Act funds.

<table>
<thead>
<tr>
<th>Housing authority</th>
<th>Number of vacant units available for rehabilitation</th>
<th>Number of these vacant units completed as of November 17, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newark</td>
<td>422</td>
<td>313</td>
</tr>
<tr>
<td>Rahway</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Plainfield</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td>Trenton</td>
<td>115</td>
<td>0</td>
</tr>
</tbody>
</table>

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

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

Source: GAO.

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

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

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

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

\textsuperscript{14}A Newark Housing Authority official also noted the additional time spent in working with HUD to create a new process for HUD’s approval of obligations within the Recovery Act timeframes, given its “troubled” status.
Appendix XII: New Jersey

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

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

Newark, New Jersey

Population: 278,980
Locality Type: City
Unemployment Rate: 15.0 percent (state average—9.6 percent)\(^{15}\)

<table>
<thead>
<tr>
<th>Table 3: Selected Sources of Recovery Act Funding to Newark Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Works:</td>
</tr>
<tr>
<td>Employment and Training:</td>
</tr>
</tbody>
</table>

Source: City of Newark.

Newark will use Recovery Act funds for numerous nonrecurring projects. According to city officials, as of October 2009, Newark and its community partners\(^{16}\) have reported receiving, will be receiving, or have

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

\(^{16}\)Community partners are nonprofits, educational institutions, faith-based, and other community organizations, as well as other government and quasi-government organizations.
reported being allocated approximately $120 million in Recovery Act funds. Of these funds, approximately $9.3 million were apportioned to the city, while the remaining funds were awarded to community partners. City officials in the Office of the Business Administrator stated that they will not rely on Recovery Act funds to stabilize the calendar year 2009 or upcoming years’ budgets because the city does not want to use Recovery Act funds to replace normal operating expenses or create new expenses. In April 2009, the city identified 43 nonrecurring projects in a range of categories such as employment, housing, transportation, energy, and education that could be funded with Recovery Act monies. For example, one of the city’s projects will use $4.9 million of NJDOT Recovery Act funds received from the state for road resurfacing.

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

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

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

Cumberland County, New Jersey

Population: 156,830
Locality Type: County
Unemployment Rate: 12.6 percent\(^\text{19}\) (state average–9.6 percent)

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

<table>
<thead>
<tr>
<th>Government</th>
<th>Employment and Workforce Investment Act—$2.2 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment and Training</td>
<td></td>
</tr>
<tr>
<td>Public Works</td>
<td>Public Works &amp; Road Improvements—$2.4 million</td>
</tr>
</tbody>
</table>

Source: Cumberland County Government.

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

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

\(^{20}\)Cumberland County also received $4.4 million in education funds, but this money went directly to the local education districts and did not pass through the county accounting system.
As of October 2009, the county had applied to the state for one competitive grant under HUD’s Community Development Block Grant program (CDBG) with the help of a contractor the county hired.

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

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

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21For example, if a local agency did not disburse the funds appropriated for a program year, those funds went into the reserve funds.
separately from regular appropriations in its accounting systems. However, the official was concerned that some of the grant award letters the county receives from the state do not always clearly distinguish between appropriations from Recovery Act funds and regular appropriations. She stated that this heightens the potential for errors in tracking Recovery Act funds.

State Comments on This Summary

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

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Staff Acknowledgments

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

Overview


What We Did

We reviewed four specific programs funded by the Recovery Act—the Highway Infrastructure Investment Program, the Transit Capital Assistance and Fixed Guideway Infrastructure Investment programs, and the Weatherization Assistance Program. These programs were selected primarily because they are receiving or expect to receive significant amounts of Recovery Act funds, recently began disbursing funds to states, or both. We also updated information on three Recovery Act education programs that will receive significant Recovery Act funds: (1) the U.S. Department of Education (Education) State Fiscal Stabilization Fund (SFSF); (2) Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA), as amended; and (3) the Individuals with Disabilities Education Act (IDEA), as amended, Part B. We focused on how funds were being used, how safeguards were being implemented, and how results were being assessed.

Our work in New York also included understanding the state’s fiscal condition and visiting four localities to gain insight into their use of Recovery Act funds. We visited Buffalo and New York City because they are the two largest cities in the state and their unemployment rates are above the state’s rate. We also selected Steuben County because it is a rural county with an unemployment rate above the state’s rate, and Westchester County because it is a suburban county with an unemployment rate below the state’s rate.

What We Found

Funds from the programs we reviewed are helping New York State and local governments stabilize their budgets, while also stimulating infrastructure development and expanding existing programs—thereby

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1For descriptions and requirements of the programs we covered, see app. XVIII of GAO-10-232SP.

2The New York State September 2009 unemployment rate was 8.8 percent, as provided by the U.S. Department of Labor.
providing needed services and potential jobs. The following summarizes specific findings for the areas we examined.

- **Highway Infrastructure Investment Program:** The U.S. Department of Transportation's Federal Highway Administration (FHWA) apportioned $1.12 billion in Recovery Act funds to the New York State Department of Transportation (NYSDOT) in March 2009. As of October 31, 2009, about $833 million had been obligated and about $94 million had been reimbursed by FHWA. NYSDOT officials report that state Recovery Act contracts are receiving bids that average 15 percent lower than estimated costs. As a result, New York's Governor recently announced that 34 new projects expected to cost about $70 million will be funded with these savings. The federal [www.recovery.gov](http://www.recovery.gov) Web site reports the number of jobs created by project for the recipients we reviewed. The Recovery Act contractor representatives we spoke with emphasized that they reported hours paid for by Recovery Act dollars, which they explained, is required by their contracts. Consistent with Office of Management and Budget (OMB) guidance, they did not identify or distinguish between the number of new jobs created or retained by their Recovery Act projects.

- **Transit Capital Assistance and Fixed Guideway Infrastructure Investment programs:** The U.S. Department of Transportation's Federal Transit Administration (FTA) apportioned over $1.3 billion of Recovery Act funds to the state of New York and urbanized areas located in the state. As of November 5, 2009, FTA has obligated over $1.1 billion. For example, FTA awarded a $24.4 million Transit Capital Assistance grant to the Niagara Frontier Transportation Authority (NFTA) to replace 56 buses. FTA also apportioned over $254.8 million in Fixed Guideway Infrastructure Investment program funds under the Recovery Act to two cities in New York—New York and Buffalo. As of November 1, 2009, FTA has obligated 100 percent of these funds. The Metropolitan Transportation Authority (MTA) is using its $254.4 million grant for a variety of maintenance and safety improvement projects, while NFTA is using its $409,946 grant to purchase batteries, including backup batteries for its Metro Rail stations. In October, MTA and Greater Glens Falls Transit (GGFT) submitted their first Recovery Act quarterly reports to OMB, which

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3We followed up at the two New York transit agencies we reported on in September 2009—the Metropolitan Transportation Authority in New York City and Greater Glens Falls Transit in Glens Falls—and visited the Niagara Frontier Transportation Authority in Buffalo.
Appendix XIII: New York

included jobs data. Both agencies, consistent with OMB guidance, reported the total number of full-time equivalents (FTE) paid for with Recovery Act funds; ultimately, the information for these two agencies was reported on www.recovery.gov as “jobs created.”

- **Weatherization**: Many of the subgrantees implementing the Weatherization Assistance Program in New York delayed submitting their applications for Recovery Act funding to the New York State Division of Housing and Community Renewal (DHCR) until after the U.S. Department of Labor (Labor) established Davis-Bacon Act prevailing wage rates for weatherization workers on September 3, 2009. Because Recovery Act weatherization money has just begun to reach the subgrantees, DHCR has had little to report regarding the impact of the Recovery Act on its program.

- **Education**: Education awarded New York about $4.98 billion in SFSF; ESEA Title I, Part A; and IDEA, Part B Recovery Act funds. However, only about 3 percent of these funds had been disbursed, as of November 16, 2009. According to New York State Education Department (NYSED) officials, the time it takes the agency to develop and process the applications necessary to distribute funds to local education agencies (LEAs) contributed to the slow disbursement. The NYSED estimates that these funds, or the anticipated receipt of these funds, saved or created 28,000 education jobs. The localities we visited noted that a share of those jobs would be at risk once these funds are phased out.

- **New York’s use of Recovery Act funds**: Because of continuing fiscal challenges, in October 2009, the Governor of New York proposed a Deficit Reduction Plan (DRP) to eliminate the state’s estimated $3.2 billion current-year budget gap. The DRP, which is being considered by the state legislature, would result in about $1.3 billion in across-the-board reductions in state aid to localities. The localities we visited plan to or are using Recovery Act funds for financing Medicaid, retaining

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4In our November 2009 report, *Recovery Act: Recipient Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention* (GAO-10-223), we made 2 recommendations to the Director of OMB. One of these recommendations was as follows: to improve the consistency of FTE data collected and reported, OMB should continue to work with federal agencies to increase recipient understanding of the reporting requirements and application of the guidance. As part of this recommendation, we recommended that OMB consider being more explicit that “jobs created or retained” are to be reported as hours worked and paid for with Recovery Act funds.
teachers, upgrading infrastructure, and increasing housing services, among other things.

FHWA apportioned $1.12 billion in Recovery Act funds to New York in March 2009 for highway infrastructure and other eligible projects. As of October 31, 2009, about $833 million had been obligated and about $94 million had been reimbursed by FHWA.\(^5\)\(^6\)\(^7\) NYSDOT officials told us that they expect to have the state’s entire apportionment obligated by the end of the calendar year. According to NYSDOT, as of October 31, 2009, FHWA had obligated funding for a total of about 368 projects. According to officials, $642 million in contracts had been awarded for 279 authorized projects.

NYSDOT officials told us that as of October 2009, bids for state Recovery Act contracts have on average been 15 percent lower than the state’s original estimated costs of the projects. In September, Governor Paterson announced that 34 new projects valued at about $70 million were being funded with the savings. Officials told us that the savings result from a very competitive construction market and lower materials prices.

In previous reports, we commented on NYSDOT’s internal controls and oversight of Recovery Act projects. For this report, we examined the contracts for the two state-awarded projects we visited and discussed them with state officials who confirmed that they followed recommended practices of competitive bidding and awarding fixed-price contracts.\(^8\) We also note that in October 2009, the Office of the State Comptroller (OSC), which reviews and approves NYSDOT highway contract awards, published

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\(^5\) For the Highway Infrastructure Investment Program, the U.S. Department of Transportation has interpreted the term obligation of funds to mean the federal government’s commitment to pay for the federal share of the project. This commitment occurs at the time the federal government signs a project agreement.

\(^6\) States request reimbursement from FHWA as the states make payments to contractors working on approved projects.

\(^7\) This does not include obligations associated with $175.5 million of apportioned funds that were transferred from FHWA to FTA for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA.

\(^8\) The projects visited were the bridge replacement project on Bartell Road over Interstate 81 in Cicero, New York, and the resurfacing of Route 77 project in Corfu, New York.
an audit of local highway Recovery Act projects that found local governments are following sound procurement procedures, including competitive bidding, and generally have made reasonable efforts to ensure that selected contractors are responsible. Also, in October FHWA officials said that they have not seen NYSDOT’s contracting oversight suffer as a result of the high workload resulting from the Recovery Act contracts and current hiring freeze. However, in August, OSC announced that it rejected a Recovery Act highway contract, citing possible connections between the contractor and a debarred vendor. NYSDOT officials said this was the first time OSC rejected a Recovery Act contract, maintained that their review was thorough, and noted that the contractor in question currently has two state highway contracts and was not on the debarred list. NYSDOT officials said they have monitored one of these projects closely and have not found any issues. In response to the rejected contract, NYSDOT canceled all bids and postponed the project until the state Department of Labor rules on the case.

NYSDOT Experienced Technical Challenges with Its First Recovery Act Quarterly Report to OMB

In October, NYSDOT submitted its first Recovery Act quarterly report to OMB’s Web site—www.federalreporting.gov. To develop this report, NYSDOT collected data, including total work hours, from all contractors for Recovery Act projects and NYSDOT checked the data using certified payrolls from the contractors. The work hours were then converted to FTEs using FHWA guidelines. The federal www.recovery.gov Web site reports the number of jobs created by project for the recipients we reviewed. The two contractors whose representatives we spoke with emphasized that they report work hours paid for by the Recovery Act, which they explained, is required by their contracts. They noted they would have a very difficult time determining if these hours are associated with new or retained jobs. When it came time to submit the report, NYSDOT had planned to use batch processing that was being developed between FHWA and OMB to upload data on its almost 400 projects; however, the batch loading feature was not made available by OMB for this reporting round, requiring NYSDOT to upload data for each project.
individually. NYSDOT officials reported spending a considerable amount of time on this process.\textsuperscript{9}

### Highway Infrastructure Funds Were Transferred from FHWA to FTA for the St. George Ferry Terminal Project

We visited the St. George Ferry Terminal on Staten Island, which in July 2009 was awarded $175 million in Recovery Act highway funds, more than any other project in the state. Highway infrastructure investment funds were transferred from FHWA to FTA at the request of Governor Paterson. The project will rehabilitate eight vehicular ramps, one pedestrian bridge, and one parking lot that provide access to the ferry terminal. (See fig. 1 for a photo of one of the ramps.) The project is currently in the design phase and is administered by the New York City Department of Transportation and overseen by FTA. Construction is scheduled to begin in April 2010 and completed in June 2014.

\textsuperscript{9}In our November 2009 report, Recovery Act: Recipient Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention (GAO-10-223), we made 2 recommendations to the Director of OMB. One of these recommendations was that OMB should work with the Recovery Board and federal agencies to reexamine review and quality assurance processes, procedures, and requirements in light of experiences and identified issues with this round of recipient reporting and consider whether additional modifications need to be made and if additional guidance is warranted.
Figure 1: One of the Ramps That Will Be Rehabilitated at the St. George Ferry Terminal Using Recovery Act Funds

Source: GAO.
In March 2009, FTA apportioned over $1.3 billion in Recovery Act Transit Capital Assistance funds to the state of New York and urbanized areas located in the state for transit projects. As of November 5, 2009, FTA obligated over $1.1 billion (85.3 percent) of these funds. NFTA was awarded a $24.4 million grant from Recovery Act Transit Capital Assistance funds to replace 56 life-expired 40-foot diesel buses. According to officials, the buses are being procured through an existing contract, which was competitively awarded in April 2005, and NFTA expects to take delivery of all buses by November 30, 2010. According to officials, NFTA is unable to address its bus replacement needs through the existing Transit Capital Assistance program alone. NFTA would like to maintain an average fleet age of 6 years, consistent with FTA guidelines, but its current average fleet age is 10.4 years. NFTA reported that the buses purchased with Recovery Act funds will bring its average fleet age down to 7.8 years.

In March 2009, FTA apportioned about $254.8 million in Recovery Act Fixed Guideway Infrastructure Investment funds to two cities in New York—Buffalo and New York City—for transit projects. As of November 1, 2009, FTA obligated 100 percent of these funds. NFTA was awarded a $409,946 grant from Recovery Act Fixed Guideway Infrastructure Investment funds to buy batteries, including backup batteries for NFTA Metro Rail that power tunnel lighting, emergency station lighting, elevators, and the communication system. According to officials, these items will improve passenger safety because existing batteries are at the end of their useful life and starting to fail. The officials said that Recovery Act funding was needed to allow NFTA to address this issue in addition to the Metro Rail System’s other pressing capital needs. MTA was awarded a

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10As we reported in September 2009, MTA sought Recovery Act Transit Capital Assistance funding in two grants worth over $660.2 million and plans to use these funds to pay for a series of maintenance and capital projects. GGFT received a $1.2 million grant to purchase a hybrid expansion vehicle and for various capital projects. According to officials, as of November 15, 2009, MTA had awarded contracts valued at $437.2 million for projects funded with its Recovery Act Transit Capital Assistance grants, and GGFT had awarded contracts valued at $582,718.

11Sound internal controls are important for managing Recovery Act funds. We reported on MTA’s and GGFT’s internal controls in September 2009. NFTA will use existing systems that have been reviewed by independent auditors and FTA to oversee Recovery Act grants. The 2008 and 2009 Single Audit reports for NFTA provided unqualified opinions on its financial statements and did not find any material weaknesses or significant deficiencies in internal controls over financial reporting or major programs. FTA’s fiscal year 2009 Triennial Review of NFTA, however, found deficiencies in 3 of the 23 areas examined. NFTA submitted corrective action plans to FTA, which is reviewing them.
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$254.4 million grant from Recovery Act Fixed Guideway Infrastructure Investment funds for a variety of maintenance and safety improvement projects, including the Jackson Avenue Vent Plant Rehabilitation project in Long Island City. (See fig. 2.) The contractor’s bid for this project came in $12.05 million (17.5 percent) less than the engineer’s estimate. MTA officials indicated that receiving lower-than-expected bids may enable it to fund additional projects at a later date.

**Figure 2: MTA Jackson Avenue Vent Plant Rehabilitation Project**

<table>
<thead>
<tr>
<th>Project</th>
<th>Jackson Avenue Vent Plant Rehabilitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead agency</td>
<td>MTA New York City Transit</td>
</tr>
<tr>
<td>Description</td>
<td>This project includes the replacement of three vent plants with one larger plant. According to officials, this project will improve safety by modernizing the fan system that helps to direct smoke away from emergency exits in the event of a smoke condition in a subway tunnel.</td>
</tr>
<tr>
<td>Location</td>
<td>Long Island City (Queens), NY</td>
</tr>
<tr>
<td>Recovery Act Funds</td>
<td>This project was awarded $89.45 million of the $254.4 million in Recovery Act Fixed Guideway Infrastructure Investment funds awarded to MTA. However, due primarily to savings resulting from bids on contracts being received that are less than the original estimated cost, the budget for this project is actually approximately $76.02 million.</td>
</tr>
<tr>
<td>Status</td>
<td>Construction has begun and the project is expected to be completed in September 2012.</td>
</tr>
</tbody>
</table>

Sources: MTA and GAO.
In October, MTA and GGFT submitted their first Recovery Act quarterly reports to OMB, which included jobs data expressed as FTEs. Consistent with OMB guidance, MTA and GGFT reported the total number of FTEs paid for with Recovery Act funds. Ultimately, the information for these two agencies was reported on www.recovery.gov as “jobs created.” NFTA did not have any jobs data to report at that time because its Recovery Act-funded work had not begun.

The Recovery Act appropriated $5 billion for the Weatherization Assistance Program, which the U.S. Department of Energy (DOE) is distributing to each of the states, the District of Columbia, seven territories and Indian tribes, to be spent over a 3-year period. This program enables low-income families to reduce their utility bills by making long-term energy efficiency improvements to their homes by, for example, installing insulation or modernizing heating or air conditioning equipment. On September 22, 2009, DOE obligated all the funds allocated to the states, but it has limited the states’ access to 50 percent of these funds.

With the approval of the New York State weatherization assistance plan by DOE on June 26, 2009, DHCR began accepting contract applications for Recovery Act funding from its 65 subgrantees, the local agencies that operate the program. However, many subgrantees delayed submitting their applications until after Labor established Davis-Bacon Act prevailing wage rates for weatherization workers on September 3, 2009. As of November 15, 2009, DHCR had approved 60 contracts with subgrantees, the state had obligated $194.3 million in Recovery Act weatherization funds, and about $49 million had been disbursed by DHCR to fund weatherization activities under the Recovery Act.

12DOE currently plans to make the remaining funds available to the states once 30 percent of the housing units identified in the state plans are weatherized. New York State’s total allocation is $394.7 million.

13Only weatherization activities funded by the Recovery Act are subject to Davis-Bacon wage rates.
Davis-Bacon Act Rates Could Increase Weatherization Administration Costs and Affect Work on High-rise Housing Units

Generally, with some exceptions, the new Davis-Bacon Act rates were in line with what the subgrantees had been paying their workers; however, some subgrantees will incur increased administrative costs because of Davis-Bacon requirements, such as on-site verification of payrolls that ensure workers are paid the proper wage rates for their labor. However, in New York, these new rates only apply to buildings fewer than five stories. Specific weatherization rates were not established for buildings with more than four stories, so state officials stated that workers must be paid at the Davis-Bacon rates established for commercial construction. These rates are significantly higher than what local agencies paid previously. This issue primarily affects the state’s urban areas, according to state officials, especially New York City where high-rise buildings are a prevalent form of residential housing. Two subgrantees we visited told us that they intend to subcontract out all weatherization work done on buildings with more than four stories funded by the Recovery Act. They could not pay their own workers vastly different wages depending on which building they were working on.

According to these officials and DHCR agency representatives, the higher wage rates for buildings with more than four stories mean that the cost of weatherizing these buildings will increase. One subgrantee estimated this increase to be from 20 to 30 percent. Also, according to DHCR officials, the higher commercial rates might reduce the weatherization activities eligible for funding. Because of higher wage rates, officials are concerned that some activities, such as window replacement, may no longer be eligible for weatherization funding. However, on November 10, 2009, DOE announced that the saving to investment ratio for buildings with more than four stories could be calculated using the Davis-Bacon residential wage rate established for buildings with fewer than five stories in lieu of the higher commercial rates.

14The newly established Davis-Bacon residential wage rate for a weatherization worker in New York County (Manhattan), including benefits, is $30.61. For buildings with more than four stories, a weatherization worker is paid based on what he or she does. If the weatherization worker’s activities fell under the classification of a carpenter, he or she would be paid that Davis-Bacon wage rate, which is $92.69, including benefits.

15To be eligible for funding under the Weatherization Assistance Program, an activity must generally achieve a savings to investment ratio of at least one. That is, for each dollar invested, 1 dollar must be saved over the expected life of the activity performed.
State Officials Plan to Use a Variety of Accountability Approaches to Monitor the Use of Recovery Act Weatherization Funds

DHCR officials stressed that an extensive fiscal and program monitoring system was in place for the weatherization program before the passage of the Recovery Act. They indicated that DHCR intends to use some of the Recovery Act funds earmarked for administration to increase the resources available for on-site technical assistance provided to subgrantees as well as to add 13 additional staff members to the number of staff already monitoring the program.

DHCR’s normal monitoring processes of its subgrantees include 9 to 12 site visits per year conducted by DHCR staff and an inspection of at least 10 percent of the units weatherized. Further, DHCR has established a weatherization database that allows it to monitor monthly production goals against actual work completed.

State Officials Are Preparing to Measure the Impact of Recovery Act Weatherization Funds and to Meet DOE’s Reporting Requirements

DHCR intends to collect and report all data required by DOE for reporting purposes from the 65 subgrantees. DHCR officials said that they had already collected all of the information DOE requires except job creation and retention numbers. DHCR has issued guidance on reporting job creation figures to its subgrantees. In addition, DHCR officials intend to perform quality reviews of the data submitted by the subgrantees to ensure accuracy.

Because Recovery Act weatherization money has just begun to reach the subgrantees, DHCR has had little to report regarding the impact of the Recovery Act on its program. However, some agencies have begun weatherizing homes using Recovery Act funds, as illustrated in figure 3. In the future, in addition to the number of jobs created or retained, DHCR intends to report the number of units weatherized as well as the projected energy saving.
Figure 3: Community Environmental Center Workers Insulate a Home Being Weatherized in Queens, New York

Source: Community Environmental Center of Long Island City, New York.
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New York State
Received Recovery Act Funds from Education but Has Disbursed Little to LEAs

As of November 16, 2009, New York had disbursed 3 percent of its $4.98 billion education allocation for SFSF, ESEA Title I, and IDEA Recovery Act funds (see fig. 4). NYSED has approved 75 percent of LEAs’ Recovery Act education applications necessary for disbursement, and officials said that the time they have taken to process and approve LEAs’ applications for these three programs contributed to the slow disbursement of funds. We reviewed the rate of drawdowns of 16 states plus the District of Columbia and, as a result, found that New York is one of the states with the smallest share of Recovery Act education funds drawn down as of November 6, 2009. State education officials expect the flow of education funds to increase beginning in January 2010. Because the lengthy application approval process left them with little Recovery Act funding to draw down, LEAs have paid for Recovery Act education program expenses up front and expect to be reimbursed for allowable expenditures as they submit claims.

Figure 4: Amount of Education Funds Disbursed by New York, as of November 16, 2009

<table>
<thead>
<tr>
<th>Amount disbursed as a percentage of total allocated</th>
<th>Amount disbursed by program</th>
</tr>
</thead>
<tbody>
<tr>
<td>97% Disbursed</td>
<td>$287,375</td>
</tr>
<tr>
<td>0.2% Title I</td>
<td>$31,798,471</td>
</tr>
<tr>
<td>76% SFSF</td>
<td>$104,182,576</td>
</tr>
<tr>
<td>23% IDEA</td>
<td></td>
</tr>
<tr>
<td>Undisbursed</td>
<td>$4,843,731,578</td>
</tr>
<tr>
<td>Total allocated</td>
<td>$136,268,422</td>
</tr>
</tbody>
</table>

In addition to meeting with NYSED officials to assess how LEAs plan to use Recovery Act funds, we revisited one LEA that we reported on in July 2009—the New York City School District—and, for contrast, visited a

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16As of November 16, 2009, $2.2 billion of the $4.98 billion allocated has been approved by the state for disbursement to LEAs.

17As of November 16, 2009, NYSED had approved 134 of 612 applications received for ESEA Title I; approved 595 of 673 applications received for IDEA, Part B; and approved 907 of 909 applications received for SFSF.

18In this section, unless otherwise specified, Recovery Act SFSF funding includes education stabilization funds and government services funds; IDEA refers to IDEA, Part B; and ESEA Title I refers to ESEA Title I, Part A.
rural, high-poverty LEA, the Jasper-Troupsburg Central School District located south of Rochester.

The “funding cliff,” a reference to the temporary nature of Recovery Act education funds and anticipated fiscal challenges when New York runs out of these funds, is of paramount concern to state and local education officials. Local officials told us that Governor Patterson’s DRP, which includes a $686 million cut in education aid, could lead to teacher layoffs and increased taxes. For example, according to LEA officials, the combined impact of the end of Recovery Act funding and the DRP could place teachers’ jobs in the New York City School District at risk and could result in a 15 percent increase in the school tax levy by the end of fiscal year 2011 at the Jasper-Troupsburg Central School District.

NYSED Develops New Monitoring Plan and Enhances Existing Controls over Recovery Act Funds

In our September 2009 Recovery Act report, we addressed the need for states to monitor Recovery Act funds; and, at the time, NYSED lacked a monitoring plan for SFSF funds. However, since that report and a November 2009 audit by Education’s Office of Inspector General (OIG) that addressed similar concerns, NYSED developed a monitoring plan for SFSF Recovery Act funds and enhanced existing monitoring of ESEA Title I and IDEA Recovery Act funds. In addition, the OIG report found deficiencies in NYSED’s current monitoring protocols. In particular, the OIG found that NYSED does not collect enough detail from LEAs on ESEA Title I and IDEA expenditure reimbursement forms, such as check amounts and payees, to sufficiently monitor use of funds. NYSED officials said that despite resource constraints that limit their ability to review additional documentation for non-Recovery Act ESEA Title I and IDEA reimbursements, they plan to request additional information before paying the full amounts of Recovery Act expenditure reimbursements. Also, NYSED officials said that they will select approximately 30 of the 68 LEAs they identified as high risk and conduct on-site reviews to assess the accuracy and allowability of pending and paid claims.

Recovery Act funding comprised about 8 percent of the New York City School District’s operating budget of $18 billion in fiscal year 2010, and 7 percent of the Jasper-Troupsburg School District’s operating budget of about $10 million in fiscal year 2010.

Department of Education, Office of Inspector General, New York State System of Internal Control over American Recovery and Reinvestment Act Funds, Ed-OIG/A02J0006 (Washington, D.C., Nov. 10, 2009). We did not perform independent audit work to test and validate whether the control weaknesses reported by the OIG were appropriate and comprehensive.
With an Estimated 28,000 Education Jobs Saved or Created in New York, State and Local Officials Are Focused on Job Retention

Many LEAs in New York are planning to use more than half of their education funds to retain jobs. In particular, NYSED officials said that 28,000 education jobs were retained or created with Recovery Act funds, of which an estimated 14,728 jobs were retained and 93 FTEs were created in the New York City School District.\footnote{NYSED directed LEAs to Education’s September 2009 guidance on calculating jobs retained or created. According to NYSED’s Web site, a job retained or created is one that would not have been filled without Recovery Act funds, regardless of whether the employee filling that job is paid with Recovery Act funds.} Some LEAs noted that the positive impacts of the Recovery Act funds include maintaining smaller class sizes and after-school programs. For example, Jasper-Troupsburg Central School District officials mentioned that without Recovery Act funding, the average seventh grade class size would have increased from about 15 to 27 students per class. In addition to having the goals of saving and creating jobs, the Recovery Act also supports education reform. However, one LEA also suggested that when Recovery Act funding ceases, some gains made in education reform would be diluted. New York City School District officials told us how recently recruited math and science teachers, part of a reform initiative to support new schools that replaced low-performing schools, could be laid off.

One New York LEA Continues to Face Uncertainties about How to Use Recovery Act Funds

Jasper-Troupsburg Central School District officials said that they are unsure of how to spend the Recovery Act ESEA Title I funds on onetime expenses, rather than spending them on recurring services that would create unsustainable commitments after Recovery Act funding expires. The Jasper-Troupsburg Central School District typically spends ESEA Title I funds on teachers who instruct Title I-eligible students; however, adding more teachers would create a recurring cost that officials say they cannot afford once Recovery Act funding ceases. As a result, Jasper-Troupsburg officials said that they will probably not use most of their $274,000 ESEA Title I Recovery Act allocation if they do not receive clarity from state or Education officials on allowable onetime uses of the funds.\footnote{LEAs must obligate 85 percent of ESEA Title I, Part A Recovery Act funds by September 30, 2010, unless granted a waiver to carry over additional funds. LEAs must obligate all ESEA Title I, Part A funds by September 30, 2011.}
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Recovery Act Funds Providing Temporary Relief to the Budgets of New York and Some Localities

As noted in our September report, New York State received about $6 billion in Recovery Act funds that it used to help close its budget gaps for last fiscal year and the current fiscal year, 2009-2010. Based on the state’s Mid-Year Financial Plan Update, New York’s government is now facing a $3.2 billion gap in its current-year $54.6 billion General Fund budget. As identified in the Mid-Year Update, the gap is a result of continued declining state revenues, primarily from personal income tax. In October 2009, the Governor proposed a DRP that would eliminate the state’s current-year budget gap. The DRP, which is being considered by the state legislature, would result in about $1.3 billion in across-the-board reductions in state aid to localities. We visited the City of Buffalo, New York City, Steuben County, and Westchester County to gain a better understanding of New York State’s localities’ fiscal conditions and to determine how these local governments are using Recovery Act funds.23

In December 2008, the Governor had proposed aid reductions to localities to balance its current-year budget. Based on the state’s executive and enacted budgets for fiscal year 2009-2010, these cuts would have adversely affected programs, such as education. The Governor and the state legislature were able to avoid most of the reductions by balancing the state budget with higher taxes and Recovery Act funds. Recovery Act funds are providing short-term budget relief to three out of the four localities visited, allowing them to avoid taking further actions, such as layoffs, furloughs, and eliminating or reducing services. (See table 1 for background information on these localities.)

<table>
<thead>
<tr>
<th>Locality</th>
<th>Population</th>
<th>Locality type</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Buffalo</td>
<td>270,919</td>
<td>City</td>
<td>10.8%</td>
</tr>
<tr>
<td>New York City</td>
<td>8,363,710</td>
<td>City</td>
<td>10.2%</td>
</tr>
<tr>
<td>Steuben</td>
<td>96,573</td>
<td>County</td>
<td>9.5%</td>
</tr>
<tr>
<td>Westchester</td>
<td>953,943</td>
<td>County</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

Sources: U.S. Census Bureau and U.S. Department of Labor.

Notes: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

23 The City of Buffalo, Steuben County, and Westchester County are not responsible for the operations of their local school districts. The City of Buffalo is also not responsible for administering its Medicaid program, which is managed by Erie County.
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City of Buffalo

Officials from the City of Buffalo reported that they have received or will be receiving about $29 million in Recovery Act funds for housing services, clean water, and street upgrades, among other things. These funds will have no direct impact on the city’s operating budget since they will flow directly from the state agencies to local agencies, such as those for transportation and housing. In addition, while the City of Buffalo plans to balance its current- and out-year budgets using some of its reserves, city officials are concerned about impending state aid cuts, since this aid makes up about 43 percent of its revenue base. According to the officials, the local agencies that are receiving Recovery Act funds have been hiring temporary workers to avoid recurring costs when Recovery Act funding ends.

New York City

New York City officials reported that the city will primarily use its $4.9 billion in Recovery Act funds to avoid major teacher layoffs ($2.1 billion) and for Medicaid ($1.6 billion). In addition, New York City used funds from a $5.5 billion surplus that it accumulated in better economic times to help close its current-year budget gap. New York City officials are developing a strategy to address the phaseout of Recovery Act funds, including any potential layoffs in education and social services that this funding had prevented.

Steuben County

Steuben County officials reported that the county will use the majority of its $9.0 million in Recovery Act funds for Medicaid ($6.7 million) and for highway infrastructure investment ($845,000). Steuben County officials are concerned that future tax increases will be needed to address anticipated gaps after Recovery Act funds are spent and that they will need to tap into their reserve. County officials stated that they will need to reduce expenditures as well.

Westchester County

Westchester County officials reported that the county will use its $97 million of Recovery Act funds primarily for financing Medicaid ($30.2 million), upgrading its wastewater treatment plant ($27.5 million), and purchasing buses ($13.3 million). Westchester County officials are

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As explained by officials, the Buffalo Fiscal Stability Authority Act requires the City of Buffalo to develop multiyear budgets that are balanced. The City of Buffalo plans to use restricted state aid and incentives to municipalities and unreserved fund balance to balance its budgets.
Appendix XIII: New York

concerned that future tax increases may be needed to address anticipated gaps and that they may have to tap into their reserves after Recovery Act funds are spent.

State Comments on This Summary

We provided the Governor of New York with a draft of this appendix on November 18, 2009. A representative from the Governor’s Office responded on November 19, 2009. We also provided various state agencies and local officials with the opportunity to comment. In general, they agreed with our draft and provided some clarifying and technical suggestions that were incorporated as appropriate.

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Dave Maurer, (202) 512-9627 or maurerd@gao.gov

Staff

In addition to the contacts named above, Ronald Stouffer, Assistant Director; Barbara Shields, analyst-in-charge; Colin Fallon; Christopher Farrell; Emily Larson; Sarah McGrath; Tiffany Mostert; Joshua Ormond; Summer Pachman; Frank Putallaz; Glenn Slocum; Yee Wong; and Kimberly Young made major contributions to this report.
Appendix XIV: North Carolina

Overview


What We Did

Our work in North Carolina included gathering information about five programs funded under the Recovery Act—Highway Infrastructure Investment administered by the U.S. Department of Transportation’s Federal Highway Administration (FHWA), Transit Capital Assistance funds administered by the U.S. Department of Transportation’s Federal Transit Administration (FTA), and three education programs administered by the U.S. Department of Education—Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA), as amended; Part B of the Individuals with Disabilities Education Act (IDEA), as amended; and the State Fiscal Stabilization Fund (SFSF). For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP. We reviewed FHWA obligations of funds for highway infrastructure investment projects and gathered information about the level of state effort for the types of transportation projects funded by the Recovery Act and state oversight of Transit Capital Assistance activities. We also reviewed the largest transit project in an urbanized area—the Charlotte Area Transit System in the City of Charlotte—and in a nonurbanized area—AppalCART in the town of Boone.

We surveyed a representative sample of local education agencies (LEA) nationally and in North Carolina about their planned uses of Recovery Act funds. To obtain more specific information on local uses of Recovery Act funds in North Carolina, we also visited two LEAs—Charlotte-Mecklenburg Schools and Weldon City Schools—that participated in GAO’s national survey of LEAs. We gathered information from state educational agency officials about their plans for monitoring local SFSF implementation activities. We also reviewed the state’s implementation of recipient reporting requirements under the Recovery Act by interviewing state and local officials about their experiences at FederalReporting.gov and by gathering information about how the state and local entities estimated jobs created and retained with Recovery Act funds. We also

gathered information about the state’s economic condition and visited two local entities—the City of Durham and Halifax County—to learn about the use and impact of Recovery Act funds in urban and rural areas.

What We Found

- **Highway Infrastructure Investment.** As of October 31, 2009, the FHWA had obligated $600 million of the $736 million apportioned to North Carolina for highway infrastructure and other eligible projects, and $110 million had been reimbursed by FHWA to the North Carolina Department of Transportation (NCDOT). Most of these funds have been used to fund pavement projects. NCDOT officials told us that the contract bids, on average, have been approximately 20 percent under NCDOT’s cost estimates. NCDOT officials cited challenges in expending approximately $1.2 billion of state funds required to meet the level of effort the state certified it would expend to meet its Maintenance of Effort (MOE) requirement.

- **Transit Capital Assistance funds.** FTA apportioned $103.6 million in Recovery Act Transit Capital Assistance funds to the state and urbanized areas located in the state, of which $70.5 million was apportioned to urbanized areas and $33.1 million to the state for projects in nonurbanized areas. FTA has obligated $67.1 million of the amount for urbanized areas in North Carolina. Of the $33.1 million apportioned to the state for nonurbanized areas, FTA signed a single grant agreement for $25 million to the state for projects in nonurbanized areas. However, as of November 13, 2009, NCDOT had not allocated any of the $25 million to individual transit agencies in nonurbanized areas.

- **Local uses of Recovery Act education funds.** We estimate that 37 percent of North Carolina LEAs experienced a total funding decrease of 5 percent or more—more than double the estimate for LEAs nationwide. Also, many North Carolina LEAs reported they plan to use over half of their SFSF, ESEA Title I, or IDEA Recovery Act funds for retaining staff, but an estimated 54 percent of LEAs reported that, even with SFSF funds, they will lose jobs, compared to 32 percent of LEAs nationally. Charlotte-Mecklenburg and Weldon City school officials report using portions of their SFSF, ESEA Title I, and IDEA funding to retain jobs. North Carolina amended its application for SFSF funds to conform to the state’s legislatively enacted primary funding formulae, which resulted in a reduction of the required education support level in state funds from nearly $7 billion to $5.3 billion. The U.S. Department of Education approved North Carolina’s amended SFSF application.
• **Recipient reporting.** North Carolina’s prime recipients met the federal deadline for recipient reports and reported few known errors. The state’s Office of Economic Recovery and Investment (OERI) reviewed every report submitted by state agencies for errors and omissions and reconciled the data with its weekly funding and disbursement report. OERI facilitated information sharing among the state’s prime recipients to ensure recipient reports were complete, accurate, and submitted on time. According to OERI, most reporting problems were administrative in nature.

• **North Carolina’s fiscal condition.** North Carolina’s revenues have not met official state forecasts, and the state has initiated actions to control spending. The state’s first quarter revenues were 1 percent, or $45 million, below the $4.2 billion estimated for the first quarter of this fiscal year. North Carolina implemented an approximate 5 percent set-aside of state agencies’ budgets. The City of Durham and Halifax County have both received Recovery Act funding. Durham received a total of approximately $11 million, most of which was used for transportation, energy efficiency, and workforce development initiatives, among others. Halifax County officials report that the county has received $517,271 that it has used to reduce the effect of budget cuts in child day care and nutrition programs, nutritional assistance to senior citizens, and public safety.

**Transportation:**

**Highway Infrastructure Investment**

NCDOT is the primary recipient of all Highway Infrastructure Investment funds in North Carolina. It is responsible for building, repairing, and operating highways, bridges, and other modes of transportation, including ferries, in North Carolina.
Recovery Act Fund Obligations Increase and Additional Projects Are Planned

As of October 31, 2009, $600 million\(^2\) of the $736 million that was apportioned to North Carolina in March 2009 for highway infrastructure and other eligible projects had been obligated—an increase of $147 million, or 32 percent, from what we reported in September 2009.\(^3\) The $600 million includes obligations of suballocated funds,\(^4\) which have increased by almost 60 percent since our September report, to $184 million. This is in part because NCDOT set a September 1, 2009, deadline for local highway agencies to submit projects to NCDOT for approval. As of October 31, 2009, $110 million had been reimbursed by FHWA to NCDOT—an increase of $72 million since September 1, 2009.\(^5\)

About 76 percent of Recovery Act highway obligations—including obligations of suballocated funds—for North Carolina have been for pavement projects. Specifically, $456 million of the $600 million obligated as of October 31, 2009, is being used for pavement projects including approximately $214 million to reconstruct or rehabilitate roads, $185 million to widen roads, and $57 million for new roads. As reported in our April 2009 report, NCDOT officials told us they identified these projects based on Recovery Act direction that priority is to be given to projects anticipated to be completed within a 3-year time frame, and are located in economically distressed areas. Figure 1 shows obligations by the types of road and bridge improvements being made.

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\(^2\)This does not include obligations associated with $4.9 million of apportioned funds that were transferred from FHWA to the Federal Transit Administration (FTA) for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA.

\(^3\)For the Highway Infrastructure Investment Program, the U.S. Department of Transportation has interpreted the term obligation of funds to mean the federal government’s commitment to pay for the federal share of the project. This commitment occurs at the time the federal government signs a project agreement.

\(^4\)The Recovery Act apportions funding to the states for restoration, repair, and construction of highways and other activities allowed under the Federal-Aid Highway Surface Transportation Program and for other eligible surface transportation projects. The Recovery Act requires that 30 percent of these funds be suballocated, primarily based on population, for metropolitan, regional, and local use.

\(^5\)States request reimbursement from FHWA as the state makes payments to contractors working on approved projects.
Figure 1: Highway Obligations for North Carolina by Project Improvement Type as of October 31, 2009

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pavement improvement: reconstruction/rehabilitation</td>
<td>$214.1 million</td>
</tr>
<tr>
<td>Pavement widening</td>
<td>$184.7 million</td>
</tr>
<tr>
<td>New road construction</td>
<td>$57.2 million</td>
</tr>
<tr>
<td>New bridge construction</td>
<td>$25.9 million</td>
</tr>
<tr>
<td>Bridge replacement</td>
<td>$15.9 million</td>
</tr>
<tr>
<td>Bridge improvement</td>
<td>$10 million</td>
</tr>
<tr>
<td>Other</td>
<td>$91.8 million</td>
</tr>
<tr>
<td>Total</td>
<td>$456 million</td>
</tr>
</tbody>
</table>

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

According to NCDOT, as of October 31, 2009, the department had advertised for bids on 228 contracts, representing a total estimated value of $493 million in Recovery Act funding. NCDOT data shows that 145 of those contracts have been awarded, for approximately $435 million; work has begun on 122 of the awarded contracts, representing $375 million; and 3 of those contracts, representing $5.7 million, have been completed.

Based on documents provided by NCDOT, contract bids NCDOT received through October 2009 for Recovery Act projects have been, on average, approximately 20 percent under NCDOT’s cost estimates—about $107 million in Recovery Act funds below the original state engineer’s cost.
NCDOT officials reported they have, on a monthly basis, requested that FHWA deobligate Recovery Act funds and requested that FHWA obligate approximately $100 million for additional projects as a result of these below-estimate bids. Because bids continue to be below NCDOT cost estimates and the Recovery Act requires the state to obligate all of its Recovery Act Highway Infrastructure Investment funds within 1 year, NCDOT has identified and submitted to FHWA a list of planned projects exceeding its apportionment by about $92 million. NCDOT officials told us they do not foresee bid prices increasing anytime soon. Based on their discussions with industry officials, NCDOT officials believe there are many contractors still seeking work, but very little private work is available. NCDOT officials stated they are confident that the North Carolina apportionment can all be obligated in a timely manner, even with the increase in the number of contracts needed because of below-estimate bids.

### NCDOT Officials Concerned about Maintenance of Effort Requirements

The Recovery Act requires states to certify that they will maintain the level of state effort (spending level) for the types of transportation projects funded by the Recovery Act that it had planned the day the Recovery Act was enacted. As part of this certification, the governor of each state is required to identify the amount of funds the state planned to expend from state sources from February 17, 2009, through September 30, 2010. Federal Highway Administration—North Carolina Division officials told us NCDOT is struggling to expend $1.2 billion of state funds quickly enough to meet the level of effort it certified that it would meet. Documentation provided by NCDOT shows the state is not meeting its expenditure targets to keep it on track to meet its year-end required expenditures. Specifically, it has spent $321 million of the $499 million of the state funds it targeted for expenditure by September 2009. NCDOT officials identified below-estimate bids for projects with state funding as a primary reason the state is having difficulty meeting its required level of effort. NCDOT officials told us they meet every 2 weeks to assess the state’s level of highway spending and develop additional projects they plan to get underway in time to spend state funds during the period covered by the maintenance of effort certification. However, awarding contracts, starting construction in the winter, and completing a significant amount of work so funds are

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6 Does not include nine contracts for which NCDOT indicated complete engineering estimate data were not available.

expended by the end of the maintenance of effort period on September 30, 2010, may be difficult. NCDOT officials told us they have a projected $38 million shortfall in meeting their certification and are working to eliminate the shortfall, but want to make sure they select projects that meet NCDOT’s performance goals and that there are sufficient state revenues to support the expenditures.

In March 2009, the U.S. Department of Transportation’s Federal Transit Administration (FTA) apportioned $103.6 million in Recovery Act Transit Capital Assistance funds to North Carolina and urbanized areas in the state. Of that total, $70.5 million was apportioned to urbanized areas and $33.1 million to the state for spending in nonurbanized areas. As of November 5, 2009, FTA had obligated $92 million. Of the $70.5 million apportioned to urbanized areas, FTA had obligated $67.1 million, or 95 percent, in Recovery Act funds to transit agencies in urbanized areas as of November 5, 2009. Of the $33.1 million apportioned for nonurbanized areas, FTA signed a single grant agreement for $25 million on August 26, 2009, which will be subsequently allocated for projects in nonurbanized areas. However, as of November 13, 2009, NCDOT had not yet distributed any of these funds to individual transit agencies in nonurbanized areas because it had not finalized its grant agreements with the transit agencies in the nonurbanized areas. According to an NCDOT official, the $8.1 million apportioned but not awarded for nonurbanized areas was for transit construction projects that were not approved by FTA because they did not have required environmental documents finalized. However, NCDOT officials responsible for the North Carolina transit program commented that they plan to resubmit these projects with the required environmental documentation on December 30, 2009, for FTA approval.

NCDOT officials reached out to urban, rural, and regional public transportation systems to identify eligible projects for the Transit Capital Assistance funds under the Recovery Act. According to NCDOT officials,

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Transit Authorities Using Existing Oversight Processes for Recovery Act Capital Assistance--Funded Projects Covering Wide Range of Uses

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

For the Transit Capital Assistance Program, the U.S. Department of Transportation has interpreted the term obligation of funds to mean the federal government’s commitment to pay for the federal share of the project. This commitment occurs at the time the federal government signs a grant agreement.
most of the urbanized area projects selected were unfunded, high-priority projects already on the Statewide Transportation Improvement Plan (STIP). NCDOT worked with the nonurbanized transit agencies to help them prepare their grant applications. According to an NCDOT official, NCDOT required the nonurbanized transit agencies to select projects that were ready-to-go and could be completed in about 3 years. The STIP was amended to include these nonurbanized area projects.

North Carolina transit agencies in urbanized areas are using Transit Capital Assistance funds under the Recovery Act in a variety of ways, including replacement and expansion of transit vehicle fleets, preventive maintenance on existing vehicles, advanced technology and security systems, renovation of transit facilities including bus stops, and new construction for operational space. Based on our review of approved projects in nonurbanized areas, about 75 percent of the nonurbanized transit agencies are using Transit Capital Assistance funds to purchase additional transit vehicles. Other uses included vehicle maintenance, purchase of communications equipment, renovation of existing facilities, and building new transit facilities.

NCDOT officials commented that they provide more assistance to nonurbanized transit agencies than transit agencies in urbanized areas, which have more technical expertise and available resources to meet federally-funded project requirements. For Recovery Act transit projects in urbanized areas, NCDOT is using the same oversight procedures that it would normally use for its other federally-funded transit projects. These oversight procedures generally include periodic site visits, review of project documentation, progress reviews, and providing assistance on project management, contracting, and Recovery Act reporting requirements, if needed. For Recovery Act projects in nonurbanized areas, NCDOT officials commented that they are extensively involved in reviewing and approving project documentation and providing technical assistance. Specifically, NCDOT's oversight procedures in nonurbanized areas include periodic on-site visits, reviewing and approving key steps in the contracting process, reviewing contract documentation and providing assistance on project management and in meeting Recovery Act reporting requirements.

We selected the largest project in an urbanized area and the largest project in a nonurbanized area using Transit Capital Assistance funds under the Recovery Act in North Carolina for review. The Charlotte Area Transit System (CATS) in Charlotte, North Carolina, had the largest project in an urbanized area, and AppalCART in Boone, North Carolina, had the largest
Appendix XIV: North Carolina

project in a nonurbanized area. According to CATS officials, FTA obligated $20.8 million for the three-phased renovation project we selected for review. CATS awarded a contract for Phase 1 of the renovation and expansion of the existing North Davidson Bus Operating facility in order to provide an upgraded facility with improved maintenance and operations space. The contract for Phase 1 of the project was awarded on September 14, 2009, for a total estimated value of $8.7 million with a project start date of November 25, 2009 and a projected completion date of December 16, 2010. According to CATS officials, the fixed-price contract was awarded competitively to the lowest bidder, with nine contractors submitting bids. These officials also indicated that the contract required the prime contractor to provide CATS the recipient reporting information required by the Recovery Act for both the prime contractor’s Recovery Act work and for its subcontractors. CATS’ officials commented that they used the same contract award and oversight process for this project that they normally use for federally funded projects. Oversight of this project includes a full-time project manager and part-time assistants, contract administrator services involving two staff, and consultant provided inspection services.

The AppalCART project we reviewed provides for a new transit facility for bus maintenance and transit operations and the purchase and installation of a transfer station and several passenger shelters. According to AppalCART officials, the contract for the new transit facility was awarded on May 29, 2009, for a total estimated value of $4.1 million with a project start date of June 15, 2009 and a projected completion date of June 18, 2010. According to AppalCART officials, the fixed-price contract was awarded competitively to the lowest bidder, with 10 contractors submitting bids. Much of the contract award process for this project occurred in the fall of 2008 and early 2009 before enactment of the Recovery Act and prior to the project’s selection as a Recovery Act–funded Transit Capital Assistance project. Before the Recovery Act, AppalCART officials had not identified all funding sources for the project. According to AppalCART officials, the contract was awarded prior to funding being available under the Recovery Act based on verbal assurances from NCDOT that funding was approved for the project. As of November 13, 2009, NCDOT had not yet allocated any of the $6 million in Recovery Act funds AppalCART expects to receive for this project because NCDOT had not finalized its grant agreements for transit agencies in nonurbanized areas. According to AppalCART officials, in the absence of Recovery Act funding, AppalCART has paid all contract costs to date from its own funds and has secured a $1,000,000 line of credit as a contingency to avoid work stoppages on the project before the onset of
These officials also indicated that the contract required the prime contractor to provide AppalCART the information required for recipient reporting under the Recovery Act for both the prime contractor’s Recovery Act work and for its subcontractors. AppalCART project oversight includes a full-time project manager who is on-site multiple times a week, and a contract administrator who is on-site weekly. Both individuals oversee work quality and progress, as well as review the appropriateness of contractor expenditures. The AppalCART director is also on-site frequently and provides overall agency oversight of the project and approves AppalCART periodic payments to the contractor.

We surveyed a representative sample of LEAs—generally school districts—nationally and in North Carolina about their planned uses of Recovery Act funds. To obtain more specific information on local uses of Recovery Act funds in North Carolina, we also visited two LEAs that completed the survey, Weldon City Schools, a non-urban LEA, and Charlotte-Mecklenburg Schools, an urban LEA. In addition, we met with state officials at the Department of Public Instruction (DPI) to discuss state plans and efforts related to three Recovery Act education programs—SFSF, Title I, Part A of ESEA; and Part B of IDEA.

Many North Carolina LEAs Reported Total Funding Reductions and Plans to Use Recovery Act Funds to Retain Staff

We estimate that 37 percent of North Carolina LEAs experienced a total funding decrease of 5 percent or more—more than double the national estimate. Also, many North Carolina LEAs reported they plan to use over half of their SFSF, ESEA Title I, or IDEA Recovery Act funds for retaining staff. However, an estimated 54 percent of North Carolina LEAs reported that, even with SFSF funds, they will lose jobs, compared to 32 percent of LEAs nationally. Table 1 shows North Carolina and national GAO survey results on the estimated percentages of LEAs that (1) plan to use more than 50 percent of their Recovery Act funds from three education programs to retain staff, (2) anticipate job losses even with State Fiscal Stabilization Fund monies, and (3) reported a total funding decrease of 5 percent or more since the last school year.
LEAs We Visited Reported Using Recovery Act Funds to Offset State Budget Cuts and to Meet Staffing and Programmatic Needs

Due to significant reductions in state aid for noninstructional support staff—clerical and custodial staff—LEA officials with whom we spoke reported using significant portions of their SFSF allocations to retain these positions. North Carolina reduced the public schools’ fiscal year 2009-2010 budget by 9.5 percent, which was partially offset by SFSF funds for a net reduction of 4.9 percent. The largest reduction in state funding was for noninstructional support, according to a state official, which decreased from $405 million in fiscal year 2008-2009 to $13.5 million in fiscal year 2009-2010. As a result, officials from Charlotte-Mecklenburg Schools told us they used all of their SFSF allocation to retain noninstructional staff because state support for these positions in their LEA was reduced from about $37 million in fiscal year 2008-2009 to about $1 million in fiscal year 2009-2010.

Additionally, LEA officials we spoke to reported they will use ESEA Title I and IDEA funds for job retention, as well as to address other programmatic needs. For example, in Charlotte-Mecklenburg, LEA officials told us the additional ESEA Title I funds helped fund teacher and teacher assistant positions as well as preserve its model pre-K program and 9th grade program. Their ability to maintain these programs will have a positive effect on increasing student achievement and decreasing the dropout rate, according to LEA officials. Charlotte-Mecklenburg officials also told us they used the majority of the additional fiscal year 2009-2010

<table>
<thead>
<tr>
<th>Responses from GAO survey</th>
<th>Estimated percentages of LEAs</th>
<th>North Carolina</th>
<th>Nation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to use more than 50 percent of Recovery Act funds to retain staff</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDEA funds</td>
<td>52</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Title I funds</td>
<td>49</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>SFSF funds</td>
<td>73</td>
<td>63</td>
<td></td>
</tr>
<tr>
<td>Anticipated job losses, even with SFSF funds</td>
<td>54</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Reported total funding decrease of 5 percent or more since school year 2008-2009</td>
<td>37</td>
<td>17</td>
<td></td>
</tr>
</tbody>
</table>

Source: GAO survey of LEAs.

Note: Percentage estimates for North Carolina have margins of error, at the 95 percent confidence level, of plus or minus 11 percentage points or less. The nationwide percentage estimates have a margin of error of plus or minus 5 percentage points.
IDEA allocation to retain and hire new teachers and teaching assistants. According to Weldon City Schools officials, ESEA Title I funds have enabled the LEA to maintain essential teaching positions. In the absence of these funds, Weldon officials said teachers would have been laid off and classroom sizes would have increased. Weldon officials also told us the additional IDEA funds will help maintain the stability of support staff and service levels. For example, IDEA Recovery Act funds will help cover travel expenses for occupational, speech, and physical therapists.

North Carolina Amended Its SFSF Application to Reflect Changes in the State’s Primary Budget Formulae

According to state officials, North Carolina amended its SFSF application to reflect enacted changes to its elementary and secondary education primary budget formulae for distributing education stabilization funds. To receive SFSF funds, the state was required to make certain assurances, including that it would meet MOE requirements by maintaining state support for education at no less than the fiscal year 2006 funding level. Also, states must use their primary education funding formula to distribute SFSF education stabilization funds. In its initial application, North Carolina used all of the state public school funding formulae, which included all categories of public school funding, as the primary formulae. Subsequently, according to state officials, the state legislature enacted primary formulae that included fewer funding categories than the formulae used in the initial application. According to state officials, the U.S. Department of Education advised the state to use the enacted primary formulae in its amended application, and state officials changed the fiscal year 2006 funding level included in the state’s amended SFSF application to conform to the legislatively enacted primary funding formulae so the state has comparable measures of support in all fiscal years. In the amended application, the state’s fiscal year 2006 support level is reduced to $5.3 billion for elementary and secondary education from nearly $7 billion in the initial approved application. According to state officials, North Carolina would meet MOE requirements under the initial and enacted primary formulae. The Department of Education approved the amended application on November 16, 2009.
We reported in our September report that North Carolina had yet to develop its SFSF monitoring plan required by the U.S. Department of Education. North Carolina’s Office of State Budget and Management (OSBM) completed its SFSF monitoring plan in September 2009. For SFSF funds for LEAs and charter schools, OSBM delegated monitoring responsibilities to the state agency responsible for education, the North Carolina DPI. According to DPI officials, DPI developed a plan to monitor LEAs’ use of SFSF funds, which incorporates its existing reporting and monitoring procedures. DPI officials indicated they are likely to focus their local monitoring efforts on compliance with contracting and equipment requirements, and documentation requirements for all employees who are paid from federal funds or whose salaries are used to match federal funds. DPI officials reported they continue to modify the state’s data collection system to capture information on jobs created and retained and will monitor data quality in local reports. Under OSBM’s plan, responsibility for monitoring the use of funds by public institutions of higher education has been assigned to the North Carolina Community College System Office and the University of North Carolina General Administration Office. Responsibility for monitoring the use of the remaining SFSF funds by other state agencies has been assigned to OSBM’s Internal Audit section and budget analysts.

North Carolina used a decentralized approach to reporting on its Recovery Act activities. Under this approach, each prime recipient of Recovery Act funds reports directly to FederalReporting.gov rather than submit its recipient reports through a central state contact. The quarterly reports—required by the Recovery Act in Section 1512—provide information on the use of funds, estimates of the number of jobs created and retained, as well as other information. North Carolina established its own Office of Economic Recovery and Investment (OERI)—known informally as the office of the Recovery Czar—to coordinate and track North Carolina’s handling of federal Recovery Act funds and ensure transparency. OERI also has responsibility for helping state agencies that are prime recipients coordinate their recipient reporting efforts. Specifically, OERI has held two roundtable discussions for the state’s prime recipients to facilitate information sharing among agency officials and develop quality assurance procedures.

measures to ensure the recipient reports were complete, accurate, and submitted on time. In addition, to further ensure the transparent use of Recovery Act funds, OERI contacted local police and sheriffs’ offices that were prime recipients of a U.S. Department of Justice Local Law Enforcement Assistance Grant to remind them to report to FederalReporting.gov by the October 10, 2009 deadline. An OERI official reported to us that all state agencies successfully submitted their reports by the October 2009 deadline. OERI staff reviewed every report submitted by a state agency for errors or omissions and reconciled the data with OERI’s Weekly Funding and Disbursement Report.\textsuperscript{11}

According to an OERI official, the federal reporting process had features that helped avoid serious and widespread reporting problems. In particular, FederalReporting.gov featured an online validation tool that helped recipients identify and correct problems in advance of the October reporting deadline. In addition, he told us that federal funding agency personnel were quick to respond to requests for assistance and maintained good communication with recipients, typically resolving issues in less than 12 hours. However, this official also reported that the FederalReporting.gov helpdesk and online live chat assistance were overwhelmed with the volume of inquiries as the deadline approached and some recipients could not access either service.

According to an OERI official, as of October 28, 2009, most recipient reporting areas of concern were administrative in nature, such as an incorrect Data Universal Numbering System (DUNS)\textsuperscript{12} or award number. However, OERI reported that the job count, a substantive reporting element, proved troublesome for 9 of its 17 state agencies, and the count submitted was sometimes questioned by the cognizant federal agency. Most of the agency officials said the questions were in reference to awards received too close to the end of the quarterly reporting cycle to result in any jobs created or saved. OERI also said it is problematic that it did not have immediate access to recipient reports in FederalReporting.gov and

\textsuperscript{11}The Weekly Funding and Disbursement Report is compiled from Recovery Act obligation, disbursement, and drawdown data provided to OERI by each state agency on a weekly basis.

\textsuperscript{12}A DUNS number is a nine-digit identification number that is assigned to an entity and identifies specific information about the entity such as the entity’s business name and address.
said state coordinating offices need such access to recipient reports if the monitoring efforts are to be effective.

After the October 2009 reporting deadline, we interviewed officials from two state agencies, DPI and the NCDOT to assess their experiences reporting at FederalReporting.gov. DPI officials told us they used both certified and noncertified payroll files, depending on availability, to report jobs data for the first quarterly report. 13 DPI officials told us they experienced few problems reporting jobs data, but that they plan to use a different approach beginning with the next quarterly report by collecting jobs information from school districts after DPI makes modifications to its computer system. An NCDOT official told us NCDOT began collecting monthly jobs data from vendors (contractors) when their employees or their subcontractors began work on the Recovery Act projects. Although NCDOT was unable to report jobs data for all vendors by the October 10 reporting deadline, an NCDOT official told us NCDOT successfully reported jobs data for all vendors and subrecipients by the October 21, 2009 federal Office of Management and Budget (OMB) cutoff date for report revisions. According to this NCDOT official, a technical problem with the FHWA system used for collecting the jobs data initially prevented some of NCDOT’s data files from being validated by FederalReporting.gov; however, the problem was resolved and NCDOT data files were validated. Officials at the two NCDOT divisions that we visited reported no significant problems or issues in collecting and reporting the jobs data for the selected Recovery Act projects. However, NCDOT did experience challenges with other data elements, including capturing expenditure data for projects that were not available until about 2 weeks after the reporting period.

In preparation for the next round of quarterly recipient reporting in January 2010, OERI held another roundtable to discuss (1) what happened during the first recipient reporting process and (2) any issues that need to be resolved before the next quarterly report.

13For noncertified payroll, DPI calculated FTEs based on average salaries and expenditures.
State Budget Officials Report Slight Decline in 1st Quarter Revenue Collections

The state’s fiscal year 2009-2011 budget was signed into law in August 2009 for the fiscal year which began on July 1, 2009. State budget officials told us revenues for this fiscal year’s 1st quarter ending on September 30, 2009, were 1 percent, or $45 million, below the $4.2 billion estimated projection for the quarter. According to the officials, this is not a significant concern because they anticipated the 1st quarter would be the year’s worst quarter. The budget officials said that since they were unsure whether the state’s revenues would meet the projections for the fiscal year, they decided to initiate an approximate 5 percent set-aside of state agencies’ budgets. According to state officials, this set-aside will continue at least through the 2nd quarter. State budget officials told us Recovery Act funds are helping in the areas of education and health and human services, and the state intends to use more of its SFSF monies in the second quarter of the current fiscal year.

We visited two localities in North Carolina, the City of Durham and Halifax County, to collect information on their use of Recovery Act funds. The City of Durham has received approximately $11 million and Halifax County has received $517,271 million in Recovery Act funds.

Durham

Population: 223,284
Form of government: Municipality with Mayor and City Council
September 2009 unemployment rate: 7.3 percent
Table 2: Sources of Recovery Act Formula and Competitive Grant Funding to Durham City Government

<table>
<thead>
<tr>
<th>Source of Funding</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td></td>
</tr>
<tr>
<td>Surface Transportation Program Direct Allocation</td>
<td>4,698,060</td>
</tr>
<tr>
<td>Energy Efficiency</td>
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<tr>
<td>Energy Efficiency and Conservation Block Grant</td>
<td>2,173,600</td>
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<tr>
<td>Workforce Development</td>
<td></td>
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<tr>
<td>Workforce Investment Act (WIA)</td>
<td>1,317,711</td>
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<tr>
<td>Community Development</td>
<td></td>
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<tr>
<td>Community Development Block Grant</td>
<td>516,025</td>
</tr>
<tr>
<td>Homelessness Prevention and Rapid Re-Housing Program</td>
<td>789,101</td>
</tr>
<tr>
<td>Public Safety</td>
<td></td>
</tr>
<tr>
<td>Edward Byrne Memorial Justice Assistance Grant (JAG)</td>
<td>794,143</td>
</tr>
<tr>
<td>State and Local Law Enforcement Assistance Program</td>
<td>724,497</td>
</tr>
</tbody>
</table>

Source: City of Durham.

City officials told us they used Recovery Act funds to support their transit, capital projects, and workforce development priorities.

Capital Projects

Recovery Act funds have enabled the City of Durham to stay on schedule with many of its capital projects and, as a result, take advantage of now-favorable construction costs, according to city officials. Durham officials also told us that Recovery Act transportation funding helped the city accelerate payments for some of its street and sidewalk infrastructure programs by at least 1 year or budget cycle, thereby reducing the total costs of these projects. Specifically, the officials told us that Recovery Act funds’ greatest impact was savings on the cost of current and future debt service. Durham officials said that without Recovery Act funds, the city would have had to pay for some of its capital projects through the issuance of debt. Recovery Act funds helped the city stabilize its debt service level and continue progress on needed capital projects, according to city officials.

Transit

Durham officials said the city used Recovery Act transit funding for preventive maintenance costs and purchased 22 new vans; upgraded bus stop shelters; and purchased other transit-related items. Durham’s Transit Operations Fund will break even due to receipt of $1 million in federal Recovery Act funding for fiscal year 2009-2010. Durham officials anticipate that the use of Recovery Act funds in fiscal year 2010-2011 will have a similar effect.
Appendix XIV: North Carolina

**Workforce Development**

The city reported receiving over $1.3 million in Recovery Act funds through the Workforce Investment Act (WIA). According to city officials, the infusion of these funds allowed them to serve more individuals by providing additional workforce development training and employment opportunities. Durham officials also told us these funds were especially useful because Durham’s unemployment rate has nearly doubled since the economic downturn began in fiscal year 2007-2008.

**Weathering the Economic Downturn and Preparing for the End of Recovery Act Funds**

The City responded to the economic downturn and revenue reduction with planned budget reductions to most operating departments, according to Durham officials. They report holding vacancies open, reducing travel and training, and delaying nonessential capital purchases. The city’s Audit Services Department plans to engage relevant staff in designing and implementing an evaluation of how Recovery Act funds have helped the city and in developing an exit strategy for when the funds are no longer available.

**Halifax County**

*Population: 54,983*

*Form of Government: Council-Manager*

*September 2009 Unemployment rate: 13.1%*

**Table 3: Selected Sources of Recovery Act Formula Funding to Halifax County Government**

<table>
<thead>
<tr>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Services</td>
</tr>
<tr>
<td>Food and Nutrition Services</td>
</tr>
<tr>
<td>Child Daycare Funding</td>
</tr>
<tr>
<td>Public Safety</td>
</tr>
<tr>
<td>Edward Byrne Memorial Justice Assistance Grant (JAG)</td>
</tr>
<tr>
<td>Aging</td>
</tr>
<tr>
<td>Elderly Nutrition Funds</td>
</tr>
</tbody>
</table>

*Source: Halifax County.*

**State Takeover of Medicaid Functions Affected Budget Stability**

Halifax County officials told us that over the last several years, the state has reduced sales tax revenues to all counties in exchange for taking over Medicaid payments. According to Halifax County officials, the state’s takeover of Medicaid had a significant effect on the county’s budget because, in exchange, the state reduced a significant portion of the county’s sales tax revenues, which are approximately 20 percent of its annual budget. For example, the state reduced Halifax’s Medicaid payments by 25 percent in fiscal year 2007-2008, and in this fiscal year,
Appendix XIV: North Carolina

2009-2010, the state is assuming all Medicaid payments in the county. As a result of the state’s takeover of Medicaid payments, the revenue reductions are more than what Halifax had spent on Medicaid. According to Halifax County officials, the state gave counties the option of implementing an additional sales tax or land transfer tax to offset the lost revenue. Halifax County officials said they elected not to pursue either strategy because the county’s residents cannot afford to pay more taxes. The county has instead reduced its budget.

Halifax is the second-most economically distressed county in the state with 24 percent of its residents living below the poverty level. According to Halifax officials, Recovery Act funds lessened the effect of budget cuts in its child day-care and nutrition programs. The county reported receiving a total of $429,040 in Recovery Act funds from the two programs and hired three staff members to help support what officials told us are unprecedented needs for assistance. The officials also told us they used $29,306 of Recovery Act funds to help provide nutritional assistance to senior citizens who make up one-third of the county’s population, and its sheriff’s department received $58,925 from the Recovery Act’s JAG funding.

The officials told us Halifax County is in serious need of additional revenues, but its Board of Commissioners could decide not to pursue certain funds due to the Recovery Act’s reporting requirements and the large amount of administrative time involved with oversight and monitoring of funds. Halifax County officials told us that they do not have a formal exit strategy once Recovery Act funds are no longer available.

We provided a draft of this appendix to the Governor of North Carolina, the North Carolina State Auditor’s Office, and the North Carolina Office of Economic Recovery and Investment, and provided excerpts of the draft to other entities including the state educational agency, local educational agencies, cities and towns we visited. The Office of Economic Recovery and Investment, the NCDOT, and other officials provided clarifying and technical comments, which we incorporated as appropriate.

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Paula M. Rascona, (202) 512-9816 or Rasconap@gao.gov
In addition to the contacts named above, Terrell Dorn, Director; Bryon Gordon, Assistant Director; Sandra Baxter; Bonnie Derby; Steve Fox; Fred Harrison; Charlene Johnson; Leslie Locke; and Anthony Patterson made major contributions to this report.
Appendix XV: Ohio

Overview


What We Did

GAO's work in Ohio focused on specific programs funded under the Recovery Act, as well as general issues involving the effect of Recovery Act funds. We selected the Weatherization Assistance Program for detailed review primarily because it was in full operation across the state. To continue our ongoing longitudinal analysis of the use of the Recovery Act funds, we also updated funding information on the U.S. Department of Transportation's (DOT) Highway Infrastructure Investment Program; the Department of Housing and Urban Development's (HUD) Public Housing Capital Fund; and three U.S. Department of Education (Education) Recovery Act education programs—the State Fiscal Stabilization Fund (SFSF); Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA), as amended; and Part B of the Individuals with Disabilities Education Act (IDEA), as amended. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP. In addition to specific Recovery Act programs, we also reviewed general issues involving state and local budget stabilization and the state's efforts to report on the use and effect of the Recovery Act funds by program.

Recovery Act Funds Provide Some Needed Support to Local Governments in Ohio

The state and some local governments in Ohio continue to face budgetary challenges. As we reported, the state's biennial budget for fiscal years 2010-2011 relies on about $851 million in proceeds from the video lottery terminals to balance its biennial budget. According to a senior official with the state budget office, the Ohio Supreme Court recently ruled that a statewide referendum was needed before these terminals could go into operation. The earliest such a referendum could be held, this official said, was November 2010. The state had planned to have the terminals in operation a year earlier in order to begin collecting revenues. This delay will force the state to take other actions to keep its budget balanced.

GAO visited four localities in Ohio—the City of Athens, the City of Cincinnati, the City of Toledo, and Putnam County—to review their use of Recovery Act funds.
Athens, Ohio

See tables 1 and 2 for demographic information on and sources of Recovery Act funding for the City of Athens.

### Table 1: Demographics for Athens, Ohio

<table>
<thead>
<tr>
<th>Population</th>
<th>Locality type</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>22,088</td>
<td>City</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

Sources: U.S. Census Bureau and U.S. Department of Labor.

Notes: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

### Table 2: Sources of Recovery Act Funding to Athens City Government

<table>
<thead>
<tr>
<th>Area for funding</th>
<th>Source of funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public safety</td>
<td>Edward Byrne Memorial Justice Assistance Grant (JAG) – $104,531</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Federal Transit Administration Transit Capital Assistance Non-Urbanized Area Formula (Section 5311) Grant – $179,216</td>
</tr>
<tr>
<td></td>
<td>Drinking Water State Revolving Fund – $320,000</td>
</tr>
</tbody>
</table>

Sources: Ohio Department of Public Safety, U.S. Department of Justice, Ohio Department of Transportation, and Ohio Environmental Protection Agency.

Recovery Act funds helpful, but not integral to current budget. According to city officials, a 1.5 percent reduction was made in February 2009 to the city’s budget. As a result of this reduction, raises for nonunion employees were delayed, and nine reserve and part-time police officers were temporarily laid off. The city also consolidated some positions, and canceled some unfilled positions, including a police officer position. However, city officials said that their fiscal year 2009 finances are better than those of many other cities in the state. In fiscal year 2009, city revenues increased and surpassed expectations. City officials said that Athens’ largest employer, Ohio University, has been offering early retirement packages, which have increased income tax revenues due to augmented taxpayer incomes.1 City officials are guarded about future revenue growth as these one-time revenues and incomes could go down as payrolls shrink.

1According to city officials, the Athens income tax is paid by individuals who either live or work in the city.
Recovery Act funds have been provided additional public safety and infrastructure.

- **Public safety:** The JAG funds will go toward, among other things, mobile computer data terminals for nine police vehicles that will provide additional capabilities to officers in the field.

- **Infrastructure:** Recovery Act funds have allowed Athens’ transit system to fund upgrades and to purchase a new bus. The upgrades also made it possible for a contractor to retain a bus maintenance mechanic position. The city’s Department of Engineering and Public Works applied for 12 Recovery Act grants but received only one. City officials said that the drinking water funds will help Athens save operating costs and avoid additional debt. According to officials, the water project was needed but it would not have been done immediately otherwise; without Recovery Act funds, repairs could have sustained the facility for a while.

**Cincinnati, Ohio**

See tables 3 and 4 for demographic information on and sources of Recovery Act funding for the City of Cincinnati.

**Table 3: Demographics for Cincinnati, Ohio**

<table>
<thead>
<tr>
<th>Population</th>
<th>Locality type</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>333,336</td>
<td>City</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

Sources: U.S. Census Bureau and U.S. Department of Labor.

Notes: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.
Appendix XV: Ohio

Table 4: Sources of Recovery Act Funding to Cincinnati City Government

<table>
<thead>
<tr>
<th>Area for funding</th>
<th>Source of funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community development</td>
<td>Community Development Block Grant – Recovery Act Funds (CDBG-R) – $3,490,694</td>
</tr>
<tr>
<td>and social services</td>
<td>Homelessness Prevention and Rapid Re-Housing Program (HPRP) Grant – $5,339,182</td>
</tr>
<tr>
<td>Public safety</td>
<td>Edward Byrne Memorial Justice Assistance Grant (JAG) – $3,419,570</td>
</tr>
<tr>
<td></td>
<td>COPS Hiring Recovery Program (CHRP) Grant – $13,570,400</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Federal Highway Administration (FHWA) – Highway Infrastructure Investment Program – $4,500,000</td>
</tr>
<tr>
<td></td>
<td>Energy Efficiency &amp; Conservation Block Grant (EECBG) – $3,520,600</td>
</tr>
</tbody>
</table>

Sources: U.S. Department of Housing and Urban Development, Ohio Department of Public Safety, U.S. Department of Justice, Ohio Department of Development, and Cincinnati, Ohio, government officials.

Future budget problems are not resolved. According to city officials, fiscal year 2009 general fund tax revenues will be down $28 million from original estimates and are expected to continue falling in fiscal year 2010. To keep the fiscal year 2009 budget in balance, city officials pursued several actions that included employee layoffs, furloughs, wage concessions, city service cutbacks and drawing down funds held in reserve. In addition, city officials stated that even with all the staffing and service cuts made during the current year, a $51 million dollar structural deficit will have to be resolved next year.

Recovery Act funds have provided additional services and saved jobs in community development and social services, public safety, and infrastructure.

- **Community development and social services:** A city official said Recovery Act funding received under the CDBG-R program prevented the elimination of a private lot abatement initiative and nine other human service initiatives totaling more than $700,000. The remaining $8.1 million will be used to start eight new initiatives and pay administrative expenses.

- **Public safety:** City officials said that Recovery Act funding will save approximately 79 city police officer positions and create three new staff positions. Approximately $1.4 million in Byrne JAG funds will finance 27 officer positions through the end of fiscal year 2009. Officials with the city budget office and the police department said that they will have to make choices about whether they can continue to
fund those positions with city revenues during next year’s budget deliberations. Another $1.6 million in Byrne JAG funds is being subgranted by Cincinnati to 14 different local governments for law enforcement activities to support several other officer positions and pay for new equipment. The remaining Byrne JAG funds are slated to retain 2 officers in the city’s Sex Offenders Unit, create 2 new crime analyst positions, and allow the city law department to hire 1 additional prosecutor. The CHRP grant will also fund personnel-related costs by supporting 50 officer positions from fiscal years 2009 through 2012.

- **Infrastructure**: Cincinnati will administer two projects totaling $4.5 million that were approved through the local area metropolitan planning organization (MPO). The city will also receive a $3.5 million formula grant allocation under the EECBG program that will fund eight different projects.

**Toledo, Ohio**

See tables 5 and 6 for demographic information on and sources of Recovery Act funding for the City of Toledo.

<table>
<thead>
<tr>
<th>Table 5: Demographics for Toledo, Ohio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
</tr>
<tr>
<td>316,851</td>
</tr>
</tbody>
</table>

Sources: U.S. Census Bureau and U.S. Department of Labor.

Notes: Population data are a revised estimate from July 1, 2007. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rate is a percentage of the labor force. Estimates are subject to revision.
Table 6: Sources of Recovery Act Funding to Toledo City Government

<table>
<thead>
<tr>
<th>Area for funding</th>
<th>Source of funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social services</td>
<td>Community Development Block Grant – Recovery Act Funds (CDBG-R) – $2,141,045</td>
</tr>
<tr>
<td></td>
<td>Homelessness Prevention and Rapid Re-Housing Program (HPRP) Grant – $3,275,494</td>
</tr>
<tr>
<td></td>
<td>Edward Byrne Memorial Justice Assistance Grant (JAG) – $2,504,046</td>
</tr>
<tr>
<td></td>
<td>STOP Violence Against Women Act Formula Grant – $40,193</td>
</tr>
<tr>
<td></td>
<td>COPS Hiring Recovery Program (CHRP) Grant – $7,149,437</td>
</tr>
<tr>
<td>Public safety</td>
<td>Federal Highway Administration (FHWA) – Highway Infrastructure Investment Program – $13,357,522</td>
</tr>
<tr>
<td></td>
<td>Energy Efficiency &amp; Conservation Block Grant (EECBG) – $3,083,600</td>
</tr>
<tr>
<td></td>
<td>Assistance to Firefighters Fire Station Construction Grant – $2,995,602</td>
</tr>
<tr>
<td></td>
<td>U.S. Environmental Protection Agency Brownfields Program – $940,000</td>
</tr>
<tr>
<td></td>
<td>Clean Water State Revolving Fund – $805,200</td>
</tr>
</tbody>
</table>


Recovery Act funds provide some relief to budget crisis but fund mostly project-based activities. According to a city official, Toledo revised its fiscal year 2009 budget to recognize a revenue shortfall of $24 million. City officials said that they renegotiated several city employee union contracts that included several concessions and 2-year wage freezes, placed some city employees on a 32-hour work week, and laid off others, including 75 police officers in May 2009. Toledo officials do not anticipate revenues returning to pre-2009 levels for several years, making for tough budget decisions in the future. Additionally, city officials that we spoke to expressed concerns that much of the Recovery Act funding is restricted to specific project-based activities, leaving Toledo little discretion to apply such funding to other priorities that are facing cutbacks as a result of the city’s current budget crisis.

Recovery Act funds have provided additional services and saved jobs in social services, public safety and infrastructure.
Appendix XV: Ohio

- **Social services**: Toledo plans to initiate nine different community projects to improve local neighborhoods and alleviate homelessness. For example, $500,000 in Recovery Act funding received under the CDBG-R program will be used to complete necessary home repairs for persons who would not otherwise qualify to receive home weatherization services that are also available under the Recovery Act. In addition, the Recovery Act funding for HPRP will be allocated to several subgrantees to provide housing relocation, case management, legal services, and rental payments to eligible persons.

- **Public safety**: A city official described how the $9.7 million in Recovery Act funding for the public safety programs listed in table 6 will allow the city to rehire laid off staff and avoid other planned layoffs. For example, the $7.1 million in funding for the CHRP grant permitted Toledo to recall 31 officers who were laid off in May 2009. These officers’ salaries and benefits will be funded through 2012. Other police department layoffs were avoided and city assistant prosecutor positions were added with the approximately $1.4 million in Byrne JAG and Violence Against Women program funds Toledo is receiving as a subgrantee of Lucas County. In addition, Toledo will use approximately $698,000 in Byrne JAG funds to recall 6 civilian 911 emergency call center staff previously laid off in 2009.

- **Infrastructure**: Under the Highway Infrastructure Investment program, the city will administer six road projects totaling $6.9 million that were approved by the local area MPO. Additionally, $6.5 million will be obligated for projects under the same FHWA program to double the capacity of an existing rail yard and create future economic development opportunities.

Putnam County, Ohio

See tables 7 and 8 for demographic information on and sources of Recovery Act funding for Putnam County.

<table>
<thead>
<tr>
<th>Table 7: Demographics for Putnam County, Ohio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td>34,543</td>
</tr>
</tbody>
</table>

Sources: U.S. Census Bureau and U.S. Department of Labor.

Notes: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.
Table 8: Sources of Recovery Act Funding to Putnam County Government

<table>
<thead>
<tr>
<th>Area for funding</th>
<th>Source of funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public safety</td>
<td>Edward Byrne Memorial Justice Assistance Grant (JAG) – $351,497</td>
</tr>
<tr>
<td></td>
<td>Assistance to Rural Law Enforcement to Combat Crime and Drugs Grant – $703,200</td>
</tr>
<tr>
<td>Social services</td>
<td>Workforce Investment Act – $178,000</td>
</tr>
<tr>
<td></td>
<td>Child Care and Development Block Grant – $38,000</td>
</tr>
<tr>
<td></td>
<td>Supplemental Nutrition Assistance Program – $12,000</td>
</tr>
<tr>
<td></td>
<td>Title IV-E Adoption Assistance and Foster Care Programs – $12,000</td>
</tr>
<tr>
<td></td>
<td>Impact on Child Support Incentives Program – $8,000</td>
</tr>
</tbody>
</table>

Sources: Ohio Department of Public Safety, U.S. Department of Justice, and Putnam County, Ohio, government officials.

Recovery Act funds to address some reductions made to the county’s budget. County officials approved a revised budget in May 2009 that included $1 million decreases to both revenues and expenditures for the current fiscal year. According to a county official, expenditure cuts were made across the board except for mandated services and nonnegotiable items such as debt repayments to maintain a balanced budget. These cuts included reducing administrative expenses, wage freezes, and not replacing retiring staff. In addition, the Sheriff’s Office laid off 6 full-time staff and 10 part-time staff and reduced the work week for all full-time hourly employees from 40 to 32 hours.

Recovery Act funds have provided additional services and saved jobs in public safety and social services.

- **Public safety:** County officials applied for both a Byrne JAG grant through the state and a federal Bureau of Justice Assistance Rural Law Enforcement grant. Both grant applications, totaling $1.1 million, were successful, but the Sheriff’s Office applied to bring back the same full-time road patrol deputies with each of these two grants. Now that both grants have been awarded, the Sheriff’s Office asked for approval to use the Byrne JAG funding award for a different purpose—to bring back an additional 2 full-time and 10 part-time staff members and return all full-time hourly staff to a 40-hour work week. By October 16, 2009, the Sheriff’s Office request had been approved.

- **Social services:** A Putnam County official said that the county used Recovery Act funding to provide additional services and support to
eligible individuals. The county did not use these funds to hire or retain additional staff or to pay for contractor support.

**Recovery Act Funds Are Being Used to Weatherize Homes**

The State of Ohio has been allocated $266.8 million in Recovery Act funds for its Home Weatherization Assistance Program (HWAP). Of this amount, the Ohio Department of Development (ODOD) has obligated all of the $133.4 million that the U.S. Department of Energy (DOE) has so far provided. States were authorized to start using Recovery Act funds to weatherize homes on July 1, 2009. As of November 5, 2009, ODOD reported that it had drawn down $37.5 million to weatherize 4,708 homes.

**Davis-Bacon Act Provisions Are Established; Ohio Is Making Adjustments**

The wage rates set for weatherization work on residential homes under the Recovery Act were subject to provisions of the Davis-Bacon Act. On September 3, 2009, the U.S. Department of Labor (Labor) published county-by-county residential wage rates. These rates represented the minimum rate that weatherization workers could be paid when Recovery Act funds were used. To aid in monitoring these provisions, all grantees and contractors working on the Recovery Act projects were required by ODOD to maintain accurate records and complete weekly certified payrolls on Recovery Act-funded projects. As the prime recipient of the state’s weatherization Recovery Act funds, ODOD is responsible for obtaining, maintaining, reviewing, and monitoring all Davis-Bacon Act certified payroll records.

Ohio began weatherizing residential homes before Labor issued its guidance on Davis-Bacon wage rates. Ohio officials told us that the state wanted to ensure that it met production targets and, therefore, decided to proceed quickly. Effective July 1, 2009, ODOD directed its 34 grantees that perform the weatherization work to set their own wage rates based on similar positions within their counties and be prepared to make adjustments once the Davis-Bacon rates were finalized. It turned out that some of the Davis-Bacon rates were higher than expected, but grantees are making adjustments. Of the three grantees we visited, one grantee will be

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2U.S. Department of Energy (DOE) officials told us that on September 22, 2009, they obligated all the funds allocated to the states but had limited the states’ access to 50 percent of these funds. DOE currently plans to make the remaining funds available to the states once 30 percent of the housing units identified in the state plans are weatherized.

3Three of these grantees use 24 local agencies—called delegates—to provide weatherization services.
making additional payments (back pay) of at least $85,817 to 31 weatherization employees. The second grantee will pay $1,225 to two contractor employees. The third grantee will not have to make adjustments because it already paid a wage equal to, or higher than, the Davis-Bacon wage rates.

While uncertainty over Davis-Bacon wage rates did not slow residential projects in Ohio, it has caused difficulties for buildings considered commercial. ODOD officials said that the state considers all multifamily buildings with four stories or more to be commercial structures; however, Labor has not provided wage rates for commercial projects. According to ODOD officials, the absence of a commercial wage rate for weatherization projects caused some grantees to delay projects in larger, multifamily buildings until they could better estimate the costs of those projects. ODOD officials stated that new guidance issued by DOE on November 10, 2009, has addressed their concerns and they would now be able to move forward on commercial projects. DOE's November guidance states that grantees may use Labor's residential weatherization wage rates in lieu of commercial rates in estimating the cost-effectiveness of weatherization measures in high-rise buildings.

As Initial Program Implementation Unfolds, Additional Monitoring Efforts, Early in the Process, Are Essential for Program Effectiveness

To understand how the program was being implemented, we met with state officials and visited grantees that perform the weatherization work. We met with ODOD officials responsible for managing HWAP to gain an understanding of how the state plans to monitor the program. ODOD plans to enhance its existing monitoring approach by conducting both administrative and technical monitoring on an annual basis and assessing grantee performance on a quarterly basis. As of October 31, 2009, ODOD officials told us that it had conducted site visits to 8 of its provider network of 34 grantees and reviewed 3 percent of production. ODOD had not yet reviewed the administrative functions of any of its grantees. However, state officials said ODOD is revising its monitoring program to better align it to Recovery Act guidance.

We conducted site visits to three grantees selected to provide a mix of (1) crew-based and contractor-based service providers, (2) rural and urban service providers, and (3) direct grantee or delegate service providers. During our site visits, we reviewed files of about 10 percent of homes weatherized using Recovery Act funds from July 1, 2009, through
Appendix XV: Ohio

September 30, 2009. We reviewed file documentation to determine whether the grantee had (1) assessed applicant eligibility, (2) conducted an initial inspection to determine where and how much energy is being lost, and (3) conducted a final quality assurance inspection to ensure that the project was completed according to Weatherization Assistance Program standards. We also conducted site visits of an ongoing project and a project scheduled for final inspection at all three grantees. In addition, we reviewed the most recent Single Audit reports for these grantees.

Our file reviews of the three grantees we visited identified the following concerns:

- **Inconsistent grantee practices for monthly reporting of the number of homes completed.** We identified a number of inconsistencies in how grantees defined completed homes, resulting in varying practices for counting and reporting monthly unit production to ODOD. Our file review showed that only 34 percent of the homes were reported as completed in the correct month. According to Ohio’s state plan, no home will be reported as completed until the grantee has performed a final inspection and certified that all planned work was done. We found that none of the three grantees consistently followed ODOD’s state plan.

- **Recovery Act funds were used to weatherize homes before July 1, 2009.** In our file review at one grantee, we found homes that were weatherized in April and June 2009 and were paid for with Recovery Act funds. These homes were weatherized before Ohio’s July 1, 2009, target date for Recovery Act production. This is not permitted under Ohio’s Recovery Act State Plan.5

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4At the time of our review in early October 2009, one of the grantees we visited had not finalized its September 2009 monthly production report; therefore, we were unable to test homes completed for that month. For the other two, we reviewed production for all three months.

5In order to promote separate accountability of Recovery Act funds from the DOE Base Allocation funds, and to comply with the DOE directive that Recovery Act production cannot commence without an approved comprehensive state plan, Ohio will implement the two sources of funding in sequence. HWAP production before July 1, 2009, will be funded with base allocation dollars, and HWAP production from July 1, 2009, forward will be funded with Recovery Act fund.
Appendix XV: Ohio

- **Recovery Act funds used to weatherize home of an ineligible applicant.** In our file review at one grantee, we found that an ineligible applicant had received over $2,300 of weatherization services, yet the applicant had an income that was above the income eligibility limit. Although failure to verify eligibility was identified as a significant deficiency in the grantee’s fiscal year 2008 Single Audit report and the grantee agreed to implement a corrective action plan, our review found that existing controls are still weak, leading to Recovery Act funds being spent on an ineligible applicant.

- **Varying practices for documenting callbacks.** We identified inconsistent practices for documenting callbacks—a process where the weatherization workers are called back to complete additional work identified during the final inspection. Two grantees told us that they documented all callbacks and their resolution, while one grantee had a more informal process for tracking callbacks. Without an effective tracking process, it would be difficult for grantees to keep track of whether a callback issue has been sufficiently addressed and whether work was completed in accordance with program and safety requirements.

We provided the Governor of Ohio with a draft of this appendix. Ohio officials said they would take a number of actions to address the findings we reported above. First, to ensure that grantees prepare their monthly production reports more consistently and in accordance with program requirements, ODOD officials said they will review the inconsistencies found with all grantees and provide additional technical assistance to those grantees who need it. Second, to correct the use of Recovery funds before July 1, 2009, ODOD officials told us the provider will cancel the expenses charged to Recovery Act funds and cover the expenses with non-Recovery Act HWAP funds. Third, to address using Recovery Act funds to weatherize the home of an ineligible applicant, ODOD officials told us they will seek reimbursement from the grantee and will communicate to the grantee the need to verify eligibility, provide technical assistance on how to strengthen internal controls, and how to monitor the implementation of these controls. Finally, to provide a more consistent practice for

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6 Eligibility for the Recovery Act Weatherization Assistance Program is generally limited to households with income levels at or below 200 percent of the federal poverty level or households whose income levels are the basis for receiving cash assistance payments under Titles IV and XVI of the Social Security Act or local law during the 12-month period preceding the determination of eligibility for weatherization assistance. 42 U.S.C. § 6862(7).
documenting callbacks, ODOD officials acknowledge that an effective callback tracking process is needed and will design a process for grantees to use.

**Ohio’s Reported Expenditures May Not Reflect Funds Spent Weatherizing Homes**

In June 2009, in accordance with DOE’s guidance on the use of Recovery Act funds, ODOD provided grantees with 10 percent of their allocated funds in order to start up their programs through activities such as training staff and purchasing equipment. ODOD officials said that these funds may not be spent, in large part, because of the burden of getting approvals from DOE for new equipment purchases. ODOD officials said that it reimburses grantees monthly for production and expects the grantees to use the 10 percent allocation over the life of the grant; grantees will have to submit claims against it before the end of the 3-year grant cycle. As a result, some of the initial allocation passed to grantees may not have been spent even though it was reported spent under the first Recovery Act recipient report. For example, as of November 5, 2009, ODOD said it had drawn down $37.5 million in Recovery Act funds from the U.S. Treasury; however, this includes the 10 percent for start up activities allocated in June 2009. ODOD officials said that as of November 5, 2009, grantees have spent $25.7 million. State officials said that Ohio followed the Office of Management and Budget’s (OMB) guidance on reporting expenditures under section 1512 of the Recovery Act and accurately reported the state’s disbursement of Recovery Act funds to ODOD; however, they said they did not report the expenditure of those funds by HWAP grantees.

**Recipient Reporting on Weatherization Assistance Program Is Inconsistent with Federal Guidance**

Ohio’s recipient reports on HWAP underreported actual program progress because data are only provided through August 2009. ODOD issued guidance on September 14, 2009, directing its grantees to provide data only through August 31, 2009. As a result, Ohio’s weatherization data for the first Section 1512 report omit data from September 2009. An ODOD official explained that because grantees submit data 10 days following the end of the month, ODOD could not provide data through September 30, 2009, the required reporting date. ODOD plans to report data from September through November in the next quarterly report, in January 2010. A senior ODOD official acknowledged that ODOD’s practices are not consistent with the guidance issued by the OMB that requires prime recipients to report on a quarterly basis, with the first quarter ending on September 30, 2009. This may result in reports that do not accurately reflect the number of jobs created or retained and funds expended in Ohio’s weatherization program in the reported time period.
Furthermore, data reported on jobs do not appear to have been reported consistent with OMB guidance. OMB guidance requires that total hours worked be converted to full-time equivalents to calculate the number of jobs created by the Recovery Act. However, for the first recipient report ODOD used the results of a labor survey completed in July 2009 that required grantees to estimate the number of jobs that could potentially be created with Recovery Act funds. This inconsistency between reporting potential positions and actual hours worked could result in an inaccurate reporting of jobs created. For example, one of the grantees we visited reported 36 jobs created, but officials told us that they had filled only 20 positions at the time of our visit. Another grantee used contractors to provide weatherization services. While this grantee reported 14 agency and 8 contractor jobs created, an official with this grantee confirmed that only 6 agency and 7 contractor positions had been filled.

Conclusion

Ohio’s HWAP will grow significantly under the Recovery Act. In addition, there is an expectation that services be delivered fast to inject funds into the economy quickly. As a result, the program is at heightened risk for waste, fraud, and abuse. Real-time monitoring and early assessments of grantees activities could help avoid waste, fraud, and abuse and help ensure program success. Although ODOD has a monitoring plan in place that meets DOE requirements, given the discrepancies we found during our site visits, HWAP may benefit from earlier and more frequent monitoring to ensure that grantees are in compliance with program and Recovery Act requirements. In addition, ODOD should clarify its guidance to grantees on subrecipient reporting for Recovery Act programs to better align it to the state and OMB requirements and time frames.

In response to our findings, the Ohio Office of Budget and Management (OBM) issued general guidance to all state agencies on November 20, 2009, to create more uniform state-issued guidance regarding Recovery Act reporting requirements and to reinforce the importance of early monitoring and data assurance review of all Recovery Act-funded programs. Specifically, to ensure consistency OBM will review all updated or new state agency guidance and post all federal guidance on one web site. The state says that this centralized approach could help state agencies take advantage of best practices for reporting requirements and for developing guidance. In order to provide consistency in reporting the number of jobs created, the state will develop a jobs calculator, which will be based on OMB’s jobs calculation guidance. This new guidance also asks state agencies to evaluate their monitoring plans to anticipate additional
needs or changes in order to ensure full compliance with Recovery Act requirements.

With regard to our findings on Ohio’s Home Weatherization Assistance Program, state officials recognized that providing data through August 31, 2009, is less than ideal, but that reporting accurate and complete grantee data within 10 days of the end of the quarter is not possible using the current HWAP reporting processes. According to state officials, OBM and ODOD will review the current process and consult with OMB on how to proceed. Similarly, OBM will provide ODOD with its jobs calculator to calculate jobs based on the number of actual hours worked during a quarter. Finally, ODOD said it planned to add staff to begin administrative monitoring in December 2009 and will begin fiscal monitoring in January 2010.

The U.S. Department of Transportation’s FHWA apportioned about $936 million in Recovery Act funds to Ohio. Of this apportionment, about $655 million was allocated to the Ohio Department of Transportation (ODOT) and the remaining funds, about $281 million, were directly suballocated to Ohio’s metropolitan, regional, and local areas. As of October 31, 2009, FHWA had obligated about $475 million of the $936 million in funds apportioned to Ohio and had reimbursed the state $62 million. This is about 51 percent of the total funding apportioned to Ohio in March 2009 compared to 41 percent as of June 25, 2009. According to ODOT, the main reason for this slow increase in obligating funds was that FHWA deobligated funds totaling over $40 million because contract awards came in below the state’s estimated cost. While lower-than-estimated project costs reduced the obligation rate, they also allowed ODOT to fund more projects than originally planned. We reported in our July 2009 report that ODOT had identified 210 transportation projects; as of November 23, 2009, the number of projects increased to 244. ODOT officials told us that the increase in the number of funded transportation projects was directly related to contracts being awarded below the state’s estimated project cost. Table 9 compares total highway program obligations as of June 25, 2009, and October 31, 2009.
Table 9: Comparison of Highway Obligations for Ohio as of June 25, 2009, and October 31, 2009

<table>
<thead>
<tr>
<th></th>
<th>Total obligations</th>
<th>Statewide (70 percent of funds)</th>
<th>Suballocated (30 percent of funds)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage</td>
<td>Amount</td>
</tr>
<tr>
<td>Obligations as of June 25, 2009</td>
<td>$936</td>
<td>100</td>
<td>$655</td>
</tr>
<tr>
<td></td>
<td>384</td>
<td>41</td>
<td>339</td>
</tr>
<tr>
<td>Obligations as of October 31, 2009</td>
<td>475</td>
<td>51</td>
<td>315</td>
</tr>
<tr>
<td>Difference</td>
<td>91</td>
<td>24</td>
<td>114</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Federal Highways Administration data.

As of November 20, 2009, ODOT had awarded 175 contracts valued at $467 million. Generally, contract bids are coming in under the state’s estimated cost; however, several contract bids have exceeded the state’s estimated cost. For example, on one project, the winning contract bid was 41.9 percent, or $64,000 below the state’s estimated cost and on another project, the winning contract bid was 10.4 percent, or $151,383, above the state’s estimated cost. Overall, the ratio of bids under the estimated cost versus those bids that exceed the state’s estimated cost is about five to one. In those cases where the contract is awarded at a cost below the state’s cost estimate, ODOT submits a modification request to FHWA to deobligate the funds from one project and obligate the funds to another project.

Ohio’s Use of Public Housing Capital Fund Grants Is Increasing

Ohio has 52 public housing agencies that have received Recovery Act formula grants. In total, these public housing agencies received about $128.3 million in Public Housing Capital Fund formula grants. Figure 1 shows the funds allocated by HUD that have been obligated and drawn down by Ohio public housing agencies as of November 14, 2009.
As of November 14, 2009, 40 of Ohio’s 52 public housing agencies have obligated about $54.5 million. Of the 40 public housing agencies that have obligated funds, 36 agencies have drawn down more than $12.0 million. On average, housing agencies in Ohio are obligating funds somewhat slower than housing agencies nationally. We previously visited the following three housing agencies: the Columbus Metropolitan Housing Authority, Cuyahoga Metropolitan Housing Authority, and London Metropolitan Housing Authority. We will provide updated information on these housing agencies in a future report.

Ohio’s disbursement of the ESEA Title I, IDEA Part B, and SFSF funds allocated under the Recovery Act has increased in the last several months. In September 2009, we reported that Ohio had allocated almost all Recovery Act funds made available for ESEA Title I, IDEA Part B, and SFSF but that limited funds had been disbursed. As of November 6, 2009, Ohio has increased its disbursements of Recovery Act funding for these programs. Table 10 compares the level of subrecipient drawdown of available funding for each of the education programs as of September 15, 2009, and November 6, 2009.
Table 10: Comparison of Funds Drawn Down for ESEA Title I, IDEA, and SFSF Programs as of September 15, 2009, and November 6, 2009

<table>
<thead>
<tr>
<th>Education program</th>
<th>Recovery Act funds allocated to Ohio</th>
<th>Funds drawn down by subrecipients (September 15, 2009)</th>
<th>Percentage of funds drawn down (September 15, 2009)</th>
<th>Funds drawn down by subrecipients (November 6, 2009)</th>
<th>Percentage of funds drawn down (November 6, 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESEA Title I, Part A</td>
<td>$372,673,474</td>
<td>$2,751,435</td>
<td>.78</td>
<td>$24,437,748</td>
<td>7.00</td>
</tr>
<tr>
<td>IDEA, Part B</td>
<td>451,095,410</td>
<td>4,049,994</td>
<td>.90</td>
<td>35,140,981</td>
<td>8.00</td>
</tr>
<tr>
<td>SFSF</td>
<td>980,685,675</td>
<td>110,900,000</td>
<td>11.31</td>
<td>246,874,558</td>
<td>25.00</td>
</tr>
</tbody>
</table>

Source: GAO analysis of data from the U.S. Department of Education.

As of November 6, 2009, subrecipients had drawn down $24,437,748 in ESEA Title I funds—an increase of more than $21.7 million over the amount drawn down as of September 15, 2009. Ohio subrecipients had drawn down $35,140,981 in IDEA Part B funds—an increase of nearly $31.1 million since September 15, 2009—and $246,874,558 in SFSF funds—an increase of nearly $136.0 million.

We surveyed a representative sample of local educational agencies (LEA)—generally school districts—nationally and in Ohio about their use of Recovery Act funds made available for three education programs: (1) Title I, Part A of ESEA, as amended; (2) Part B of IDEA, as amended; and (3) SFSF. Table 11 shows Ohio and national GAO survey results on the estimated percentages of LEAs that (1) plan to use more than 50 percent of their Recovery Act funds from three education programs to retain staff, (2) anticipate job losses even with SFSF moneys, and (3) reported a total funding decrease of 5 percent or more since last school year.
Table 11: Selected Results from GAO Survey of LEAs

<table>
<thead>
<tr>
<th>Responses from GAO survey</th>
<th>Estimated percentages of LEAs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to use more than 50 percent of Recovery Act funds to</td>
<td>Ohio</td>
<td>Nation</td>
</tr>
<tr>
<td>retain staff</td>
<td>15</td>
<td>19</td>
</tr>
<tr>
<td>IDEA funds</td>
<td>11</td>
<td>25</td>
</tr>
<tr>
<td>Title I funds</td>
<td>46</td>
<td>63</td>
</tr>
<tr>
<td>SFSF funds</td>
<td>13</td>
<td>32</td>
</tr>
<tr>
<td>Anticipate job losses, even with SFSF funds</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td>Reported total funding decrease of 5 percent or more since</td>
<td></td>
<td></td>
</tr>
<tr>
<td>last year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source: GAO survey of LEAs.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Percentage estimates for Ohio have margins of error, at the 95 percent confidence level, of plus or minus 11 percentage points or less. The nationwide percentage estimates have a margin of error of plus or minus 5 percentage points.

Ohio’s Initial Recipient Reporting Was Successful, but Improvements Are Planned

Under Section 1512(c) of the Recovery Act, direct recipients of Recovery Act funds, including state and local entities, are required to report quarterly the detailed information on the projects and activities funded by the act. As we discussed in our September report⁷ OBM developed a new information system called the Ohio American Recovery and Reinvestment Act Hub to centrally collect and report this information from state agencies to OMB’s FederalReporting.gov Web site. OBM serves as a conduit for information from state agencies; it relies on those agencies to validate the accuracy of the data they submit to OBM.

According to OBM officials, the overall recipient reporting for state agencies was successful. They stated that no material omissions or significant reporting errors were found. However, changing guidance from federal agencies caused some confusion about the proper recipient reporting method to be used—whether to report by award or by specific project. This confusion resulted in improper data submissions that required correction. Other minor issues arose during the reporting process, but all were resolved during the 10-day period for submitting revisions. For example, for some highway projects, ODOT reported two or

⁷GAO, Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed (Appendices), GAO-09-1017SP (Washington, D.C.: Sept. 23, 2009).
more North American Industry Classification System codes when the FederalReporting.gov software would only accept one code. As we noted earlier, we identified a number of inconsistencies in the way one state agency, ODOD, reported data on expenditures and employment information during the September 2009 reporting cycle. OBM officials said that to their knowledge, ODOD was the only state agency that did not provide information as of September 30, 2009. Other state agencies also provided inaccurate information to OBM that was submitted prior to October 10, 2009, to FederalReporting.gov, in error, before being corrected. For example, some agencies reported (1) the wrong project description data, (2) projects that were less than 50 percent complete as “not started,” and (3) invalid or improperly registered Data Universal Numbering System numbers.

OBM officials told us that they plan to make number of changes to the processes they use to collect data from state agencies before the next reporting cycle, including

- increasing training and communication on reporting requirements with state agencies sooner in the reporting cycle, especially those agencies that did not have to report in the initial cycle;
- establishing an advisory group with representatives from state agencies to discuss future recipient reporting changes; and
- supporting recipients with a centralized guidance repository, reviewing state agency-issued guidance, and interpreting federal guidance.

On November 20, 2009, OBM issued new guidance to subrecipients implementing changes to the current reporting process.

Local governments that are direct recipients of Recovery Act funds must report on those funds directly to the federal government. Officials in the localities we visited told us that for the most part, they were able to report in accordance with federal requirements. Officials in two of the localities we visited said they took advantage of training opportunities that enabled them to report on time and correctly. For example, a Putnam County official who attended training on Recovery Act reporting for Department of Justice grants said that county officials would not have been able to comply with the reporting requirements if they had not attended the training. Cincinnati developed a Web-based Recovery Act reporting application to collect the required recipient reporting information from subgrantees and contractors. Cincinnati’s system was designed to interface with the FederalReporting.gov Web site, and city officials said
that they were able to upload all the required data easily into the federal reporting system on time.

However, several of the local government officials we spoke with said there was confusion about reporting because of the overlapping requirements. This occurred because many of the programs themselves had separate reporting requirements and systems in addition to the FederalReporting.gov system. For example, Athens officials told us that the federal JAG reporting requirements were much more complicated than requirements of the Ohio Criminal Justice Services. Toledo officials said they experienced a troublesome reporting burden under multiple state and federal reporting systems associated with HUD funding. Also, while Cincinnati requires all subgrantees and contractors to maintain records to support the information they submit, the city does not have a process to verify that the submissions are accurate.

We provided the Office of the Governor of Ohio with a draft of this appendix on November 19, 2009, and representatives of the Governor’s office responded on November 23, 2009.

In general, they agreed with our findings and provided technical suggestions that were incorporated, as appropriate. They also provided specific comments on our analysis of the state’s weatherization program. We incorporated those comments in that section of the appendix, as appropriate.

State Comment on This Summary

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Staff Acknowledgments

In addition to the contacts named above, Bill J. Keller, Assistant Director; Sanford Reigle, analyst-in-charge; William Bricking; Matthew Drerup; Laura Jezewski; Myra Watts-Butler; Lindsay Welter; and Doris Yanger made major contributions to this report.
Appendix XV: Pennsylvania

Overview

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

What We Did

For GAO’s work in Pennsylvania, we reviewed four specific programs funded under the Recovery Act: Highway Infrastructure Investment, Transit Capital Assistance, Fixed Guideway Infrastructure Investment, and the Weatherization Assistance Programs. Our work focused on the status of the program’s funding, how funds are being used, and issues specific to each program. The highway and transit programs have approaching deadlines in March 2010 for obligating the Recovery Act funds before these funds are subject to withdrawal and redistribution. Pennsylvania’s weatherization program was starting to spend funds at the time of our work. We also include updated information and Pennsylvania survey data for three Recovery Act education programs—the U.S. Department of Education (Education) State Fiscal Stabilization Fund (SFSF); Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA), as amended; and Part B of the Individuals with Disabilities Education Act (IDEA), as amended. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP.

We met with the Pennsylvania Accountability Office to gain an understanding of the state’s experience in meeting Recovery Act reporting requirements for the first quarterly reports that were due in October 2009. Pennsylvania is a centralized reporting state, and the Pennsylvania Accountability Office submits the quarterly recipient reports for Recovery Act funds received by state agencies. Each state agency receiving Recovery Act funds—the direct recipient—is responsible for collecting and entering data for its subrecipients and vendors into a centralized Recovery Act data warehouse.

Finally, we continued to track the state’s fiscal condition and also visited four local governments to discuss the amount of Recovery Act funds each expects to receive and to learn how those funds will be used. We selected Harrisburg and Dauphin County, which are located in a medium-sized urban area encompassing the state capitol, with a county unemployment rate below the state’s average of 8.3 percent. We also selected Allentown and Lehigh County, which are located in the third largest urban area in Pennsylvania, with unemployment rates higher than the state’s average.
What We Found

- **Highway Infrastructure Investment.** As of October 31, 2009, the U.S. Department of Transportation (DOT) Federal Highway Administration (FHWA) had obligated $885 million of the $1.026 billion of Recovery Act funds apportioned to Pennsylvania and $150 million had been reimbursed. As of November 20, 2009, Pennsylvania had received bids for 275 of its 293 projects and had 270 projects under way, mainly for pavement improvements and bridge improvements or replacements.

- **Transit programs.** For its Transit Capital Assistance Program, DOT’s Federal Transit Administration (FTA) apportioned $327.5 million in Recovery Act funds to Pennsylvania and urbanized and nonurbanized areas located in the state. As of November 5, 2009, FTA had obligated $290.0 million. For its Fixed Guideway Infrastructure Investment Program, FTA apportioned $91.9 million in Recovery Act funds to the Philadelphia and Pittsburgh urbanized areas, all of which had been obligated by FTA as of November 5, 2009.

- **Weatherization Assistance Program.** As of November 19, 2009, the Pennsylvania Department of Community and Economic Development (DCED) had released $10 million to the Department of Labor and Industry (L&I) to provide weatherization training and certification, awarded contracts for 41 of the 43 weatherization agencies, and released $41.5 million to 41 agencies to begin weatherizing homes. While DCED has focused its efforts on releasing funds to the agencies, it faces several challenges to meeting its spending and production targets. These include expanding its oversight capacity, certifying and training weatherization workers, and implementing a statewide procurement system for weatherization materials purchased with Recovery Act funds.

- **Education programs.** For SFSF, on November 2, 2009, Education approved Pennsylvania’s application for its initial allocation of $1.4 billion. In fiscal year 2009-10, Pennsylvania will use $655 million to restore and increase state funding for local educational agencies (LEAs) and $93.2 million to restore state funding for public institutions of higher education (IHEs). For ESEA Title I, Part A, Education has awarded Pennsylvania about $400.6 million in Recovery Act funds. For IDEA, Part B, Education has awarded Pennsylvania about $441.7 million in Recovery Act funds. According to data from Education as of November 6, 2009, Pennsylvania had drawn down $70.4 million in Recovery Act ESEA Title I, Part A funds and $74.7 million in IDEA, Part B funds.
Appendix XV: Pennsylvania

- **Recipient reporting.** Pennsylvania’s Accountability Office reported that it successfully submitted 276 recipient reports before October 10, 2009, on behalf of 13 state agencies using its centralized Recovery Act data warehouse. All of these reports were posted immediately on the state’s www.recovery.pa.gov Web site. By October 30, 2009, Pennsylvania had revised 246 of its preliminary reports largely because of updated federal agency guidance and federal requests to standardize award dates and project descriptions. Three transit agencies in Pennsylvania, that were to file directly with the federal government, did not successfully submit their recipient reports in October 2009.

- **Pennsylvania’s fiscal condition.** On October 9, 2009, Pennsylvania enacted its 2009-10 budget for the fiscal year that began July 1, 2009. Pennsylvania now has budget authority to spend Recovery Act funds, according to the state budget office. Even with Recovery Act funds to help with budget stabilization, the $27.8 billion general fund budget is $524 million less than last year, and state agencies are preparing for layoffs. The budget assumed no growth in general fund revenues over 2008-09 revenues and included $3.3 billion in new recurring revenues as well as onetime revenues. However, the state’s general fund revenues reported as of October 2009 were 1.8 percent below estimates for fiscal year 2009-10—a revenue shortfall of $160 million.

- **Localities’ use of Recovery Act funds.** The cities of Harrisburg and Allentown as well as Dauphin and Lehigh counties report that they have or will receive Recovery Act funds. These four localities plan to use Recovery Act funds to prevent homelessness and for onetime uses, such as improving energy efficiency in government buildings and purchasing law enforcement equipment.
Pennsylvania Continues to Use Recovery Act Funds for Bridges and Roadway Improvements, and Contracts Continue to Be Awarded for Less Than State Cost Estimates

As we previously reported, $1.026 billion was apportioned by FHWA to Pennsylvania for highway infrastructure and other eligible projects. As of October 31, 2009, $885 million (86 percent) had been obligated and $150 million had been reimbursed by FHWA. According to Pennsylvania data, highway and bridge contracts have been awarded and work has started. For its 293 projects, as of November 20, 2009, Pennsylvania had received bids for 275 projects representing about $776.5 million. Of these, 270 projects representing $762 million were authorized to begin—that is, a Notice to Proceed, which authorizes a contractor to begin work, had been issued.

Pennsylvania selected highway and bridge projects that could be started quickly and focused on roadway improvements and bridge deficiencies. FHWA data as of October 31, 2009, show that most Recovery Act funds for Pennsylvania have been obligated to help meet these needs. Specifically, $366.7 million (41.4 percent) of the $885 million obligated was for pavement improvement and $273.5 million (30.9 percent) was for bridge improvements or replacements. Lesser amounts were obligated for other types of projects, such as transportation enhancements (e.g., curb ramps for people with disabilities).

We reported in September 2009 that bids for Recovery Act highway and bridge projects were about 12 percent less than original project cost estimates. Data provided by the Pennsylvania Department of Transportation (PennDOT) shows that as of November 20, 2009, the total amount across all bids received was 14.4 percent (or about $130 million) less than original state estimates of total project costs. According to PennDOT, savings from bids on contracts being less than the estimated costs have been applied to additional Recovery Act projects. In July 2009, Pennsylvania added 52 Recovery Act projects and modified 4 existing projects, and, in November 2009, Pennsylvania added 33 Recovery Act projects and modified 5 existing projects. PennDOT officials said they may solicit bids for the latter projects in early 2010.¹

¹Federal regulations require states to maintain a process for adjusting project cost estimates. In addition, the state shall seek to revise the federal funds obligated for a project within 90 days after it has determined that the estimated federal share of project costs has decreased by $250,000 or more. (23 C.F.R. § 630.106.) The funds deobligated from this process may be used for other FHWA-approved projects once the funds have been obligated by FHWA.
Overall, PennDOT officials believe that the Recovery Act is making a positive impact on their ability to meet state transportation needs. For example, they said Recovery Act funds have allowed the state to undertake more projects than it typically could, including addressing 100 additional structurally deficient bridges under the state’s Accelerated Bridge Program.

Pennsylvania’s Transportation Revenues Have Been Less Than Expected, and the State May Need to Amend Its Maintenance of Effort Estimate

The Recovery Act required the Governor of each state to certify that the state will maintain the level of spending for the types of transportation projects funded by the Recovery Act that it planned to spend the day the Recovery Act was enacted through September 30, 2010 (about $2.2 billion for Pennsylvania). On March 17, 2009, the Governor of Pennsylvania made this certification. However, Pennsylvania submitted an amended certification letter on May 20, 2009, after it was informed by the U.S. Secretary of Transportation that the original certification did not comply with section 1201 of the Recovery Act or implementing guidelines because it included certain explanations about its estimates.

PennDOT has been tracking compliance with Recovery Act maintenance of effort (MOE) requirements. According to PennDOT officials, one of the challenges in meeting the MOE requirements is generating the tax revenue to pay for transportation projects. PennDOT officials said that to date these revenues, which come from liquid fuels and other taxes, have been less than expected, and the state is starting to consider options should MOE requirements not be met. In addition, Pennsylvania may again need to amend its MOE estimates. In September 2009, FHWA issued supplemental guidance advising states that their MOE certified amounts should include funding they provide to local governments or other entities for transportation projects. PennDOT officials said their MOE certifications did not include all these amounts, which can range up to $400 million per year. PennDOT is discussing with FHWA whether another MOE certification letter will be required.
Transit Agencies in Pennsylvania Continue to Implement Rail and Fleet Improvement Recovery Act Projects

We spoke with officials from PennDOT and three transit agencies in Pennsylvania about their Transit Capital Assistance and Fixed Guideway Infrastructure Investment Recovery Act funding and projects. In total, Southeastern Pennsylvania Transportation Authority (SEPTA) in Philadelphia was allocated $190.9 million; Port Authority of Allegheny County (Port Authority), $62.5 million; and the Lehigh and Northampton Transportation Authority (LANTA), $9.4 million in Recovery Act funds (see table 1). PennDOT’s Bureau of Public Transportation also was apportioned $39.6 million for 15 nonurban transit agencies’ projects, intercity bus, and intercity rail projects.

Table 1: Transit Capital Assistance and Fixed Guideway Infrastructure Investment Recovery Act Funding for PennDOT and Three Pennsylvania Transit Agencies

<table>
<thead>
<tr>
<th></th>
<th>Transit Capital Assistance</th>
<th>Fixed Guideway Infrastructure Investment</th>
<th>Total allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Approved by FTA</td>
<td>Remaining allocation</td>
<td></td>
</tr>
<tr>
<td>SEPTA</td>
<td>$112.8</td>
<td>$12.5</td>
<td>$65.7</td>
</tr>
<tr>
<td>Port Authority</td>
<td>44.0</td>
<td>0</td>
<td>18.5</td>
</tr>
<tr>
<td>LANTA</td>
<td>7.7</td>
<td>1.7</td>
<td>0</td>
</tr>
<tr>
<td>PennDOT</td>
<td>38.2</td>
<td>0</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Source: GAO analysis of data from FTA, PennDOT, and transit agencies.

*The Fixed Guideway Infrastructure Investment Recovery Act total allocations for SEPTA, Port Authority, and PennDOT have been approved by FTA.

*Numbers may not add to totals due to rounding.

SEPTA and Port Authority continue to use their Recovery Act allocations for rail construction and improvements, “state of good repair” projects, and vehicle procurement (including bus purchases). As of November 2009, SEPTA had 31 projects with approved Recovery Act grant funding of which 27 projects had received a Notice to Proceed with construction. SEPTA planned to add an additional project to its Recovery Act Transit Capital Assistance grant when its environmental assessment was completed. Port Authority officials told us that they continue to use their Recovery Act funding for the North Shore Connector project and as of

See GAO, Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed (Appendices), GAO-09-1017SP (Washington, D.C.: September 2009), for a more detailed discussion of SEPTA’s and Port Authority’s Recovery Act projects.
November 2009 had spent $3.0 million mostly on the rail systems portion of the project. Port Authority officials stated that they planned to begin construction on other Recovery Act components of the project in the near future.

LANTA plans to use its Transit Capital Assistance Recovery Act grant to purchase 5 buses and 20 vans, implement a new passenger information system, install bus shelters and signage, and fund design work and purchase property for a new maintenance facility. LANTA completed the van purchase in September 2009 and expected to receive the 5 buses in 2010. The passenger information system project began in September 2009. At the time of our visit LANTA had not finalized its plans for the new maintenance facility. If this project does not go forward, LANTA officials said the Recovery Act funds will be reprogrammed by December 2009 for preventive maintenance or further vehicle purchases.

PennDOT told us that 16 projects under its Recovery Act transit funding had started work as of October 31, 2009. One nonurban transit agency we visited, Butler Transit Authority, awarded four contracts for its intermodal transit center in October 2009 and notice to proceed with construction was expected in November 2009. PennDOT's intercity rail Recovery Act project—Elizabethtown Station—began construction in September 2009.

PennDOT, SEPTA, Port Authority, and LANTA officials told us they plan to apply existing controls to Recovery Act work. In addition, LANTA plans to hire a construction management consultant to oversee its Recovery Act maintenance facility project, and LANTA officials told us they hold weekly project status meetings with the contractor installing their passenger information system. PennDOT continues to use its contract engineering consultant for Recovery Act transit project management, but PennDOT officials said that reporting duties were being transferred to in-house staff to free up the consultant to focus on onsite project management as well as technical assistance. According to PennDOT officials, the Recovery Act has supported the ongoing initiative to increase oversight of transit grantees, particularly those with small and medium-sized capital projects. PennDOT transit officials said they do not plan to reduce oversight efforts after Recovery Act funds have been expended.
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Pennsylvania Has Begun Certifying and Training Weatherization Workers and Releasing Funds to Local Agencies, but Faces Challenges Meeting Spending and Production Targets

The Recovery Act appropriated $5 billion for the Weatherization Assistance Program, which the U.S. Department of Energy (DOE) is distributing to each of the states, the District of Columbia, and seven territories and Indian tribes, to be spent over a 3-year period. This program enables low-income families to reduce their utility bills by making long-term energy efficiency improvements to their homes by, for example, installing insulation or modernizing heating or air conditioning equipment. On September 22, 2009, DOE obligated all the funds allocated to the states, but it has limited the states' access to 50 percent of these funds.³ Pennsylvania will receive a total of $252.8 million in Recovery Act funds for its Weatherization Assistance Program. Of this amount, the Pennsylvania DCED will retain up to $8.3 million for program management and oversight and will provide up to $20 million to L&I for training and technical assistance. The balance of the funds (about $224.5 million) will be provided to 43 weatherization agencies in Pennsylvania. DCED plans to spend at least 50 percent of these funds by September 30, 2010, and plans to evaluate weatherization agency performance through measures such as jobs created, homes weatherized, and energy savings. As of November 19, 2009, DCED reports that it has 552 homes in progress for weatherization and has completed weatherization on 34 homes.

Since our September 2009 report, DCED has reviewed weatherization agency management plans, awarded contracts, and released funds to some agencies. As of November 19, 2009, DCED had awarded 41 of the 43 contracts to the weatherization agencies and had released $41.5 million to 41 of those agencies. DCED expects to complete releasing the first round of payments to all 43 weatherization agencies and L&I by late-November 2009—equal to about half of the agencies' first-year total Recovery Act funding. While DCED has focused its efforts on releasing funds to the weatherization agencies, it faces several challenges to meeting its spending and production targets. These include expanding its oversight capacity, training and certifying weatherization workers, and implementing a statewide procurement system for weatherization materials purchased with Recovery Act funds.

Expanding state oversight capacity. Currently, three DCED staff monitor weatherization agencies to determine if quality weatherization work is being performed and if program costs are appropriate. Using

³DOE currently plans to make the remaining funds available to the states once 30 percent of the housing units identified in the state plans are weatherized.
DCED-developed monitoring guidelines and procedures, DCED monitors are expected to visit weatherization agencies at least twice each year and to inspect 10 percent of the homes each agency has weatherized. Previously, DCED monitors focused on supporting the weatherization agencies; however, in the future, monitors will spend more time assessing agency performance. To increase its oversight capability, DCED is hiring eight additional monitors. While the new monitors are expected to have backgrounds in the building trades or inspection fields, they will be expected to obtain training and meet the certification standards that the weatherization workers must meet. DCED is creating a training plan and plans to hire a contractor to revise its monitoring guidelines and procedures to ensure that monitoring is done consistently.

**Certifying and training weatherization workers.** Pennsylvania is requiring that all weatherization installers, crew chiefs, and auditors be certified to perform weatherization work under the Recovery Act. To meet the state requirement, L&I has created an accelerated certification process that requires each existing worker to submit an application to a special review committee. L&I officials have estimated that the state may need as many as 1,500 new certified weatherization workers. As of November 19, 2009, 574 existing workers have requested to be certified based on their training and/or experience. As of November 19, 2009, the committee had reviewed 450 of the 574 applications. Of the 574 applications, 202 applicants have been certified; 248 applicants will be required to pass a proficiency test or complete an accelerated training program; and 124 applicants are awaiting committee review. To provide training and certification for additional weatherization workers, L&I is establishing six new training centers, in addition to the Weatherization Training Center at the Pennsylvania College of Technology. DCED will provide L&I up to $20 million to conduct the training, and in November 2009, DCED released $10 million to L&I. Officials hope to have these centers operational by the end of 2009. Finally, state officials have amended the certification requirement to allow workers to weatherize homes if they are certified—or are on a path to certification—within 90 days from the start of a weatherization contract. L&I officials plan to hire three additional staff to help ensure the quality and oversight of the weatherization curriculum and certification of weatherization workers statewide.

**Implementing a statewide procurement system.** DCED requires all agencies to purchase weatherization materials or vehicles through Pennsylvania’s Department of General Services’ central procurement system—COSTARS. Under COSTARS, the Department of General Services awards multiple contracts through a bidding process that requires
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suppliers to supply weatherization materials at discount prices. Suppliers must pay an annual fee of $500 and must meet terms and conditions specified in the contract. While there is no COSTARS membership fee, weatherization agencies must enroll in the COSTARS program prior to purchasing weatherization materials. As of November 19, 2009, six weatherization materials suppliers had joined the COSTARS weatherization program. The Department of General Services would like to increase the number of suppliers and will accept new bid proposals. The department also encourages suppliers to offer quantity discounts and encourages COSTARS members to comparison shop and negotiate lower prices. DCED is developing a directive for weatherization agencies on the use of COSTARS for purchasing weatherization materials.

Pennsylvania resubmitted its SFSF application to Education on October 20, 2009, and on November 2, 2009, was approved to receive the initial $1.4 billion of its total $1.9 billion SFSF allocation. For fiscal year 2009-10, the state’s legislature appropriated $5.5 billion for basic education funding—approximately $4.9 billion in state basic education funding and $655 million in SFSF funds, according to the Pennsylvania Office of the Budget. (See fig. 1.) Approximately $355 million of the SFSF funds are to restore state basic education funding to the fiscal year 2008-09 level of $5.2 billion with an additional $300 million (5.7 percent) increase over the 2008-09 level. For SFSF, Pennsylvania is required to meet the MOE requirement to ensure that it will maintain state basic education support at least at the state’s fiscal year 2006 level, which was $4.5 billion, or apply for a waiver. Pennsylvania Department of Education (PDE) officials stated that they will use their existing Web-based grant application system for LEAs to apply for basic education and SFSF funds and to monitor the use of SFSF money.

Pennsylvania’s SFSF Application Was Approved and the State’s Enacted Budget Provided Funds for School Districts

As we previously reported, Pennsylvania submitted its first SFSF application in April 2009 and resubmitted its application on June 26, 2009, to remove four IHEs from receiving SFSF money. Education directed the state to resubmit its application again to include these IHEs as recipients of SFSF money. The final application included these four IHEs.

Of the $1.9 billion, approximately $1.6 billion (81.8 percent) are education stabilization funds, and approximately $347 million (18.2 percent) are government services funds. The latter will be used mostly to fund the Department of Corrections with $500,000 going to help cover Pennsylvania Department of Education administrative costs associated with Recovery Act reporting requirements.
Pennsylvania will also use SFSF funds to restore funding for public IHEs. Fourteen colleges in the Pennsylvania State System of Higher Education, community colleges, a technology college, and four state-related IHEs will receive a total of about $63 million in SFSF funds to restore state funding cuts in fiscal year 2008-09 and about $93 million in SFSF funds for fiscal year 2009-10. As shown in table 2, these funds will be used to restore IHE funding to the fiscal year 2007-08 level of $1.4 billion. PDE officials said that the state needs to develop a process for collecting and reporting information about SFSF use for higher education.

6The state-related IHEs are Pennsylvania State University, University of Pittsburgh, Temple University, and Lincoln University. According to an official in the Office of the Budget, as of November 20, 2009, Pennsylvania had not enacted the state appropriations for the four state-related IHEs.
Table 2: Pennsylvania’s Use of Recovery Act Education Stabilization Funds for Higher Education

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>State funding</th>
<th>SFSF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>$1,407</td>
<td>$0</td>
<td>$1,407</td>
</tr>
<tr>
<td>2008-09</td>
<td>1,375</td>
<td>63</td>
<td>1,438</td>
</tr>
<tr>
<td>2009-10</td>
<td>1,345(^a)</td>
<td>93</td>
<td>1,438</td>
</tr>
</tbody>
</table>

Sources: Pennsylvania state budget documents and the approved Pennsylvania SFSF application.

\(^a\)As of November 20, 2009, Pennsylvania had not enacted the state appropriations for the four state-related IHEs.

Education has awarded Pennsylvania about $400.6 million in Recovery Act funds for ESEA Title I, Part A and about $441.7 million in Recovery Act funds for IDEA, Part B. Since our September 2009 report, Pennsylvania enacted its budget providing state appropriation authority for these Recovery Act education funds. According to Education data as of November 6, 2009, Pennsylvania had drawn down $70.4 million in Recovery Act ESEA Title I, Part A funds. For IDEA, Part B, Pennsylvania had drawn down $74.7 million.

We surveyed a representative sample of LEAs nationally and in Pennsylvania about their planned uses of Recovery Act funds. Table 3 shows Pennsylvania’s GAO survey results on the estimated percentages of LEAs that (1) plan to use more than 50 percent of their Recovery Act funds from three education programs to retain staff, (2) anticipate job losses even with SFSF funds, and (3) reported a total funding decrease of 5 percent or more since last school year.
Table 3: Selected Results from GAO Survey of Pennsylvania LEAs

<table>
<thead>
<tr>
<th>Responses from GAO survey</th>
<th>Estimated percentages of LEAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to use more than 50 percent of Recovery Act funds to retain staff</td>
<td></td>
</tr>
<tr>
<td>IDEA funds</td>
<td>6</td>
</tr>
<tr>
<td>Title I funds</td>
<td>19</td>
</tr>
<tr>
<td>SFSF funds</td>
<td>19</td>
</tr>
<tr>
<td>Anticipated job losses, even with SFSF funds</td>
<td>6</td>
</tr>
<tr>
<td>Reported total funding decrease of 5 percent or more since school year 2008-09</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: GAO survey of LEAs.

Notes: Percentage estimates for Pennsylvania have margins of error, at the 95 percent confidence level, of plus or minus 16 percentage points or less. At the time our survey was conducted, from August 21 through October 4, 2009, Pennsylvania did not have an approved application for SFSF funds or an enacted state budget. An estimated 28 percent of LEAs reported on the survey that they did not know if they would receive SFSF funds, and responses from these LEAs regarding SFSF funds are not included. In its guidance to LEAs, PDE recommended that, because of the temporary nature of the Recovery Act funds, LEAs use the funds for onetime expenditures, such as textbook purchases or facility upgrades, which do not need to be sustained in the future.

As we reported in September 2009, Pennsylvania developed a centralized data warehouse—Central Access to Recovery Data System (CARDS)—to collect data from state program agencies directly receiving Recovery Act funding for section 1512 quarterly reporting. By October 9, 2009, Pennsylvania’s Accountability Office used its centralized system to successfully submit 276 reports on behalf of 13 state agencies with information on 955 subrecipients and over 1,000 vendors and subvendors. To help ensure the accuracy and completeness of data submitted, state program agency officials were to review their report information, and Pennsylvania’s Accountability Office also reviewed the reports for completeness, accuracy of financial data, and reasonableness of job data prior to submission to www.federalreporting.gov. To promote transparency, Pennsylvania posted all submitted reports and published summary data on its www.recovery.pa.gov Web site on October 10, 2009. According to analysis by Pennsylvania’s Senior Advisor for Recovery Implementation, by October 30, 2009, 246 of the preliminary recipient reports were revised largely due to updated federal agency guidance and federal requests to standardize award dates and project descriptions. Also, some reports were revised to convert job head counts to direct full-time equivalent measures. PennDOT updated 225 recipient reports in response to FHWA guidance received on October 28, 2009, just 1 day before the...
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deadline for recipients to respond to all federal agency comments. State officials said that navigating the federal agency review process was challenging, in part because they sometimes did not know how to contact federal officials about comments received.

Nonstate entities, such as cities, counties, and urban transit agencies, that received Recovery Act funding directly from the federal government submitted their reports directly to www.federalreporting.gov. Local entities, such as nonurban transit agencies and school districts that received funds through a state agency were included as subrecipients in the reports submitted centrally by Pennsylvania.

Transit Agencies Used Various Job Calculation Methodologies, and Some Did Not Successfully Submit Recipient Reports

As we reported in November 2009, each of four transit entities we reviewed used a different denominator to calculate the number of full-time equivalent jobs it reported on its recipient reports for the period ending September 30, 2009. SEPTA used 1,040 hours as its denominator since it had projects under way in two previous quarters. Port Authority in Pittsburgh prorated the hours based on contractors’ start dates as well as to reflect that hours worked from September 2009 were not included due to lag time in invoice processing. Port Authority used 1,127 hours for contractors starting before April 2009, 867 hours for contractors starting in the second quarter of 2009, and 347 hours for contractors starting in the third quarter of 2009. PennDOT in the report for nonurbanized transit agencies reported using 1,248 hours, which was calculated by multiplying 8 hours per workday times the 156 workdays from February 17 through September 30, 2009. Finally, LANTA used 40 hours in the recipient report it tried to submit, but due to confusion about the need for corrective action, the report was not filed.

According to FTA, three transit agencies in Pennsylvania did not successfully submit their recipient reports in October 2009. In addition to LANTA, Hazleton Public Transit tried to submit but was not successful in reporting. According to a Hazleton transit official, the agency received a federalreporting.gov email acknowledging its submission, but the final report was not posted on recovery.gov. According to a transit agency official in the City of Washington, Pennsylvania, the transit agency tried to

register with Central Contractor Registration (CCR) ahead of the October 10 reporting deadline but did not receive its CCR registration until October 15. The transit agency official said that, despite repeated attempts before October 20 to submit their report, the recipient report was not successfully filed because federalreporting.gov could not match the agency’s identification information.

Recipient Reporting Challenges for Schools

For the October 2009 recipient reports for ESEA Title I, Part A and IDEA, Part B funds, PDE used its e-grants system to collect data from school districts. For its first recipient report for SFSF, PDE officials anticipated difficulty in distinguishing job measures for the SFSF, particularly the portion that restores state basic education funding to the previous year’s level. In June 2009, PDE issued a request for proposals for contractor services to help with its recipient reporting for Recovery Act education funds. PDE has selected a vendor to assist with the collection, review, and analysis of fiscal and programmatic data required for Recovery Act recipient reporting. As of November 20, 2009, the contract is currently in the review and approval process. However, PDE officials expressed concern that smaller LEAs may not have adequate administrative staff to help with their reporting requirements. For any recipient reporting guidance received after December 15, 2009, PDE officials anticipate difficulty in communicating guidance, updating their information systems, and retraining school staff over the winter holiday season when schools are closed.

Pennsylvania Enacted Its Budget and Localities Are Receiving Recovery Act Funds, but Fiscal Challenges Continue

As we reported in September 2009, the Governor signed a stopgap budget measure in August 2009 to pay state employees and fund health and public safety programs. On October 9, 2009, 100 days after the fiscal year began on July 1, Pennsylvania enacted its 2009-10 budget. Under Pennsylvania law, federal funds generally are appropriated by the General Assembly. The Pennsylvania General Assembly appropriated $6.4 billion in Recovery Act funds in the General Fund budget, including approximately $1.6 billion for possible competitive grants. Pennsylvania plans to use $921 million in SFSF funds in fiscal year 2009-10. Pennsylvania plans to use state funds

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8By October 19, 2009, Pennsylvania had made more than 8,000 payments totaling more than $3 billion that were delayed during the impasse to schools, counties, and social service agencies.

that were freed up as a result of the $1.7 billion in increased Federal Medical Assistance Percentage (FMAP) fund awards to also help with budget stabilization.  

Even with the Recovery Act funds helping to stabilize the state budget, the $27.8 billion budget is $524 million less than last year’s budget. Pennsylvania laid off 450 state employees earlier in fiscal year 2009-10 and announced 319 additional layoffs in November 2009. Pennsylvania estimated no growth in existing general fund revenues over the 2008-09 level of $25.5 billion and included $934 million in new recurring revenues, including $286 million from changes in tobacco taxes, $374 million from postponing a scheduled business tax phaseout, $200 million in new table games revenue, and other targeted tax increases. Pennsylvania will also draw $755 million from, and exhaust, its Rainy Day Fund this fiscal year. In addition, the budget taps $1.6 billion in other onetime revenue, largely from transferring balances from special funds to the general fund. Although Pennsylvania projected a 2009-10 year-end balance of $350 million, general fund revenues reported year-to-date as of October 2009 were $160 million, or 1.8 percent, below estimates. Also, the new gaming revenue legislation has not been enacted, and Pennsylvania’s Secretary of the Budget said that Pennsylvania’s budget will not be completed until the General Assembly reconvenes in December 2009. As we previously reported, budget officials are looking ahead for ways to balance future budgets when the temporary Recovery Act funding ends.

To learn more about the impact of Recovery Act funds on local governments, we visited the city of Harrisburg and Dauphin County, as well as the city of Allentown and Lehigh County. Table 4 provides recent demographic information for these localities.

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10 The use of Recovery Act funds must comply with specific program requirements but also, in some cases, enables states to free up state funds to address their projected budget shortfalls. The increased FMAP available under the Recovery Act is for state expenditures for Medicaid services. However, the receipt of this increased FMAP may reduce the funds that a state would otherwise have to use for its Medicaid programs. As we previously reported, Pennsylvania plans to use the funds made available as a result of the increased FMAP to cover the state’s increased Medicaid caseload, ensure that prompt payment requirements are met, maintain current populations and benefits, and help stabilize the state budget.

11 Our examination of Recovery Act funds included only funds that have or will be received by the specific entities we visited. In Dauphin and Lehigh counties, local school districts, transit agencies, and public housing authorities also have or will be receiving Recovery Act funds.
## Table 4: Demographics for Harrisburg, Dauphin County, Allentown, and Lehigh County, Pennsylvania

<table>
<thead>
<tr>
<th>Local government</th>
<th>Population</th>
<th>Locality type</th>
<th>Unemployment rate</th>
<th>2009 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harrisburg</td>
<td>47,148</td>
<td>City</td>
<td>11.5%</td>
<td>$118.2 million</td>
</tr>
<tr>
<td>Dauphin County</td>
<td>256,562</td>
<td>County</td>
<td>8.1%</td>
<td>327.0 million</td>
</tr>
<tr>
<td>Allentown</td>
<td>107,250</td>
<td>City</td>
<td>12.4%</td>
<td>80.5 million</td>
</tr>
<tr>
<td>Lehigh County</td>
<td>339,989</td>
<td>County</td>
<td>9.3%</td>
<td>404.9 million</td>
</tr>
</tbody>
</table>

Sources: U.S. Census Bureau; U.S. Department of Labor; and the budgets of the City of Harrisburg, Dauphin County, the City of Allentown, and Lehigh County.

Notes: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision. The unemployment rate for the state of Pennsylvania in September 2009 was 8.3 percent.

The four local governments we visited generally plan to use the Recovery Act grants for a variety of projects and service expansions that would otherwise have remained unfunded. They will also use Recovery Act funds to provide assistance for families that might otherwise end up homeless.

**City of Harrisburg.** City of Harrisburg officials said that the city will receive or has received Recovery Act funds totaling about $3.9 million, as shown in table 5. Harrisburg officials said that the city plans to use $25,000 of its Energy Efficiency and Conservation Block Grant allocation to hire a consultant to develop a strategic plan to improve the energy efficiency for the city. Harrisburg plans to use its Edward Byrne Memorial Justice Assistance Grant (JAG) funds to purchase computers, scanners, and electronic evidence storage to replace costly paper storage. Harrisburg also plans to use the COPS Hiring Recovery Program (CHRP) grant to hire eight police officers. Harrisburg officials said Recovery Act funding is minimal and generally will not require identification of an exit strategy. However, Harrisburg officials said that the city may need to increase taxes or user fee revenues to maintain the eight police officers when the CHRP grant ends.
Table 5: Select Sources of Recovery Act Funding to the City of Harrisburg

<table>
<thead>
<tr>
<th>Agency</th>
<th>Grant</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td>Homelessness Prevention and Rapid Rehousing</td>
<td>Assistance to prevent homelessness</td>
<td>$855,478</td>
</tr>
<tr>
<td></td>
<td>Community Development Block Grant - Recovery</td>
<td>Acquisition and rehabilitation of four blighted properties for sale to low- or moderate-income families</td>
<td>599,343</td>
</tr>
<tr>
<td>U.S. Department of Energy</td>
<td>Energy Efficiency and Conservation Block Grant</td>
<td>Improved energy efficiency of city buildings</td>
<td>256,200</td>
</tr>
<tr>
<td>U.S. Department of Justice</td>
<td>Edward Byrne Memorial Justice Assistance Grant (JAG)</td>
<td>Law enforcement equipment, such as electronic evidence storage, computers, and scanners</td>
<td>483,441*</td>
</tr>
<tr>
<td></td>
<td>COPS Hiring Recovery Program (CHRP)</td>
<td>Hiring eight police officers</td>
<td>1,689,552</td>
</tr>
</tbody>
</table>

Source: City of Harrisburg, Pennsylvania.

*The City of Harrisburg received its JAG allocation as a subrecipient through Dauphin County.

**Dauphin County.** Dauphin County officials said that the county has received or will receive Recovery Act funds totaling over $6.5 million, as shown in table 6. For example, Dauphin County plans to use its Edward Byrne Memorial JAG award from the state to hire a new district attorney and a public defender. Dauphin County officials state that Recovery Act funding has been nominal to date and, for the most part, would have minimal impact on future budgets. Dauphin County officials said that they expect to be able to fund the new attorney positions when the JAG funding ends.
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Table 6: Select Sources of Recovery Act Funding to Dauphin County

<table>
<thead>
<tr>
<th>Agency</th>
<th>Grant</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td>Homelessness Prevention and Rapid Rehousing</td>
<td>Assistance to prevent homelessness and rapidly re-house homeless individuals</td>
<td>$942,636</td>
</tr>
<tr>
<td></td>
<td>Community Development Block Grant - Recovery</td>
<td>Replacement of water lines in two boroughs, and street rehabilitation in one borough, and construction of a 15-unit apartment building to provide affordable rental housing for persons with chronic mental illness</td>
<td>406,027</td>
</tr>
<tr>
<td>Pennsylvania Department of Community and Economic Development</td>
<td>Weatherization Assistance Program</td>
<td>Weatherization of 583 low-income housing units</td>
<td>4,107,456</td>
</tr>
<tr>
<td>U.S. Department of Justice</td>
<td>Edward Byrne Memorial Justice Assistance Grant (JAG)</td>
<td>Subgrants to nine local police departments in Dauphin County</td>
<td>745,169</td>
</tr>
<tr>
<td>Pennsylvania Commission on Crime &amp; Delinquency</td>
<td>Edward Byrne Memorial JAG</td>
<td>Hiring one district attorney and one public defender</td>
<td>255,200</td>
</tr>
<tr>
<td>Pennsylvania Department of Public Welfare</td>
<td>Title IV-E Foster Care</td>
<td>Payments for room and board costs for youth and children to out-of-home placement providers</td>
<td>73,909</td>
</tr>
</tbody>
</table>

Source: Dauphin County, Pennsylvania.

Dauphin County expects to receive $621,187 as a direct recipient and $321,449 as a subrecipient of the state.

As of November 19, 2009, Dauphin County had received $250,000 of its weatherization assistance funds.

Dauphin County’s allocation includes $483,441 for Harrisburg and $261,728 for eight other municipal police departments.

City of Allentown. City of Allentown officials said that the city has received or will receive Recovery Act funds totaling about $3.7 million, as shown in table 7. To prevent homelessness within the Lehigh Valley region, Allentown is working with the surrounding counties of Lehigh and Northampton and the city of Bethlehem to coordinate applications to provide rent and utility assistance to low-income families. Allentown plans to use its Energy Efficiency and Conservation Block Grant allocation to, among other things, install fuel catalysts in city fleet vehicles, install solar lighting in city parks, and purchase solar trash compactors. The City of Allentown will use its Edward Byrne Memorial JAG awards to install surveillance cameras and increase patrols in high-crime areas. In preparing for the end of Recovery Act funding, Allentown city officials stated that they will use Recovery Act funds for onetime projects and police service expansions that could be scaled back when the temporary funds end.
Table 7: Select Sources of Recovery Act Funding to the City of Allentown

<table>
<thead>
<tr>
<th>Agency</th>
<th>Grant</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td>Homelessness Prevention and Rapid Rehousing</td>
<td>Assistance to prevent homelessness</td>
<td>$1,129,049</td>
</tr>
<tr>
<td></td>
<td>Community Development Block Grant - Recovery</td>
<td>Façade improvements to the city’s business district, public improvements in the Sacred Heart Hospital neighborhood, and curb ramps for people with disabilities</td>
<td>737,917</td>
</tr>
<tr>
<td>U.S. Department of Energy</td>
<td>Energy Efficiency and Conservation Block Grant</td>
<td>Improvement in energy efficiency of city equipment and infrastructure</td>
<td>1,038,800</td>
</tr>
<tr>
<td>U.S. Department of Justice</td>
<td>Edward Byrne Memorial Justice Assistance Grant (JAG)</td>
<td>Create new substation and purchase marked cars and police equipment</td>
<td>672,157</td>
</tr>
<tr>
<td></td>
<td>Edward Byrne Memorial JAG</td>
<td>Increase patrols in high-crime neighborhoods</td>
<td>140,561</td>
</tr>
</tbody>
</table>

Source: City of Allentown, Pennsylvania.

*The City of Allentown received the joint allocation totaling $672,157 for Lehigh County, with $580,171 for Allentown and $91,986 for four other local police departments.

Table 8: Select Sources of Recovery Act Funding to Lehigh County

<table>
<thead>
<tr>
<th>Agency</th>
<th>Grant</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td>Homelessness Prevention and Rapid Rehousing</td>
<td>Assistance to prevent homelessness</td>
<td>824,412*</td>
</tr>
<tr>
<td></td>
<td>Community Development Block Grant - Recovery</td>
<td>Sewer line replacement and road repaving</td>
<td>375,581</td>
</tr>
<tr>
<td>U.S. Department of Energy</td>
<td>Energy Efficiency and Conservation Block Grant</td>
<td>Improved energy efficiency of county buildings</td>
<td>2,032,100</td>
</tr>
</tbody>
</table>

Source: Lehigh County, Pennsylvania.

*Lehigh County received $574,614 as a direct recipient and $249,798 as a subrecipient of the state.
Appendix XV: Pennsylvania

State Comments on This Summary
We provided the Governor of Pennsylvania with a draft of this appendix on November 20, 2009. The Chief Implementation Officer responded for the Governor on November 23, 2009, and agreed with our draft.

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Staff Acknowledgments
In addition to the contacts named above, MaryLynn Sergent, Assistant Director; Richard Jorgenson, analyst-in-charge; Brian Hartman; John Healey; Shirin Hormozi; Richard Mayfield; James Noel; Jodi M. Prosser; and Andrea E. Richardson made major contributions to this report.
Appendix XVII: Texas

Overview

The following summarizes GAO's work on the fourth 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 at 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 highway and public housing projects. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-232SP. For these programs we focused on how funds were being used; how safeguards were implemented, including those related to procurement of goods and services; and how results were assessed. State highway projects were selected because they had been underway for several months. The San Antonio Housing Authority was selected because it represents one of the largest public housing authorities in Texas, and received the largest Public Housing Capital Fund grant in the state. In addition, Texas highway and San Antonio Housing Authority projects provided us with an opportunity to review contracts. Contracting procedures were reviewed for three highway projects and one public housing project awarded with Recovery Act funds.

Further, we examined Texas's recipient reporting, which identifies the estimated number of jobs created and retained by Recovery Act funding. Finally, we surveyed local educational agencies to identify their plans for using Recovery Act funds.

Our work in Texas also included assessing two localities in Texas to review the overall effect of Recovery Act funding on local governments' budgets, and to describe local Recovery Act programs and projects. We selected the city of Dallas and Denton County because they provide a contrasting perspective concerning the uses of Recovery Act funding by Texas localities. The city of Dallas is the eighth-most populous city in the United States, anticipates receiving significant amounts of Recovery Act funding, and recently reported an unemployment rate higher than the state average. Denton County is one of the fastest growing counties in the United States, recently reported an unemployment rate lower than the state average, and is likely to receive limited amounts of Recovery Act funding.

What We Found

- **Highway Infrastructure Investment projects.** The U.S. Department of Transportation’s Federal Highway Administration (FHWA) apportioned $2.25 billion in Recovery Act funds to Texas. As of October 31, 2009, FHWA had obligated $1.4 billion and reimbursed $162 million for 181 projects. According to officials, the three highway construction contracts reviewed were competitively awarded at fixed-unit-prices and the contract awards were for less than the state’s estimated contract costs.

- **San Antonio Housing Authority.** Texas has 351 public housing agencies that collectively received $119.8 million in capital fund grants and $21.5 million in competitively awarded grants under the Recovery Act. The San Antonio Housing Authority received about $14.6 million in capital fund grants that it plans to use to make capital improvements to its housing developments. The most expensive project, with an estimated cost of $6.6 million, will completely rehabilitate a development that houses the elderly. Additionally, the San Antonio Housing Authority applied for and was awarded an additional $5.4 million to be used for capital improvements to 13 developments that house the elderly and persons with disabilities.

- **Education.** We surveyed a representative sample of local educational agencies (LEAs) nationally and in Texas about their planned uses of Recovery Act funds. The survey estimates that 20 percent of the Texas LEAs anticipate job losses even with State Fiscal Stabilization Fund funds. The national estimate was 32 percent.

- **Recipient Reporting.** The State Comptroller’s Office took steps to ensure that Texas agencies and institutions reported information accurately and completely for all Recovery Act awards they received. According to officials in the Comptroller’s Office, any errors found were communicated to the state entity for disposition, and the Comptroller’s Office staff monitored the correction or update. In total, 60 agencies and institutions of higher learning submitted 1,131 recipient reports reflecting almost $8.9 billion in Recovery Act awards and over $232 million in expenditures to FederalReporting.gov through October 29, 2009.

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2Public housing agencies receive money directly from the federal Department of Housing and Urban Development. Therefore, funds awarded to the public housing agencies do not pass through the Texas state budget.
• **Effect of Recovery Act Funds on Local Governments.** The city of Dallas anticipates using Recovery Act funding for programs such as public safety and transportation, and is taking steps to ensure Recovery Act funding is spent in compliance with provisions of the Act. Denton County applied for Recovery Act law enforcement grants; however, Denton County decided not to apply for other Recovery Act funding.

As we reported in September 2009, $2.25 billion in Recovery Act funding was apportioned to Texas in March 2009 for highway infrastructure and other eligible projects. According to FHWA data, as shown in Figure 1 as of October 31, 2009, about $1.4 billion was obligated.
Figure 1: Highway Obligations for Texas by Project Type as of October 31, 2009 (in millions)

- Pavement widening ($417.9 million)
- Pavement improvement: reconstruction/rehabilitation ($368.3 million)
- New road construction ($195.6 million)
- Pavement improvement: resurface ($169.1 million)
- New bridge construction ($174.1 million)
- Bridge improvement ($13.6 million)
- Bridge replacement ($12.2 million)
- Other ($81.6 million)

Source: GAO analysis of Federal Highway Administration data.

Note: Totals may not add to 100 percent due to rounding. “Other” includes safety projects, such as improving safety at railroad grade crossings, and transportation enhancement projects, such as pedestrian and bicycle facilities, engineering, and right-of-way purchases.

Of the $1.4 billion obligated, $162 million had been reimbursed for 181 Texas projects. According to a Texas official, the types of projects described above are to relieve congestion, preserve the current system, and provide transportation enhancements. In addition to state projects, the Recovery Act requires that states suballocate 30 percent of Recovery Act highway funds for metropolitan, regional, and local use.
Recovery Act-Funded State and Local Highway Construction Projects Are Being Completed

In October 2009, we visited two Recovery Act-funded highway projects administered by the state of Texas and one administered by the city of Plano, Texas from funds suballocated for local use. Both state-run projects involved roadway resurfacing. The Texas Department of Transportation (TxDOT) Austin district office provided oversight for an ongoing project we visited and its Tyler district office provided oversight for a completed project we visited. Figure 2 shows work in progress and, according to department officials, was more than 50 percent complete on the Austin district office’s project near Lago Vista, Texas. Figure 3 shows the Tyler district office’s completed project in Mineola, Texas.

Figure 2: Resurfacing Work in Progress near Lago Vista, Texas

Source: GAO.
We also visited a project using Recovery Act funds to make improvements at the intersection of Preston Road (State Highway 289) and Legacy Drive in Plano, Texas. According to Plano officials, the city of Plano is administering the intersection improvement project in accordance with TxDOT and city contracting procedures. As shown in Figure 4, work is underway on the project to construct right and left turn lanes and install traffic signals.
State and Local Governments Using Existing Practices to Award Highway Contracts

According to TxDOT and city of Plano officials, the three projects were initiated through competitively awarded fixed-unit-price contracts. According to state officials, after soliciting proposals for the projects, TxDOT received and evaluated four proposals for the Austin district project and three proposals for the Tyler district project. Similarly, Plano officials stated they received and evaluated six proposals for their intersection-improvement project. Both TxDOT and Plano officials stated that fixed-unit-price contracts were awarded for their respective projects.

Fixed-unit-price contracts, according to TxDOT and city of Plano officials, include an itemized listing of the contract items, each at a particular unit price. The actual quantities of the items used may vary, but the price per unit will not.
According to TxDOT officials, the state-run Austin and Tyler district contracts were awarded to the lowest bidder for approximately $3.3 million and $1.8 million, respectively. Plano officials stated they awarded their contract to the lowest bidder for about $1.3 million. According to officials, each contract was awarded for a price that was lower than the original state and local estimated cost of the project. TxDOT officials attributed the lower award amounts to reduced material and product prices brought about by low demand and oil prices and possibly contractors eliminating their equipment replacement cost and reducing their profit margins in order to get the contract.

Of the 415 public housing agencies in Texas, 351 collectively received $119.8 million in Public Housing Capital Fund formula grants (See Figure 5). These grants are provided to public housing agencies to improve the physical condition of their properties. As of November 14, 2009, 262 of these public housing agencies had obligated $44.6 million and 201 agencies had drawn down $16.9 million. On average, housing agencies in Texas are obligating funds slower than housing agencies nationally. For this report, we visited the San Antonio Housing Authority (SAHA), a large housing authority with 61 property developments.

### Figure 5: Percent of Texas Public Housing Capital Fund Formula Grant funds Obligated and Drawn Down as of November 14, 2009

<table>
<thead>
<tr>
<th>Funds obligated by HUD</th>
<th>Funds obligated by public housing agencies</th>
<th>Funds drawn down by public housing agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>37.2%</td>
<td>14.1%</td>
</tr>
<tr>
<td>$119,789,530</td>
<td>$44,581,679</td>
<td>$16,946,584</td>
</tr>
</tbody>
</table>

Entering into agreements for funds: 351
Obligating funds: 262
Drawing down funds: 201

Source: GAO analysis of HUD data.
SAHA has received $14.6 million in Capital Fund formula grants. As we outlined in our July 2009 bimonthly report, SAHA officials told us they planned to use the majority of these Recovery Act grants for developments previously identified in the agency’s 5-year plan. ¹ SAHA officials informed us in October 2009 that the projects we previously reported on were proceeding as planned with no significant changes. As of November 14, 2009, SAHA had obligated over $1 million and expended over $119,000 and officials expect to obligate at least 71 percent, or $10.3 million, of their capital fund grant by December 31, 2009. SAHA officials did not foresee any difficulties meeting the Recovery Act’s March 17, 2010, deadline for obligating 100 percent of funds.

In May 2009, we visited a SAHA development built in the early 1970s to house the elderly that will be completely rehabilitated. Specifically, this development’s cabinets, flooring, and air-conditioning system will be completely replaced, as well as making infrastructure repairs. With an estimated cost of $6.6 million, this is SAHA’s most expensive Recovery Act project. In October 2009 we revisited this development to follow up on the progress made since our previous visit. We found that officials had begun environmental and architectural design work. The environmental work involves asbestos abatement for two units to determine the work required for the remaining 117 units. As shown in Figure 6, this involved removing the walls and ceiling of a unit to reveal the condition of the structure. The architectural work involves creating updated designs and floor plans for the development’s units. According to SAHA officials, the architectural design work was initiated through a competitively awarded contract. SAHA officials told us that they solicited and evaluated 17 bids from qualified firms, and in June 2009 awarded a fixed-price contract to an architectural firm with a total value of $340,000. Officials explained that an amendment to this contract was completed in September 2009 to award an additional $10,000 for services that include a site topography survey. As of October 2009, the firm had completed the new floor plans for the updated units.

¹Projects receiving Recovery Act formula grants include elevator/fire/security upgrades of developments for housing the elderly; playground upgrades of multifamily developments; repair and replacement of ventilation systems, doors, fences, roofs, cabinets at various developments; and a comprehensive modernization of one development that houses the elderly.
SAHA officials issued a Request for Proposal from qualified contractors on November 4, 2009, for the renovation of the development.

With respect to overall management of capital fund procurement activities, SAHA officials told us they have recently taken steps to reduce the potential for fraud. As reported previously, five SAHA employees were charged with federal bribery-related offenses in the summer of 2009. These employees were subsequently terminated. Officials informed us that SAHA’s procurement policies and procedures were revised in August 2009 to include an ethics policy and create stronger internal controls. According to SAHA officials, audit managers are now required to check a minimum number of purchases by randomly selecting purchase orders and comparing them to the requirements delineated in the contract. The agency’s fraud prevention policy was also revised in September 2009 and states what would be considered improper and fraudulent conduct. Additionally, SAHA has established a Fraud Hotline and its Web site now includes information for reporting fraud, waste, and abuse.
In addition to the Capital Fund formula grants, HUD awarded 22 competitive grants with a collective total of $21.5 million to public housing agencies in Texas. SAHA was awarded nine of these grants, with a total amount of approximately $5.4 million. According to SAHA officials, these funds will be used for capital improvements to 13 SAHA developments that house the elderly and persons with disabilities. Specifically, SAHA plans to use these funds to modify developments so they are fully accessible and remodel recreational areas for the purpose of maintaining an environment that encourages socialization among residents. As of November 5, 2009, SAHA had not awarded contracts for this work. Officials informed us that they expected to begin awarding contracts by January 2010.

Included in SAHA’s list of developments that will receive competitive grants is a housing facility built in the early 1970s with 66 units that, according to SAHA officials, had previously been a detention center. SAHA officials plan to allocate about $266,000 to this development for capital improvements, including a redesigned layout for recreational areas, new floors, and brighter lighting. Officials stated that they expect work to begin on this project by July 2010 and renovations to be completed by December 2010.

We surveyed a representative sample of local educational agencies (LEA)—generally school districts—nationally and in Texas about their planned uses of Recovery Act funds. Table 1 shows Texas and national GAO survey results on the estimated percentages of LEAs that (1) plan to use more than 50 percent of their Recovery Act funds from three education programs to retain staff, (2) anticipate job losses even with State Fiscal Stabilization Fund (SFSF) monies, and (3) reported a total funding decrease of 5 percent or more since last school year.
Table 1: Selected Results from GAO Survey of LEAs

<table>
<thead>
<tr>
<th>Responses from GAO survey</th>
<th>Estimated percentages of LEAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to use more than 50 percent of Recovery Act funds to retain staff</td>
<td>Texas</td>
</tr>
<tr>
<td>IDEA funds</td>
<td>7</td>
</tr>
<tr>
<td>Title I funds</td>
<td>12</td>
</tr>
<tr>
<td>SFSF funds</td>
<td>32</td>
</tr>
<tr>
<td>Anticipated job losses, even with SFSF funds</td>
<td>20</td>
</tr>
<tr>
<td>Reported total funding decrease of 5 percent or more since school year 2008-2009</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: GAO.

Note: Percentage estimates for Texas have margins of error, at the 95 percent confidence level, of plus or minus 10 percentage points or less. The nationwide percentage estimates have a margin of error of plus or minus 5 percentage points.

The estimates presented above are the results of a national survey of how Recovery Act funds made available by the U.S. Department of Education under SFSF, ESEA Title I, and IDEA were used by LEAs. In designing the survey, we took steps to minimize nonsampling errors by pretesting the survey instrument with officials in five LEAs in July and August 2009. For our survey, we selected a stratified random sample of Texas LEAs and had a response rate of 74 percent. We also interviewed officials at the U.S. Department of Education and reviewed relevant federal laws and guidance.

Recipient Reporting for Texas State Agencies and Institutions

Under the Recovery Act and related Office of Management and Budget (OMB) guidance, each recipient of Recovery Act funds is required to periodically report on several items for each award. Items to be reported include: (1) the total amount of Recovery Act funds received, (2) the amount of Recovery Act funds that were expended or obligated to projects or activities, and (3) an estimated number of jobs created and retained by projects or activities. The first reporting deadline was October 10, 2009, with quarterly reports due 10 days after the end of each calendar quarter thereafter.

According to state officials, Texas historically operates in a decentralized manner with regard to interactions with the federal government, and each state agency and institution typically establishes separate relationships with their cognizant federal agency. The October 2009 recipient reporting process was conducted by Texas consistent with this structure. Specifically, state agencies and institutions reported directly to the designated federal Web site on their Recovery Act awards. In total, 60 agencies and institutions of higher learning submitted 1,131 recipient reports reflecting almost $8.9 billion in Recovery Act awards and over $232 million in expenditures to FederalReporting.gov through October 29, 2009.

Issues Encountered by Texas during the October 2009 Reporting Process

When submitting the first quarterly recipient reports in October 2009, Texas officials said they experienced several technical problems. First, the guidance that OMB issued identified a specific format for the Award Number field in each Section 1512 report. However, the National Institutes of Health (NIH), National Science Foundation (NSF), and U.S. Department of Education’s Office of Federal Student Aid provided differing guidance on the formatting of the award number, which led to numerous instances of Texas agencies and institutions needing to resubmit their recipient reports. According to Texas officials, these reports were inaccurately flagged as late submissions because the correction could only be made by deleting the original report and resubmitting a new report with the corrected award number. Second, the TxDOT said it encountered issues when reporting on its Highway Planning and Construction program. TxDOT was unable to use a batch report-submission process designed for centralized state reporting, and submitted its 377 reports individually. Third, TxDOT officials explained that the agency intended to use information provided by the Federal Highway Administration to complete its recipient reporting, but, due to data-formatting issues, TxDOT submitted reports based on its internal records. These issues resulted in an increased workload for state officials. According to state officials, none of these technical issues have been resolved to date.


7Amounts do not reflect stimulus activity for local Texas governments and other nonstate entities.
Texas Used Its Comptroller’s Office for Data Quality in Recipient Reporting

The State Comptroller’s Office took steps to help ensure that Texas agencies and institutions reported information accurately and completely for all Recovery Act awards they received. Officials explained that an inventory of Recovery Act awards subject to recipient reporting was developed for use by the Comptroller’s Office to verify that all awards were accounted for. Sources for the inventory included the statewide accounting system, a weekly reporting database created by the State Comptroller’s Office, USASpending.gov, Recovery Act award databases at NIH and NSF, Federal Student Aid notification of awards, and state notifications received from federal agencies starting August 30, 2009. The inventory was compared against an extract provided by the designated federal Web site indicating successful submissions of Texas recipient reports. The data elements checked included Dun and Bradstreet Universal Numbering System number, Catalog of Federal Domestic Assistance (CFDA) number, award number, award date, and award amount. Awards that were not reflected on the extract were documented, researched, and appropriate action taken to ensure all reportable items had a submission to the designated federal Web site. Based on a FederalReporting.gov extract received on October 22, Texas officials found two institutions of higher education that were not included: Texas State Technical College ($53,536) and Tarleton State University ($47,584). According to state officials, Federal Student Aid notified institutions on September 24, 2009, of the requirements that their awards were subject to recipient reporting, and did not provide full detail on the reporting requirements until October 9, 2009. State officials said, due to their late start in the reporting process resulting from this delayed notification, these institutions were unable to get registered on time for the October report submission.

The State Comptroller’s Office said it also reviewed specific agency-entered fields to help prevent reporting errors. As recipient reports were submitted to the designated federal Web site, it: (1) compared the CFDA, award number, award date, and award amount in the Texas report to state or federal data sources to ensure consistency; (2) verified that total expenditures in the state report were not greater than the award amount; (3) confirmed that state reporting of an award number was not duplicated at the prime-recipient level; (4) performed a review focusing on the avoidance of other reporting errors to the extent downloadable data were available from federal agency award information and specific field-level guidance was provided; and (5) reviewed NIH and NSF reports for the correct funding-agency code and awarding-agency code per guidance by the respective federal agency. As part of this review, the Comptroller’s Office said it identified errors with CFDA numbers, award numbers, and...
award amounts. According to officials in the Comptroller’s Office, these errors were communicated to the state entity for disposition, and Comptroller’s Office staff monitored the correction or update.

The State Comptroller’s Office is still evaluating the results of the current process and looking into revised plans for the next quarterly report due in January 2010. According to Texas officials, the Comptroller’s Office anticipates revising state reporting procedures by mid-December to address lessons learned and best practices. State officials also said that the State Agency Internal Audit Forum has recently developed an audit program related to 1512 recipient reporting for use by Texas internal audit entities that will be monitoring Recovery Act awards. Officials stated they anticipate this program will be completed in December 2009.

Use of Recovery Act Funds by the City of Dallas and Denton County

To a varying degree, Recovery Act funding, once awarded, would help support activities in the two Texas local governments we reviewed. The State Comptroller reports local governments in Texas fund their operations from property and sales tax; franchise and user fees; and court costs and fines, with property tax generating the largest amount of revenue. A report by the National League of Cities and our discussions with local officials suggest that, relative to many other states, municipalities in Texas receive very limited revenue from the state. Overall, this report says state aid to municipalities in Texas comprises 4 percent of total municipal general revenue.8 Instead, information from the State Comptroller indicates Texas cities and counties have the option of imposing an additional local sales tax beyond the state sales tax that, in combination with other revenue sources such as property tax, enables these governments to fund their operations.9

We assessed the use of Recovery Act funds for two localities in Texas, the city of Dallas and Denton County. Table 2 provides information about these two localities.

9In the case of counties, the State Comptroller reports approximately half of the state’s counties impose a sales and use tax.
Appendix XVII: Texas

Table 2: Population and Unemployment Rate in Dallas and Denton County

<table>
<thead>
<tr>
<th>Name of locality</th>
<th>Population</th>
<th>Locality type</th>
<th>Unemployment rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dallas</td>
<td>1,279,910</td>
<td>City</td>
<td>8.7</td>
</tr>
<tr>
<td>Denton County</td>
<td>636,557</td>
<td>County</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau and U.S. Department of Labor.

Note: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

City of Dallas

**Recovery Act Funding Affects Select Programs in Dallas Budget.** Officials noted that because Recovery Act funding is targeted to specific programs, such as public safety and transportation, it only helped offset the effect of revenue declines, and service and staff reductions in those select areas. Dallas experienced declines in property and sales tax revenue for the previous 12 months, and anticipates a decline in property tax revenue for fiscal year 2010.\(^{10}\) Local officials stated that property and sales tax revenue represent approximately two-thirds of the city’s $1.3 billion general revenue fund. Further, city officials reported that the decline in tax revenue coupled with a Texas state law requiring local governments to maintain a balanced budget compelled Dallas to close the gap between revenue and expenditures. City officials said the city made service and staff cost reductions to offset the decline in tax revenue. For example, Dallas reduced hours for libraries and recreation centers, privatized the Dallas City Zoo, reduced staff levels by 398 people,\(^{11}\) eliminated civilian pay-for-performance increases, and instituted a 2-percent pay reduction through five scheduled furlough days in fiscal year 2010. In addition, the city used $21.7 million from its reserve fund, which is intended to provide additional revenue for the city during periods of revenue decline.

**Recovery Act Funds Have Helped Address Top Priority: Public Safety.** In accordance with the Dallas City Council’s long range strategic plan, a top priority of the city of Dallas is public safety. In the budget for fiscal year 2010, public safety accounts for 33 percent of the city of

\(^{10}\)The fiscal year for the city of Dallas begins on October 1.

\(^{11}\)According to Dallas city officials, overall Dallas reduced total full-time equivalents by 1,325. This number includes the elimination of vacant positions, as well as positions that were transferred to entities outside of Dallas city government, such as the Dallas City Zoo.
Dallas’s total operating budget. Dallas received both competitive and formula grants from the Recovery Act to hire additional police officers. Dallas plans to hire 50 officers through the $8.9 million Community Oriented Policing Services Hiring Recovery Program (CHRP) competitive grant, and 41 officers through the $7.1 million Edward Byrne Memorial Justice Assistance Grant (JAG) formula allocation. The CHRP grant funds police officer positions for 3 years and requires the grant recipient to retain the police officers at the grant recipient’s expense for at least 12 additional months after the third year. City officials acknowledged that sustaining the 50 police officers beyond the 3-year period would be challenging, but because public safety is a top priority and because it would be politically difficult to eliminate police officer positions, the city is committed to taking any necessary steps to ensure it can retain the additional officers.

Steps Being Taken to Enhance Oversight and Management of Recovery Act Funds. Dallas officials say they have taken several steps to implement oversight and management of Recovery Act funding. The Dallas City Auditor conducted a preliminary risk assessment of the city’s internal control systems. According to the Dallas City auditor, the city faces increased risk because ARRA funds must be quickly expended, mandatory reports must be completed within short time frames, some city departments have not previously administered grants, and employees in newly funded Recovery Act positions may not be familiar with grant administration requirements. Internal control weaknesses have been cited in multiple reports published by the Dallas City Auditor. Furthermore, the Dallas City Auditor acknowledged that noncompliance with provisions of the Recovery Act, such as misspent funds, could pose a significant risk to the city government, with repercussions such as repayment of accepted funds to the federal government. City officials say they are implementing recommendations outlined in the Auditor’s risk assessment and as a result believe Dallas has now installed adequate controls for spending Recovery Act funds. For example, Dallas formed an interdepartmental task force to track awarded Recovery Act grants and pending grant applications and to consolidate all recipient reporting to ensure compliance and consistency. The City Auditor’s Office plans to visit selected Recovery Act fund

Appendix XVII: Texas

recipients to discuss internal controls and offer fraud deterrence presentations to mitigate fraud, waste, and abuse.

Denton County

**Denton County Applied for Recovery Act Funds for Law Enforcement.** Denton County officials reported the county applied for a JAG grant funded by the Recovery Act. The Denton County Sheriff’s Office expects to receive $34,530 in funding that will be used to purchase a new patrol boat to patrol lakes in the county. The Denton County Sheriff’s Office also reported seeking two additional Recovery Act grants: CHRP funding to fund two patrol deputies as well as another Recovery Act grant to fund forensic and court security equipment.

**Denton County Decided Not to Seek Other Recovery Act Funding.** A senior county official indicated Denton County does not plan to apply for other Recovery Act competitive grants, based on the following concerns:

- *Challenges in Planning for Recovery Act Funding:* County departments and officials had to plan the budget for the current fiscal year 2010 before receiving federal guidance concerning Recovery Act funds. Specifically, county departments and officials began planning the budget for fiscal year 2010 in March 2009, shortly after the Recovery Act was enacted. A senior official reported not receiving guidance from federal agencies concerning Recovery Act programs until the summer months of 2009, making it difficult to incorporate Recovery Act information into the county’s budget plans. The county’s Sheriff Office applied for Recovery Act law enforcement grants, but officials indicated they were more familiar with this program, having previously received JAG grants before the Recovery Act.

- *Financing Federal Matching Requirements:* Another key concern raised by the senior county official is finding the county funding necessary to pay for the matching requirements of some Recovery Act programs. The official reported the county budget does not set aside extra money to pay for matching requirements.

**Denton County Is Reducing Its Operating Budget.** The Recovery Act funding Denton County may receive has not averted the need for the county to reduce its budget for maintenance and operations. A senior

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13Denton County began its 2009-2010 fiscal year on October 1, 2009.
Denton County official reported the county’s governing body decided to reduce the 2010 budget of every county department by 8 to 10 percent. According to the official, the county is facing higher borrowing costs to finance a capital improvement program. These higher borrowing costs have increased one portion of the county’s property tax rate, which pays debt costs. However, the county’s 2010 budget identifies maintaining a low overall tax rate as one of the county’s goals. To offset the effect of the borrowing costs on property taxes, the official explained it was decided to reduce the other portion of the property tax rate, which pays for maintenance and operations. Taken together, the official reported the total county property tax rate increased slightly from the previous year, but still remains lower than it was 5 years ago. The county official believed the Recovery Act would not have averted the county’s need to borrow funds for its capital improvement program, because in her view, the program would not have qualified for Recovery Act funding.

We provided the Governor of Texas with a draft of the appendix on November 17, 2009. A senior advisor, designated as the state’s point of contact for the Recovery Act, provided comments on this report. In general, the senior advisor agreed with information contained in the appendix. However, the senior advisor was concerned that the education survey results may be misleading. Specifically, the senior advisor stated that the survey results may overstate anticipated job losses in Texas. In response to his concerns, we included language in the body of the appendix explaining the steps taken to help ensure that our sample was representative of Texas’s LEAs. We also provided a copy of this summary to the city of Dallas and Denton County. Officials from the state, city of Dallas, and Denton County provided technical suggestions that we incorporated, where appropriate.

Texas’s Comments on This Summary

We provided the Governor of Texas with a draft of the appendix on November 17, 2009. A senior advisor, designated as the state’s point of contact for the Recovery Act, provided comments on this report. In general, the senior advisor agreed with information contained in the appendix. However, the senior advisor was concerned that the education survey results may be misleading. Specifically, the senior advisor stated that the survey results may overstate anticipated job losses in Texas. In response to his concerns, we included language in the body of the appendix explaining the steps taken to help ensure that our sample was representative of Texas’s LEAs. We also provided a copy of this summary to the city of Dallas and Denton County. Officials from the state, city of Dallas, and Denton County provided technical suggestions that we incorporated, where appropriate.

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Staff Acknowledgments

In addition to the contacts named above, Ron Berteotti, K. Eric Essig, Fred Berry, Steve Boyles, Erin Flanagan, Ken Howard, Michael O’Neill, and Daniel Silva made major contributions to this report.
Appendix XVIII: Program Descriptions

Following are descriptions of selected grant programs discussed in this report.

Figure 1: Selected Grant Programs and Their Administering Federal Agency or Office

<table>
<thead>
<tr>
<th>Federal agency</th>
<th>Agency office</th>
<th>Grant program or programs administered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Agriculture</td>
<td>Food and Nutrition Service</td>
<td>■ Supplemental Nutrition Assistance Program</td>
</tr>
<tr>
<td></td>
<td>Forest Service</td>
<td>■ Wildland Fire Management Program</td>
</tr>
<tr>
<td>Department of Commerce</td>
<td>National Telecommunications and Information Administration</td>
<td>■ Broadband Technology Opportunities Program/State Broadband Data and Development Program</td>
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<tr>
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Source: GAO analysis.
Medicaid Federal Medical Assistance Percentage

Medicaid is a joint federal-state program that finances health care for certain categories of low-income individuals, including children, families, persons with disabilities, and persons who are elderly. The federal government matches state spending for Medicaid services according to a formula based on each state’s per capita income in relation to the national average per capita income. The Centers for Medicare & Medicaid Services, within the Department of Health and Human Services, approves state Medicaid plans, and the amount of federal assistance states receive for Medicaid service expenditures is known as the Federal Medical Assistance Percentage (FMAP). The Recovery Act’s temporary increase in FMAP funding will provide the states with approximately $87 billion in assistance.

Highway Infrastructure Investment Program

The Recovery Act provides funding to states for restoration, repair, and construction of highways and other activities allowed under the Federal Highway Administration’s Federal-Aid Highway Surface Transportation Program and for other eligible surface transportation projects. The Recovery Act requires that 30 percent of these funds be suballocated, primarily based on population, for metropolitan, regional, and local use. Highway funds are apportioned to states through federal-aid highway program mechanisms, and states must follow existing program requirements. While the maximum federal fund share of highway infrastructure investment projects under the existing federal-aid highway program is generally 80 percent, under the Recovery Act, it is 100 percent.

Funds appropriated for highway infrastructure spending must be used in accordance with Recovery Act requirements. States are required to ensure that all apportioned Recovery Act funds—including suballocated funds—are obligated\(^1\) within 1 year. The Secretary of Transportation is to withdraw and redistribute to eligible states any amount that is not obligated within these time frames.\(^2\) Additionally, the governor of each state must certify that the state will maintain its level of spending for the types of transportation projects funded by the Recovery Act it planned to spend the day the Recovery Act was enacted. As part of this certification,

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\(^1\)For the Highway Infrastructure Investment program, the U.S. Department of Transportation has interpreted the term “obligation of funds” to mean the federal government’s commitment to pay for the federal share of the project. This commitment occurs at the time the federal government signs a project agreement.

the governor of each state is required to identify the amount of funds the state plans to expend from state sources from February 17, 2009, through September 30, 2010.\(^3\)

### Public Transit Program

The Recovery Act appropriated $8.4 billion to fund public transit throughout the country through existing Federal Transit Administration (FTA) grant programs, including the Transit Capital Assistance Program, and the Fixed Guideway Infrastructure Investment program. Under the Transit Capital Assistance Program’s formula grant program, Recovery Act funds were apportioned to large and medium urbanized areas—which in some cases include a metropolitan area that spans multiple states—throughout the country according to existing program formulas. Recovery Act funds were also apportioned to states for small urbanized areas and nonurbanized areas under the Transit Capital Assistance Program’s formula grant programs using the program’s existing formula. Transit Capital Assistance Program funds may be used for such activities as vehicle replacements, facilities renovation or construction, preventive maintenance, and paratransit services. Recovery Act funds from the Fixed Guideway Infrastructure Investment program\(^4\) were apportioned by formula directly to qualifying urbanized areas, and funds may be used for any capital projects to maintain, modernize, or improve fixed guideway systems.\(^5\) As they work through the state and regional transportation planning process, designated recipients of the apportioned funds—typically public transit agencies and metropolitan planning organizations (MPO)—develop a list of transit projects that project sponsors (typically transit agencies) submit to FTA for approval.\(^6\)

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\(^3\)Recovery Act, div. A, title XII, § 1201(a).

\(^4\)Fixed guideway systems use and occupy a separate right-of-way for the exclusive use of public transportation services. They include fixed rail, exclusive lanes for buses and other high-occupancy vehicles, and other systems.

\(^5\)Generally, to qualify for funding under the applicable formula grant program, an urbanized area must have a fixed guideway system that has been in operation for at least 7 years and is more than one mile in length.

\(^6\)Metropolitan planning organizations are federally mandated regional organizations, representing local governments and working in coordination with state departments of transportation, that are responsible for comprehensive transportation planning and programming in urbanized areas. MPOs facilitate decision making on regional transportation issues, including major capital investment projects and priorities. To be eligible for Recovery Act funding, projects must be included in the region’s Transportation Improvement and State Transportation Improvement Programs.
Funds appropriated for the Transit Capital Assistance Program and the Fixed Guideway Infrastructure Investment Program must be used in accordance with Recovery Act requirements. States are required to ensure that all apportioned Recovery Act funds are obligated within 1 year. The Secretary of Transportation is to withdraw and redistribute to each state or urbanized area any amount that is not obligated within these time frames. Additionally, governors must certify that the state will maintain the level of state spending for the types of transportation projects funded by the Recovery Act it planned to spend the day the Recovery Act was enacted. As part of this certification, the governor of each state is required to identify the amount of funds the state plans to expend from state sources from February 17, 2009, through September 30, 2010.

**Education**

**State Fiscal Stabilization Fund**

The State Fiscal Stabilization Fund (SFSF), administered by the Office of Elementary and Secondary Education of the Department of Education, included approximately $48.6 billion to award to states by formula and up to $5 billion to award to states as competitive grants. The Recovery Act created the SFSF in part to help state and local governments stabilize their budgets by minimizing budgetary cuts in education and other essential government services, such as public safety. Stabilization funds for education distributed under the Recovery Act must first be used to alleviate shortfalls in state support for education to Local Education Agencies (LEA) and public institutions of higher education (IHE). States must use 81.8 percent of their SFSF formula grant funds to support education (these funds are referred to as education stabilization funds) and must use the remaining 18.2 percent for public safety and other government services, which may include education (these funds are referred to as government services funds). For the initial award of SFSF formula grant funds, Education made available at least 67 percent of the

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7 For the Transit Capital Assistance Program and Fixed Guideway Infrastructure Investment Program, the U.S. Department of Transportation has interpreted the term obligation of funds to mean the federal government’s commitment to pay for the federal share of the project. This commitment occurs at the time the federal government signs a grant agreement.


total amount allocated to each state, but states had to submit an application to Education to receive the funds. The application required each state to provide several assurances, including that the state will meet maintenance-of-effort requirements (or will be able to comply with the relevant waiver provisions) and that it will implement strategies to advance four core areas of education reform: (1) increase teacher effectiveness and address inequities in the distribution of highly qualified teachers; (2) establish a pre-K-through-college data system to track student progress and foster improvement, (3) make progress toward rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including students with limited English proficiency and students with disabilities; and (4) provide targeted, intensive support and effective interventions to turn around schools identified for corrective action or restructuring. In addition, states were required to make assurances concerning accountability, transparency, reporting, and compliance with certain federal laws and regulations. After maintaining state support for education at fiscal year 2006 levels, states must use education stabilization funds to restore state funding to the greater of fiscal year 2008 or 2009 levels for state support to LEAs and public IHEs. When distributing these funds to LEAs, states must use their primary education funding formula, but they can determine how to allocate funds to public IHEs. In general, LEAs have broad discretion in how they can use education stabilization funds, but states have some ability to direct IHEs in how to use these funds.

**ESEA Title I, Part A**

The Recovery Act provides $10 billion to help LEAs educate disadvantaged youth by making additional funds available beyond those regularly allocated through Title I, Part A of the Elementary and Secondary Education Act of 1965, as amended. Title I funding is administered by the Office of Elementary and Secondary Education within the Department of Education. The Recovery Act requires these additional funds to be distributed through states to LEAs using existing federal funding formulas.

10Beginning on July 1, 2009, Education awarded the remaining government services funds to states with approved applications.

11Schools identified for corrective action have missed academic targets for 4 consecutive years and schools implementing restructuring have missed academic targets for 6 consecutive years.

12For the purposes of this report, “Title I” refers to Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA), as amended.
which target funds based on such factors as high concentrations of students from families living in poverty. In using the funds, LEAs are required to comply with applicable statutory and regulatory requirements and must obligate 85 percent of the funds by September 30, 2010.\[^{13}\] Education is advising LEAs to use the funds in ways that will build the agencies’ long-term capacity to serve disadvantaged youth, such as through providing professional development to teachers.

### IDEA, Parts B and C

The Recovery Act provided supplemental funding for Parts B and C of the Individuals with Disabilities Education Act (IDEA), as amended, the major federal statute that supports early intervention and special education and related services for children, and youth with disabilities. Part B provides funds to ensure that preschool and school-aged children with disabilities have access to a free and appropriate public education and is divided into two separate grant programs—Part B grants to states (for school-age children) and Part B preschool grants. The IDEA Part B grants are administered by the Office of Special Education and Rehabilitative Services. Part C funds programs that provide early intervention and related services for infants and toddlers with disabilities—or at risk of developing a disability—and their families.

### Public Housing Capital Fund

The Public Housing Capital Fund provides formula-based grant funds directly to public housing agencies to improve the physical condition of their properties; to develop, finance, and modernize public housing developments; and to improve management. Under the Recovery Act, the Office of Public and Indian Housing within the U.S. Department of Housing and Urban Development (HUD) allocated nearly $3 billion through the Public Housing Capital Fund to public housing agencies using the same formula for amounts made available in fiscal year 2008 and obligated these funds to housing agencies in March 2009.

HUD was also required to award nearly $1 billion to public housing agencies based on competition for priority investments, including investments that leverage private sector funding or financing for renovations and energy conservation retrofitting. In September 2009, HUD

\[^{13}\]LEAs must obligate at least 85 percent of their Recovery Act ESEA Title I, Part A funds by September 30, 2010, unless granted a waiver, and must obligate all of their funds by September 30, 2011. This will be referred to as a carryover limitation.
awarded competitive grants for the creation of energy-efficient communities, gap financing for projects stalled due to financing issues, public housing transformation, and improvements addressing the needs of the elderly or persons with disabilities.

Weatherization Assistance Program

The Recovery Act appropriated $5 billion for the Weatherization Assistance Program, which the Department of Energy (DOE) is distributing to each of the states, the District, and seven territories and Indian tribes, to be spent over a 3-year period. The program, administered by the Office of Energy Efficiency and Renewable Energy within DOE, enables low-income families to reduce their utility bills by making long-term energy-efficiency improvements to their homes by, for example, installing insulation, sealing leaks, and modernizing heating equipment, air circulation fans, and air conditioning equipment. Over the past 32 years, the Weatherization Assistance Program has assisted more than 6.2 million low-income families. By reducing the energy bills of low-income families, the program allows these households to spend their money on other needs, according to DOE. The Recovery Act appropriation represents a significant increase for a program that has received about $225 million per year in recent years. DOE has approved the weatherization plans of the 16 states and the District that are in our review and has provided at least half of the funds to those areas.

Emergency Food and Shelter Program

The Emergency Food and Shelter Program (EFSP), which is administered by the Federal Emergency Management Agency (FEMA) within the Department of Homeland Security (DHS), was authorized in July 1987 by the Stewart B. McKinney Homeless Assistance Act to provide food, shelter and supportive services to the homeless.\(^{14}\) The program is governed by a National Board composed of a representative from FEMA and six statutorily-designated national nonprofit organizations.\(^{15}\) Since its first appropriation in fiscal year 1983, EFSP has awarded over $3.4 billion in

\(^{14}\)Pub. L. No. 100-77, 101 Stat. 482.

\(^{15}\)According to the Act, the members of the EFSP National Board are the Federal Emergency Management Agency (Chair), American Red Cross, Catholic Charities USA, National Council of Churches of Christ in the USA, The Salvation Army, The Council of Jewish Federations, Inc., (now known as the Jewish Federations of North America), and the United Way of America (now know as United Way Worldwide.)
federal aid to more than 12,000 local private, non-profit, and government human service entities in more than 2,500 communities nationwide.

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<th>State and Local Budget</th>
<th>The following grant programs were mentioned in the state and local budget section of this report.</th>
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<td>Airport Improvement Program</td>
<td>Within the Department of Transportation, the Federal Aviation Administration’s Airport Improvement Program provides formula and discretionary grants for the planning and development of public-use airports. The Recovery Act provides $1.1 billion for discretionary Grant-in-Aid for Airports under this program with priority given to projects that can be completed within 2 years. The Recovery Act requires that the funds must supplement, not supplant, planned expenditures from airport-generated revenues or from other state and local sources for airport development activities. The Recovery Act provides $1.1 billion for this program.</td>
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<tr>
<td>Assistance to Rural Law Enforcement to Combat Crime and Drugs Program</td>
<td>The Recovery Act Assistance to Rural Law Enforcement to Combat Crime and Drugs Program is administered by the Bureau of Justice Assistance (BJA), a component of the Office of Justice Programs, U.S. Department of Justice. The purpose of this program is to help rural states and rural areas prevent and combat crime, especially drug-related crime, and provides for national support efforts, including training and technical assistance programs strategically targeted to address rural needs. The Recovery Act provides $125 million for this program, and BJA has made 212 awards.</td>
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<td>Broadband Technology Opportunities Program/State Broadband Data and Development Program</td>
<td>The Department of Commerce’s National Telecommunications and Information Administration (NTIA) administers the Recovery Act’s Broadband Technology Opportunities Program. This program was appropriated $4.7 billion, including $350 million for the purposes of developing and maintaining a broadband inventory map. To accomplish this, NTIA has developed the State Broadband Data and Development Grant Program, a competitive, merit-based matching grant program to fund projects that collect comprehensive and accurate state-level broadband mapping data, develop state-level broadband maps, aid in the development and maintenance of a national broadband map, and fund statewide initiatives directed at broadband planning.</td>
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### Brownfields Program

The Recovery Act provides $100 million to the Brownfields Program, administered by the Office of Solid Waste and Emergency Response within the Environmental Protection Agency, for cleanup, revitalization, and sustainable reuse of contaminated properties. The funds will be awarded to eligible entities through job training, assessment, revolving loan fund, and cleanup grants.

### Capital Improvement Program

The Department of Health and Human Services’ Health Resources and Services Administration has allocated $862.5 million in Recovery Act funds for Capital Improvement Program grants to health centers to support the construction, repair, and renovation of more than 1,500 health center sites nationwide, including purchasing health information technology and expanding the use of electronic health records.

### Child Care and Development Block Grants

Administered by the Administration for Children and Families within the Department of Health and Human Services, Child Care and Development Block Grants, one of the funding streams comprising the Child Care and Development Fund, are provided to states, according to a formula, to assist low-income families in obtaining child care, so that parents can work or participate in education or training activities. The Recovery Act provides $1.9 billion in supplemental funding for these grants.

### Clean Water State Revolving Fund

The Recovery Act provides $4 billion for the Clean Water State Revolving Fund, administered by the Office of Water within the Environmental Protection Agency, to fund municipal wastewater infrastructure projects. The Recovery Act requires states to use at least 50 percent of the amount of their capitalization grant to provide additional subsidization of loans to eligible recipients. In addition, to the extent there are sufficient project applications, at least 20 percent of the appropriated funds must be designated for green infrastructure, water efficiency improvements, or other environmentally innovative projects.

### Clean Cities program

The Department of Energy’s Clean Cities program, administered by the Office of Energy Efficiency and Renewable Energy, is a government-industry partnership that works to reduce America’s petroleum consumption in the transportation sector. The Department of Energy is providing nearly $300 million in Recovery Act funds for projects under the Clean Cities program, which provide a range of energy-efficient and advanced vehicle technologies, such as hybrids, electric vehicles, plug-in...
Appendix XVIII: Program Descriptions

electric hybrids, hydraulic hybrids and compressed natural gas vehicles, helping reduce petroleum consumption across the United States. The program also supports refueling infrastructure for various alternative fuel vehicles, as well as public education and training initiatives, to further the program’s goal of reducing the national demand for petroleum.

Community Development Block Grants
The Community Development Block Grant (CDBG) program, administered by the Office of Community Planning and Development within the Department of Housing and Urban Development, enables state and local governments to undertake a wide range of activities intended to create suitable living environments, provide affordable housing, and create economic opportunities, primarily for persons of low and moderate income. Most local governments use this investment to rehabilitate affordable housing and improve key public facilities. The Recovery Act includes $1 billion for the CDBG program.

Community Services Block Grants
Community Services Block Grants (CSBG), administered by the Administration for Children and Families within the Department of Health and Human Services (HHS), provide federal funds to states, territories, and tribes for distribution to local agencies to support a wide range of community-based activities to reduce poverty. The Recovery Act appropriated $1 billion for CSBG to become available immediately.

Community Oriented Policing Services (COPS) Hiring Recovery Program
The COPS Hiring Recovery Program (CHRP), administered by the Office of Community Oriented Policing Services within the U.S. Department of Justice, provides competitive grant funds directly to law enforcement agencies for the purpose of hiring or rehiring career law enforcement officers and increasing their community policing capacity and crime-prevention efforts. CHRP grants provide 100 percent funding for 3 years for approved entry-level salaries and benefits for newly hired, full-time sworn officer positions or for rehired officers who have been laid off, or are scheduled to be laid off on a future date, as a result of local budget cuts.

Diesel Emission Reduction Act Grants
The program objective of the Diesel Emission Reduction Act Grants, administered by the Office of Air and Radiation in conjunction with the Office of Grants and Debarment, within the U.S. Environmental Protection Agency (EPA), is to reduce diesel emissions. EPA will award grants to address the emissions of in-use diesel engines by promoting a variety of
cost-effective emission reduction strategies, including switching to cleaner fuels, retrofitting, repowering or replacing eligible vehicles and equipment, and idle reduction strategies. The Recovery Act appropriated $300 million for the Diesel Emission Reduction Act grants. In addition, the funds appropriated through the Recovery Act for the program are not subject to the State Grant and Loan Program Matching Incentive provisions of the Energy Policy Act of 2005.

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<td>Drinking Water State Revolving Fund</td>
<td>The Drinking Water State Revolving Fund program was established under the Safe Drinking Water Act (SDWA) Amendments of 1996, which authorizes the Environmental Protection Agency (EPA) to award capitalization grants to states, which in turn are authorized to provide low-cost loans and other types of assistance to public water systems to finance the costs of infrastructure projects needed to achieve or maintain compliance with SDWA requirements. The Recovery Act provides $2 billion in funding for this program, which is administered by the Office of Water within EPA.</td>
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<tr>
<td>Edward Byrne Memorial Justice Assistance Grant Program</td>
<td>The Edward Byrne Memorial Justice Assistance Grant (JAG) Program within the Department of Justice's Bureau of Justice Assistance provides federal grants to state and local governments for law enforcement and other criminal justice activities, such as crime prevention and domestic violence programs, corrections, treatment, justice information sharing initiatives, and victims' services. JAG funds are allocated based on a statutory formula determined by population and violent crime statistics, in combination with a minimum allocation to ensure that each state and territory receives some funding.</td>
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<tr>
<td>Energy Efficiency and Conservation Block Grants</td>
<td>The Energy Efficiency and Conservation Block Grants (EECBG), administered by the Office of Energy Efficiency and Renewable Energy within the Department of Energy, provides funds through competitive and formula grants to units of local and state government and Indian tribes to develop and implement projects to improve energy efficiency and reduce energy use and fossil fuel emissions in their communities. The Recovery Act includes $3.2 billion for the EECBG. Of that total, $400 million is to be awarded on a competitive basis to grant applicants.</td>
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Administered by the Administration for Children and Families within the Department of Health and Human Services, the Foster Care Program helps states to provide safe and stable out-of-home care for children until the children are safely returned home, placed permanently with adoptive families or placed in other planned arrangements for permanency. The Adoption Assistance Program provides funds to states to facilitate the timely placement of children, whose special needs or circumstances would otherwise make placement difficult, with adoptive families. Federal Title IV-E funds are paid to reimburse states for their maintenance payments using the states’ respective Federal Medical Assistance Percentage (FMAP) rates. Under the Recovery Act, an estimated additional $806 million will be provided to states to increase the federal match for state maintenance payments for foster care, adoption assistance, and guardianship assistance.

Title IV-E Adoption Assistance and Foster Care Programs

The Head Start program, administered by the Office of Head Start of the Administration for Children and Families within the Department of Health and Human Services, provides comprehensive early childhood development services to low-income children, including educational, health, nutritional, social, and other services, intended to promote the school readiness of low-income children. Federal Head Start funds are provided directly to local grantees, rather than through states. The Recovery Act provided an additional $2.1 billion in funding for Head Start, including $1.1 billion directed for the expansion of Early Head Start programs. The Early Head Start program provides family-centered services to low-income families with very young children designed to promote the development of the children, and to enable their parents to fulfill their roles as parents and to move toward self-sufficiency.

Head Start/Early Head Start

The Homelessness Prevention and Rapid Re-Housing Program, administered by the Office of Community Planning and Development within the Department of Housing and Urban Development, awards formula grants to states and localities to prevent homelessness and procure shelter for those who have become homeless. Funding for this program is being distributed based on the formula used for the Emergency Shelter Grants program. According to the Recovery Act, program funds

Homelessness Prevention and Rapid Re-Housing Program

16See Medicaid Federal Medical Assistance Percentage (FMAP) description earlier in this appendix.
should be used for short-term or medium-term rental assistance; housing relocation and stabilization services, including housing search, mediation or outreach to property owners, credit repair, security or utility deposits, utility payments, and rental assistance for management; or appropriate activities for homeless prevention and rapid rehousing of persons who have become homeless. The Recovery Act includes $1.5 billion for this program.

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<th>Appendix XVIII: Program Descriptions</th>
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<td><strong>Increased Demand for Services</strong></td>
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| The Department of Health and Human Services’ Health Resources and Services Administration (HRSA) has allocated Recovery Act funds for Increased Demand for Services (IDS) grants to health centers to increase health center staffing, extend hours of operations, and expand existing services. The Recovery Act provided $500 million for health center operations. HRSA has allocated $343 million for IDS grants to health centers.  

| **Internet Crimes Against Children Initiatives** |
| Internet Crimes Against Children Initiatives (ICAC), administered by the Department of Justice, Office of Justice Programs’ (OJP) Office of Juvenile Justice and Delinquency Prevention (OJJDP), seeks to maintain and expand state and regional ICAC task forces to address technology-facilitated child exploitation. This program provides funding to states and localities for salaries and employment costs of law enforcement officers, prosecutors, forensic analysts, and other related professionals. The Recovery Act appropriated $50 million for ICAC. |

| **National Endowment for the Arts Recovery Act grants** |
| The Recovery Act provides $50 million to be distributed in direct grants by the National Endowment for the Arts to fund arts projects and activities that preserve jobs in the nonprofit arts sector threatened by declines in philanthropic and other support during the current economic downturn. |

17The Recovery Act provided $2 billion to the Health Resources and Services Administration (HRSA) for grants to health centers. Of this total, $1.5 billion is for the construction and renovation of health centers and the acquisition of HIT systems, and the remaining $500 million is for operating grants to health centers. Of the $500 million for health center operations, HRSA has allocated $157 million for New Access Point grants to support health centers' new service delivery sites, and $343 million for Increased Demand for Services grants.
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**Neighborhood Stabilization Program 2**

The Neighborhood Stabilization Program (NSP), administered by the Office of Community Planning and Development within the Department of Housing and Urban Development, provides assistance for the acquisition and rehabilitation of abandoned or foreclosed homes and residential properties, among other activities, so that such properties may be returned to productive use. Congress appropriated $2 billion in NSP2 funds in the Recovery Act for competitive awards to states, local governments, and nonprofit organizations. NSP is considered to be a component of the Community Development Block Grant (CDBG) program and basic CDBG requirements govern NSP.

**Recovery Act Assistance to Firefighters Fire Station Construction Grants**

The Recovery Act Assistance to Firefighters Fire Station Construction Grants, also known as fire grants or the FIRE Act grant program, is administered by the Department of Homeland Security, Federal Emergency Management Agency (FEMA), Assistance to Firefighters Program Office. The program provides federal grants directly to fire departments on a competitive basis to build or modify existing non-federal fire stations in order for departments to enhance their response capability and protect the communities they serve from fire and fire-related hazards. The Recovery Act includes $210 million for this program and provides that no grant shall exceed $15 million.

**Recovery Act Impact on Child Support Incentives**

Under title IV-D of the Social Security Act, the Administration for Children and Families (ACF), within the Department of Health and Human Services, administers matching grants to states to carry out their child support enforcement programs, which enhance the well-being of children by identifying parents, establishing support obligations, and monitoring and enforcing those obligations. Furthermore, ACF makes additional incentive payments to states based on their child support enforcement programs meeting certain performance goals. These activities are appropriated annually and the Recovery Act does not appropriate funds for either of them. However, the Recovery Act temporarily provides for incentive payments expended by states for child support enforcement to count as

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18NSP, a term that references the NSP funds authorized under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008, provides grants to all states and selected local governments on a formula basis. Under NSP, HUD allocated $3.92 billion on a formula basis to states, territories, and selected local governments. The term “NSP2” references the NSP funds authorized under the Recovery Act on a competitive basis.
state funds eligible for the matching grants. This change is effective October 1, 2008, through September 30, 2010.

<table>
<thead>
<tr>
<th>Program Description</th>
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<tbody>
<tr>
<td><strong>Transportation Investment Generating Economic Recovery Discretionary Grants</strong></td>
</tr>
<tr>
<td>Administered by the Department of Transportation’s Office of the Secretary, the Recovery Act provides $1.5 billion in competitive grants, generally between $20 million and $300 million, to state and local governments, and transit agencies. These grants are for capital investments in surface transportation infrastructure projects that will have a significant impact on the nation, a metropolitan area, or a region. Projects eligible for funding provided under this program include, but are not limited to, highway or bridge projects, public transportation projects, passenger and freight rail transportation projects, and port infrastructure investments.</td>
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<tr>
<td><strong>Transit Investments for Greenhouse Gas and Energy Reduction Grant Program</strong></td>
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<tr>
<td>The Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER) Grant program, administered by the Federal Transit Administration within the Department of Transportation, is a discretionary program to support transit capital projects that result in greenhouse gas reductions or reduced energy use. The Recovery Act provides $100 million for the TIGGER program, and each submitted proposal must request a minimum of $2 million.</td>
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<tr>
<td><strong>Senior Community Service Employment Program</strong></td>
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<tr>
<td>The Senior Community Service Employment Program (SCSEP), administered by the Employment and Training Administration within the Department of Labor, promotes useful part-time opportunities in community service activities for unemployed low-income persons who are 55 years or older and who have poor employment prospects. The Recovery Act provides $120 million for SCSEP.</td>
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<tr>
<td>*<em>Services<em>Training</em>Officers <em>Prosecutors (STOP) Violence Against Women Formula Grants Program</em></em></td>
</tr>
<tr>
<td>Under the STOP Program, the Office on Violence Against Women within the Department of Justice, has awarded over $139 million in Recovery Act funds to promote a coordinated, multidisciplinary approach to enhance services and advocacy to victims, improve the criminal justice system’s response, and promote effective law enforcement, prosecution, and judicial strategies to address domestic violence, dating violence, sexual assault, and stalking.</td>
</tr>
</tbody>
</table>
### Supplemental Nutrition Assistance Program (formerly the Food Stamp Program)

The Supplemental Nutrition Assistance Program (SNAP), administered by the Food and Nutrition Service within the Department of Agriculture, serves more than 35 million people nationwide each month. SNAP’s goal is to help low-income people and families buy the food they need for good health. The Recovery Act provides for a monthly increase in benefits for the program’s recipients. The increases in benefits under the Recovery Act are estimated to total $20 billion over the next 5 years.

### Wildland Fire Management Program

The Department of Agriculture’s Forest Service administers the Wildland Fire Management Program funding for projects on federal, state, and private land. The goals of these projects include ecosystem restoration, research, and rehabilitation; forest health and invasive species protection; and hazardous fuels reduction. The Recovery Act provided $500 million for the Wildland Fire Management program.

### Workforce Investment Act Title I-B Grants

The Workforce Investment Act of 1998 (WIA) programs, administered primarily by the Employment and Training Administration within the Department of Labor, provide job training and related services to unemployed and underemployed individuals. The Recovery Act provides an additional $2.95 billion in funding for state formula grants for Youth, Adult, and Dislocated Worker Employment and Training Activities under Title I-B of WIA. These grants are allocated to states, which in turn allocate funds to local entities. The adult program provides training and related services to individuals ages 18 and older, the youth program provides training and related services to low-income youth ages 14 to 21, and dislocated worker funds provide training and related services to individuals who have lost their jobs and are unlikely to return to those jobs or similar jobs in the same industry.
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