



Michigan Economic Recovery Office Director, Leslee Fritz, recently talked with Kyle Melinn at Michigan Information & Research Service (MIRS) to discuss the role of the state's Recovery Office and to answer some frequently asked questions about the American Recovery and Reinvestment Act. Following is the text of that interview.

Fritz Directs State Through Stimulus Maze

Michigan is not alone with its budget hole. Combined, the 50 states have \$350 billion in budget shortfalls, but only \$220 billion in federal economic stimulus money available to plug those holes.

The point, said state Recovery Office Director Leslee **FRITZ**, is that even if every dime of discretionary federal stimulus money was used to backfill state budgets, it still wouldn't be enough. Not here, and not across the country either.

"It's certainly welcome help, but it does not solve the problem," Fritz said. "It does not eliminate the tough choices being made in the Michigan State Capitol and in state capitals around the country."

As the director of the eight-person Recovery Office, Fritz and her team play traffic cop to millions in economic stimulus money trickling into the state every day through President Barack **OBAMA**'s economic recovery act -- otherwise known as the stimulus package.

Fritz came to the temporary office from the Governor's communications office via the Budget Office, where she was spokeswoman for Budget Director Bob **EMERSON**. Interestingly, she said she spends more time talking with Emerson now than when she worked directly for him.

Her office consists of five other state employees who are on loan from other departments. Her position in the Governor's office was not refilled. Two new hires were brought about to help manage the recovery money.

MIRS sat down with Fritz today to find out more about what her office does and to gather more information in the \$7-\$7.5 billion the state is receiving through the stimulus package.

Q. What does the Economic Recovery Office do?

A. The role of the office is really two-fold. We are the coordinator of the communications side of recovery -- both to the public and to the stakeholders, local entities who will be receiving money. Right now, that is the biggest piece of what we're doing -- stakeholder education. How is the money accessible? How did I get

access to it? What do I need to do with it once we got it?

The other side of what we do is compliance. We are the entity responsible for making sure we are receiving the money, spending the money and accounting for the money in the way we're required. There is such an increased level of accountability here. It's different than anything that anybody who typically receives federal funding has had to deal with.

Q. This is stricter than what we're typically used to?

A. It's an expanded level of accountability. The time frames are shorter. The amount of information required to be provided back to the federal government has increased.

A good example is the weatherization program, which is seeing a significant increase in money. Typically, the weatherization program has to submit [its] plans and have them approved by the federal agencies every two years and they get a monitoring visit every two years or so.

They now have to submit their plans every quarter. They've already had one monitoring visit and they'll have others. It's just a different level of oversight.

Q. Why is this office necessary?

A. For those two purposes. The communications function is significantly important and challenging. It's a very complex piece of legislation. The money is flowing through more than 100 different formula programs. We've got more than 50 different grant opportunities, many of which are only available to locals or to entities other than state government.

Helping people wade their way through it is critically important, as is ensuring we do it right and making sure we're tracking all of the dollars the way we're supposed to so we don't end up in a situation where we have to pay them back.

Q. If we didn't have this office, we would have . . .

A. We would have a much greater risk of not getting the money that's out there and available because we wouldn't know how to access it. We would also have a much greater risk of not using it in the way we're supposed to.

Q. What is the most common misperception out their right now about the stimulus money?

A. The most common misperception and the one we're fighting the hardest to clear up is the belief that we've simply got a check for a significant amount of money -- that we're at the state level in some room making a decision about who's going to get that money and who isn't.

Very little of this money is coming to any state government in the country with discretion. There are formula dollars flowing through the state down to local programs where the decisions are being made, and there's a significant amount of dollars that were held back in grants that are being administered by the federal government.

There is very little that was sent to the states that the state has to make some type of decision on how to spend it.

Q. The common belief in Lansing is that since we have the stimulus money it will take care of our deficit, but how much stimulus money can we really use?

A. The Governor has been clear all along that if we used every dollar that was available in economic recovery money and put it into the holes of state government, we would still have a hole. It does not solve our budget problems. It can certainly soften what is a very difficult budget because the additional FMAP (Federal Medical Assistance Percentages) frees up state dollars. There is a very small pot in the state fiscal stabilization fund that has some discretion, but it will not eliminate the difficult decisions that need to be made to balance the state budget.

Q. We're looking at \$7 billion that we're getting out of this?

A. The formula monies we're anticipating will be in the range of \$7 to \$7.5 billion, but the vast, vast majority of that flows right through the state and down to local entities.

Q. If the hole in the budget is \$1.3 billion, it seems like \$7 or \$7.5 billion would more than cover the hole.

A. That's the misperception out there, but in that \$7 billion, for example, is \$2.2 billion that will flow through the state to the schools in Title 1 and IDEA (Individuals with Disabilities Education Act), the special education program. We don't have any discretion at the state level but to pass that through using the existing formula to local school districts.

There are more than 100 different formulas. There's the road money. We got nearly \$1 billion in road funding that can be used for nothing other than for roads. It can't be taken to fill holes elsewhere in the budget, so the lion's share of the formula dollars come with strings that prevent us from using it to balance the budget, even if we want to.

Q. But we can be creative with this stimulus money, can't we?

A. Define creative.

Q. For example, we can cut the School Aid Fund (SAF) this year but count on economic stimulus money to fill in the gaps.

A. In the case of the education dollars, there's a mandate that whatever we cut be restored. So, yes, there is the ability to make a cut to education. If we found ourselves in a situation where we had to pro-rate or cut the FY '10 budget, we are required to use money from the State Fiscal Stabilization Fund to restore those cuts.

Chances are, given what's happening with the budget, some of that may be required. I don't know what those decisions will be today, but certainly the revenues would indicate that we're heading in that direction.

Q. How did we make out compared to other states in terms of how much money we're getting?

A. It's too early to answer that question with great detail because we're still in the very early stages of allocation. Overall, I feel confident that we're being as

aggressive and as creative as we can in pursuing dollars. Obviously, there are places within the formula where we wished we fared better -- roads being a good example. We're a donor state.

Using the existing formula, where we feel like the state doesn't get our fair share, means we don't get our fair share of recovery dollars, but we are actively seeking every grant opportunity we can find. The Governor is pursuing collaborations with other states, creating regional partnerships to pursue some big-ticket items.

We're being as aggressive as we can be in pursuing all of these dollars. At the end of the day, every state is going to have tremendous opportunities out of this recovery act to do some important economic development items that have been on hold.

Q. One of the big criticism of this stimulus bill is that it will force states to create programs or fund existing programs at a rate that cannot be sustained after the stimulus money is gone. How much of the stimulus money that we're getting would fall under that category?

A. That's a misunderstanding of the intention of the Recovery Act. All of these dollars are maintained separately. They have to be accounted for and treated separately, specifically so we're not expanding budgets that than have to be maintained.

In places where there might be an eligibility expansion or benefit increase those things are tied specifically to the act. For example, this additional Title 1 and IDEA money going to schools. Yes, it goes through an existing formula, but it is clear to the school districts that it's a one-time amount of money, and that we and the federal government are strongly encouraging the school districts to use it in a one-time way.

The Governor and legislative leaders are being clear that we'll do the same with the discretionary dollars that we have. It will go toward one-time activity so we're not creating additional funding demands in a state budget that is already in crisis. The last thing we want is a cliff at the end of this money or else we end up worse off than when we started.

Q. How much of this money has already trickled into the state and how much have we yet to receive?

A. In terms of the allocations of the money, we're probably in the neighborhood of 20 to 25 percent has been allocated. Not all of it has been obligated, which means we don't have access to all of it. We know what our portions are going to be, but we don't have it all obligated to us where we can spend it. And a portion hasn't been appropriated by the Legislature to spend.

So there's multiple steps in the process, but the federal government has to allocate around \$1 billion a day in order to move the money as fast as they're supposed to move it, and they're moving very, very quickly. We're receiving notification, especially now, literally every day of additional items that has been allocated or obligated to the state.

It's moving quickly, but it's moving one program, one formula, one line item at a time.

Q. When you receive these e-mails, do you just dish them off to the different departments?

A. The communications on the funding come in a variety of different ways. I wish I could say that it's a coordinated process. Every federal agency communicates with the states in their own way. In some cases, the Governor's office is notified. In some cases, our Congressional offices are notified. And in some cases, I'm notified as the state recovery coordinator.

There's a less structured process than most states would like to see, but we are all working to ensure what we know. Nobody is assuming that everybody knows what they know and that's an essential part of making this work.

It's a new administration that is trying to move with unprecedented speed, so everybody is learning all of this together.

Q. Is there going to be any of the stimulus money left over to be used for FY 2011?

A. A little bit of it stretches into 2011, but certainly not a significant part of it. For example, the expanded FMAP, the expanded Medicaid matching rate extends into the first quarter of 2011. There are some grants that will be stretched into 2011, but the vast, vast majority of the money will be gone by then.

Q. How much of this stimulus money is going toward infrastructure-type projects and how much is going to social programs, be it health care, unemployment, retraining, that kind of stuff?

A. I have not done a specific breakdown of it, but the expectation going into it was that the vast, vast majority of the money would go into infrastructure, whether it was roads, bridges or public buildings. But it's really a small percentage of the overall Act. Big chunks of the infrastructure pot were removed at the last minute.

They choose instead to use their existing formulas where existing dollars could flow very quickly and could address a lot of the human need that we're seeing because of the economy. I don't know what, specifically, what the percentages are but if looking at the formula dollars, infrastructure results in one out of seven. We have roughly \$1 billion of the formula dollars going for infrastructure.

Q. That means the rest of it is going toward . . .

A. A wide variety of things. Everything from the big chunks in Medicaid and education to programs in our armories, our meals on wheels programs, our Americorps volunteers, public safety programs, so really a wide, wide range of programs are seeing funding. There's just not the wide pots of money initially expected.

Q. How much could we conceivably get in the competitive grant portion?

A. If we do it right, we could get several billion dollars. There is around \$50 billion available in competitive grants, some of which we are going to push very hard for, the \$2 billion for advanced battery technology, for example. We would like all of that and feel like we are in a very strong position to make a play for those dollars.

There are grants for border security in the Southwest that we're not even eligible for, but there are large pots of money that we will be pursuing very aggressively.

Q. Give me a couple more examples of dollars the state will be going after?

A. The Governor has been very vocal about the \$8.5 billion available for high-speed rail. We want the Midwest rail between Detroit and Chicago to be one of those projects. We're pushing for transportation dollars for the Soo Locks. Obviously, the energy side, there's a number of energy grants that we believe can be beneficial.

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