



CONGRESSIONAL BUDGET OFFICE  
U.S. Congress  
Washington, DC 20515

January 28, 2009

Honorable Kent Conrad  
Chairman  
Committee on the Budget  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

This letter responds to your request for an assessment of how spending from the economic stimulus proposals currently before the Congress could be accelerated.

As you noted in your letter, when considering alternative approaches to stimulating the economy during a recession, timing is an important factor. When, as now, a recession is clearly under way and aggregate demand is declining, it is better if stimulus affects spending quickly in order to mitigate further deterioration in the economy. Some kinds of federal expenditures can be undertaken much more rapidly than others. For example, changes in benefits for the Supplemental Nutrition Assistance Program (formerly Food Stamps) and unemployment insurance can result in additional spending quite quickly. In contrast, spending on infrastructure projects often takes longer to start up and some projects take several years to complete.

**Spending Under H.R. 1.** H.R. 1, the American Recovery and Reinvestment Act of 2009, as introduced in the House of Representatives on January 26, 2009, would result in additional spending of \$604 billion over the 2009-2019 period, CBO estimates. About 15 percent of that spending would occur in the remaining several months of fiscal year 2009; another 37 percent would be spent in 2010. A total of almost 80 percent of the cumulative 11-year spending would occur from 2009 through 2011. (In addition to that spending, H.R.1 would reduce revenues by an estimated \$212 billion over the 2009-2019 period.)

Speeding up the rate of spending would not be easy. In the very short run, fiscal year 2009 will be nearly half over by the time stimulus legislation is passed, so while federal agencies and state and local governments can begin the process of obligating (committing) funds, there will be limited time for spending this fiscal year.

Moreover, under H.R. 1, some programs would receive funding that is significantly above (double, triple, or more) the amounts provided for existing or similar programs in recent years. Frequently in the past, in all types of federal programs, a noticeable lag has occurred between sharp increases in budget authority and the resulting increases in outlays. Based on such experiences, CBO expects that federal agencies, along with states and other recipients of that funding, would find it difficult to properly manage and oversee a rapid expansion of existing programs so as to expend the added funds as quickly as they expend the resources provided for their ongoing programs.

Lags in spending stem in part from the need to draft plans, solicit bids, enter into contracts, and conduct regulatory or environmental reviews. Spending can be further delayed because some activities are by their nature seasonal. For example, major school repairs are generally scheduled during the summer to avoid disrupting classes, and construction and highway work are difficult to carry out during the winter months in many parts of the country.

Brand new programs pose additional challenges. Developing procedures and criteria, issuing the necessary regulations, and reviewing plans and proposals would make distributing money quickly even more difficult—as can be seen, for example, in the lack of any disbursements to date under the loan programs established for automakers last summer to invest in producing energy-efficient vehicles. Throughout the federal government, spending for new programs has frequently been slower than expected and rarely been faster.

**Actions that Could Accelerate Spending.** CBO has not analyzed the various programs in detail in order to identify the specific steps that might be taken in each case to speed up spending. Some possibilities for accelerating spending in infrastructure and other grant programs include changing federal standards and requirements by:

- Waiving requirements for environmental and judicial reviews;
- Allowing contracts and grants to be awarded outside the normal competitive bidding process;
- Waiving maintenance-of-effort requirements for state and local governments; and
- Changing the way funds are distributed. For example, spending for some education programs might be sped up if the federal government used formulas instead of competitive processes to distribute funds. In the case of transportation projects, it could mean waiving formulas and instead giving priority to those grantees that are able to get to contract most quickly.

Some funds for infrastructure projects might also be spent more quickly if recipients were:

- Offered financial incentives for work completed within one to two years of enactment;
- Given deadlines for obligating funds;
- Given the authority to “pre-award” contracts (that is, award contracts before all of the currently required approvals and certifications are obtained); and
- Allowed to self-certify compliance with certain standards (federal agencies would then review paperwork and documentation after projects have begun).

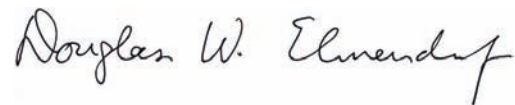
States also have contracting and other requirements for carrying out infrastructure projects, however, and changes in those standards might also be necessary in order to accelerate spending. One option might be to make the receipt of federal funds contingent on such changes.

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Making such changes to accelerate federal spending could have other consequences, however. Undue speed could result in: errors in planning, design, or contracting that might result in poor performance, legal challenges, or increased project costs; unanticipated environmental impacts; or the undertaking of projects that are of little value but that can be started up quickly.

I hope this information is helpful to you. The CBO staff contact is Theresa Gullo.

Sincerely,

A handwritten signature in cursive script that reads "Douglas W. Elmendorf".

Douglas W. Elmendorf  
Director

cc: Honorable Judd Gregg  
Ranking Member

Honorable Daniel K. Inouye  
Chairman  
Committee on Appropriations

Honorable Thad Cochran  
Ranking Minority Member

Honorable John M. Spratt Jr.  
Chairman  
House Committee on the Budget

Honorable Paul Ryan  
Ranking Member

Honorable David R. Obey  
Chairman  
House Committee on Appropriations

Honorable Jerry Lewis  
Ranking Member