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Report to Congressional Committees

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RECOVERY ACT

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

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Contents

Appendix XVI: Texas

Overview

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

Use of Funds: GAO's work focused on Recovery Act spending in Texas for nine federal programs, selected primarily because they have begun disbursing funds to states; they are existing programs receiving significant amounts of Recovery Act funds; or are new programs. As of June 30, 2009, Texas has committed (obligated) a significant portion of its allocated funds to specific projects and uses.

Funds from the Recovery Act will likely provide significant funding for key Texas programs, including the following:

- **Funds Made Available as a Result of the Increased Medicaid Federal Medical Assistance Percentage (FMAP) funds.** As of June 29, 2009, Texas had drawn down over $1.3 billion in increased FMAP grant awards, which is about 94 percent of its awards to date.[2] While Texas's overall state budget does not have a deficit, funds made available as a result of the increased FMAP funds have helped maintain current populations and benefits in the face of Medicaid budget shortfalls.[3]

- **U.S. Department of Education State Fiscal Stabilization Fund (SFSF).** The U.S. Department of Education allocated to Texas about $3.9 billion from the initial release of SFSF funds. On July 1, 2009, the Governor plans to submit an application for the state's initial SFSF allocation of $2.7 billion. In anticipation of receiving the funds, the state of Texas has been encouraging local education agencies to plan to use the funds for activities such as modernizing school facilities.

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

[2] Texas received increased FMAP grant awards of over $1.4 billion for the first three quarters of federal fiscal year 2009.

[3] The increased FMAP available under the Recovery Act is for state expenditures for Medicaid services. However, the receipt of the 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.

- **Highway Infrastructure Investment funds.** In March 2009, $2.25 billion was apportioned for highway infrastructure and other eligible projects, and as of June 25, 2009, over $1.16 billion had been obligated. Texas is beginning to undertake Recovery Act funded projects. As of June 25, 2009, funding apportioned by the Federal Highway Administration was obligated for 205 Texas projects. For example, one project, in Uvalde County (64 miles west of San Antonio), will involve an 11.4-mile section of road, located in an economically distressed area. State officials told us this project would not have been selected for 4 to 10 years without Recovery Act funds.

- **Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA).** The Department of Education allocated the first half of Texas's ESEA, Title I, Part A allocation on April 1, 2009, totaling about $474 million. As of June 23, 2009, the Texas Education Agency (TEA) had awarded $56 million to local education agencies. These funds must be used for activities allowed under the regular ESEA Title I Part A funds. For example, Houston school district officials said they planned to use these funds to improve educational programs pertaining to early childhood development and to promote achievement for students between the ages of 3 and 5.

- **Individuals with Disabilities Education Act, Part B.** The total Texas allocation amount for Individuals with Disabilities Education Act, Part B will total about $485 million. As of June 30, 2009, TEA had received 187 applications and issued 42 grant awards totaling about $52.4 million. Houston school district officials told us they plan to use these funds primarily to purchase educational technologies, which will allow for a more inclusive learning environment for students with disabilities.

- **Weatherization Assistance Program.** The U.S. Department of Energy (DOE) allocated about $327 million in Recovery Act weatherization funds to Texas for a 3-year period. Based on information available on June 30, 2009, DOE has provided $32.7 million to Texas; however, these funds are not yet obligated. Texas plans to obligate these funds in August 2009 for weatherizing low-income families' homes and state and federal public housing and for developing an energy-related training center.

- **Workforce Investment Act Youth Program.** Recovery Act funds allotted for the youth program in Texas totaled about $82 million. After receiving Recovery Act funds and reserving 15 percent for statewide and administrative activities, Texas allocated the remaining funds to local entities. State workforce officials told us that 60 percent of the allocated funds will be spent on summer employment activities for more than 14,000 youth. As of June 19, 2009, the two local Workforce Development Boards we visited targeted 5,652 youths and found employment for 970 youths.

- **Edward Byrne Memorial Justice Assistance grants (JAG).** The Department of Justice's Bureau of Justice Assistance has awarded about $90.3 million directly to Texas in Recovery Act funds. [4] Based on information available as of June 25, 2009, Texas had obligated about $4.6 million of these funds for administrative purposes. Officials with the Texas Governor's Criminal Justice Division told us they would not make any awards until July 1, 2009, because they are reviewing more than 340 applications from potential grant subrecipients. The Criminal Justice Division plans to use grant funds to reduce violent crime and its effect on communities. They also plan to supplement current public safety programs and retain jobs. Officials of the Governor's office added that the Bureau of Justice Assistance is expected to provide approximately $57.2 million directly to Texas localities.

- **Public Housing Capital Fund.** Public housing authorities in Texas have been allocated $119.7 million in Recovery Act funds by the U.S. Department of Housing and Urban Development. This money, which flows directly to public housing authorities, is being used for various capital improvements, including modifying bathrooms, replacing windows, and adding sewage drains. For example, the San Antonio Housing Authority has a public housing development built in the early 1970s to house the elderly and disabled. Officials stated they plan to completely rehabilitate the development at an estimated cost of $6.6 million using Recovery Act funds due to the deteriorating condition and to address health and safety concerns. Officials told us they plan to replace the facility's cabinets, flooring, windows, and heating and air-conditioning system. San Antonio Housing Authority officials stated that two contracts for architectural services have been awarded and that they expect to award construction contracts for this project by December 2009.

[4]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.

Safeguarding and transparency: Texas has taken several steps to help ensure the accountability and transparency of Recovery Act funds. As we mentioned in our April report, the Office of the Governor has established a steering committee, made up of all the state agencies receiving Recovery Act funds as well as the State Comptroller, that meets twice a week. Additionally, the State Comptroller's Office has initiated mandatory weekly reporting for the use of Recovery Act funds. The State Auditor's Office told us that they are anticipating an increase in audit effort in accordance with Single Audit guidelines due to expenditures of Recovery Act funds. The office is adding staff to handle this increase in audit effort. To expand its ability to monitor grant compliance, the Office of the Governor commented that it's Criminal Justice Division was in the process of hiring two auditors to expand its ability to monitor compliance for Byrne Grant Recovery Act funds. In addition, the four state agencies we visited stated that they had enhanced their oversight efforts to monitor the flow and use of Recovery Act funds. For example, the Texas Department of Education noted it had improved its monitoring process to include a refined risk assessment methodology to help allocate limited staff resources to specific areas of risk. Further, training has been developed by a subcommittee of the State Agency Internal Audit Forum, to provide state agencies with additional guidance about accounting and transparency for Recovery Act funds.

Assessing the effects of spending: State and local officials told us they were developing methods for collecting data and reporting on jobs created and plan to assess the impact that Recovery Act funds will have on the state and their agencies. For example, officials at each of the three Texas Department of Transportation district offices we visited told us they would use Federal Highway Administration guidance and forms for reporting jobs created or retained. The San Antonio Housing Authority is coordinating with HUD to create performance measures to monitor and report on job creation and retention. Additionally, officials with the Governor's office told us that clear and consistent guidance was needed on how to document and report on jobs created.

Uncertain Impact of Recovery Act Funding on Texas Budget

The impact of the Recovery Act funding on the Texas budget remains uncertain. State officials considered budget reductions in January 2009, but it now appears likely that smaller budget reductions than those considered in January will be made for the remainder of the 2009 fiscal year.[5] Officials from the Governor's office and representatives of key legislative offices had different perspectives about the impact the Recovery Act funding may have had on key decisions. The Texas Legislature has passed appropriations legislation for the next 2-year budget cycle that makes use of Recovery Act funding. The Legislative Budget Board estimates that Texas will be able to appropriate approximately $12 billion of Recovery Act funds for the 2-year budget cycle 2010-2011. Officials from the Governor's office and legislative offices also indicated that the state has started planning for the end of Recovery Act funding. On June 19, 2009, the Governor signed into law Texas's General Appropriation Act for the 2010-2011 Biennium.[6]

Recovery Act May Have Reduced Budget Reductions Considered Earlier in 2009

As we reported in April 2009, anticipating that Texas likely faced a budget shortfall, the co-chairs of the state's Legislative Budget Board in January 2009 requested that state agencies look for ways to reduce fiscal year 2009 expenditures by 2.5 percent.[7] The co-chairs of the Legislative Budget Board noted at the time of their request that Texas was not facing a deficit but that it was necessary to be mindful of the uncertain economic conditions. In response, state agencies identified approximately $396 million in potential budget reductions based on hiring freezes, reduced services, delayed capital purchases, and other cost-cutting efforts. At the time of their request, the co-chairs noted that the Recovery Act—which was being debated in Washington, D.C.—could not be responsibly factored into the state's budget process because many details were not known.

Texas officials had different perspectives about the impact of the Recovery Act on key decisions made for the 2009 fiscal year. Officials in the Governor's office said it would be difficult to assess the actions Texas would have taken had the Recovery Act not been enacted. The Governor's

[5]The Texas 2009 fiscal year runs from September 1, 2008, to August 31, 2009.

[6]S.B. 1, 81th Leg. Sess. (Tex.2009). The Governor used his line-item veto authority to delete specific provisions of the act. However, the Governor did not use this authority to delete items from the section of the legislation appropriating Recovery Act funds.

[7]The co-chairs of the Legislative Budget Board are the Speaker of the House of Representatives and the Lieutenant Governor.

staff reported no layoffs of state employees or major contract cancellations due to economic reasons. Moreover, officials with the Governor's office indicated there would have been alternative approaches for addressing a revenue shortfall. As we reported in April, they noted that the state successfully addressed a $10 billion budget shortfall in 2003. Moreover, officials from the Governor's office believed that the state's response to the budget challenges in 2003 had helped encourage economic development and job creation in Texas.

Staff with several key legislative offices generally believed that the Recovery Act had helped the state avoid major cutbacks in programs in 2009. For example, a senior representative of the Lieutenant Governor's office said he thought the Recovery Act funding had helped the state avoid implementing the large-scale budget reductions considered in January 2009. The representative noted that the reductions considered in January 2009 would have adversely impacted state programs, particularly because agencies would have been required to make sharp reductions in spending almost halfway through the fiscal year.

Texas Will Likely Make Use of Recovery Funds in 2010-2011

On June 19, 2009, the Texas Governor signed the General Appropriations Act, the appropriations bill for the next 2-year budget cycle, 2010-2011,[8] that makes use of Recovery Act funds. The Legislative Budget Board (LBB) estimates the Recovery Act will make available approximately $12 billion for state appropriation for the 2010-2011 budget. The Legislature decided to use a dedicated section of the appropriations act, Article XII, to appropriate Recovery Act funds. As described in table 1, the LBB assessment indicates that increased federal funds are anticipated for several key state programs.

[8]Texas budgets on a biennial basis. The 2010-2011 biennium will run from September 1, 2009, to August 31, 2011. On June 19, 2009, a Senior Advisor to the Governor told us that the Governor plans to apply for the State Stabilization Fund on July 1, 2009.

Table 1: Texas Legislative Budget Board's Estimated Appropriations Due to, and Major Uses of, Recovery Act Funding in the 2010-2011 Biennial Budget

Program	LBB estimate of increased federal funds for key state programs due to the Recovery Act	LBB assessment of major uses of Recovery Act funds
Medicaid	$2.513 billion	Texas is planning to use funds made available as a result of the increased FMAP to cover the increased Medicaid caseload and maintain current Medicaid populations and benefits.
Federal program expansion	No estimate provided.	The Recovery Act will significantly increase funding for several programs already receiving federal funding, including transportation: $1.587 billion for highway and bridge construction and $50 million for urban transit, and housing and community affairs: Includes $327 million for weatherization assistance program and more than $200 million for other housing programs.
State Fiscal Stabilization Fund		
Education stabilization funds	$3.25 billion	Education stabilization funds will provide stable funding for public schools, as well as other appropriated funds.
Government services funds	$700 million	$361.6 million to the Texas Education Agency for textbooks. Funding is also provided for higher education.

Source: GAO analysis of Texas Legislative Budget Board data.

Notes: 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). The LBB analysis refers to government services funds as general government stabilization funds.

Texas is using Recovery Act funds in some areas and forgoing the funds for one program. According to the conference committee report for General Appropriations Bill, the bill includes a total of $12.1 billion in Recovery Act funds and reduces the general revenues appropriated elsewhere in the bill by $6.4 billion. For example, the appropriations legislation reduces general revenue appropriations for the Texas Education Agency and the Texas Higher Education Coordinating Board. The conference committee report for the General Appropriations Bill suggests that federal Recovery Act funding will make up for this reduced state support. Moreover, Texas appears unlikely to request Unemployment Insurance Modernization funds made available by the Recovery Act. The Texas Governor accepted some Recovery Act funds for unemployment insurance, but he did not request Unemployment Insurance Modernization Funds. A senior official with the LBB indicated that the state legislature did not pass legislation making the state eligible to receive these funds.

Staff from the LBB told us that the Recovery Act funding helped provide support for key state programs:

- LBB staff anticipate that funds from the State Fiscal Stabilization Fund will support education funding. The state usually uses proceeds from the Permanent School Fund to support education. This fund earns proceeds from the sale of state lands and mineral-related revenue from these lands. As an endowment, the fund then invests these proceeds in global markets. The LBB staff pointed to recent assessments by their office, as well as the Comptroller's office, indicating that financial market turmoil had contributed to a sharp decline in the value of the Permanent School Fund.[9] LBB staff told us the state may not be able to transfer returns from this fund to support education in the 2010-2011 biennium.

- The government services fund, part of the State Fiscal Stabilization Fund, is anticipated to be used to support a number of state programs, including education, higher education and economic development. LBB staff noted that this funding will be primarily used for one-time expenses. For example, some of the funding will be used to purchase new textbooks to transition to a new language arts curriculum.

Texas Officials Have Started Planning for the End of Recovery Act Funding

Officials from the Governor's office and key legislative offices noted the importance of developing a long-term strategy for exiting from the Recovery Act funding:

- Representatives of the Governor's office told us their office has advised state agencies that much of the Recovery Act funding is temporary. Consequently, the Governor's office would prefer that Recovery Act funds be used for nonrecurring expenditures—for example, one-time costs. Moreover, the representatives noted that the Governor's office uses twice-weekly meetings with state agencies to reinforce this guidance. Furthermore, the Governor in his proclamation concerning the state budget reiterated that "state agencies and organizations receiving these funds should not expect them to be renewed by the state in the next biennium."[10]

[9] We were told by LBB staff that there is the constitutional requirement that fund returns over a 10-year period must exceed payouts over that same period in order for there to be a distribution.

[10] Proclamation by the Governor of the State of Texas Concerning the General Appropriations Act.

- The state legislative bodies provided similar guidance to state agencies when appropriating the Recovery Act funds. Specifically, the conference committee report for the appropriations bill directs state agencies to "give priority to expenditures that do not recur beyond the 2010-2011 biennium."[11] Furthermore, the conference committee report notes that a state employee position funded by the Recovery Act should be eliminated once the agency exhausts the Recovery Act funds for the position.[12]

Several of the state legislative officials with whom we spoke said Texas may face difficult decisions when the legislature works on the next 2-year budget, for the 2012-2013 biennium. The officials noted that the state of the economy will have important implications. Staff with the Legislative Budget Board cautioned that even an improving economy may not fully address the state's challenges. However, in discussions with the Office of the Governor, an official commented that the Texas economy remains in good economic shape.

[11]Conference Committee Report for S.B. No. 1 General Appropriations Bill, 81th Leg. Sess., at XII-9, § 7.

[12]Conference Committee Report for S.B. No. 1 General Appropriations Bill, 81th Leg. Sess., at XII-9, § 8.

While Texas's Overall State Budget Does Not Have a Deficit, Increased FMAP Funds Have Helped Maintain Current Populations and Benefits in the Face of Medicaid Budget Shortfalls

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.[13] 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 the effective date of the Recovery Act.[14] 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.

While Texas's Overall State Budget Does Not Have A Deficit, Increased FMAP Funds Have Helped Maintain Current Populations And Benefits In Face Of Medicaid Budget Shortfalls

From October 2007 to May 2009, the state's Medicaid enrollment grew from 2,772,193 to 2,914,484, an increase of 5.1 percent.[15] Enrollment generally varied over this period, and there were several months when enrollment declined (see fig. 1).[16] Most of the increase in enrollment was attributable to the population groups of children and families and disabled individuals.

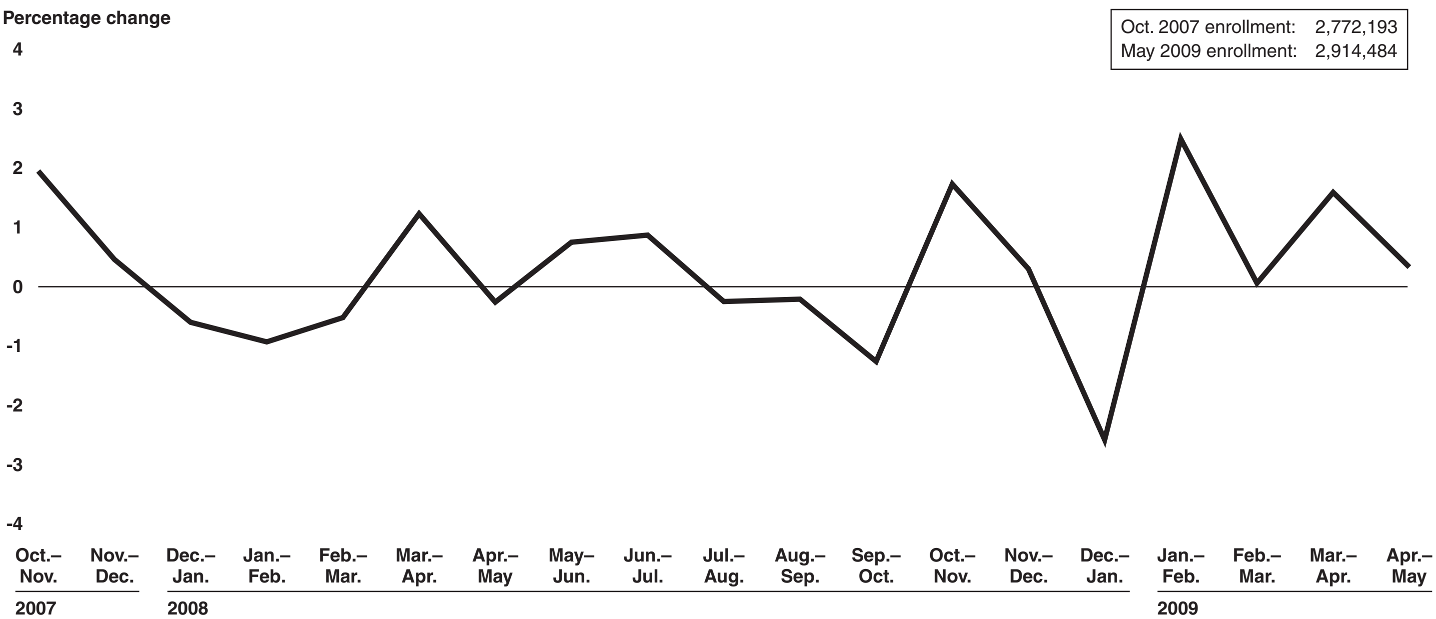
[13] See Recovery Act, div. B, title V, §5001.

[14] 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.

[15] The state provided projected Medicaid enrollment for May 2009.

[16] The monthly percentage change in Medicaid enrollment for Texas from October 2007 through May 2009 depicts the month-over-month change in Medicaid enrollment, which ranges from approximately plus 2 percent to minus 3 percent over this period.

Figure 1: Monthly Percentage Change in Medicaid Enrollment for Texas, October 2007 to May 2009



Source: GAO analysis of state reported data.

Note: The state provided projected Medicaid enrollment data for May 2009.

As of June 29, 2009, Texas had drawn down more than $1.3 billion in increased FMAP grant awards, which is about 94 percent of its awards to date.[17] Officials from the Texas Health and Human Services Commission reported the state is using funds made available as a result of the increased FMAP to cover the increased Medicaid caseload and maintain current populations and benefits.

Medicaid officials from the Texas Health and Human Services Commission reported that while the overall state budget does not currently have a deficit, the state Medicaid budget for fiscal year 2009 is short an estimated $1.1 billion in state funds due to cost increases and caseloads in excess of the amounts included in the state's 2-year budget adopted in 2007. However, the Medicaid program has not been directed to reduce rates, eligibility or benefits. Prior to the passage of the Recovery Act, however, there were discussions about potential reductions to the program due to

[17]Texas received increased FMAP grant awards of over $1.4 billion for the first three quarters of federal fiscal year 2009.

the forecasted Medicaid shortfall. Medicaid officials from the Texas Health and Human Services Commission added that the increased FMAP funds will help fund the Medicaid program and that the Legislature would appropriate these funds to maintain services and eligibility for the remainder of state fiscal year 2009. In addition, Medicaid officials from the Texas Health and Human Services Commission indicated that the Medicaid program had incurred no additional costs related to administrative and reporting requirements associated with use of these funds.

However, Medicaid officials from the Texas Health and Human Services Commission indicated that they were hesitant to implement certain programmatic changes out of concern that doing so would jeopardize the state's ability to maintain eligibility for increased FMAP. For example, state officials from the Texas Health and Human Services Commission believe that programmatic changes to the processes for pregnancy verification, prior authorizations, and ongoing rate changes are not changes in Medicaid eligibility criteria. To ensure the state is not in jeopardy of losing its eligibility for increased FMAP funds, officials from the Texas Health and Human Services Commission asked CMS to validate that it agreed that the state had not made any changes to its Medicaid eligibility criteria. State officials are concerned that CMS has not yet responded to this request for clarification because should CMS assert that any of these actions were changes in eligibility criteria, the state would have only until July 1, 2009, to remove those changes to eligibility or risk losing increased FMAP funds. [18] Similarly, the officials said that prior to the enactment of the Recovery Act, CMS directed the state to make certain programmatic changes; however, if these changes were implemented, the state is concerned that it could lose eligibility for the increased FMAP. Although Medicaid officials from the Texas Health and Human Services Commission noted that these proposed changes are relatively minor, they will not make them until they receive assurance from CMS that such changes would not affect the state's eligibility for increased FMAP.

Regarding the tracking of increased FMAP, officials from the Texas Health and Human Services Commission said the state uses an accounting system that tracks revenues and expenditures related to increased FMAP, and

[18] 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).

these funds are maintained separately from regular FMAP. In addition, Texas officials from the Texas Health and Human Services Commission indicated that they use a number of procedures and controls to ensure that FMAP dollars are correctly tracked and reported. For example, the Governor's office leads a statewide group that includes the State Comptroller, which meets twice weekly to monitor these funds. The officials added that external to the state Medicaid agency, the Health and Human Services Commission's Office of Inspector General also looks at the Medicaid program for instances of fraud, waste, and abuse.

Finally, the 2007 Single Audit for Texas identified one material weakness for the state's Medicaid program, which encompassed inadequate information system controls for several systems, including the Texas Integrated Eligibility Reporting System.[19] The audit report indicated that state officials agreed with the finding and that they were developing a corrective action plan.

Texas Plans to Apply for 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 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

[19]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.

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 both school districts and 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.

Texas has been allocated just more than $3.9 billion in SFSF. The Governor plans to apply for the initial SFSF allocation—$2.7 billion on July 1, 2009. Texas Education Agency officials have begun issuing guidance on how to use the funds when they become available and said that the funds for school districts could be used to support efforts related to teacher incentives and teacher assessments. Also, according to the Texas Higher Education Coordinating Board, which provides leadership and coordination for the Texas higher education system, public institutions of higher education in Texas recommended expending the funds for three purposes—mitigating tuition and fee increases; supporting modernization, repair, and renovation of facilities; and providing incentive funding based on degrees awarded. The 2010-2011 state budget designated $147 million in Recovery Act funds for higher education, to be distributed through the formula funding process. An additional $80 million was designated for distribution through the board for incentive funding, based on degrees awarded.

Education officials from the two school districts we selected to visit—the Houston Independent School District (Houston ISD) and the Fort Worth Independent School District (Forth Worth ISD)—told us they were unsure of the exact amount of SFSF funding they would receive. Officials from Houston ISD, which is the largest public school system in Texas and the seventh largest in the United States with an enrollment of approximately 200,225 students, said they anticipate they will receive SFSF funds in lieu of the state dollars they were expecting for fiscal year 2010. Officials from the Fort Worth ISD, with an enrollment of nearly 80,000, estimated the district would receive $15.5 million when the SFSF funds are available. Both school districts intend to apply for the funds as soon as the state begins the application process.

Fort Worth ISD officials stated that decisions about how the money can be expended would directly impact their existing budget concerns. For example, the Governor has signed legislation that would direct local education agencies to increase teachers' salaries.[20] Fort Worth ISD officials stated that they believe the state Legislature intended $8 million of the $15 million they expect to receive in SFSF funds to go toward these teacher raises; however, given the current budget shortfalls at Fort Worth ISD, officials told us it would make more of an impact to use those funds to support areas that are currently undergoing budget cuts. Texas education officials told us they are assessing whether this legislation conforms to Recovery Act requirements regarding expenditure of these funds.[21] The legislation states that the salary increases shall only go into effect if the state commissioner of education determines that the payment of such salary increases is an allowable use of Recovery Act funds.

Texas Beginning to Undertake Recovery Act-Funded 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 act requires that 30 percent of these funds be suballocated for projects primarily based on population. 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.

Texas Selected Quick-Start Projects and Received Bids Below Estimates

Texas was apportioned $2.25 billion in March 2009 for highway infrastructure and other eligible projects. As of June 25, 2009, over $1.16 billion 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, $2,521 had been reimbursed by the U.S. Department of Transportation Federal Highway Administration

[20]House Bill 3646 was passed in the 81st Regular Session of the Texas Legislature and signed by the Governor on June 19, 2009.

[21]Education's guidance stipulates that neither a governor nor a state education agency may limit how LEAs use SFSF funds because, in part, the Recovery Act grants considerable flexibility in how these funds can be used.

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

Texas Department of Transportation officials told us that Recovery Act funds for highways have been obligated predominately on preservation projects because they can be started and completed quickly. As shown in table 2, these projects include pavement improvement and widening, and bridge construction and replacement.

Table 2: Highway Obligations for Texas by Project Type as of June 25

Dollars in millions

	Pavement projects			Bridge projects				
	New construction	Pavement improvement	Pavement widening	New construction	Replacement	Improvement	Other[a]	Total
	$72	$513	$421	$81	$10	$12	$55	$1,163
Percent of total obligations[b]	6.2	44.1	36.2	7.0	0.9	1.0	4.7	100.0

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.

[b]Total may not add to 100 due to rounding.

On June 25, 2009, FHWA reported that total obligations of over $1.16 billion in Recovery Act highway funds for 205 projects in Texas had been obligated. In its response to our questions, the Texas Department of Transportation reported that its April and May project lettings for highway construction projects came in at approximately 28 percent and 18 percent below its cost estimates respectively. Officials told us that the bids were less than its estimates because material and product prices were lower, and contractors wanted to keep their crews employed. According to the Texas Department of Transportation, funds for those projects that are below cost estimates will be redirected within a 90-day time-frame, and the savings committed to new Recovery Act highway projects.

Construction about to Start at Three Sites We Visited

We visited three Texas Department of Transportation district offices during our review—San Antonio, Fort Worth, and Dallas.[22] We selected a Recovery Act-funded highway project at each district office and performed a site inspection in May or June 2009. At the time of our inspection, construction work had not started at the three project sites.[23]

[22]The Recovery Act-funded highway projects selected for our review were based on five criteria: (1) most advanced project—because construction on Texas projects had not started, we selected from those with Recovery Act fund obligations, (2) project located in an Economically Distressed Area (EDA)—one of the three project sites we visited was in an EDA, (3) state versus locally administered—for the three district offices we visited, all Recovery Act highway projects were administered by Texas, (4) urban versus rural location—one of the three project sites was located in a rural area, and (5) projects with varied project costs—the three projects we selected ranged from an estimated $1.9 million to $5.7 million.

[23]Texas Department of Transportation officials told us there is a 45-day period during which the department allows contractors to hire and assemble their subcontractors.

Figure 2: San Antonio District Road-Widening Project

Source: GAO.

The San Antonio district project site, in Uvalde County (64 miles west of San Antonio), will involve an 11.4-mile section of Ranch-to-Market Road 187 south of U.S. 90 in Sabinal (see fig. 2). The district office stated that the project was selected for safety and operational considerations and was located in an economically distressed area. Officials told us this project would not have been selected for 4 to 10 years without Recovery Act funds.

Figure 3: Fort Worth District Roadway Resurfacing

Source: GAO.

The Fort Worth district project site (see fig. 3), in Tarrant County, will involve a 5-mile section of Interstate 820, west of Interstate 35W near Saginaw (7 miles north of Fort Worth). The district office stated that this project was selected for safety and preservation of the highway investment and would not have been selected for 3 or more years without Recovery Act funds.

Figure 4: Dallas District Intersection Improvement

Source: GAO.

The Dallas district project site, in Dallas County, will involve an intersection improvement for Farm-to-Market Road 1382, northwest of U.S. 67 in Cedar Hill (see fig. 4). The district office stated that this project had been pulled from letting 3 times due to lack of funds.

Texas Reported No Problems in Meeting Highway Infrastructure Requirements

Funds appropriated for highway infrastructure spending must be used as required by the Recovery Act. Texas is required to adhere to the following:

- 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. In its June 2009 report to the Governor, the Texas Department of Transportation expected that $1.07 billion would be obligated for Recovery Act highway projects before the June 30, 2009, deadline, exceeding the requirement to obligate approximately $787.5 million within 120 days of being apportioned. As of June 25, 2009, 61 percent of the $1.575 billion that is subject to the 50 percent rule for the 120-day redistribution had been obligated.

- Give priority to projects that can be completed within 3 years and to projects located in economically distressed areas (EDA). EDAs are defined by the Public Works and Economic Development Act of 1965, as amended. The Texas Department of Transportation reported that completion within 3 years is anticipated of all but a small number of the 300 projects selected for funding through the act. The Texas Department of Transportation reported it selected highway preservation projects by first allocating specific funding amounts to each of the state's 25 districts, then gave priority for Recovery Act funding to projects that were in EDAs. Officials added that priority was given to preservation projects in EDAs over projects not in EDAs, and all available enhancement projects in EDAs were selected before any other enhancement projects were considered.

- Certify that the state will maintain the level of spending for the types of transportation projects funded by the Recovery Act that it planned to spend the day the Recovery Act was enacted. As part of this certification, the governor of each state 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.[24] On March 17, 2009, Texas submitted an explanatory certification, meaning it included language stating that the list of planned obligations are estimates based on the best information available at the time. The certified planned level of effort also was based on obligations, rather than expenditures. On April 20, the Secretary of the U.S. Department of Transportation informed Texas that conditional and explanatory certifications were not permitted, provided additional guidance, and gave Texas the option of amending its certification by May 22, 2009. On May 27, 2009, the State submitted an amended certification based on expenditures, rather than

[24] 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 the each state to have its apportioned funds obligated by the end of the federal fiscal year (September 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.

obligations. However, the amended Texas certification still included qualifying language explaining that the list of planned expenditures are estimates based on the best information available at the time. The amended certification letter also contained qualifying language explaining that, based on the state Constitution, the Governor cannot certify any expenditure of funds until the legislature passes the appropriation act. The amended certification went on to explain that the proposed appropriation act contains authority that, when effective, will meet the Recovery Act maintenance of effort requirement. On June 19, 2009, the Governor signed the 2010-2011 appropriations act. According to DOT officials, as of June 25, 2009, the status of Texas's revised certification remains unresolved. On June 30, 2009, a representative of the Governor's office told us that since the budget has been signed, the state plans to submit a revised certification letter, removing the qualifying language.

ESEA Title I, Part A Planning for Funds' Use Is Under Way

The Recovery Act provides new funds to help local school districts 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 school districts 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, local education agencies are required to comply with current statutory and regulatory requirements and must obligate 85 percent of these funds by September 30, 2010.[25] The U.S. Department of Education is urging local districts 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 Department of Education made the first half of states' Title I, Part A funding available on April 1, 2009, with Texas receiving $474.4 million of its approximately $948.7 million total allocation. According to Texas Education Agency officials, the Recovery Act funds for ESEA Title I, Part A will be expended under the same stipulations as funds received normally for these programs. Although the state has received its allocation of Recovery Act funds for ESEA Title I, Part A, education agencies must apply to the state to receive their share of the funds through a grant application system. As

[25]LEAs must obligate at least 85 percent of their Recovery Act 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.

of June 23, 2009, the Texas Education Agency has awarded about $56 million to local education agencies.

Though neither of the school districts we visited had applied, officials we interviewed and documentation we obtained outlined allocation amounts and planned usage of those allocations. As of June 11, 2009, Houston ISD's officials and state documentation show the district ESEA Title I, Part A allocation will be approximately $85.5 million. Houston ISD officials stated that ESEA Title I, Part A funds will be used on various educational programs geared toward early childhood development to promote student achievement for ages 3 through 5 and secondary schools in certain areas, including social and emotional support and college admission test (SAT/ACT) preparation for secondary students. Fort Worth ISD has been allocated almost $24.5 million in ESEA Title I, Part A Recovery Act funds. Fort Worth ISD officials told us the district has plans to use the funds to enhance several ESEA Title I, Part A areas, such as parental involvement, elementary math coaches, and prekindergarten. The officials also stated that although they welcome the Recovery Act funds, those funds will not solve the Fort Worth ISD budget deficit this year or in future years.

Local Education Agencies Have Begun Planning to Use IDEA, Part B Recovery Act Funds

The Recovery Act provided supplemental funding for programs authorized by the Individuals with Disabilities Education Act (IDEA), the major federal statute that supports special education and related services for children and youth with disabilities. IDEA programs receiving this funding include those that ensure preschool and school-aged children with disabilities have access to a free and appropriate public education (Part B). 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, Part B (50 percent of the total IDEA, Part B funding provided in the Recovery Act). All IDEA Recovery Act funds must be used in accordance with IDEA statutory and regulatory requirements. The Department of Education allocated the first half of states' IDEA, Part B allocations on April 1, 2009, with Texas receiving $485 million.

According to Texas Education Agency officials, the Recovery Act IDEA, Part B funds will be expended under the same stipulations as the regular IDEA, Part B funds. Although the state has received its allocation of Recovery Act funds IDEA, Part B funds, local education agencies must apply to the state to receive their share of the funds through a grant application system. According to Texas Education Agency officials, the Recovery Act IDEA, Part B funds will be expended under the same stipulations as the regular IDEA, Part B funds. As of June 23, 2009 TEA had received 187 applications and issued 42 grant awards totaling about $52.4 million.

Houston ISD officials told us they anticipate receiving $43.5 million in IDEA, Part B Recovery Act funding. The officials told us that Recovery Act IDEA, Part B funds will be expended primarily on new technology, such as various Web-based instructional materials and assistive technologies for students with disabilities. These materials will include features such as the ability to monitor and record individual student progress in core content areas such as English and mathematics. Houston ISD officials stated that without the Recovery Act funding, it would have taken the district additional years of regular program funding to be able to procure these technologies.

Fort Worth ISD reported being eligible for almost $16.9 million in IDEA, Part B Recovery Act Funds. Fort Worth ISD will use IDEA, Part B funds in a variety of ways including collaborating with the district's internal technology department to support districtwide initiatives, installing lifts in middle schools to facilitate mobility of students with severe physical needs, buying four buses equipped for students with special needs, and purchasing special education testing materials—for example, cognitive assessments and academic achievement assessments. However, Fort Worth ISD officials stated that the stipulations made by the state on how to expend the funds limit its ability to utilize the funds in the best interest of the district. Specifically, the performance indicators that allow districts to qualify for the ability to use their funds as they see fit are set too high by the state, according to these officials. They also said that the goals are not easily reached by all districts. In response, state officials explained that the high performance indicators are set by the U.S. Department of Education's Office of Special Education Programs, not by the state. The state officials further explained that when a district does not meet a performance indicator, the district can still determine how Recovery Act funds may be used. Not meeting a goal does not take away the ability of a school district to determine how to expend their Recovery Act funds, according to state officials.

Department of Energy Recovery Act Weatherization Assistance Program

The Recovery Act appropriated $5 billion for the Weatherization Assistance Program, administered by the Department of Energy (DOE) through each of the states and the District of Columbia. [26] 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 and air-conditioning equipment. During the past 32 years, the weatherization 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 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 program 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.

Texas Officials Managed the Application Process and Have Plans for Using Its Major Increase in Weatherization Funding

DOE allocated to Texas $327 million in Recovery Act funding for the Weatherization Assistance Program for a 3-year period. The Texas Department of Housing and Community Affairs (TDHCA) is responsible for administering the program. TDHCA received a funding opportunity announcement on March 12, 2009, and subsequently received additional guidance and technical assistance from a DOE official on using the initial 10 percent allocation and developing the state weatherization program plan. TDHCA submitted its initial application for funding on March 19 and

[26] DOE also allocates funds to Indian tribes and U.S. territories (American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands).

its weatherization program plan on May 6. TDHCA officials expected DOE to verify that the state's plan meets requirements provided in its guidance and that DOE would approve the plan within 30 days of the May 6 submission date. As of June 26, 2009, Texas's application had not been approved. TDHCA documentation stated that DOE had clearly communicated expectations for the plan review process deadlines and turnaround times, and TDHCA did not specify any questions or concerns.

TDHCA has received the initial allocation, and it has plans for disbursing and tracking the remaining funds after they become available. DOE provided the initial 10 percent allocation (approximately $32.7 million) on April 10, 2009, to be used for "Recovery Act planning purposes" after TDHCA submitted its application for funding. TDHCA officials told us the state expects to receive an additional 40 percent ($130.8 million) of the funding after its plan is approved by DOE. These funds will be disbursed through TDHCA and contracts will then be awarded to subrecipient agencies. Officials with TDCHA said the agency will establish codes to separate and track Recovery Act weatherization funding and expenditures.

TDHCA has documented plans for its increased weatherization assistance. According to TDHCA documentation, the $327 million in Recovery Act funds represents a significant increase in weatherization funding. Prior to the Recovery Act, Texas's annual weatherization appropriation had been about $13 million per year.

TDHCA officials told us that they plan to use the Recovery Act funding in several ways, including weatherization home improvements such as adding insulation and energy efficient heating and cooling systems, audit preparation and compliance, and state and subrecipient administration. According to TDHCA's Weatherization Program Plan, it will directly award $180 million in Recovery Act funding to 34 existing subrecipients, such as non-profit entities and community action agencies. An additional $100 million will be directed to 32 cities with a population of over 75,000. Of these 32 cities, 12 have the option to give up to $1 million to existing subrecipients. Officials stated that because of this option available to the cities, the actual funding amounts may change from those stated in the Weatherization Program Plan.

According to TDHCA officials and the state weatherization plan, $7.5 million will be competitively awarded to 15 subrecipients. TDCHA plans to allocate the remaining Recovery Funds for training, technical assistance, and administration. TDHCA plans to hire additional weatherization staff to manage the increased workload from Recovery Act funded projects including 4 trainers, 7 monitors, 2 contract specialists, and 1 administrative assistant.

Workforce Investment Act (WIA) Youth Program Expands

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 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,[27] the conferees stated they were particularly interested in states using these funds to create summer employment opportunities for youth. 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, as well as federal and state wage laws.[28]

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

[28] 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 laws have different minimum wage rates, the higher standard applies.

Texas Workforce Commission Oversees the WIA Youth Program

The Texas Workforce Commission is the state agency charged with overseeing and providing workforce development services to employers and job seekers of Texas, including the WIA Youth Program. For employers, the commission offers recruiting, retention, training and retraining, and outplacement services, as well as valuable information on labor law and labor market statistics. For job seekers, the commission offers career development information, job search resources, training programs, and, as appropriate, unemployment benefits. The commission is part of a local-state network consisting of the statewide efforts of the commission coupled with planning and service provision on a regional level by 28 local workforce boards and their service contractors. Local access to workforce assistance is provided through more than 240 Texas Workforce Centers and satellite offices and six unemployment insurance call-in centers. The 28 boards oversee activities in 28 local workforce development areas. The areas vary widely from a single, densely populated county such as Dallas County to rural areas that include multiple counties. The varying circumstances present different challenges for the areas in implementing summer youth employment activities. Board officials of the North Central Local Workforce Development Area, a 14-county area, which is predominantly rural, cited their difficulty recruiting qualified youth because of sparsely populated rural communities—a situation not likely faced in populous Dallas County.

Most of Texas Recovery Act WIA Funds Have Been Obligated and Spending Has Begun

Texas received $82 million in Recovery Act funds for the WIA Youth Program and, after reserving 15 percent for statewide and administrative activities, allocated the remaining funds to local area boards. The Texas Workforce Commission set a target to spend $41.8 million on summer youth employment activities, which amounts to 60 percent of the allocation the local boards received ($69.7 million). The commission also required boards to expend at least 70 percent of their allocation by September 30, 2009. Further, the local boards must expend a minimum of 30 percent of their allocation on services for out-of-school youth, as required under WIA. As of June 25, 2009, 10 percent of the allocated funds had been spent on local summer youth employment activities and 75 percent had been obligated for contracts to provide local summer youth employment activities. According to Texas Workforce Commission officials, Texas currently has the ability to track and report on Recovery Act fund expenditures for summer youth activities separate from expenditures for such activities using other funds.

Texas Has Established a Goal for Serving Youth and Will Use Recovery Act Funds to Expand Summer Youth Activities

Texas has a goal to serve at least 14,420 youth in its summer program using Recovery Act funds—nearly 15 times the 918 youth that were provided summer employment opportunities in the 2008 WIA youth program. The Texas Workforce Commission worked with local area boards to establish area targets that reflect local conditions. For example, we visited the Gulf Coast and North Central Local Workforce Development Areas to discuss their summer youth program plans.[29] The Gulf Coast area, which includes 13 counties and the city of Houston, received a Recovery Act fund allocation of $14.8 million. As of June 19, 2009, the Gulf Coast has targeted 4,652 youths and has found employment for 901 youths. The North Central area, which consists of 14 predominately rural counties, received an allocation of $4.5 million in Recovery Act funds. As of June 19, 2009, they have targeted 1,000 youths and found employment for 69 youths. With the addition of Recovery Act funds, both areas are expanding their programs. According to Gulf Coast area officials, they are contracting with community-based private and public organizations to recruit young people from low-income families for subsidized summer jobs; develop, operate, or oversee work sites or activities; prepare participants for work and match them to work sites; and provide counseling. Similarly, North Central area officials stated they are seeking organizations to provide youth summer employment opportunities by establishing and operating work sites and helping youth prepare for and adapt to work.

Officials of both local workforce development areas we visited stated that their plans for the 2009 youth summer employment program are complete. According to Gulf Coast area officials, all of the service providers, projects, and individual work sites for the program are in place, and youth are being enrolled; however, as of May 28, 2009, employment activities were not yet underway. North Central area officials stated they are still establishing work sites and, as of June 4, 2009, had established 654 of the 1,000 planned work sites. Officials of both areas stated they plan employment activities to begin during June 2009, after the school year has ended. Although the Texas Workforce Commission has a benchmark for local area boards to expend 100 percent of their program funds by June 30, 2010, officials in the two areas we visited expressed confidence in their

[29]We selected the Gulf Coast Local Workforce Development Area because the area received the most Recovery Act funds for the Summer Youth Program and represented an urban area. The North Central area was selected to include a rural area among the top recipients of summer youth Recovery Act funds.

area's ability to meet both the expenditure and enrollment goals for their programs.

The Gulf Coast and North Central areas are focusing their youth summer employment programs on providing work experiences. Experiences being offered in the Gulf Coast area include a variety of general summer jobs (e.g., parks and recreation, maintenance, clerical and office work, customer service) with cities, counties, school districts and nonprofit organizations. Internships are being offered in local government offices, at area hospitals, and at a local company. The North Central area is also offering employment experiences in a variety of areas, including city and county government clerical, information technology, maintenance, animal shelter assistant and librarian aide positions, as well as health care-related positions such as radiology tech assistants. Green job work experiences will be provided in both areas. Gulf Coast area green jobs will include replacing incandescent bulbs in homes with fluorescent, energy efficient bulbs. North Central area green jobs will include recycling, landscaping, assisting in organizing a green education fundraiser, and helping an electric company install energy saving devices. Gulf Coast and North Central area officials said that they will rely on contractors for payroll services, recruiting participants, and providing work sites.

State and Local Boards Face Challenges Implementing Summer Youth Programs

Texas Workforce Commission officials cited several challenges for implementing the summer youth programs. For example, they cited "the extremely short time frame" to create a statewide program for summer youth employment activities. Officials also mentioned time constraints as a challenge at both workforce development areas we visited. The officials cited the need to rapidly recruit youth and ramp-up work sites. North Central area officials stated they have a challenge in recruiting youth for the program because of declining population in some rural areas. North Central officials also mentioned the challenge of having to adjust strategies as they receive guidance from federal and state officials. Gulf Coast area officials cited challenges in dealing with "very restrictive" WIA Youth program eligibility criteria and income limits that are "too low." They stated that the criteria and income limits have historically been such that some youth could not qualify for the WIA Youth program.

Texas Has Received Byrne Grant Funds and Has Plans to Distribute Funds to Localities

The Edward Byrne Memorial Justice Assistance Grant (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, 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.[30] The total JAG allocation for Texas state and local governments under the Recovery Act is about $147.5 million, a significant increase from the previous fiscal year 2008 allocation of about $11 million. The Office of the Governor, Criminal Justice Division (CJD), administers JAG funds for the state.

Texas was allocated nearly $147.5 million in total JAG Recovery Act funds, which included the state award of about $90.3 million and direct grants to Texas localities of about $57.2 million.[31] As of June 30, 2009, Texas had received its full state award of about $90.3 million.[32] Figure 5 shows Texas's planned distribution and use of the state award funds, according to CJD officials. As shown, of the $90.3 million award, the state plans to provide $54.6 million directly to local entities in accordance with JAG variable pass-through provisions.[33] The state plans also to use an additional $31 million in discretionary grant awards for a variety of

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

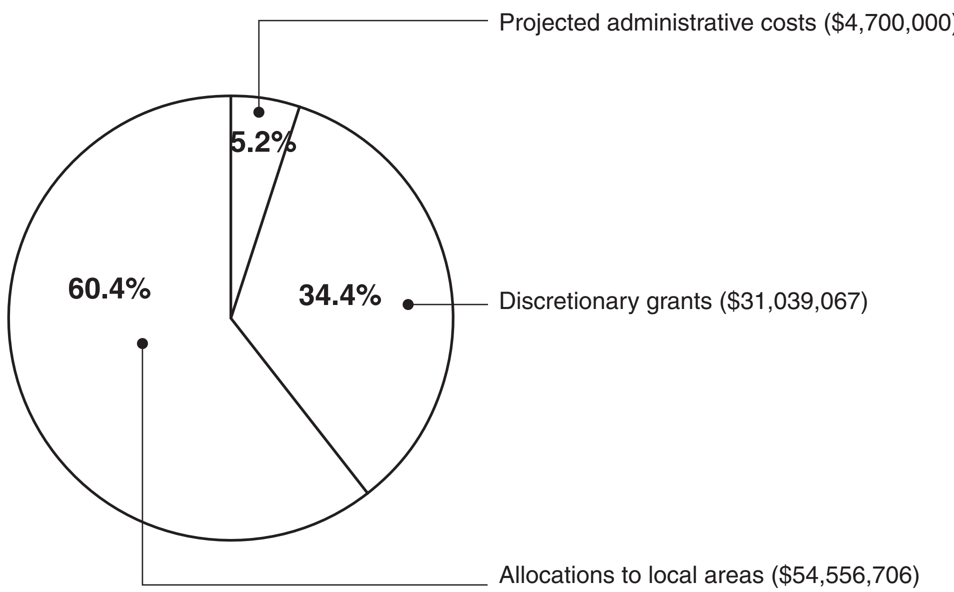
[31]The scope of work for this report included Byrne grant state award funds but not direct grant funds to localities.

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

[33]BJA requires that states pass through a predetermined percentage (variable pass-through) of its JAG funds to units of local government, such as a city, county, township, town, or tribe. The percentage is established by assessing the total criminal justice expenditures by the state, as well as crime statistics for those units of local government. In total, Texas localities will receive $54.6 million in state pass-through funds in addition to $57.2 million in direct JAG awards from BJA.

recipients, including local government, state agencies, nonprofit organizations, and school districts. Projected administrative costs to manage the grant process are about $4.7 million.

Figure 5: Distribution of Texas Allocation—$90.3 million in JAG Recovery Act Funds



Source: GAO analysis of data provided by the Texas Governor's Office..

CJD plans to use Recovery Act JAG funds to reduce violent crime and its effect on communities and has also developed plans to distribute funding through the state. In terms of reducing violent crime and its effects, CJD plans to increase programs that (1) divert juveniles away from criminal activities and toward productive lifestyles, (2) reduce crime and enhance resources for prosecution of offenders, and (3) support solutions for restoring victims of crime, reintegrating offenders into the community, and reducing the potential for recidivism. On May 1, 2009, CJD issued a request for applications, making up to $40 million in variable pass-through funds available to local entities. According to state officials, applications from more than 340 potential grant subrecipients had been received as of May 15, 2009, 2 weeks before the June 1, 2009, application deadline, but no awards are to be made before July 2009. Based on information available as of June 25, 2009, Texas had obligated about $4.6 million of these funds for administrative purposes. CJD plans to establish agreements with the state's Regional Councils of Governments to assist in reviewing and prioritizing awards of the $40 million in variable pass-through funds to local governments.[34] In determining amounts of funding to pass through to local governments, CJD is using the following formula to give priority to rural regions and areas with crime rates above the overall state average:

- Regions with a population density less than 52 individuals per square mile will receive a base amount of $500,000.
- Regions with an overall crime rate exceeding the state average index rate of 4,623 crimes per 100,000 residents will receive a base amount of $250,000.[35]
- Remaining available funds will be allocated based on a formula considering percentage of total crime and total population.

According to state officials, after the $40 million is awarded out of a total of $54.6 million available for pass-through to local entities, applications for the remainder of the funds ($14.6 million) will not be reviewed and prioritized by the Regional Councils of Governments. Instead, CJD plans to review, prioritize, and directly award the funds to local entities based on the inherent value of the applicant's program, including whether it addresses one of the Governor's criminal justice strategies. CJD also plans to award the $4.7 million for administrative costs without input from the Regional Councils of Governments.

Texas officials expect to incur about $4.7 million in administrative costs to manage the JAG funds, including costs for

- agreements with the state's 24 Regional Councils of Governments to assist in the review, prioritization, and monitoring of variable pass-through funds to local units of government;
- an addendum to the state's interagency agreement with the Texas A&M University Public Policy Research Institute to modify the online performance-based reporting system to accommodate newly required JAG performance measures and standard Recovery Act measures; and

[34]Regional Councils of Governments are political subdivisions of the state that deal with the problems and planning needs that cross boundaries of individual local governments or that require regional attention.

[35]Index crimes include murder, rape, robbery, assault, burglary, larceny, and auto theft.

- additional grants monitoring staff to conduct compliance reviews of JAG Recovery Act award subrecipients.

By July 1, 2009, CJD officials expect to obligate $2.9 million in administrative funds through subcontracts, with the 24 Regional Councils of Governments to assist in reviewing subrecipient grant applications, prioritizing grant applications, and providing technical assistance to JAG Recovery Act grant recipients. Administrative funds to be obligated to the Regional Councils of Governments range from approximately $37,000 to more than $348,000.

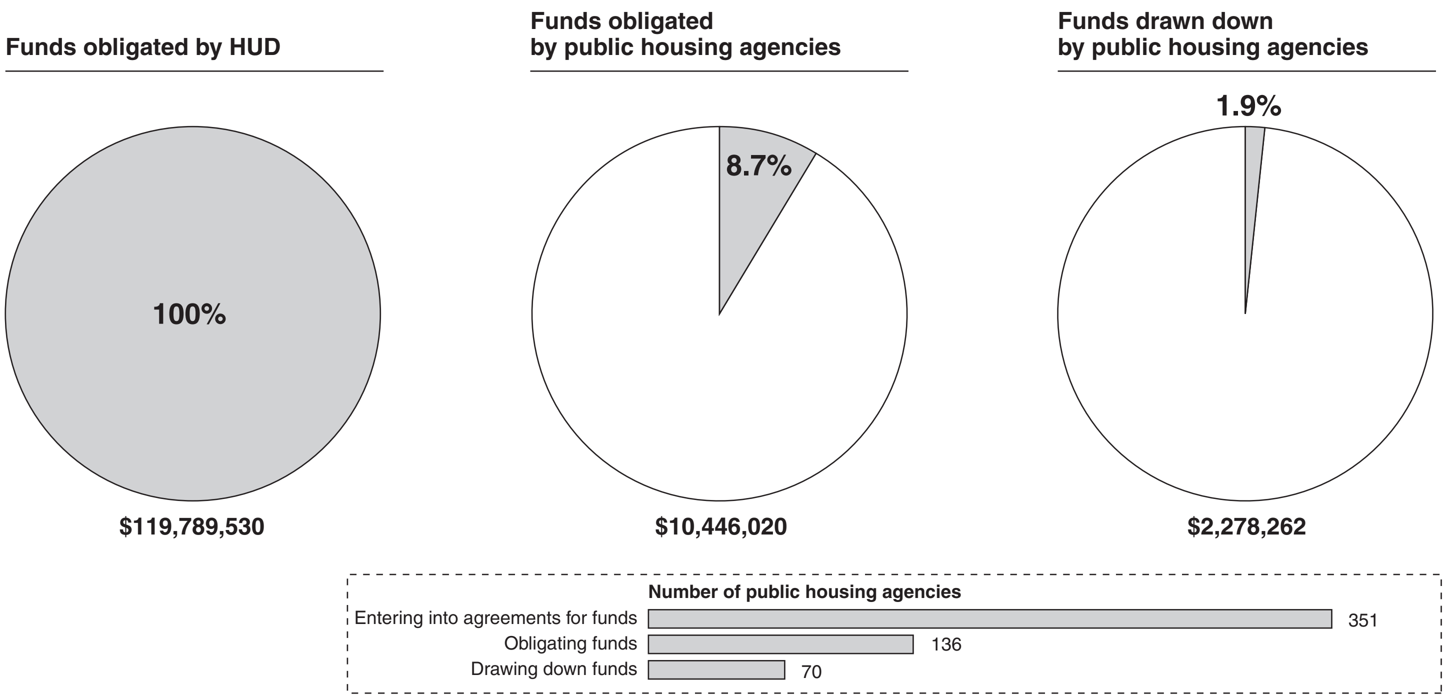
San Antonio and Ferris Housing Authorities Have Received Capital Formula Grants and Are Drawing Down Funds

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.[36] The Recovery Act requires the 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 the agencies for obligation, expend at least 60 percent of the 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 capital 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 a notice of funding availability that describes the competitive process, criteria for applications, and time frames for submitting applications.[37]

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

[37]HUD released a revised notice of funding availability for competitive awards on June 3, 2009. The revision included changes and clarifications to the criteria and time frames for applications, as well as to funding limits.

Figure 6: Percentage of Public Housing Capital Funds Allocated by HUD That Have Been Obligated and Drawn Down in Texas



Source: GAO analysis of HUD data.

In Texas, there are 351 Public Housing Agencies that have received a total of $119.7 million from the Recovery Act Public Housing Capital Fund formula grant awards. As of June 20, 2009, the agencies have obligated $10.4 million and expended $2.3 million. GAO visited two Public Housing Agencies in Texas—the San Antonio Housing Authority and the Ferris Housing Authority—to discuss their use of the funds.[38]

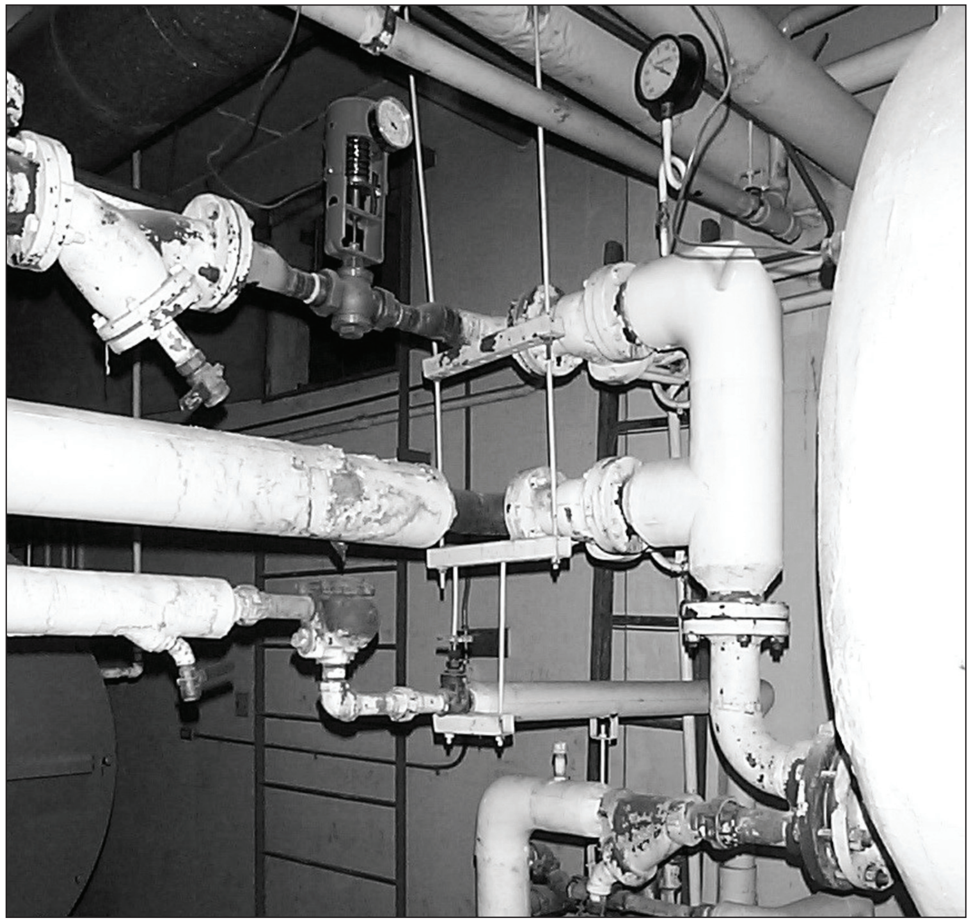
The San Antonio Housing Authority was allocated $14.6 million in Recovery Act funds and had expended approximately $450 for administrative expenses as of June 20, 2009. According to documentation

[38]We visited the San Antonio Housing Authority and the Ferris Housing Authority in Texas to discuss their use of Capital Fund formula grants totaling about $14.6 million. We selected the San Antonio Housing Authority because it represents one of the largest public housing authorities in an urban area in Texas, and it received the largest Recovery Act Capital Fund grant in the state. We selected the Ferris Housing Authority because it represents a rural public housing authority in Texas that received Recovery Act Capital Fund formula grants and because it had expended 100 percent of its Recovery Act allocation as of June 6, 2009.

obtained from this authority, 95 percent of Recovery Act funds will be used for projects previously identified in the agency's Capital Fund Program Five-Year Plan, including (1) comprehensive modernization of one development with 119 units; (2) elevator/fire/security upgrades of 22 developments for housing the elderly; (3) playground upgrades of 12 multifamily developments; and (4) replacing and repairing ventilation systems, doors, fences, roofs, and cabinets for more than 20 developments. The remaining 5 percent is currently planned to be used for contract administration. According to San Antonio Housing Authority officials, maintenance needs assessments of the agency's public housing developments conducted in 2005 determined that a total of $300 million in repairs were needed (deferred maintenance). San Antonio Housing Authority officials informed us that they planned to obligate approximately $534,000 in late June 2009 and expect to have at least 70 percent of Recovery Act funds obligated by December 2009.

Included in the San Antonio Housing Authority's list of projects receiving Recovery Act funds is a development built in the early 1970s to house the elderly. It will be completely rehabilitated at an estimated cost of $6.6 million. We visited this development and officials told us they plan to replace the development's cabinets, flooring, windows, and heating and air-conditioning system that, as shown in figure 7, had corroded pipes and, according to officials, often leaked and did not provide adequate heating and cooling. San Antonio Housing Authority officials stated that they expect to award contracts for this project in December 2009.

Figure 7: San Antonio Housing Authority—Corroded Heating and Air-Conditioning Pipes



Source: GAO.

We also visited a development that will receive a new roof and playground upgrades at an estimated cost of $250,000 for 34 buildings. San Antonio Housing Authority officials told us they expected the playground upgrades and site repairs to begin by September 2009.

San Antonio Housing Authority officials told us they are using existing processes to track Recovery Act funds. Officials stated that its accounting system is capable of tracking each grant and funding source separately, and they provided a spreadsheet that will be used to track daily activities. These officials further told us they had not faced any delays in drawing down funds out of HUD's Electronic Line of Credit and Control System (ELOCCS). Additionally, officials stated they did not foresee any issues in meeting the accelerated requirements to obligate and expend funds under the Recovery Act and had already begun work to obligate 100 percent of Recovery Act funds by March 2010, including receiving approval from its board for architectural and engineering firms to prepare construction documents for two major projects. Officials also told us they were accustomed to working with Davis-Bacon requirements.[39]

Subsequent to our visit on June 18, 2009 indictments were unsealed in the U.S. District Court in San Antonio that charge five San Antonio Housing Authority employees — two maintenance supervisors, a senior maintenance technician and two project mangers — with federal bribery-related offenses. The indictments charge that each of the employees corruptly accepted money, ranging from $1,800 to $6,500, in exchange for influencing or securing repair contracts on various properties of the San Antonio Housing Authority. The cases against the five employees are now pending before the court. San Antonio Housing Authority officials stated that these employees have been terminated and steps have been taken to strengthen its procurement process. Additionally, officials told us that tighter accountability measures and internal controls are being implemented to prevent this type of activity from recurring.

The Ferris Housing Authority was allocated $57,868 in Recovery Act funds, and as of June 20, 2009, had expended the entire amount. The funds were spent on needs that had previously been identified by the agency, including 105 window replacements, 10 bathroom renovations, and sewage line upgrades. Figure 8 shows one of the renovated bathrooms. Documentation obtained from the Ferris Housing Authority detailed that the agency accounted for its Recovery Act expenditures by documenting payments made and contractor receipts.

[39]The Recovery Act requires all laborers and mechanics employed by contractors and subcontractors on Recovery Act projects to be paid at least the prevailing wages as determined under the Davis-Bacon Act. Recovery Act, div. A, title XVI, § 1606. Under the Davis Bacon Act, the Department of Labor determines the prevailing wage for projects of a similar character in the locality. 40 U.S.C. §§ 3141-3148.

Figure 8: Ferris Housing Authority—Renovated Bathroom with Updated Tile, Bathtub, Toilet, and Sink

Source: GAO.

A Ferris Housing Authority official informed us that the authority did not have major problems accessing funds and that its Recovery Act allocation and expenditures did not require changes or enhancements to its internal controls. Documentation obtained from the agency detailed that Recovery Act expenditures were tracked and accounted for separately from other federal funds.

According to an official from the Ferris Housing Authority, the sewer line replacement will likely save the agency money over the long-term by preventing previously required monthly maintenance. The housing authority did not plan to measure additional impacts of its Recovery Act spending until it receives additional instructions from the federal government stipulating such a requirement.

Texas Continues Its Efforts to Provide Accountability and Transparency of Recovery Act Funds

The state process for accounting and overseeing Recovery Act funds remains unchanged since our April 2009 report. As we reported, Texas officials noted that Recovery Act funding will flow generally through existing federal-state agency partnerships or programs. Thus, state officials told us they plan to use, to the extent possible, existing systems, processes, or mechanisms to provide accountability and transparency for Recovery Act funding. As we noted in our April 2009 report, the Office of the Governor has established a steering committee—made up of all the state agencies receiving Recovery Act funds, as well as the State Comptroller—that meets twice a week. State officials informed us that oversight of federal Recovery Act funds in Texas involves various stakeholders, including the Office of the Governor, the State Auditor's Office, and the Office of the Comptroller of Public Accounts. Officials also told us that the biennial general appropriations bill contained a provision that is designed to specifically facilitate the tracking of Recovery Act funds distributed to Texas—that is, the bill had a separate section (Article XII) that identifies, by applicable state agency, Recovery Act funds allocated to Texas.[40] In addition, at the direction of the Governor, two training presentations have been developed by a subcommittee of the Texas State Internal Audit Forum to provide additional guidance related to the accounting and transparency of Recovery Act funds. The training includes an overview of the audit process for the executive level and a more detailed presentation on "Internal Control Requirements for the American Recovery and Reinvestment Act" for program managers. On June 18, 2009, the Governor signed an executive order providing state agencies with additional guidance on the expenditure and reporting of Recovery Act funds.

As we reported in April 2009, the Office of the Comptroller of Public Accounts has established a centralized budget account for Recovery Act funds with a unique funding code. According to officials at state agencies we visited, this change to enable the tracking of Recovery Act funds was procedural and did not necessitate significant modification to agency financial systems. For example, both the Texas Workforce Commission and Texas Education Agency officials indicated that tracking Recovery Act funds would not require changes to their financial systems.

State agencies are also adding staff to expand the ability to oversee Recovery Act funds. The Comptroller's office is hiring 13 additional staff to

[40]S.B. 1, 81th Leg. Sess. (Tex. 2009). The Governor signed the bill on June 19, 2009.

help manage Texas Recovery Act funds. Texas Education Agency officials stated they were also adding staff to oversee the use of Recovery Act funds by adding two specialist positions to review and approve Recovery Act ESEA Title I, Part A applications and compliance reports.

In May 2009, officials told us that the State Comptroller's Office, in conjunction with the Office of the Governor, began requiring weekly reports from state agencies on their requests and allocations of Recovery Act funds. We were told that this financial information is subsequently posted on the Comptroller's Web site.[41] In June 2009, the Comptroller's office also started using its Web site to reinforce this reporting requirement and further promote transparency over the state's use of Recovery Act funds.

Anticipating that Recovery Act funding would increase its scope of responsibilities, the State Auditor's office plans to hire 10 additional staff (9 auditors and 1 investigator). According to the office, by June 1, 2009, the 9 auditors had begun work, and they continue to work toward hiring an investigator. The State Auditor told us the additional staff would enable his office to increase its audit efforts.

The State Auditor commented that the office plans to look closely at the financial statements of Texas agencies, as well as agency internal audits. The State Auditor explained that the office intends to audit Recovery Act funds through the Single Audit of the state of Texas's expenditures of federal awards.[42] Some programs with new federal account codes, for Recovery Act funds such as ESEA Title I, Part A and IDEA, Part B will be added to the Single Audit review for the Texas fiscal year ending August 31, 2009.[43] The State Auditor's office has the authority to conduct discretionary audits based, for example, on (1) discussions with internal auditors at state agencies or (2) risk assessments that consider previously reported material weaknesses in program compliance and internal

[41]See http://www.window.state.tx.us/recovery/.

[42]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.

[43]The fiscal year in Texas runs from September 1 to August 31.

controls, as well as risk assessments of programs that have not been tested before. The 2010-2011 appropriations act contains a provision for reporting Recovery Act-related fraud, which will require that state agencies' Web sites provide information on how to report suspected fraud, waste, and abuse directly to the State Auditor's office.[44] In addition, in May 2009, the office placed a link on its Web site to inform the public on how to report fraud, waste, and abuse of Recovery Act funds.[45]

The Governor's office has also taken steps to monitor Recovery Act funds. For example, the Criminal Justice Division of the Governor's office is in the process of hiring two additional auditors to monitor grant compliance of the $90.3 million in Recovery Act funding. Also, the Office of the Governor continues to host scheduled meetings (twice weekly) of a steering committee made up of representatives of all state agencies receiving Recovery Act funds and the Comptroller's office, for the purpose of ensuring statewide communication of the need for accountability and transparency. Further, officials from the Governor's office informed us that it has contracted with a consulting firm to track Recovery Act deadlines for federal applications, determine reporting requirements, and share this information with state agencies to assist Texas in completing federal applications and meeting Recovery Act reporting requirements.

Statewide Monitoring and Oversight Activities Supplemented with Agency Efforts

In addition to statewide oversight activities, the state agencies we contacted plan to conduct their own oversight of their respective Recovery Act funds.

- The Texas Department of Transportation stated that its project management includes daily oversight of both contractors and subcontractors by an on-site inspector. In addition, resident engineers for each work site keep a daily log of the quantity of materials delivered and installed (e.g., loads of asphalt).

- The Texas Department of Education has improved its monitoring process to include a refined risk assessment methodology to help allocate limited staff resources to specific areas of risk. Improvements also include a streamlined compliance review of subrecipients.

[44] Conference Committee Report for S.B. No. 1 General Appropriations Bill, 81st Leg. Sess., at IX-69, § 17.05.

[45] See http://www.sao.state.tx.us/.

Officials believe these changes will result in timelier monitoring of subrecipient compliance with federal requirements and review of subrecipients corrective actions to address material compliance issues identified in Single Audits.

- Texas Department of Housing and Community Affairs (TDHCA) officials have identified several risks associated with the significant increase in weatherization funds and new subrecipients as a result of the Recovery Act. TDHCA officials believe these risks could impact its ability to meet the goals and objectives of the Recovery Act to maintain accountability, effective internal controls, compliance, and reliable financial reporting. The risks associated with the large increase in weatherization funds to subrecipients include
    - the ability to plan for an increase of funds,
    - staffing considerations,
    - program tracking,
    - quality control,
    - monitoring of program rules and regulations, and
    - identification and eligibility of beneficiaries.

To address these risks, TDHCA plans to increase communications with all subrecipient organizations, enhance training and technical assistance, and increase monitoring.

The risks associated with new subrecipients include

- lack of required construction expertise, and
- lack of program regulations knowledge.

To address these issues, TDHCA plans to provide intensive monitoring, technical assistance, and training on weatherization program regulations.

- Texas Workforce Commission officials stated that, in addition to its normal monitoring practices, it plans to conduct specific reviews pertaining to subrecipient expenditures of Recovery Act funds. The commission's Subrecipient Monitoring Department will conduct reviews at workforce boards receiving the largest youth allocation of Recovery Act funds—Dallas, Gulf Coast, and Lower Rio Grande. The commission will increase subrecipient monitoring to ensure Recovery Act fiscal and program requirements are met and will increase subrecipient monitoring visits this summer. From September to December, commission officials told us they plan to review controls over Recovery Act funds at approximately eight workforce boards.

- The Criminal Justice Division within the Office of the Governor is in the process of hiring two auditors to expand its ability to monitor compliance for $90.3 million in Bryne grant funds provided by the Recovery Act.

Potential Areas of Vulnerability of Recovery Act Funds in Texas

In May 2009, officials from the State Comptroller's office repeated its concern that the federal government was not identifying Recovery Act funds separately from other federal funds disbursed to the state. Absent this identification, the Comptroller relies on state agencies to distinguish between the two types of federal funds. Texas officials cited federal fund transfers to the Texas Workforce Commission and the Texas Health and Human Services Commission as examples of this identification problem. Absent separate coding from the U.S. Department of the Treasury, the Texas officials said the state relies on the state agencies to inform the State Comptroller's office on what portion of federal funds are Recovery Act funds. The Texas officials commented that it would be helpful if the federal government put in place the coding structure to identify Recovery Act funds separately from other federal funds—as they believe the Recovery Act requires—before Recovery Act funds are disbursed to Texas. Officials told us that doing so would offer the Comptroller's office another opportunity to substantiate the amounts being reported by the state agencies on a weekly basis. Officials added that the Comptroller's office would take all necessary steps to ensure that Recovery Act funds flowing through the state treasury are properly tracked and accounted for. The state has sent two inquires to the Office of Management and Budget expressing its concerns and is awaiting a reply. State agency officials told us they do not share the Comptroller's concern because they are able to distinguish between their normal federal funds and Recovery Act funds when initiating fund transfers.

Another potential area of risk involves Recovery Act education and housing fund subrecipients. Officials at the Texas Education Agency and Texas Department of Housing and Community Affairs told us that monitoring of subrecipients receiving Recovery Act funds will take on greater importance because of the Recovery Act's additional tracking and reporting requirements. The Texas Department of Housing and Community Affairs officials are responsible for monitoring the weatherization program's subrecipients. Agency officials said their monitoring staff will be challenged by working with new subrecipients, such as city governments that may not have existing weatherization programs. State officials added that this challenge is complicated by the large increase in weatherization funding available under the Recovery Act.

Assessing the Effects of Recovery Act Spending

State and local officials commented that agencies were developing measures for assessing the performance of programs that receive Recovery Act funds. These officials recognized, however, that some adjustments to performance measures may be needed for assessing the impact of Recovery Act funds. State and local officials we spoke with confirmed they were developing methods for collecting and reporting on jobs created and additional impacts that Recovery Act funds will have on the state and their agencies. On June 22, 2009, the Office of Management and Budget issued guidance on assessing the impact of Recovery Act Funds.[46] Because the guidance was recently issued, we did not have the opportunity to discuss with state officials if the guidance resolved their concerns.

State Agencies and Localities Are Developing Methods to Measure and Report on Jobs Created

- Officials at each of the three Texas Department of Transportation district offices we visited told us they would use Federal Highway Administration forms for reporting jobs created or retained. Guidance was provided by the Federal Highway Administration and the Texas Department of Transportation and made part of all Recovery Act-funded contracts. Forms will be collected monthly from contractors and locally managed entities, as well as remitted to Texas Department of Transportation headquarters in Austin.

- Texas Education Agency officials told us they plan to measure the number of jobs created and saved by Recovery Act funds for both ESEA Title I, Part A and IDEA, Part B programs. This information will be collected from local education agencies at two points: in the application for funds at the beginning of the grant period and in a compliance report at the end of the grant period. For example, the Fort Worth Independent School District officials stated they plan to track the number of positions created as a result of Recovery Act funds allocated by utilizing an existing human resource management system.

[46] 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.*

- Texas Department of Housing and Community Affairs officials have identified two tiers of job creation and retention they plan to track for the Weatherization Assistance Program: the direct employment of staff or contractors that administer the program, as well as subrecipient and subcontractor staff supported with Recovery Act funds.
- San Antonio Housing Authority officials are coordinating with HUD to create performance measures to monitor and report on job creation and retention.

State and Local Agencies Plan to Track Effects

- The Texas Department of Housing and Community Affairs officials reported plans to calculate projected savings from the installation of materials designed to reduce home energy consumption for the weatherization program. Additionally, department officials said they plan to track the (1) number of units weatherized, (2) average cost per home served, (3) total number of low-income households eligible for energy assistance, and (4) the percentage of very low-income households eligible for assistance that actually receive assistance.
- Texas Workforce Commission officials said they currently plan to utilize pre-existing systems to track Recovery Act funds and have established the "number of participants served" as a performance measure, among others, for its summer youth program. The agency is in the process of considering additional performance measures.
- Local school district officials told us they also plan to measure the impact of Recovery Act funding. For example, Houston Independent School District officials plan to compare student performance data collected prior to and during the Recovery Act funding years and compare their performance to local, state, and national data. Also, Fort Worth school district officials stated they plan to track the impact of the funds using their existing system.
- Officials from the San Antonio Housing Authority's Finance Division plan to track cost and maintenance savings as a result of energy conservation materials that will be installed in its developments. Additionally, officials cited plans to coordinate with city of San Antonio staff to measure the Recovery Act's impact on the city's economy.
- Texas Office of the Governor, Criminal Justice Division (CJD) officials report that they plan to monitor performance and financial aspects of awarded Byrne Grant funds to ensure that funds are used for

authorized purposes. Also, the CJD, in coordination with the Office of the Governor, Financial Services Division, plans to able to account for, track, and report on federal funds resulting from the Recovery Act separately from other fund sources. According to the CJD officials, this will allow each award to be directly tied to accounting codes to give the Governor's Office the ability to account for, track, and report separately on these funds. Texas also contracts with the Public Policy Research Institute at Texas A&M University to maintain a web-based data collection system that can retrieve and analyze program performance data.

Texas's Comments on This Summary

We provided the Governor of Texas with a draft of this appendix on June 17, 2009. A Senior Advisor, designated as the state's point of contact for the Recovery Act, responded for the Governor on June 19, 2009. In general, the Senior Advisor agreed with the information in this appendix but wanted us to provide more context on how the state views the guidance and directives received from the federal government on what is expected on reporting and monitoring of Recovery Act funds. We added contextual perspectives to address this concern, as well as the Senior Advisor's belief that Texas continues to be well-equipped to meet its responsibilities under the Recovery Act. The Senior Advisor also provided technical suggestions that we incorporated, where appropriate.

GAO Contacts

Carol Anderson-Guthrie, (214) 777-5700 or andersonguthriec@gao.gov

Lorelei St. James, (214) 777-5719 or stjamesl@gao.gov

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