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RECOVERY ACT

States' and Localities' Current and Planned Uses of Funds While Facing Fiscal Stresses (Georgia)

GAO
Accountability * Integrity * Reliability

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Contents

Tables

Figures

Appendix IV: Georgia

Overview

The following summarizes GAO's work on the second of its bimonthly reviews of American Recovery and Reinvestment Act (Recovery Act) spending in Georgia.[1] 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/.

Use of funds: GAO's work focused on nine federal programs, selected primarily because they have begun disbursing funds to states. The programs include existing programs receiving significant amounts of Recovery Act funds or significant increases in funding, and new programs. Program funds are being directed to helping Georgia stabilize its budget and support local governments, particularly school districts, and several are being used to expand existing programs. Funds from some of these programs are intended for disbursement through states or directly to localities. The funds include the following:

- **Funds made available as a result of increased Medicaid Federal Medical Assistance Percentage (FMAP).**[2] As of June 29, 2009, Georgia had received more than $541 million in increased FMAP grant awards, of which it had drawn down about $498 million, or 92 percent. Georgia officials reported they are using funds made available as a result of the increased FMAP to offset the state budget deficit. State officials also reported they are planning to use these funds to cover the state's increased caseload, to maintain current Medicaid populations and benefits, and avoid cuts to eligibility, pending state approval to do so.

- **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 June 25, 2009, the federal government's obligation for Georgia was $449 million. Georgia has selected the first phase of projects to be completed with Recovery Act funds and has awarded 44 contracts totaling $88 million. The projects selected include a bridge-widening project in Gwinnett County and a road-widening and -expansion project in Henry County.

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

[2] 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 states would otherwise have to use for their Medicaid programs, and states have reported using these available funds for a variety of purposes.

- **U.S. Department of Education State Fiscal Stabilization Fund (SFSF).** The U.S. Department of Education has awarded Georgia its entire $1 billion initial allocation. As of June 30, 2009, the state had allocated $698 million of these funds to local education agencies and institutions of higher education. These entities plan to use the funds to stabilize their budgets and retain staff. For example, the University of Georgia plans to use its $19 million allocation for fiscal year 2010 to retain approximately 160 full-time faculty positions.

- **Title I, Part A, of the Elementary and Secondary Education Act (ESEA) of 1965.** The U.S. Department of Education has awarded Georgia about $176 million in Recovery Act ESEA Title I, Part A funds, or 50 percent of its total allocation of approximately $351 million. The state allocated all of these funds to the local education agencies within the state in late April 2009. Local education agencies plan to use these funds to help educate disadvantaged youth by, among other things, providing training and other professional development opportunities for teachers. For example, the Richmond County School System plans to use its funds to expand services to 23 additional elementary, middle, and high schools.

- **Individuals with Disabilities Education Act, Part B and C.** The U.S. Department of Education has awarded Georgia about $169 million in Recovery Act IDEA, Part B and C funds, or 50 percent of its total allocation of about $339 million. Georgia allocated all of its IDEA, Part B funds to the local education agencies within the state in late April 2009. Local education agencies plan to use these funds to support special education and related services for preschool and school-aged children with disabilities. For instance, the Atlanta Public Schools plans to use its funds to provide training for its staff and retain 49 special education paraprofessionals.

- **Workforce Investment Act Youth Program.** The U.S. Department of Labor allotted to Georgia about $31.3 million in Workforce Investment Act Youth Recovery Act funds. As of June 30, 2009, the state had allocated $26.7 million of these funds to local workforce boards. As of June 19, 2009, about 8,700 youth were enrolled in summer youth programs statewide. Overall, the state expects the funds to create more than 10,000 summer jobs for its youth.

- **Edward Byrne Memorial Justice Assistance grants.** The U.S. Department of Justice's Bureau of Justice Assistance has awarded $36 million in Recovery Act funding directly to Georgia. As of June 25, 2009, none of these funds had been obligated by the Georgia Criminal

Justice Coordinating Council, which administers these grants for the state.[3] The state plans to use these funds to support positions at state agencies with criminal justice missions and fund assistance for victims of crime, among other things.

- **Weatherization Assistance Program.** The U.S. Department of Energy (DOE) allocated to Georgia about $125 million in Recovery Act weatherization funding for a 3-year period. As of June 26, 2009, DOE had provided $62.5 million to Georgia, and the state had obligated none of these funds. Georgia plans to get weatherization activities under way in August 2009 and ultimately weatherize about 13,600 homes owned by low-income families.

- **Public Housing Capital Fund.** The U.S. Department of Housing and Urban Development has allocated about $113 million in Recovery Act funding to 184 public housing agencies in Georgia. As of June 20, 2009, these public housing agencies had obligated about $8 million (7.5 percent). At the two public housing agencies we visited (Atlanta and Athens), these funds—which flow directly to public housing authorities—will be used for various capital improvements, including modifying bathrooms and kitchens and replacing roofs, windows, and elevators.

Safeguarding and transparency: Georgia has issued unique accounting codes to track Recovery Act funds separately. In addition, the Governor's Office of Planning and Budget has issued a risk management handbook that requires each agency that is a direct recipient of Recovery Act funding to prepare a risk mitigation plan. The State Auditor has provided internal controls training to state agency personnel but is awaiting additional federal guidance on targeting its risk assessments to include programs receiving Recovery Act funding. In addition, the individual state agencies that administer Recovery Act funds have implemented internal controls, such as risk assessments and monitoring plans.

Assessing the effects of spending: While waiting for additional federal guidance, the state proceeded with plans to adapt an automated system used for financial management to meet Recovery Act reporting

[3]We did not review Edward Byrne Memorial Justice Assistance grants awarded directly to local governments in this report because the Bureau of Justice Assistance's (BJA) solicitation for local governments closed on June 17; therefore, not all of these funds have been awarded.

requirements. The system is operational, and the state has begun collecting data on jobs created and retained.

Georgia Is Using Recovery Act Funds to Offset Declining Revenues

To offset declining revenue, Georgia included Recovery Act funding in both its amended fiscal year 2009 budget and its fiscal year 2010 budget. Our work, which focused on nine selected federal programs, indicated that Georgia has started spending its Recovery Act funds. The nine programs on which we focused included the Medicaid program, three education programs, and the federal-aid highway program.

During fiscal year 2009, Georgia took a number of cost-saving measures due to its declining fiscal condition:

- A few agencies furloughed staff. For instance, the Georgia Department of Transportation required all full-time employees to take 1 furlough day during the months of April, May, and June 2009 and plans to continue the furloughs in fiscal year 2010. The Georgia Department of Education required all employees to take 1 furlough day from November 17, 2008, through February 13, 2009.

- A number of programs were cut or eliminated. For instance, the primary funding mechanism for elementary and secondary education was reduced by approximately $550 million in the amended fiscal year 2009 budget and by about $431 million in the fiscal year 2010 budget. At the Georgia Department of Human Services, a reduction of $16 million impacted the level of service staff could provide in the food stamp, Medicaid, and child protective services programs. The Georgia Department of Community Affairs saw a reduction of $76 million in its amended fiscal year 2009 budget and $74 million in its fiscal year 2010 budget. These reductions will impact programs that provide grants and assistance to rural areas of the state and state-funded community development programs that assist homeless families in achieving housing stability, among other things.

- Some agencies canceled or delayed contracts. For example, when funding for the Georgia Department of Corrections' general operations was reduced by $25 million, the department decreased its procurement of goods and services, among other things. In addition, budget cuts at the Georgia Department of Administrative Services delayed the full implementation of an upgrade of the state's procurement system.

Georgia's amended fiscal year 2009 budget and its fiscal year 2010 budget were signed by the Governor on March 13, 2009, and May 13, 2009, respectively. According to state budget officials, the inclusion of Recovery Act funds in both budgets reduced the number of cuts required to balance the budgets. The amended fiscal year 2009 budget included $477 million in Recovery Act funds for Medicaid. The fiscal year 2010 budget included $727 million for Medicaid, $521 million in State Fiscal Stabilization Funds for education stabilization, and $140 million in State Fiscal Stabilization Funds for government services (such as staffing costs at state prisons and the state's forensic laboratory system).[4]

Since the amended fiscal year 2009 budget was signed in March 2009, the state's revenue projections have continued to decline. The state's net revenue collections for May 2009 were 14.4 percent less than they were in May 2008, representing a decrease of approximately $212 million in total tax and other collections. On May 28, 2009, the lower-than-expected revenue projections led the Governor to instruct the Office of Planning and Budget to reduce available funds by 25 percent for the month of June (the last month of fiscal year 2009).

The lower-than-expected revenue numbers also caused Georgia to use more Recovery Act funds in fiscal year 2009 than it had anticipated using. In addition to using the Recovery Act Medicaid funds approved in its amended fiscal year 2009 budget, it used $177 million in education stabilization funds and approximately $12 million in government services funds. Further, the state used more of its reserves in fiscal year 2009 than originally planned. Instead of the $200 million it planned to use from its Revenue Shortfall Reserve, or "rainy day" fund, in fiscal year 2009, the state may use up to $650 million.[5] The state also has budgeted an additional $259 million in fiscal year 2010, further depleting Georgia's rainy-day fund.

[4]The Recovery Act created a State Fiscal Stabilization Fund to be administered by the U.S. Department of Education. States must allocate 81.8 percent of their State Fiscal Stabilization Funds to support education (education stabilization funds) and must use the remaining 18.2 percent for public safety and other government services, which may include education (government services funds).

[5]The fiscal year 2009 amount is an estimate based on fiscal year 2009 revenue collections that have not been finalized or audited and does not reflect agency surplus funds.

The Governor's office has required state agencies to spend funds judiciously and develop action plans that recognize that the funding is temporary. However, Georgia is still in the process of developing a strategy for winding down its use of Recovery Act funds. In part, such a strategy is dependent on revenue and expenditure projections, which will be updated as part of the fiscal year 2011 budget planning process. In addition, risk mitigation plans currently being developed by state agencies may impact the state's exit strategy.

State resources for oversight of Recovery Act funds continue to be limited. The State Auditor highlighted the need for increased staffing to complete single audits for fiscal years 2009–2011. Approximately 140 of his current staff will have some Recovery Act auditing responsibilities. To meet additional auditing responsibilities, the State Auditor estimated that his office would need 7 to 8 additional staff for the fiscal year 2009 audits, at least 16 additional auditors over current staffing levels for the fiscal year 2010 audits, and at least 10 auditors over current staffing levels for the fiscal year 2011 audits. The Georgia Inspector General's office currently has 4 staff, 2 of which have Recovery Act responsibilities. According to the Inspector General, the office needs about 5 more staff in order to monitor compliance with Recovery Act provisions. These staff would be responsible for overseeing and monitoring the state agencies' distribution of funds, reviewing contracts, and investigating allegations of wrongdoing related to the funds.

Increased FMAP Funds Are Allowing Georgia to Maintain Its Medicaid Program

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 rate at which states are reimbursed for Medicaid service expenditures is known as the Federal Medical Assistance Percentage (FMAP), which may range from 50 percent to no more than 83 percent. The Recovery Act provides eligible states with an increased FMAP for 27 months from October 1, 2008, through December 31, 2010.[6] On February 25, 2009, the Centers for Medicare & Medicaid Services (CMS) made increased FMAP grant awards to states, and states may retroactively claim reimbursement for expenditures that occurred prior to

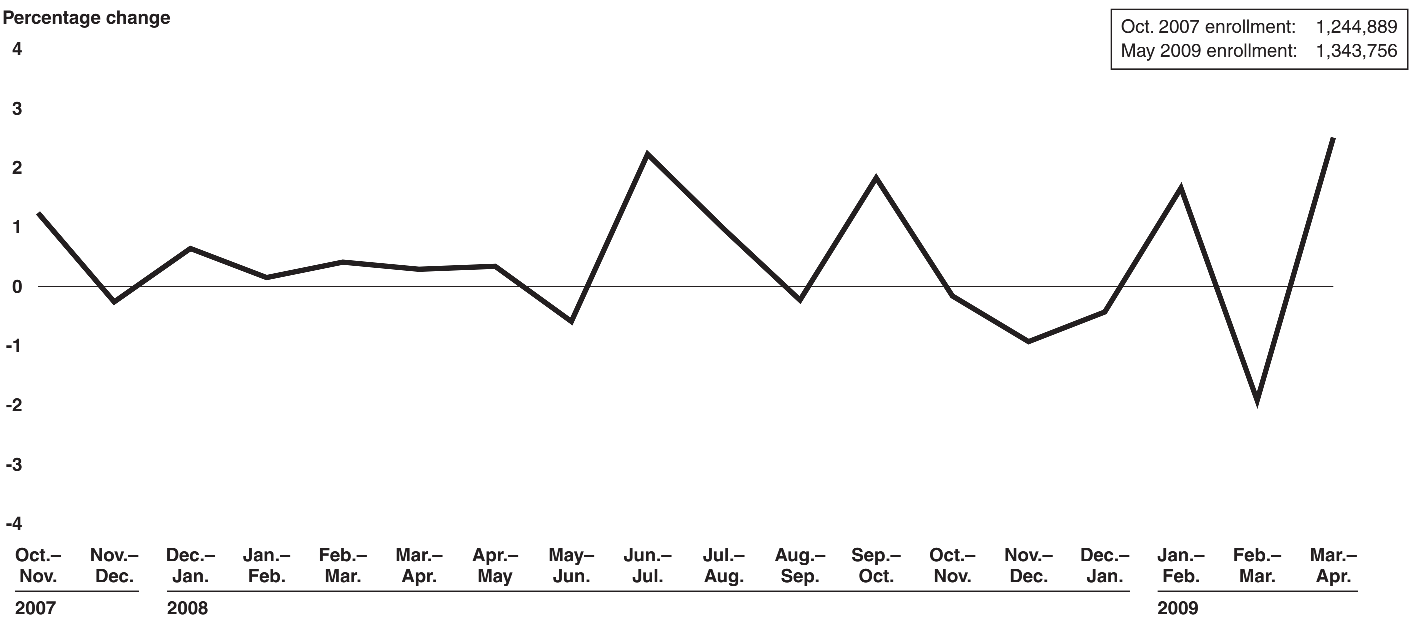
[6]See Recovery Act, div. B, title V, §5001.

the effective date of the Recovery Act.[7] Generally, for federal fiscal year 2009 through the first quarter of federal fiscal year 2011, the increased FMAP, which is calculated on a quarterly basis, provides for (1) the maintenance of states' prior year FMAPs; (2) a general across-the-board increase of 6.2 percentage points in states' FMAPs; and (3) a further increase to the FMAPs for those states that have a qualifying increase in unemployment rates. 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 states would otherwise have to use for their Medicaid programs, and states have reported using these available funds for a variety of purposes.

From October 2007 to April 2009, the state's Medicaid enrollment grew from 1,244,889 to 1,343,756, an increase of almost 8 percent. Enrollment during this period varied, and there were several months where enrollment decreased (see fig. 1). The increase in enrollment was mostly attributable to the population group of children and families, and there was a decline in the disabled individuals' population group.

[7] Although the effective date of the Recovery Act was February 17, 2009, states generally may claim reimbursement for the increased FMAP for Medicaid service expenditures made on or after October 1, 2008.

Figure 1: Monthly Percentage Change in Medicaid Enrollment for Georgia, October 2007 to April 2009



Source: GAO analysis of state reported data.

As of June 29, 2009, Georgia had drawn down about $498 million in increased FMAP grant awards, which is about 92 percent of its awards to date.[8] Georgia officials reported they are using funds made available as a result of the increased FMAP to offset the state budget deficit. State officials also reported they are planning to use these funds to cover the state's increased caseload, to maintain current Medicaid populations and benefits, and avoid cuts to eligibility, pending state approval to do so.

As a result of Georgia's economic climate in the fall of 2008, the state had delayed provider rate increases and began exploring options that would avoid potential cuts to the program, such as to certain eligibility categories and optional Medicaid benefits. An official noted that with the increased FMAP funds, Georgia has been able to maintain its Medicaid eligibility categories and benefits. In using the increased FMAP, Georgia officials reported that the Medicaid program has incurred additional costs related to

[8]Georgia received increased FMAP grant awards of more than $541 million for the first three quarters of federal fiscal year 2009.

- personnel needed to ensure programmatic compliance with requirements associated with the increased FMAP,
- personnel needed to ensure compliance with reporting requirements related to the increased FMAP, and
- the administrative processes devoted to project management and the creation of communication avenues for internal and external tracking of the use of stimulus funds.

Georgia officials said they did not have any concerns about maintaining eligibility for increased FMAP. The state was not considering any changes to program eligibility and was already in compliance with the prompt pay requirements.[9,10] In terms of tracking the use of these funds, the state relies on an existing accounting system to track the use of increased FMAP and uses unique identifiers for these funds, which are tracked separately from regular FMAP. State officials also noted that the state separately codes expenditure transactions related to the increased FMAP and conducts reconciliations to ensure correctness. In addition, the officials noted that the Governor's office has appointed an individual to work with the state audit and accounting offices to generate a weekly report on both receipts and expenditures related to the increased FMAP. To further ensure correctness, a staff person independently reviews the details of services for which increased FMAP was obtained, according to officials.

Regarding the Single Audit, both the 2007 and 2008 audits identified material weaknesses in the state's Medicaid program. The 2007 Single Audit for Georgia identified one material weakness related to the Medicaid

[9]In order to qualify for the increased FMAP, states generally may not apply eligibility standards, methodologies, or procedures that are more restrictive than those in effect under their state Medicaid plans or waivers on July 1, 2008. See Recovery Act, div. B, title V, §5001(f)(1)(A).

[10]Under the Recovery Act, states are not eligible to receive the increased FMAP for certain claims for days during any period in which that state has failed to meet the prompt payment requirement under the Medicaid statute as applied to those claims. See Recovery Act, div. B, title V, §5001(f)(2). Prompt payment requires states to pay 90 percent of clean claims from health care practitioners and certain other providers within 30 days of receipt and 99 percent of these claims within 90 days of receipt. See 42 U.S.C. §1396a(a)(37)(A).

program.[11] Specifically, the audit found examples of where fee-for-service payments and capitation payments were made for the same services. These double payments were estimated to total $52.7 million. The state concurred with the finding, noting that the double payment was the result of an imperfect transmittal of a member database update from the Medicaid Management Information System. The state implemented corrective action procedures, which included efforts to improve monitoring. The 2008 Single Audit identified concerns related to documentation of eligibility and problems in calculating and reconciling accounts receivable.

Funds Have Been Obligated for Georgia Federal-Aid Highway Projects

The Recovery Act provides funding to the states for restoration, repair, and construction of highways and other activities allowed under the Federal-Aid Highway Surface Transportation Program and for other eligible surface transportation projects. The Recovery Act requires that 30 percent of these funds be suballocated for projects in metropolitan and other areas of the state. Highway funds are apportioned to the states through existing federal-aid highway program mechanisms, and states must follow the requirements of the existing program including planning, environmental review, contracting, and other requirements. However, the federal fund share of highway infrastructure investment projects under the Recovery Act is up to 100 percent, while the federal share under the existing federal-aid highway program is generally 80 percent.

As we reported in April 2009, $932 million was apportioned to Georgia in March for highway infrastructure and other eligible projects. As of June 25, 2009, $449 million had been obligated. The U.S. Department of Transportation has interpreted the term “obligation of funds” to mean the federal government’s contractual commitment to pay for the federal share of the project. This commitment occurs at the time the federal government signs a project agreement. As of June 25, 2009, no funds had been

[11]The Single Audit Act of 1984, as amended (31 U.S.C. ch. 75), requires that each state, local government, or nonprofit organization that expends $500,000 or more a year in federal awards must have a Single Audit conducted for that year subject to applicable requirements, which are generally set out in Office of Management and Budget (OMB) Circular No. A-133, Audits of States, Local Governments and Non-Profit Organizations (June 27, 2003). If an entity expends federal awards under only one federal program, the entity may elect to have an audit of that program.

reimbursed by FHWA. States request reimbursement from FHWA as the state makes payments to contractors working on approved projects.[12]

Status of Planning for Highway Infrastructure Spending

As of June 12, 2009, the Governor had certified three rounds of projects to be funded with Recovery Act funds, completing the Georgia Department of Transportation's first phase of planning. The selection process for the second phase of projects was to be completed by the end of June 2009. According to FHWA data, the majority of the funds that had been obligated as of June 25, 2009, were for pavement projects (see table 1).

Table 1: Highway Obligations for Georgia by Project Type as of June 25, 2009

Dollars in millions

	Pavement projects			Bridge projects				
	New construction	Pavement improvement	Pavement widening	New construction	Replacement	Improvement	Other[a]	Total
	$80	$200	$12	$0	$41	$0	$116	**$449**
Percent of total obligations	17.8	44.6	2.6	0.0	9.2	0.0	25.8	**100**

Source: GAO analysis of Federal Highway Administration data.

[a]Includes safety projects such as improving safety at railroad grade crossings, transportation enhancement projects such as pedestrian and bicycle facilities, engineering, and right-of-way purchases.

As of June 12, 2009, the Georgia Department of Transportation had awarded 44 contracts, for a total of $88 million.[13] Most of these contracts were awarded for an amount that was less than originally estimated. According to Georgia Department of Transportation officials, bids have been coming in lower than expected due to current economic conditions. The first of these contracts is estimated to be completed by December 2009. The majority of the remaining phase one projects are expected to be bid on in June or July 2009.

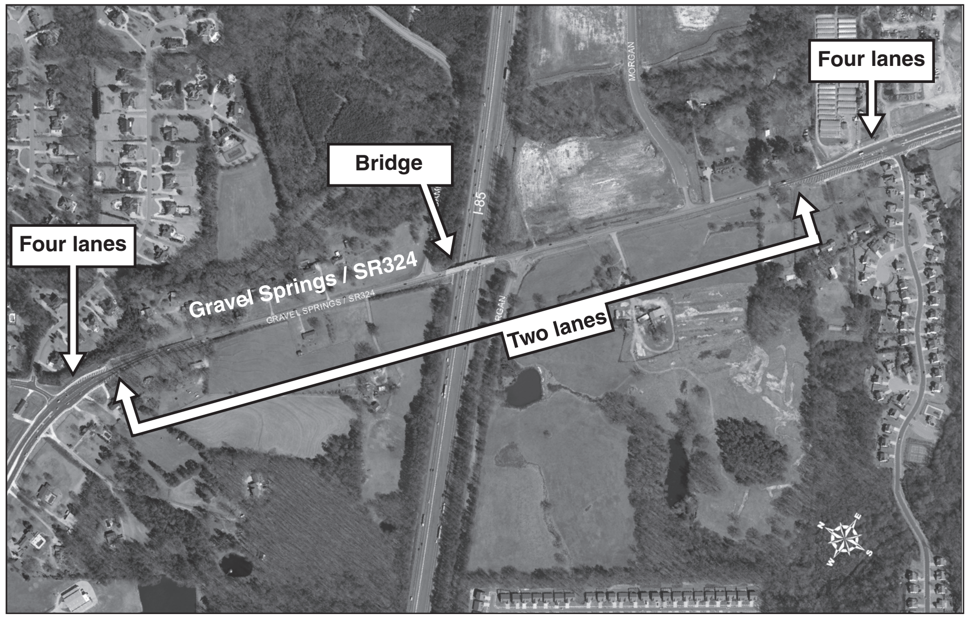
[12]FHWA Georgia division officials explained the reason for the difference in funds obligated and reimbursed is largely due to the time needed for the contracting process, which includes bidding, awarding, and billing, and can take 9 weeks or more.

[13]This amount represents just those contracts awarded by the Georgia Department of Transportation. Some localities within Georgia also may have awarded contracts with Recovery Act funds.

We visited the Gwinnett County and Henry County Departments of Transportation to discuss their Recovery Act highway projects.[14] During phase one, seven projects totaling $81 million were selected in Gwinnett County. Of these, the Gwinnett County Department of Transportation will administer two projects that aim to manage traffic more effectively through the use of surveillance equipment and remote traffic signal controls. Gwinnett County expects to award the contracts in August 2009 and complete the projects in 2010. The remainder of the projects in Gwinnett County will be administered by the Georgia Department of Transportation. For example, the state has budgeted about $13 million for a bridge-widening project in Gwinnett County. Gwinnett County officials stated that the project was “shovel ready” because the county had invested about $33 million in widening the road on either side of the bridge and engineering and land acquisition costs. (See fig. 2 for a picture of the bridge to be widened.) County officials noted that if the state had not received Recovery Act funds, this project might have been moved to the long-range project list and not started until 2014 at the earliest.

[14]We selected these two counties because of the amount of funds the counties were awarded and because they will be administering some of the Recovery Act projects themselves. (The majority of the state’s Recovery Act projects will be administered by the Georgia Department of Transportation.) In addition, we factored in the proposed timing of the contract award and the location—that is, whether a project was located in an economically distressed area.

Figure 2: Bridge-Widening Project in Gwinnett County, Georgia, to Be Funded with Recovery Act Funds



Source: Gwinnett County Department of Transportation.

Section of road and bridge that will be expanded from two lanes to four.

During phase one, three projects totaling about $37 million were selected in Henry County, an economically distressed area. Of these, Henry County will administer one road-widening and -expansion project. Henry County officials noted that this project had been identified on the Transportation Improvement Program as high priority to help alleviate congestion and encourage economic development in the area. The proposed cost of the project is about $34 million. Henry County expects to award the contracts for this project by October 2009 and complete it in 2012.

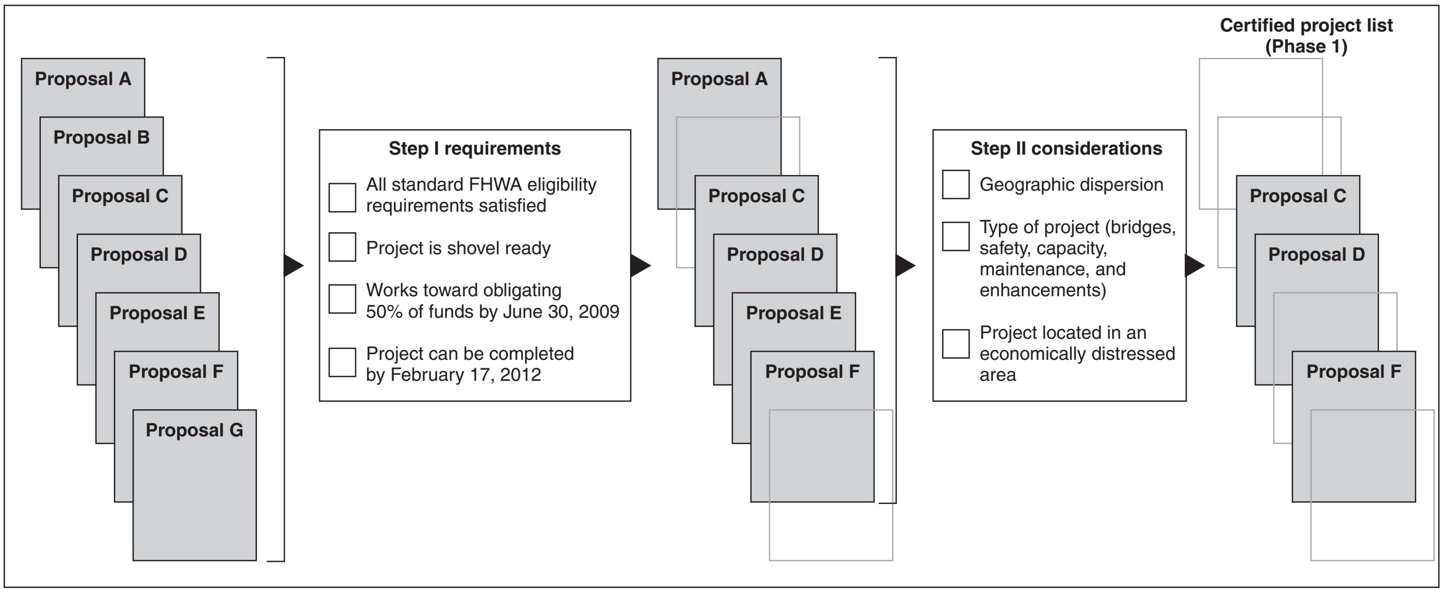
Recovery Act Requirements for Highway Infrastructure Spending

The Recovery Act includes a number of specific requirements for highway infrastructure spending. First, states are required to ensure that 50 percent of apportioned Recovery Act funds are obligated within 120 days of apportionment (before June 30, 2009) and that the remaining apportioned funds are obligated within 1 year. The 50 percent rule applies only to funds apportioned to the state and not to the 30 percent of funds required by the Recovery Act to be suballocated, primarily based on population, for metropolitan, regional, and local use. The Secretary of Transportation is to withdraw and redistribute to other states any amount that is not obligated within these time frames. As of June 25, 2009, 59 percent of the $652 million that is subject to the 50 percent rule for the 120-day redistribution had been obligated.

Second, the Recovery Act requires states to give priority to projects that can be completed within 3 years and projects located in “economically distressed areas.” Economically distressed areas are defined by the Public Works and Economic Development Act of 1965, as amended.[15] As shown in figure 3, the Georgia Department of Transportation considered a number of different factors when selecting its first phase of projects in order to ensure that it met the act’s requirements. Specifically, the department considered whether projects were “shovel ready” and could be completed within 3 years. Of the Recovery Act projects selected to date, the department expects all but one to be completed by February 2012. The Georgia Department of Transportation also took into account the location of the potential projects—that is, whether they were in an economically distressed area, as identified by FHWA. Its goal was for 50 percent of the projects it selected to be located in these areas. Of the 138 projects selected during phase one, 77 (or about 56 percent) are located in economically distressed areas.

[15]FHWA has published a map on its Web site showing the areas in each state that meet the statutory criteria.

Figure 3: Georgia Department of Transportation's Process for Selecting Highway Projects That Qualify for Recovery Act Funds



Source: GAO.

Note: According to state transportation officials, Georgia law requires highway funding to be distributed equally among the state's congressional districts. However, the Georgia Board of Transportation waived this requirement for the first phase of Recovery Act projects, and transportation officials expect the board to waive it for the second phase of projects, as well.

Third, the Recovery Act required the governor of each state to certify that the state would maintain the level of spending for the types of transportation projects funded by the Recovery Act at the level planned the day the Recovery Act was enacted. As part of this "maintenance of effort" certification, the governor is required to identify the amount of funds the state planned to expend from state sources as of February 17, 2009, for the period beginning on that date and extending through September 30, 2010.[16] On March 18, 2009, Georgia submitted its maintenance-of-effort certification. As we reported in April, Georgia was

[16]States that are unable to maintain their planned levels of effort will be prohibited from benefiting from the redistribution of obligation authority that will occur after August 1 for fiscal year 2011. As part of the federal-aid highway program, FHWA assesses the ability of each state to have their apportioned funds obligated by the end of the federal fiscal year (Sept. 30) and adjusts the limitation on obligations for federal-aid highway and highway safety construction programs by reducing for some states the available authority to obligate funds and increasing the authority of other states.

one of several states that qualified its certification, prompting the U.S. Department of Transportation to review these certifications to determine if they were consistent with the law.[17] On April 22, 2009, the Secretary of Transportation informed states that conditional and explanatory certifications were not permitted, provided additional guidance, and gave states the option of amending their certifications by May 22, 2009. Georgia resubmitted its certification on May 20, 2009. In addition to deleting the conditional statement, the Georgia Department of Transportation recalculated its maintenance of effort based on April guidance from FHWA.[18] According to U.S. Department of Transportation officials, the department is reviewing Georgia's resubmitted certification letter and has concluded that the form of the certification is consistent with the additional guidance. The U.S. Department of Transportation is currently evaluating whether the states' method of calculating the amounts they planned to expend for the covered programs is in compliance with its guidance.

Georgia Has Started Expending Recovery Act Funds for Education

The Recovery Act makes funds available for education under three different programs. The first program—the State Fiscal Stabilization Fund—provides funding for education, as well as public safety and other government services. The other two programs provide funding to improve the academic achievements of disadvantaged youth and for special education. Georgia has begun using these funds to retain instructors at all levels and is making plans to provide additional services to disadvantaged youth and disabled students.

State Fiscal Stabilization Funds

The Recovery Act created a State Fiscal Stabilization Fund (SFSF) to be administered by the U.S. Department of Education (Education). The SFSF provides funds to states to help avoid reductions in education and other essential public services. The initial award of SFSF funding requires each state to submit an application to Education that provides several assurances. These include assurances that the state will meet

[17] Georgia qualified its maintenance-of-effort certification by noting that the Georgia General Assembly still was considering the Georgia Department of Transportation's fiscal year 2010 budget, which could impact the state's highway spending plans for that year.

[18] The Georgia Department of Transportation calculated its maintenance of effort by taking 10 weeks of actual expenditures and extrapolating them to the 84-week period covered by the certification.

maintenance-of-effort requirements (or it will be able to comply with waiver provisions) and that it will implement strategies to meet certain educational requirements, including increasing teacher effectiveness, addressing inequities in the distribution of highly qualified teachers, and improving the quality of state academic standards and assessments. Further, the state applications must contain baseline data that demonstrate the state's current status in each of the assurances. States must allocate 81.8 percent of their SFSF funds to support education (education stabilization funds) and must use the remaining 18.2 percent for public safety and other government services, which may include education (government services funds). 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 school districts or public Institutions of Higher Education (IHE). When distributing these funds to school districts, states must use their primary education funding formula but maintain discretion in how funds are allocated to public IHEs. In general, school districts maintain broad discretion in how they can use stabilization funds, but states have some ability to direct IHEs in how to use these funds.

Georgia has received its entire $1 billion initial allocation for SFSF. Of that amount, $845 million is for education stabilization and $188 million is for government services. Based on the state's current application (which was approved in May 2009), the state will allocate approximately 74 percent of the education stabilization funds to local education agencies (LEA) and approximately 26 percent to IHEs. As of June 10, 2009, the state had made $177 million available to LEAs and IHEs, and the LEAs and IHEs had expended the entire amount. The state's application provided assurance that the state will maintain state support for education at least at fiscal year 2006 levels.

As previously mentioned, the state used $177 million in education stabilization funds and $12 million in government services funds to help offset budget shortfalls at the end of fiscal year 2009. As of June 10, 2009, all $189 million had been expended. The state's budget for fiscal year 2010 includes $521 million in education stabilization funds and $140 million in government services funds. Georgia plans to use the government services funds to help maintain safe staffing levels at state prisons, appropriately staff the state's forensic laboratory system, and avoid cuts in the number of state troopers.

The Georgia Department of Education received $413 million in education stabilization funds for fiscal year 2010. The department utilized the state's primary funding formula for elementary and secondary education to determine allocations of funds for the LEAs in the state and suggested that the funds be used for personnel, teachers, and benefits.[19] In order to receive these funds, LEAs must submit an application via the state's consolidated application that includes planned uses for the funds in fiscal year 2010, detailed budget data such as jobs created and saved, and program-specific assurances such as agreeing to track and account for education stabilization funds separately and to avoid prohibited uses of the funds (for example, payment of maintenance costs and restoring or supplementing a "rainy day" fund).[20] The Georgia Department of Education has not set a specific deadline for these applications, and LEAs whose applications are approved must then submit a detailed budget. As of June 8, 2009, 106 of the 186 LEAs in the state had successfully submitted applications and were developing their budgets; however, no budgets had been approved.

We visited two LEAs—Atlanta Public Schools and the Richmond County School System—that had been allocated about $8 million and $9 million, respectively, in education stabilization funds for fiscal year 2010.[21] Both school districts will add the funds to their general funds. The Atlanta Public Schools plans to use the majority of the funds for curriculum instruction. The Richmond County School System plans to use the funds to save jobs. Officials reported that the district will target positions that support its schools, such as teachers, paraprofessionals, nurses, media specialists, and guidance counselors. For both school districts, the funds have helped address budget shortfalls. The Atlanta Board of Education adopted a budget for the 2009-2010 school year that was $9 million less than the previous year's budget. According to district officials, the budget cuts would have been even greater had it not been for Recovery Act funds. In Richmond County, the education stabilization funds will be used to help fill an initial funding gap of about $24 million for the 2009-2010 school

[19]Essentially, this funding formula multiplies enrollment by the cost of educating a student to calculate the total funding needed to educate public school students in the state.

[20]The Georgia Department of Education's consolidated application allows LEAs to submit one comprehensive application for funding for several federal and state programs.

[21]We selected Atlanta Public Schools and the Richmond County School System because both districts had a number of schools categorized as Needs Improvement and because Atlanta Public Schools is considered a high-risk district by the Georgia Department of Education. In school year 2008-2009, Atlanta Public Schools had a student population of 49,142. The Richmond County School System had a student population of 33,030 in school year 2008-2009.

year. According to Richmond County officials, even with the inclusion of stabilization funds in the budget proposal, they will have to cut salaries, eliminate programs, and reduce staff.

The Georgia Board of Regents received about $93 million in education stabilization funds for the state's universities and colleges to use in fiscal year 2010.[22] In April 2009, the board allocated these funds to each of the 35 institutions in the state's university system based on the degree to which each institution's budget had been cut. The Board of Regents encouraged the institutions to use the funds to cover faculty costs. It required all state institutions to submit applications that included a description of the planned use of education stabilization funds, affirmation that the funds would not be spent on prohibited uses, a list of any research and capital projects applied for under other Recovery Act programs, and a description of accounting and tracking mechanisms in place. These applications had to be signed by the President of each college or university and submitted by May 20, 2009. According to state officials, all 35 institutions' applications have been approved.

The two IHEs we visited—the University of Georgia and Georgia Perimeter College—stated that they would be using the education stabilization funds to retain full-time and part-time faculty.[23] Specifically, the University of Georgia plans to use its $19 million allocation to retain approximately 160 full-time faculty positions in various departments.[24] Georgia Perimeter College intends to use its $3 million allocation to retain 51 full-time and 17 part-time positions in its Science department. According to college officials, this funding was critical because, in fiscal year 2009, approximately 41 vacant positions were cut because of a $7.6 million budget reduction.

[22]In addition, the Technical College System of Georgia received about $15 million in education stabilization funds for the state's 27 technical colleges.

[23]We selected the University of Georgia because it received the largest allocation of education stabilization funds among 4-year institutions and Georgia Perimeter College because it received the largest allocation of any 2-year institution.

[24]Estimates of jobs saved for the University of Georgia and Georgia Perimeter College were based on each individual school's accounting system. However, there is no statewide baseline on how to appropriately measure jobs created or saved to date.

Title I, Part A of the Elementary and Secondary Education Act of 1965

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 (ESEA) of 1965. The Recovery Act requires these additional funds to be distributed through states to LEAs using existing federal funding formulas, 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 current statutory and regulatory requirements and must obligate 85 percent of its fiscal year 2009 funds (including Recovery Act funds) by September 30, 2010.[25] The U.S. Department of Education is advising LEAs to use the funds in ways that will build their long-term capacity to serve disadvantaged youth, such as through providing professional development to teachers. The U.S. Department of Education made the first half of states' ESEA Title I, Part A funding available on April 1, 2009, with Georgia receiving about $176 million of its approximately $351 million total allocation.

On April 28, 2009, the Georgia State Board of Education approved the allocations of Recovery Act ESEA Title I, Part A funds to LEAs in Georgia.[26] Prior to receiving their Recovery Act ESEA Title I funds, LEAs must submit a seven-point addendum to their comprehensive local improvement plan via the state's consolidated application. This addendum serves as a joint application for ESEA Title I, Part A and funds under the Individuals with Disabilities Education Act (IDEA), Part B. The first five points apply to both programs and cover topics such as how the LEA plans to use the funds, how the funds will be used to create and save jobs, and what type of internal controls the LEA has in place for the funds. One of the final two points is specific to ESEA Title I and covers how the district will expand support to schools that it has not previously served.[27] The department has not set a specific application deadline. Once their applications are approved, LEAs will be asked to submit their budgets for fiscal year 2010 and cannot draw down their allocated funds until their

[25] 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 all of their funds by September 30, 2011. This will be referred to as a carryover limitation.

[26] ESEA Title I funds are allocated to LEAs based on the number of children from low-income families. Included in this number are children from families below the poverty level based upon the most recent Census Bureau data; from families above the poverty level receiving assistance under the Temporary Assistance for Needy Families program; living in foster homes; and residing in local institutions for neglected children.

[27] The final point relates to IDEA funds, which we discuss later in this appendix.

budgets have been approved. As of June 17, 2009, 78 of the 186 LEAs had submitted their applications, and 52 had been approved. As of the same date, no funds had been expended.

The Georgia Department of Education has provided a great deal of guidance to LEAs on how to obtain and use this type of Recovery Act funding. In addition to issuing guidance applicable to all LEAs, the department formed cross-functional teams comprising ESEA Title I and IDEA staff to develop specific recommendations for each LEA. According to department officials, this was the first time staff from both programs had worked together to develop comprehensive strategies for improving student achievement. The teams met with each school superintendent to discuss their findings and recommendations, including the following:

- funding activities to provide intensive support for dropout prevention at the middle and high school levels;
- providing intensive training and professional learning for general education teachers in the areas of math and reading;
- identifying literacy specialists in middle schools to provide professional development; and
- providing professional learning opportunities for all teachers at middle and high schools.

The two LEAs we visited plan to use their Recovery Act ESEA Title I funds in different ways. The Atlanta Public Schools plans to use its $16.9 million allocation to enhance the services already provided to the ESEA Title I schools in its district. Specifically, ESEA Title I funds will be utilized to retain 11 instructional mentor positions (7 high school and 4 middle school) and 5 middle school counselor positions.[28] In addition, three additional instructional mentor positions will be created at the high school level using ESEA Title I funds. Funding will also be used to expand professional development opportunities for district staff. Because all of the schools in the district currently eligible for ESEA Title I funds receive such funds, the district will not be providing support to an additional

[28]Instructional mentors provide individualized mentoring and coaching support designed to increase teacher effectiveness.

number of schools.[29] The Richmond County School System plans to use its $7.3 million allocation to fund 23 additional elementary, middle, and high schools. School officials stated these funds will allow them to expand ESEA Title I, Part A services to all schools in the district except the one that is not eligible.

Individuals with Disabilities Education Act (Part B)

The Recovery Act provided supplemental funding for programs authorized by Parts B and C of the Individuals with Disabilities Education Act (IDEA), the major federal statute that supports special education and related services for infants, toddlers, children, and youth with disabilities. Part B includes programs that ensure preschool and school-aged children with disabilities have access to a free and appropriate public education, and Part C programs provide early intervention and related services for infants and toddlers with disabilities or at risk of developing a disability and their families. IDEA funds are authorized to states through three grants—Part B preschool-age, Part B school-age, and Part C grants for infants and families. States were not required to submit an application to the U.S. Department of Education in order to receive the initial Recovery Act funding for IDEA Parts B and C (50 percent of the total IDEA funding provided in the Recovery Act). States will receive the remaining 50 percent by September 30, 2009, after submitting information to the U.S. Department of Education addressing how they will meet Recovery Act accountability and reporting requirements. All IDEA Recovery Act funds must be used in accordance with IDEA statutory and regulatory requirements.

The U.S. Department of Education allocated the first half of states' IDEA allocations on April 1, 2009, with Georgia receiving a total of about $169 million for all IDEA programs.[30] The largest share of IDEA funding is for the Part B school-aged program for children and youth.[31] The state's initial allocation was

- $5 million in Part B preschool grants,

[29]Due to limited funding, some school systems cannot provide support to all of the schools in the district that qualify for ESEA Title I, Part A funds.

[30]Georgia's total allocation of Recovery Act IDEA funds is about $339 million.

[31]Because the vast majority of IDEA funds are for Part B, that is the focus of this appendix.

- $157 million in Part B grants to states for school-aged children and youth, and
- $7 million in Part C grants for infants and families.

On April 28, 2009, the Georgia State Board of Education approved the allocations of Recovery Act IDEA, Part B funds to LEAs in Georgia.[32] Prior to receiving their Recovery Act IDEA funds, LEAs must submit a seven-point addendum to their comprehensive local improvement plan via the state's consolidated application. As previously discussed, this addendum serves as a joint application for Recovery Act IDEA and ESEA Title I, Part A funds. The department has not set a specific application deadline. One question on the application regarding plans to expand services in the preschool program is unique to IDEA. Upon approval of their applications, LEAs will be asked to submit their budgets for fiscal year 2010 and cannot draw down their allocated funds until their budgets have been approved. As of June 17, 2009, 78 of the state's 186 LEAs had submitted their applications, and 52 had been approved. As of the same date, no funds had been drawn down.

The Georgia Department of Education has provided specific recommendations to LEAs regarding the use of Recovery Act IDEA funds. Some of the recommendations made to individual LEAs suggested using these funds to

- provide for additional special education coaches;
- allocate an assistive technology specialist to train teachers and paraprofessionals in assistive technology tools;
- identify a full-time dedicated lead teacher for special education at every school to facilitate compliance and support, consistent professional development, appropriate instruction, and teacher monitoring and feedback; and
- ensure that all middle- and high-school graduation coaches are working with students with disabilities.

[32]The allocation of IDEA funds is based on a statutory formula utilized by the U.S. Department of Education's Office of Special Education Programs. For fiscal year 2009, the allocation was divided between regular fiscal year 2009 IDEA funds and Recovery Act IDEA funds.

The two school districts we visited have applied for their IDEA funds, and their applications have been approved by the Georgia Department of Education. Atlanta Public Schools plans to use its $5 million allocation to build capacity through training for paraprofessional staff and professional development seminars.[33] IDEA Recovery Act funds will also allow the district to retain 49 special education paraprofessional positions. Finally, Atlanta Public Schools plans to create a position for an assistive technology specialist to train teachers and paraprofessionals in assistive technology tools. The Richmond County School System plans to use its approximately $3 million allocation to add more professional development opportunities in areas such as co-teaching and progress monitoring of a students' performance plan.[34] It also plans to conduct additional training and purchase equipment to assist preschoolers and those students that need additional assistance in math and reading.

Workforce Investment Act Summer Youth Programs Will Serve a Significant Number of Youth in Georgia

The Recovery Act provides an additional $1.2 billion in funds nationwide for the Workforce Investment Act (WIA) Youth program to facilitate the employment and training of youth. The WIA Youth program is designed to provide low income in-school and out-of-school youth age 14 to 21, who have additional barriers to success, with services that lead to educational achievement and successful employment, among other goals. The Recovery Act extended eligibility through age 24 for youth receiving services funded by the Recovery Act. In addition, the Recovery Act provided that, of the WIA Youth performance measures, only the work readiness measure is required to assess the effectiveness of summer-only employment for youth served with Recovery Act funds. Within the parameters set forth in federal agency guidance, local areas may determine the methodology for measuring work readiness gains. The program is administered by the Department of Labor, and funds are distributed to states based upon a statutory formula; states, in turn, distribute at least 85 percent of the funds to local areas, reserving up to 15 percent for statewide activities. The local areas, through their local workforce investment boards, have flexibility to decide how they will use these funds to provide required services. In the conference report accompanying the bill that became the Recovery Act, the conferees stated

[33]Atlanta Public Schools' students with disabilities population is 4,383, or 2.44 percent of the state's total number of students with disabilities.

[34]The Richmond County School System's students with disabilities population is 3,166, which accounts for 1.76 percent of the state's total number of students with disabilities.

they were particularly interested in states using these funds to create summer employment opportunities for youth.[35] Summer employment may include any set of allowable WIA Youth activities—such as tutoring and study skills training, occupational skills training, and supportive services—as long as it also includes a work experience component. Work experience may be provided at public sector, private sector, or nonprofit work sites. The work sites must meet safety guidelines and federal and state wage laws.[36]

The Georgia Department of Labor administers the state's WIA Youth program, but program implementation is delegated to local areas, as required by the Workforce Investment Act. Georgia's 159 counties are divided into 20 workforce investment areas (local areas), ranging in size from 1 county to 17 counties.[37] Each of the 20 areas has a local workforce investment board, appointed by local elected officials. While the Georgia Department of Labor recommends employment priorities, the local areas make determinations on how they will use their funding. The Georgia Department of Labor plans to monitor the use of Recovery Act funds on a weekly basis by tracking progress on a variety of factors, such as youth enrollment, job types, and number of active participants.

Georgia received approximately $31.3 million in Recovery Act funds for the WIA Youth program. In 2008, the state reserved $919,000 of its own funds for summer youth programs that served 968 young people. With the Recovery Act WIA Youth program funds, the state expects to serve more than 10,000 youth in summer programs. The 15 percent (or $4.7 million) reserved for the state's use will be spent on activities such as program administration and oversight. The Georgia Department of Labor has allocated the remaining $26.7 million directly to local areas for youth programs. According to department officials, recruiting additional providers and processing numerous applications in such a short period of time will be the greatest challenges facing the local areas in the state. The local areas must ensure that applicants meet the WIA eligibility criteria by

[35] H.R. Rep. No. 111-16, at 448 (2009).

[36] Current federal wage law specifies a minimum wage of $6.55 per hour until July 24, 2009, when it becomes $7.25 per hour. Where federal and state law have different minimum wage rates, the higher standard applies.

[37] The Macon-Bibb Office of Workforce Development provides services to one county. The Heart of Georgia Altamaha Regional Development Center provides services to 17 counties.

documenting information such as family income. As of June 19, 2009, about 8,700 youth had been enrolled in summer youth programs statewide.

The WIA Youth program is being implemented in a variety of ways across the state. We visited two local areas, the Atlanta Regional Workforce Board and the Richmond/Burke Job Training Authority.[38] The Atlanta Regional Workforce Board received an allocation of more than $3 million in Recovery Act WIA Youth funds (an increase from the $66,000 in state funds it received for summer youth employment activities in 2008). The Atlanta Regional Workforce Board anticipates serving 1,200 to 1,300 youth this summer with Recovery Act funds, a significant increase over the 105 youth it served in 2008 with the state-provided funds for summer youth employment activities. To meet the anticipated demand, the Atlanta Regional Workforce Board submitted a request to the Georgia Department of Labor to use the 10 providers with which it already had contracts and issued a request for proposals to obtain additional providers. In addition, it contracted with a company to manage its payroll and workers compensation. The Atlanta Regional Workforce Board has identified a variety of summer work opportunities for youth at private businesses and organizations such as county school systems and the Georgia Department of Family and Children Services. Additionally, work sites have been identified that provide green job opportunities and training in green technology. For example, Gwinnett Technical College is offering a summer work experience in water quality and environmental management.[39] As of June 19, 2009, the Atlanta Regional Workforce Board had enrolled 1,103 youth.

The Richmond/Burke Job Training Authority received an allocation of approximately $1 million in Recovery Act WIA Youth funds (an increase from the approximately $38,000 in state funds it received for summer youth employment activities in 2008). It expects to serve 375 youth this summer with Recovery Act funds, a significant increase over the 28 youth it served in 2008 with the state-provided funds for summer youth employment activities. The Richmond/Burke Job Training Authority plans to expand its existing contracts to meet the increased demand. It has

[38]These local areas were selected based on the amount of WIA Youth funds they received and geographic distribution.

[39]Gwinnett Technical College is a partner in the Innovation Crescent Initiative, a coalition of counties and life science and economic development entities located in metropolitan Atlanta and Athens, Georgia.

identified a variety of summer work opportunities for youth at organizations such as city and county governments and local libraries. According to the officials we interviewed, recruiting businesses and identifying green jobs and training in green technology have been challenges. Identifying green jobs has been difficult in part because its definition was not clear. As of June 19, 2009, the Richmond/Burke Job Training Authority had enrolled 350 youth.

Edward Byrne Memorial Justice Assistance Grants (JAG) Are in Planning Stages at the State and Local Level

The JAG program within the Department of Justice's Bureau of Justice Assistance (BJA) provides federal grants to state and local governments for law enforcement and other criminal justice activities, such as crime prevention and domestic violence programs, courts, corrections, treatment, justice information sharing initiatives, and victims' services. Under the Recovery Act, an additional $2 billion in grants are available to state and local governments for such activities, using the rules and structure of the existing JAG program. The level of funding is formula-based and is determined by a combination of crime and population statistics. Using this formula, 60 percent of a state's JAG allocation is awarded by BJA directly to the state, which must in turn allocate a formula-based share of those funds to local governments within the state. The remaining 40 percent of funds is awarded directly by BJA to eligible units of local government within the state.[40] The total JAG allocation for Georgia state and local governments under the Recovery Act is nearly $59 million, a significant increase from the fiscal year 2008 allocation of $4.3 million.

As of June 30, 2009, Georgia had received its full state award of $36 million.[41] The Georgia Criminal Justice Coordinating Council (CJCC) plans to use $3.6 million for administrative purposes, such as the development of a Web-based grants information system, statewide planning efforts, and research and evaluation projects. The council intends to award 40 percent of the remaining funds to state agencies. Proposed state initiatives include funding for state troopers, crime lab specialists, public safety training instructors, and juvenile probation and parole specialists. The plans for the state-level funds will be finalized during a July 2009 board meeting.

[40]We did not review these funds awarded directly to local governments in this report because the Bureau of Justice Assistance's solicitation for local governments closed on June 17.

[41]Due to rounding, this number may not exactly equal 60 percent of the total JAG award.

To award the remaining 60 percent of funds to local agencies, the council has adopted a multifaceted approach. First, it has worked with numerous partners, such as representatives of chiefs of police, county commissioners, district attorneys, judges, and sheriffs, to alert them to the availability of JAG funds and solicit their input into the decision-making process for the allocation of the local funds. Second, the council has set aside $1.5 million for governmental organizations that serve victims of crime, including violence against women and child and elder abuse. Third, the council seeks to award funds to planning groups from each of Georgia's 49 judicial circuits. The council requested that each judicial circuit form a planning group and submit a joint letter of intent to apply for predetermined grant allocations, followed by a joint proposal and spending plan. Letters of intent to apply for the funds were due from the judicial circuits by June 1, and the council had received 35 letters as of June 16, 2009. The council has provided applications to those circuits with one planning group and plans to issue awards on a rolling basis as applications are received and approved. A solicitation seeking competitive applications from circuits with multiple letters of intent will be released on August 1, 2009. All applications are due on September 1, 2009.

Georgia Planning for the Use of Weatherization Assistance Program Funds Is Still Under Way

The Recovery Act appropriated $5 billion for the Weatherization Assistance Program, administered by the U.S. Department of Energy (DOE) through each of the states and the District of Columbia. This funding is a significant addition to the annual appropriations for the weatherization program that have been about $225 million per year in recent years. The program is designed to reduce the utility bills of low-income households by making long-term energy efficiency improvements to homes by, for example, installing insulation, sealing leaks around doors and windows, or modernizing heating equipment and air circulating fans. During the past 32 years, the Weatherization Assistance Program has assisted more than 6.2 million low-income families. According to DOE, by reducing the utility bills of low-income households instead of offering aid, the Weatherization Assistance Program reduces their dependency by allowing these funds to be spent on more pressing family needs.

DOE allocates weatherization funds among the states and the District of Columbia, using a formula based on low-income households, climate conditions, and residential energy expenditures by low-income households. DOE required each state to submit an application as a basis for providing the first 10 percent of Recovery Act allocation. DOE will provide the next 40 percent of funds to a state once the department has approved its State Plan, which outlines, among other things, its plans for using the weatherization funds and for monitoring and measuring performance. DOE plans to release the final 50 percent of the funding to each state based on the department's progress reviews examining each state's performance in spending its first 50 percent of the funds and the state's compliance with the Recovery Act's reporting and other requirements.

The U.S. Department of Energy allocated to Georgia about $125 million for the Recovery Act Weatherization Assistance Program for a 3-year period, an increase from its fiscal year 2009 allocation of $8 million. The Georgia Environmental Facilities Authority (GEFA)—the state agency responsible for administering the program—received a Funding Opportunity Announcement from DOE on March 12, 2009, identifying and explaining the initial application process and submitted its application for funding on March 23, 2009. GEFA subsequently received additional guidance via phone, e-mail, and regional conference calls on developing its weatherization plan, which it then developed and submitted to DOE on May 12, 2009.

On April 20, 2009, DOE provided the initial 10 percent allocation (approximately $12.5 million) to Georgia. However, the state has not yet authorized GEFA to spend the initial allocation because the action plan required by the Governor is still under review.[42] In the meantime, the state has approved additional staff to help oversee the program. GEFA has issued two requests for proposals to provide assistance with the monitoring of local service providers and weatherization training, and it is in the process of awarding the contract. On June 26, 2009, DOE approved Georgia's weatherization plan and provided an additional 40 percent of its allocation (approximately $50 million).

As stated in the plan submitted to DOE, the state will use about $103 million for weatherization production and about $22 million for training and technical assistance, oversight, and reporting. GEFA plans to disseminate funds through 22 organizations, which include community action agencies, local governments, and a nonprofit. It expects to enter into contracts with these local service providers and get work under way by August 2009. GEFA's goal is to weatherize approximately 13,600 homes and reduce energy usage. According to state officials, 11,000 to 14,000

[42]The Governor requires state agencies to submit action plans and risk assessments prior to the state's release of Recovery Act funds.

homes have been eligible for weatherization assistance each year, but the agency has only been able to serve approximately 2,500 homes. The state plans to use the Recovery Act funds to provide services to the approximately 9,000 homes that have been on the waiting list.

Public Housing Capital Grants Are Beginning to Be Expended in Georgia

The Public Housing Capital Fund provides formula-based grant funds directly to public housing agencies to improve the physical condition of their properties; for the development, financing, and modernization of public housing developments; and for management improvements.[43] The Recovery Act requires the U.S. Department of Housing and Urban Development (HUD) to allocate $3 billion through the Public Housing Capital Fund to public housing agencies using the same formula for amounts made available in fiscal year 2008. 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, expend at least 60 percent of funds within 2 years of that date, and expend 100 percent of the funds within 3 years of that date. Public housing agencies are expected 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 vacant units, or those already under way or included in the required 5-year Capital Fund plans. HUD is also required to award $1 billion to housing agencies based on competition for priority investments, including investments that leverage private sector funding or financing for renovations and energy conservation retrofit investments. On May 7, 2009, HUD issued its Notice of Funding Availability (NOFA) that describes the competitive process, criteria for applications, and time frames for submitting applications.[44]

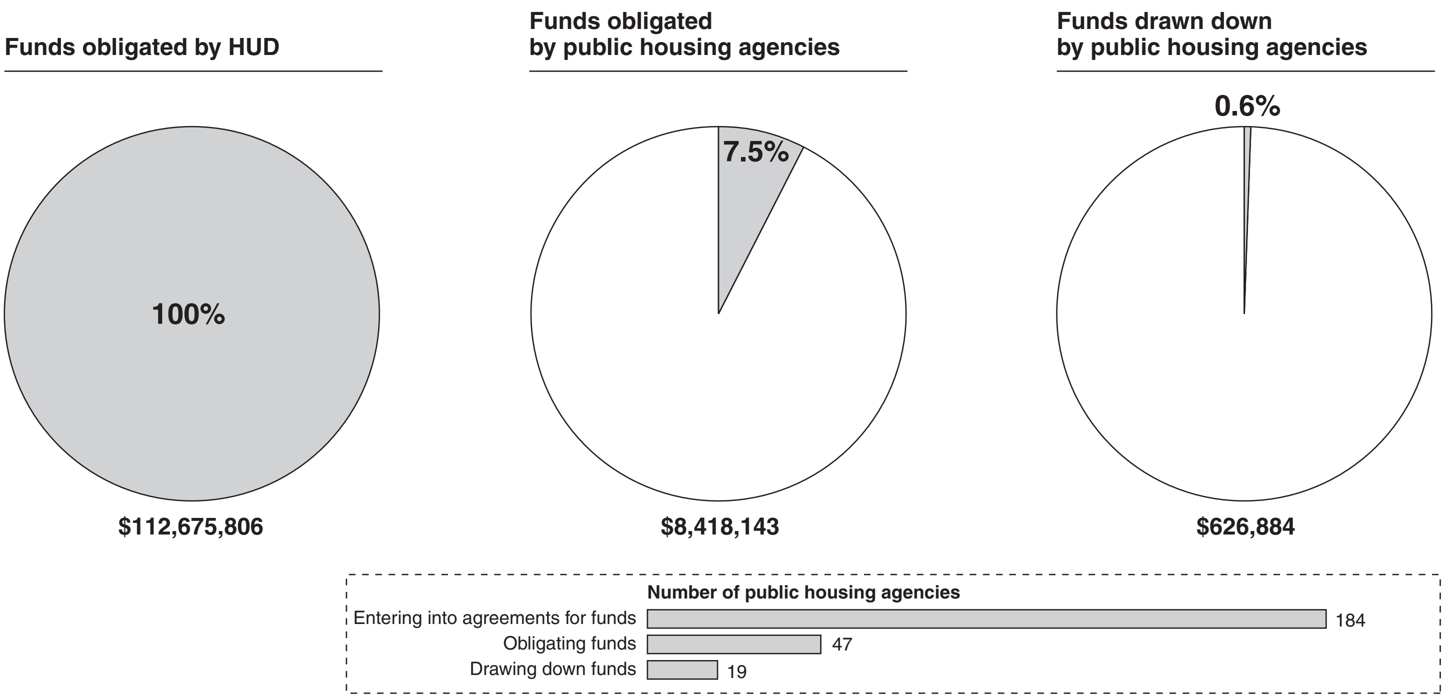
In Georgia, 184 public housing agencies received a total of $113 million in Recovery Act formula grant awards. As of June 20, 2009, 47 of the state's public housing agencies had obligated about $8 million and expended about $627,000 (see fig. 4). We visited two public housing agencies in Georgia: the Housing Authority of the City of Atlanta (Atlanta Housing

[43]Public housing agencies receive money directly from the federal government (HUD). Funds awarded to public housing agencies do not pass through the state budget.

[44]HUD released a revised NOFA for competitive awards on June 3, 2009. The revision included changes and clarifications to the criteria and time frames for application and to funding limits.

Authority) and the Housing Authority of the City of Athens (Athens Housing Authority).[45]

Figure 4: Percentage of Public Housing Capital Funds Allocated by HUD That Have Been Obligated and Drawn Down in Georgia



Source: GAO analysis of HUD data.

The Atlanta Housing Authority received about $27 million in Recovery Act formula grant awards. As of June 20, 2009, the agency had not obligated or drawn down any funds. According to agency officials, they expect to begin drawing down funds in July 2009 after contracts have been awarded. The agency does not expect to have problems obligating 100 percent of the funds within the year after the funds become available (Mar. 18, 2009) because they will be considered obligated once the agency has amended the contracts it has with the private companies it uses to manage its properties. It expects to amend these contracts within 120 days of the funds' release for use.

[45] We selected the public housing agencies we visited based on their size. The Atlanta Housing Authority is the largest in the state, and the Athens Housing Authority is a medium-size public housing agency.

The Atlanta Housing Authority plans to use about $19 million of its Recovery Act funds to rehabilitate 13 properties containing a total of 1,953 units. For example, it will use about $2.4 million to renovate a 162-unit property for seniors by, among other things, replacing the windows, repairing the roof, and renovating the lobby and common area. At another 150-unit property for seniors, the agency will use about $2.2 million to complete renovations such as apartment upgrades (including paint, cabinets, and carpet), window replacement, and the expansion of common sitting areas. Figure 5 shows one of the common sitting areas that will be expanded. The agency will use the remaining $8 million to demolish four properties.

Figure 5: Common Sitting Area That Atlanta Housing Authority Plans to Expand with Recovery Act Funds

Source: GAO.

Common sitting area that will be expanded to include the area that is currently the balcony.

The Athens Housing Authority received about $2.6 million in Recovery Act formula grant awards. As of June 20, 2009, the agency had not obligated or drawn down any funds because HUD had just approved its plan for spending the funds on June 2, 2009. The agency does not expect to have problems obligating 100 percent of the funds within 1 year of the date that the funds became available (Mar. 18, 2009).

The Athens Housing Authority plans to use the majority of its funds (75 percent) on three projects. First, it plans to use about $1.6 million to gut and rebuild the interiors of 23 scattered sites. This work will include reframing the walls, replacing the plumbing and water heater, replacing kitchen cabinets, and installing new fixtures and floor tile in the bathrooms (see fig. 6). Second, the authority plans to use $330,000 to replace the elevators in a senior high-rise. Third, it intends to use $55,000 to replace the roofs on 40 units. The remaining funds will be spent on renovations such as site work (e.g., sidewalk repairs and landscaping), new kitchen countertops, and new windows at other properties.

Figure 6: Unit the Athens Housing Authority Plans to Renovate with Recovery Act Funds

Source: GAO.

Single space heater to be replaced with central heat (left) and kitchen (right).

According to the officials we interviewed, both public housing agencies gave priority to projects that could award contracts based on bids within 120 days of the date the funds were released for use. According to Atlanta Housing Authority officials, the agency's planned work falls into two categories: (1) work that is straightforward and does not require services by a design professional and (2) work that requires design work and other preparation. It hopes to complete the straightforward work within 60 to 120 days of amending the contracts with its private management companies. For the work that requires design, it expects to award contracts and get the work under way in early 2010. Similarly, the Athens Housing Authority has work that can begin quickly. According to Athens Housing Authority officials, the largest project to be undertaken by the agency with Recovery Act funds is the last phase of a multiphase renovation effort. Therefore, the design work has been completed, and work can begin quickly. According to officials from the agency, the contract was awarded on June 17, 2009, and work will begin in late July or early August.

The officials we interviewed also stated that they had given priority to projects in their Capital Fund plans. We reviewed the Atlanta Housing Authority's fiscal year 2010 annual plan and found that the projects targeted to receive Recovery Act funds were in the plan.[46] Similarly, we reviewed the Athens Housing Authority's 5-year Capital Fund plan, which was approved in May 2009, and found that all of its Recovery Act projects were in the plan. Regarding giving priority to projects that rehabilitate vacant units, neither public housing agency has a substantial number of vacant units that need to be renovated. Only 4 of the 1,953 units that the Atlanta Housing Authority plans to renovate are vacant. According to Athens Housing Authority officials, their units are typically at least 98 percent occupied, with the few vacancies being attributable to turnover.

Both public housing agencies have internal controls in place for the Recovery Act funds. The Atlanta Housing Authority has established a separate account for its Recovery Act Capital Funds, which will enable it to track them separately from other funds. The agency monitors projects undertaken by its private management companies by visiting project sites on a monthly basis and reviewing payment applications for accuracy and completeness. It plans to require its private management companies to submit information on jobs created and retained with each payment

[46]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.

application. Similarly, the Athens Housing Authority has established a separate fund in its general ledger to track Recovery Act funds separately from other funds. The agency has established internal controls for cash disbursements and procurement and plans to monitor its Recovery Act projects by having a construction inspector on site daily. Although it is waiting for additional reporting guidance from HUD, the agency expects to rely on its contractors to certify jobs created and retained.

Georgia Is Implementing Safeguards and Internal Controls at the State and Agency Level

Georgia has taken a number of steps to implement statewide internal controls for Recovery Act funds. For instance, it has started tracking Recovery Act funds separately from the other funds it receives and issued a risk management handbook that requires each agency that is a direct recipient of Recovery Act funding to prepare a risk mitigation plan. According to state officials, the individual state agencies that administer Recovery Act funds also have implemented internal controls, such as risk assessments and monitoring plans.

Georgia Has Started Tracking Recovery Act Funds Separately

On March 12, 2009, the State Accounting Office issued an accounting directive that contained guidance on accounting for Recovery Act funds separately from other funds. The directive requires state agencies to segregate funds through a set of unique Recovery Act fund sources in the state's financial accounting system. The guidance states that state agencies such as the Georgia Department of Labor that do not use the state's financial accounting system must ensure that the data are maintained in accordance with all Recovery Act financial reporting requirements, which include tracking Recovery Act funds separately. As of June 15, 2009, the State Accounting Office had issued 52 unique Recovery Act funding codes to 16 agencies.

Georgia Is Implementing Internal Controls at the State and Program Level

Recognizing the importance of accounting for and monitoring Recovery Act funds, Georgia is taking steps to safeguard them at the state and program level. At the state level, Georgia has established a Recovery Act Accountability and Transparency Support Team comprising of representatives from the Office of Planning and Budget, State Accounting Office, and Department of Administrative Services (the department responsible for procurement). Since our last report, members of this team have implemented the following additional safeguards:

- In May 2009, the Georgia Office of Planning and Budget issued a risk management handbook to all state agencies. Its purpose is to provide a process that allows agencies to identify potential Recovery Act risk areas and develop risk mitigation strategies for each individual funding source. The handbook requires each agency that is a direct recipient of Recovery Act funding to complete the following steps: (1) identify problem areas by reviewing each of the 12 compliance categories contained in Office of Management and Budget (OMB) Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations and the requirements in the Recovery Act;[47] (2) develop risk mitigation categories by completing an internal control worksheet for each risk area identified; and (3) assign a risk level of red, yellow, or green (with green being the lowest level of risk) for each risk area identified. All affected agencies were to submit their risk mitigation plans to the Office of Planning and Budget by June 19, 2009. The Georgia Department of Transportation has already drafted its risk mitigation plan. It used these techniques to identify risks associated with subrecipient monitoring and plans to mitigate these risks by, among other things, conducting monthly field audits and reviewing subrecipients' Single Audit reports.

- The State Accounting Office developed an agency self-assessment questionnaire that accompanied the risk management handbook. This survey included questions about compiling Recovery Act data for reporting purposes, the specific contracting requirements in the Recovery Act that are not current agency practices, and agency internal controls. It plans to use the results to target its audit efforts.
- The Georgia Department of Administrative Services issued two Recovery Act purchasing directives. The first directive, issued in May 2009, states that each state agency receiving Recovery Act funds has an obligation to ensure they are used in a way that helps meet the stated purposes of the Recovery Act. The directive also provides guidance on specific procurement considerations included in the Recovery Act. The second directive, issued in June 2009, provides information from the U.S. Small Business Administration on small business participation in Recovery Act programs.

Oversight at the state level is the responsibility of the State Auditor and Inspector General. Since our last report, the State Auditor has taken the following steps:

[47] The 12 compliance categories include cash management, eligibility, reporting, and subrecipient monitoring, among other things.

- In late April 2009, the State Auditor provided two 1-day internal control training seminars for state agency personnel. The training discussed basic internal controls, the designing and implementing of internal controls for Recovery Act programs, best practices in contract monitoring, and reporting on Recovery Act funds. As part of the training, the class participated in an exercise to identify risks associated with the Recovery Act requirement that agencies determine and report on the number of jobs created with the funding. The class identified 13 risks and established 13 respective control procedures to mitigate those risks.

- The State Auditor continues to await additional audit guidance from OMB on targeting its risk assessments to include programs receiving Recovery Act funding. The State Auditor conducts routine statewide risk assessments as a means of identifying high-risk programs and determining where best to focus audit resources.[48] According to the State Auditor, the OMB Circular No. A-133 Compliance Supplement, issued in late May 2009, did not provide all of the guidance needed.[49] For example, it did not include a list of programs to be “clustered.” OMB requires that auditors group, or “cluster,” closely related programs that share common compliance requirements and consider them as one program when selecting programs for testing.

While actions have been taken at the state level to establish internal controls for Recovery Act funds, each agency in Georgia is responsible for its operations, management, accounting, and reporting. Accordingly, each agency is responsible for implementing and monitoring effective internal controls over compliance with applicable laws, regulations, contracts, and grants, as well as those controls over financial reporting. Table 2 describes some of the steps state agencies have taken or plan to take to assess risk and monitor the use of Recovery Act funds.

[48]The risk assessments evaluate a program’s previous audit findings, internal controls, and material weaknesses based on pre-established criteria.

[49]OMB Circular No. A-133 sets out implementing guidelines for the Single Audit and defines roles and responsibilities related to the implementation of the Single Audit Act, including detailed instructions to auditors on how to determine which federal programs are to be audited for compliance with program requirements in a particular year at a given grantee. The A-133 Compliance Supplement is issued annually to guide auditors on the program requirements that should be tested for programs audited as part of the Single Audit.

Table 2: State Agencies' Internal Controls over Recovery Act Funds

Program	Risk Assessment	Monitoring
Federal-Aid Highway Surface Transportation Program	The Georgia Department of Transportation completed a risk assessment form that identifies risks associated with Recovery Act funds and controls to mitigate these risks.	The Georgia Department of Transportation's Internal Audit Department has developed a Recovery Act audit program that includes requiring subrecipients to complete an internal control questionnaire and performing compliance testing on selected contracts. Contract engineers will perform monthly construction audits on all Recovery Act projects. On-site inspectors will review project progress daily.
State Fiscal Stabilization Fund	The Georgia Department of Education assesses the risk posed by each local education agency (LEA) annually using 20 risk factors (including the number of financial statement findings, whether the district has a deficit, and the tenure of the superintendent). The Georgia Board of Regents will require each institution to complete the self-assessment questionnaire developed by the State Accounting Office.	Because the program is new, the Georgia Department of Education is still developing a monitoring protocol. In fiscal year 2010, the Georgia Board of Regents will complete financial and operational audits, conduct systemwide project improvement audits, and provide Recovery Act support to institutions.
Title I, Part A of the Elementary and Secondary Education Act of 1965	The same risk-assessment procedures used by the Georgia Department of Education for the State Fiscal Stabilization Fund apply.	Each LEA is reviewed once every 3 years. Those not reviewed in a given year are required to complete a self-assessment checklist.
Individuals With Disabilities Education Act, Part B	The same risk-assessment procedures used by the Georgia Department of Education for the State Fiscal Stabilization Fund apply.	The Georgia Department of Education plans to use the state's current monitoring process to ensure LEAs are meeting IDEA performance indicators through annual reviews. In addition, LEAs complete self-assessments to determine each system's strengths and weaknesses. Using these findings, the school system can develop or revise its improvement activities.
Workforce Investment Act Summer Youth Programs	The Georgia Department of Labor visited all 20 local areas in May 2009 to assess their readiness and provide technical assistance. The department started with the local areas that have new directors.	The Georgia Department of Labor plans to revisit all 20 local areas in the state by September 30, 2009, to review program and financial records, provide technical assistance, and monitor fund expenditures.

Program	Risk Assessment	Monitoring
Weatherization Assistance Program	The Georgia Environmental Facilities Authority assesses the level of performance at each of the 22 agencies through which it disseminates funds and rates their performance as high, standard, or at risk. At-risk agencies include those that have specific audit findings or are not in compliance with policies and procedures.	Due to the significant increase in funds for the weatherization program, the Georgia Environmental Facilities Authority plans to contract out its monitoring activities. The selected contractor will be responsible for all monitoring activities, including on-site visits and reports. Each of the 22 agencies implementing the weatherization program will be monitored at least once a month, with 10 percent of the completed weatherized units inspected for overall effectiveness, workmanship, and compliance with installation standards. Prior to the Recovery Act, the Georgia Environmental Facilities Authority only monitored the agencies once a year.
Edward Byrne Memorial Justice Assistance Grant Program	The Georgia Criminal Justice Coordinating Council is developing a risk assessment tool to identify subrecipients that may require increased monitoring.	The Georgia Criminal Justice Coordinating Council plans to conduct biannual on-site visits to assess compliance with grant guidelines and to verify that funds are being used for their intended purpose.

Source: GAO.

Georgia Is Following Up on Single Audit Findings

As discussed in our April 2009 report, Georgia's most recent Single Audit findings indicate that the state may have difficulty accounting for some Recovery Act funds. Its fiscal year 2008 Single Audit report identified 28 financial material weaknesses and 7 compliance weaknesses. To help ensure that the affected state agencies address these material weaknesses, the State Accounting Office has started monitoring corrective action plans developed in response to the Single Audit report. The office has drafted an accounting directive that it plans to send to all state agencies outlining rules for addressing Single Audit findings. The draft directive requires affected agencies to submit to the State Accounting Office and State Auditor a corrective action plan within 15 working days of the date of the auditor's report. The corrective action plan must contain a statement of concurrence or nonconcurrence, specific deliverables, and an anticipated completion date. The State Accounting Office will require the affected agencies to report on the status of the corrective action plan on a quarterly basis until the finding is resolved.

The Georgia Department of Transportation, Georgia Department of Education, and Georgia Board of Regents use Single Audit results as part of their risk assessment and monitoring.[50] The state Department of Transportation's internal auditor reviews each subrecipient's Single Audit report and prepares a schedule summarizing all findings. The internal auditor plans to use this schedule of findings to assess risks and determine which subrecipients to audit in the future. The state's Department of Education annually assesses the risk level for each LEA in the state using 20 identified risk factors, including Single Audit findings. The department assigns points to each identified risk and determines if the LEA is low, medium, or high risk. The Board of Regents rates the state's universities and colleges from 1 (the best) to 5 (the worst) based on their audit findings.

Georgia Is Moving Forward with Plans to Assess the Effects of Recovery Act Spending

While waiting for additional federal reporting guidance, since issued by OMB on June 22, 2009, Georgia moved forward with plans for Recovery Act reporting.[51] The State Auditor has adapted an existing system (used to fulfill its Single Audit Act responsibilities) to help the state report on Recovery Act funds. The statewide Web-based system will include

- federal program data—program name, award amount, award date, and Recovery Act fund source;
- project or activity data—project description, allocation amount, and overall status (complete or active); and
- expenditure data—expensed amount, obligated amount, jobs created, jobs retained, and project status (percentage completed).

The system will be administered by the State Accounting Office.[52] To help ensure the validity of the data, the office plans to contract with accounting firms to conduct on-site audits of the data submitted. All state agencies

[50]Other state agencies may use Single Audit results as part of their risk assessment and monitoring, but we focused on the Departments of Education and Transportation and the Board of Regents because of the number of subrecipients they monitor.

[51]After soliciting responses from a broad array of stakeholders, OMB issued additional implementing guidance for recipient reporting on June 22, 2009. See OMB Memorandum, M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*.

[52]The director of the State Accounting Office is Georgia's designated Recovery Act reporting officer.

that have received Recovery Act funds were required to enter data into the system for the first time by May 15, 2009. As of June 17, 2009, 78 entities had entered data into the system. However, State Accounting Office officials stressed that the data are preliminary because they are in the process of developing a validation mechanism for the data reported.

Because data must be entered manually into the current Web-based system, Georgia is looking for a long-term reporting solution that involves electronic data transfer. Accordingly, the state has formed two interagency reporting working groups—a technology group and a policy and procedures group. The purpose of these groups is to establish a structured and consistent approach to federal compliance reporting under the Recovery Act. Among the items these teams are to address are documentation of reporting requirements and overall process flows, data definitions, and governance matters. The teams' goals include automating data entry and ensuring that information is reported consistently. These groups started meeting in early June 2009.

The state agencies and localities we visited plan to use a variety of methods to collect information on jobs created and retained. For example, the Georgia Department of Transportation plans to rely on its contractors to report monthly employment. The contractors will be required to submit a monthly report containing, for their firm and each subcontractor used, the number of employees, total hours worked, and wages paid for the work on the project each month. The Georgia Department of Labor has developed a form that it will use to collect weekly data from the 20 workforce areas in Georgia on jobs created and retained. Some of the state agencies and localities we met with provided estimates of jobs saved and retained. The Georgia Board of Regents estimated that fiscal year 2010 Recovery Act funds would fund 822 faculty members who will reach almost 113,000 students. The University of Georgia estimated that State Fiscal Stabilization Funds would help to retain 160 full-time faculty. The Georgia Environmental Facilities Authority estimated that the Weatherization Assistance Program would create at least 180 jobs.

Georgia's Comments on this Summary

We provided the Governor of Georgia with a draft of this appendix on June 19, 2009, and a representative from the Governor's office responded on June 23, 2009. In general, the official agreed with our draft, stating that it accurately reflects the current status of the Recovery Act program in Georgia. The official also provided technical suggestions that were incorporated, as appropriate.

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