

## **American Recovery and Reinvestment Act** *Overview and Timeline*

On February 17, 2009 President Obama signed the American Recovery and Reinvestment Act (ARRA or "Recovery Act"), a \$787 billion plan to create jobs, get the economy going again and make significant improvements to the nation's infrastructure.

The California Recovery Task Force estimates that ARRA will provide \$85 billion in total benefits to California. The Recovery Act provides federal funding for a wide range of federal, state and local programs as well as tax relief for qualified businesses and individuals. To ensure that its spending authorization is used effectively and for its intended purposes, the ARRA lays out distinct goals:

1. To preserve and create jobs and promote economic recovery.
2. To assist those most impacted by the recession.
3. To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
4. To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
5. To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

Section 1512 of the Recovery Act sets specific reporting requirements for government agencies and recipients of Recovery funds to measure the plan's progress. For example, Section 1512 says that within 10 days after the end of each calendar quarter, recipients of Recovery funds must submit reports on the use of those funds. The first reports were submitted between Oct. 1 and Oct. 10, 2009; the next reports will be submitted in January 2010.

The State of California opted to report centrally, as opposed to the option of de-centralized reporting by each state agency. All state agencies reported electronically through the California ARRA Accountability Tool (CAAT), which was developed by the State Chief Information Officer. The reporting framework in ARRA did not allow the state to have access to information reported by direct recipients, such as local agencies or private businesses.

California's Recovery Inspector General has monitored all oversight activities and, when necessary, requested additional information from state agencies regarding their ARRA activities. On July 6, the Inspector General contacted all state agencies and requested their status and oversight plans for ARRA funding.

The California Recovery Task Force requested that the Office of State Audits and Evaluations (OSAE) conduct an oversight and accountability readiness review for the American Recovery

and Reinvestment Act (ARRA) funding for State Agencies, Departments, Boards and Commissions receiving ARRA funds. OSAE examined each entity's readiness in the general areas of oversight and fraud prevention, grants management and accountability, reporting requirements, and transparency. Guidelines released by the Whitehouse Office of Management and Budget as well as the National Procurement Fraud Task Force best practices guidance were used to determine compliance standards. OSAE completed these readiness reports in August 2009. The readiness reports, like the status and oversight plans mentioned above, are available to the public online.

**Measuring Results:**

The swift and efficient expenditure of ARRA funding is critical to generating economic growth. Determining the precise amount of funding awarded to, received by, and ultimately benefiting California is a less than straightforward matter. The federal government reports that ARRA awarded the state \$18.5 billion of which \$8.2 billion had been received as of October 30, 2009. According to data reported by recipients, the funding saved or created 110,185 jobs in the state.

According to the California Recovery Task Force, the state will receive \$85 billion "in benefit" from ARRA over two years. Section 1512 reporting requirements do not include entitlements or tax relief programs, therefore the federal figures do not include these expenditures. The state's estimate includes funds awarded directly to grantees without passing through the State, increases in entitlement programs such as unemployment benefits and food stamps, Federal Medical Assistance Payments (FMAP), and State Fiscal Stabilization Fund payments.

**\$85 Billion in Benefit to California (est.)**



Source: recovery.ca.gov

Of the \$85 billion the Task Force expects the state to receive, they estimate the state has been awarded \$33.2 billion. The latter figure is comprised of \$18.5 billion awarded to the state and direct grantees, and \$14.6 billion in the form of increased funding for entitlement programs and other expenditures.

ARRA Funding Awarded to California (in billions)		
Section 1512 Data		\$ 18.535
Non-1512 Data		\$ 14.634
<i>Medicaid</i>	\$ 5.511	
<i>Unemployment</i>	\$ 5.316	
<i>Other</i>	\$ 3.807	
Total		\$ 33.169

Although ARRA establishes a methodology for determining job creation and retention of existing jobs, variation in the interpretation of those guidelines, and external factors can yield different estimates of the Act's impact. The California State University (CSU) system claimed that it saved or created 26,156 jobs with \$268.5 million in stimulus money. This figure represents more than half of all CSU employees statewide. The claim was regarded by critics as unreasonably high, but the estimate was developed in accordance with ARRA guidelines. Watchdog groups and the news media have also highlighted examples of reporting errors committed by recipients, such as citing incorrect or non-existent Congressional districts as the location of projects.

In its analysis of job creation and retention as of September 30, 2009, the U.S. General Accountability Office (GAO) noted that "even if data quality issues are resolved, it is important to recognize that the FTEs [full time equivalent positions] in recipient reports alone do not reflect the total employment effects of the Recovery Act. As noted, these reports solely reflect direct employment arising from the expenditure of less than one-third of Recovery Act funds." Federal job creation and retention figures do not reflect the impact of increased entitlements or tax relief, which also have employment effects.

**Emerging Issues for Oversight:**

The news media and state audits have identified ARRA implementation issues such as inaccurate job creation/retention figures, and improper uses of funding. For example:

- Department of Correction and Rehabilitation. "Corrections may have overstated how many jobs it retained when it reported its 18,229 figure to the federal government... For the purposes of Section 1512 reporting, the federal government defines *jobs retained* as an existing position that would not have been continued to be filled were it not for Recovery Act funding. ...The total number of layoff notices Corrections issued is less

than one-third of the 18,229 figure that it reported to the federal government as jobs retained."<sup>1</sup>

- Department of Developmental Services. "Because the assurance of being able to meet the MOE requirement is a condition to receive Early Start grant funds, Developmental services' lack of sufficient documentation may jeopardize its ability to receive the full amount of funding."<sup>2</sup>
- California Energy Commission. "The Energy Commission has made little progress in implementing its subprograms, and none of the Recovery Act funds are currently being used to provide benefits to Californians... The State is at risk of either having the funds redirected by the U.S. Department of Energy or awarding them in a compressed period of time without first establishing an adequate system of internal controls, which increase the risk that Recovery Act funds will be misused."<sup>3</sup>

Recipients of ARRA funding submitted the first of their quarterly expenditure reports in October 2009. Based on this data and ongoing monitoring of ARRA activities, the Recovery Act Inspector General and the California Recovery Task Force will provide the committee with their preliminary assessments of the process by which ARRA funding has been expended thus far.

The Revised 2009-10 State Budget (AB1 4X) tasked the Department of Finance (DOF) with submitting a report to the Joint Legislative Budget Committee describing a comprehensive, statewide plan for ARRA oversight and auditing. This report is required in order for DOF to receive the additional funds necessary to coordinate oversight and administrative activities related to ARRA. According to the Department, they will complete that report before the end of 2009.

**Federal & State Implementation Timeline:**

Date	Event
February 13, 2009	H.R. 1 passed by the House of Representatives.
February 13, 2009	H.R. 1 passed by the U.S. Senate.
February 17, 2009	H.R. 1 Signed into law, and <i>Recovery.gov</i> web site goes live.
February 19, 2009	Federal agencies to begin reporting their formula block grant awards.
March 3, 2009	Federal agencies to begin reporting on their use of funds.
March 13, 2009	Governor Schwarzenegger launches <i>Recovery.ca.gov</i> web site.
March 26, 2009	Governor Schwarzenegger creates the California Recovery Task Force.
April 3, 2009	Governor Schwarzenegger creates Recovery Act Inspector General
May, 01 2009	Draft Agency and Program Plans Completed.
May, 15 2009	Final Agency and Program Plans submitted to Office of Management and Budget.

<sup>1</sup> California State Auditor Letter Report, November 23, 2009

<sup>2</sup> California State Auditor Letter Report, November 23, 2009

<sup>3</sup> California State Auditor Letter Report, December 1, 2009

May, 17 2009	Agency and Program Plans posted on Recovery.gov.
May, 18 2009	President to report to Congress on the progress of projects in compliance with the National Environmental Policy Act.
July 20, 2009	State agencies submit Status & Oversight plans to Recovery IG
August 31, 2009	CA State agencies complete readiness reviews
September, 10 2009	Council of Economic Advisers begins Quarterly Reporting.
October, 01 2009	Recipient Reporting Begins.
October, 10 2009	Recipient Reporting Ends.
October, 15 2009	Recipient Federal Contract Data Posted.
October, 30 2009	Recipient Grant and Loan Data Posted.
November 23, 2009	State Auditor issues letter reports regarding DDS and CDCR administration of ARRA funds.