Recovery Act Discussion

Recovery Accountability and Transparency Board

Independent Advisory Council

January 25, 2011

Presenter

Jim Apperson, Director

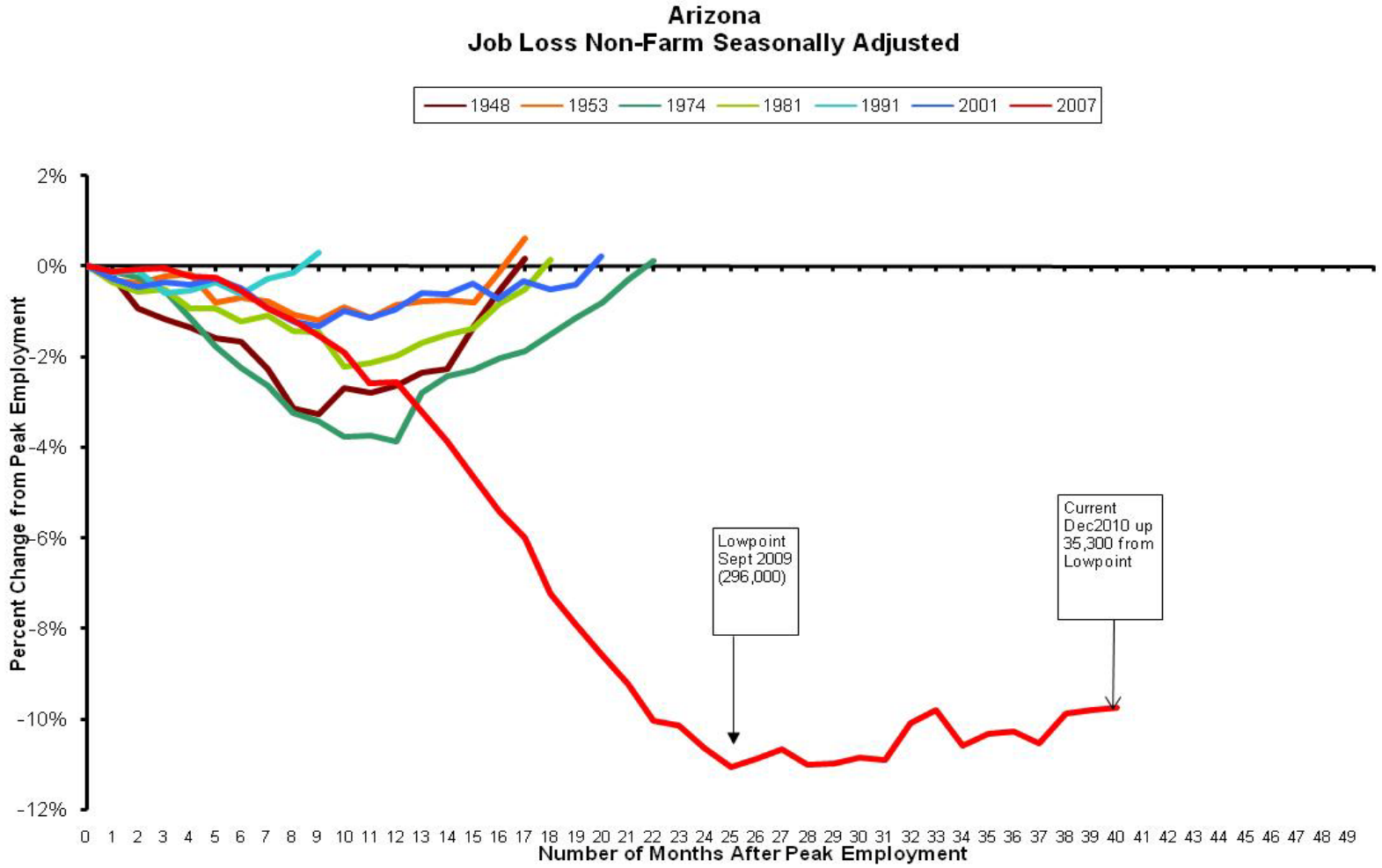
Governor's Office of Economic Recovery
State of Arizona

Overview

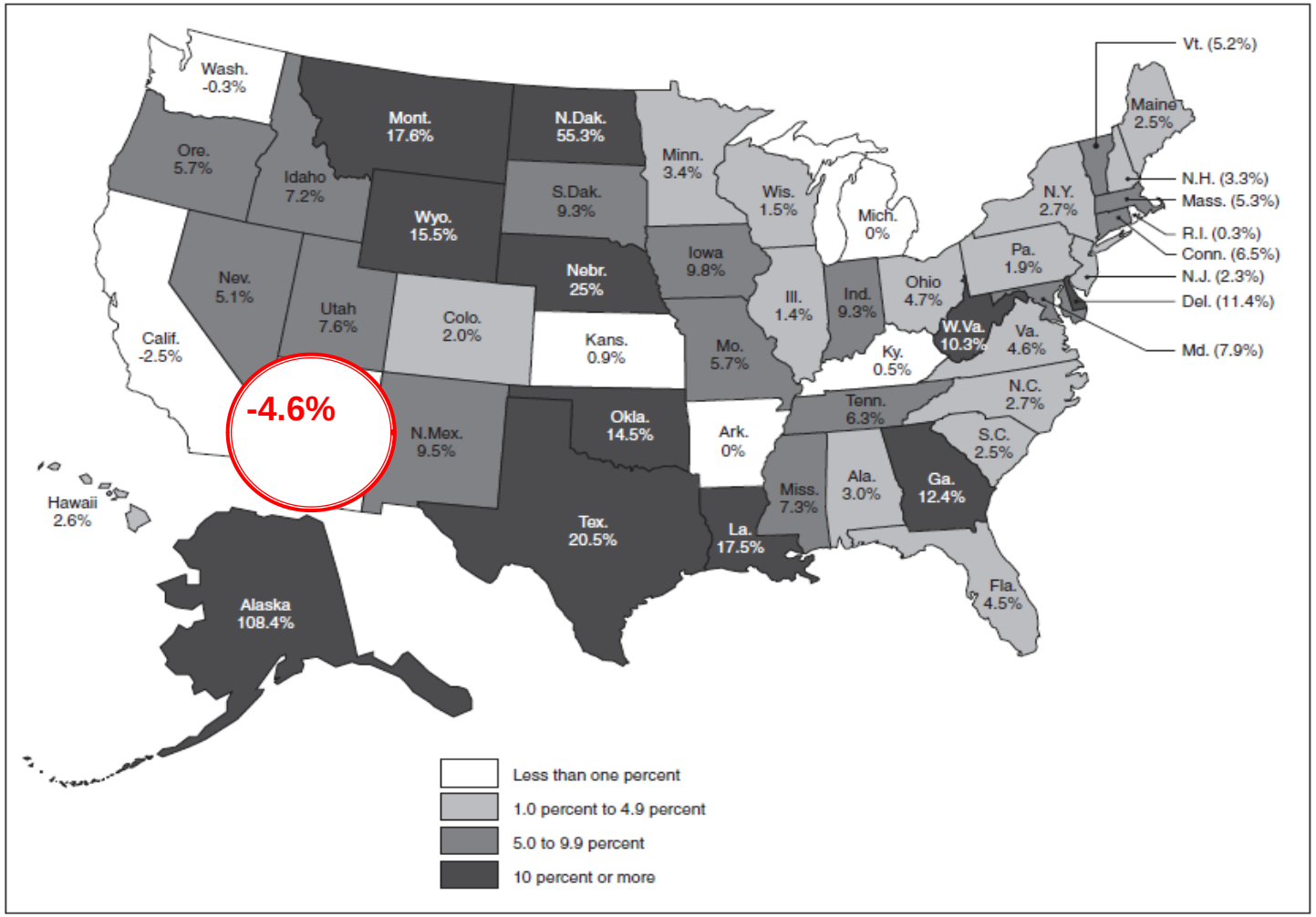
- Arizona's Fiscal Picture
- Impact of ARRA
- Issues and Problems
  - Setting up Shop
  - Centralized v. Decentralized
  - Cost of doing Business: SWCAP
  - OMB Rules
  - Media Hype: AZ Congressional District 14
  - The Weekly Czar Calls
  - Getting Help
  - Websites
  - Report Timing: By the 10th of the Month? Seriously?
  - Fraud, Waste and Abuse
  - U.S. GAO: 16 Lucky States
  - Recipient Feedback on ARRA

ARIZONA'S FISCAL PICTURE

Arizona Employment Trends



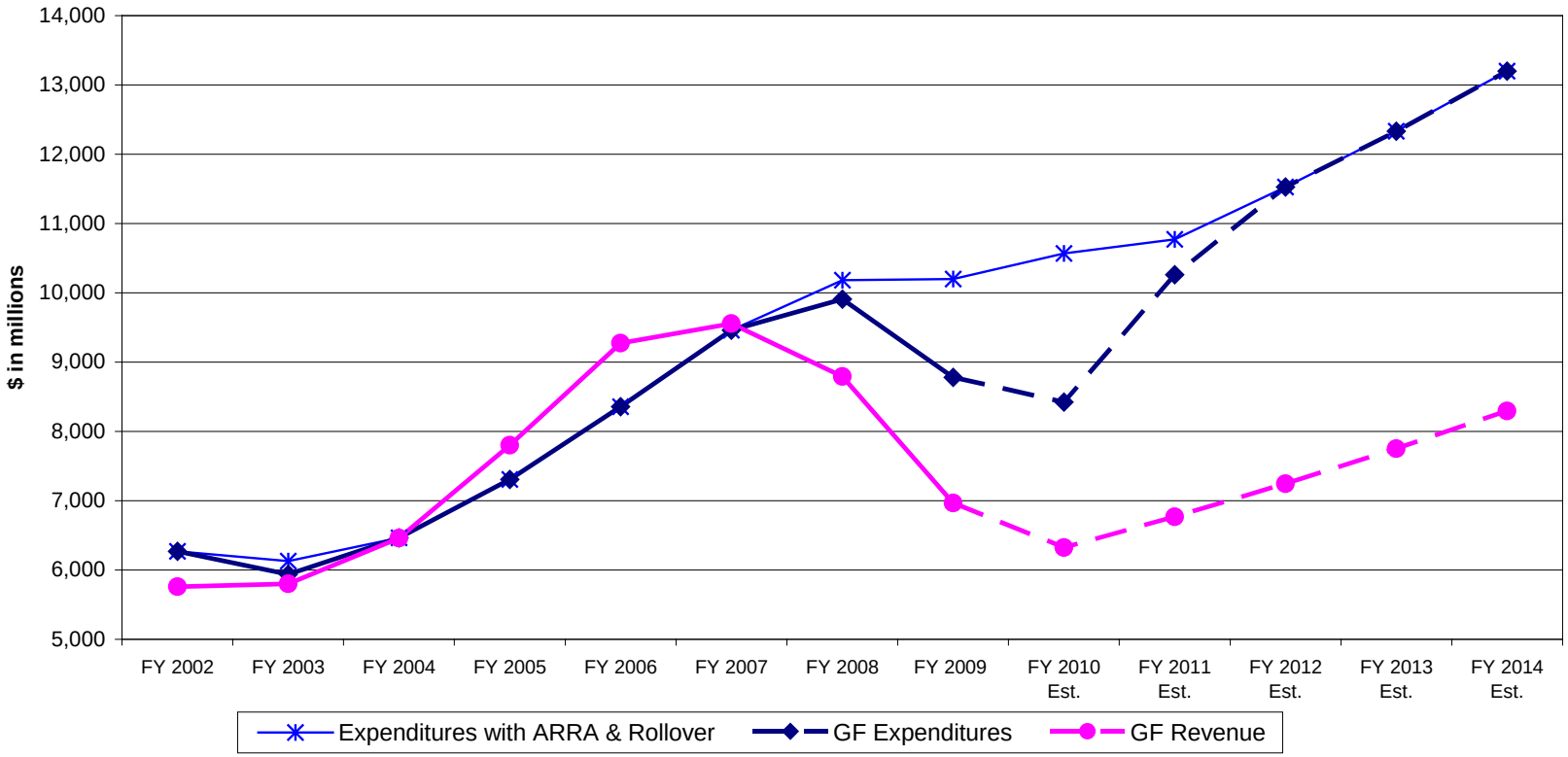
Total Year-End Balances as a Percentage of Expenditures, Fiscal Year 2009



Source: Copyright © Corel Corp. All rights reserved (map); GAO analysis of U.S. Bureau of Labor Statistics data.

Arizona's Problem – Structural Deficit

General Fund Ongoing Revenue and Expenditures before Solutions

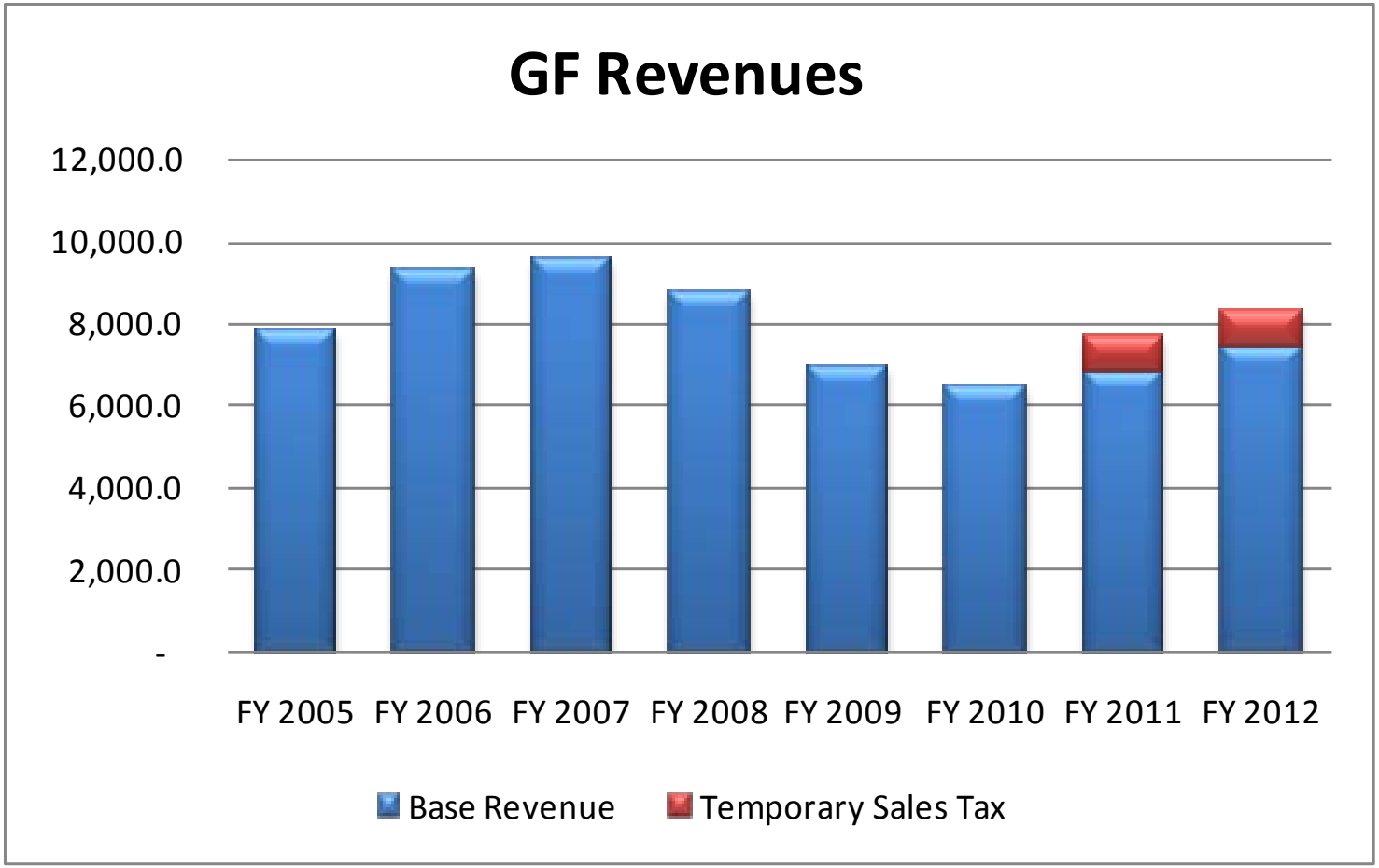


Assumptions: **Revenue:** Ongoing revenue does not include one time items such as fund transfer, asset sales, etc. Growth rates assumptions: FY10: -9.2%, FY11:7%, FY12 and 7%. **Expenditure:** Ongoing expenditure does not include rollover or ARRA. FY10 and FY11 estimated Expenditure from most current S&U, FY12 and beyond assuming 7% growth.

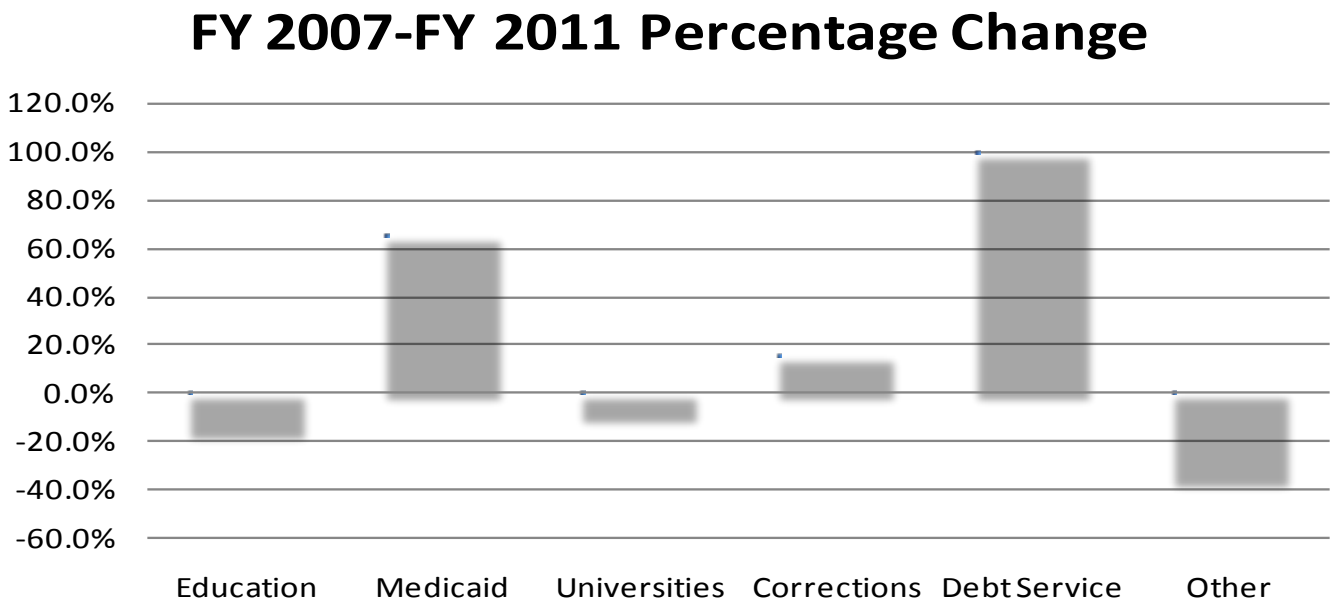
Budget Shortfall

- FY 2011 $763 million
- FY 2012 $1.15 billion

Revenues


GF Revenues
12,000.0
10,000.0
8,000.0
6,000.0
4,000.0
2,000.0
-
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011
FY 2012
Base Revenue
Temporary Sales Tax

Expenditure Changes FY 2007–FY 2011



On-Going General Fund Expenditures	FY 2007	FY 2011	% Change
Education	$4,156.0	$3,491.2	-16.0%
Medicaid	$1,605.8	$2,649.0	65.0%
Universities	$952.5	$855.6	-10.2%
Corrections	$815.0	$938.7	15.2%
Debt Service	$112.3	$223.4	98.9%
Other	$1,782.8	$1,128.1	-36.7%
Total	$9,424.4	$9,286.0	-1.5%
SFB New Construction	$250.0	$0.0	-100.0%
Total	$9,674.4	$9,286.0	-4.0%

Medicaid Assumes regular FMAP

Reductions in Other include funding shifts to both other funds and debt. Major examples include DPS to SHF ($100).

Sums exclude SFB New Construction which contracted naturally. The remaining program is now supported by debt.

Record Cuts

- **$2 Billion Cut Permanently from the State budget in three years**

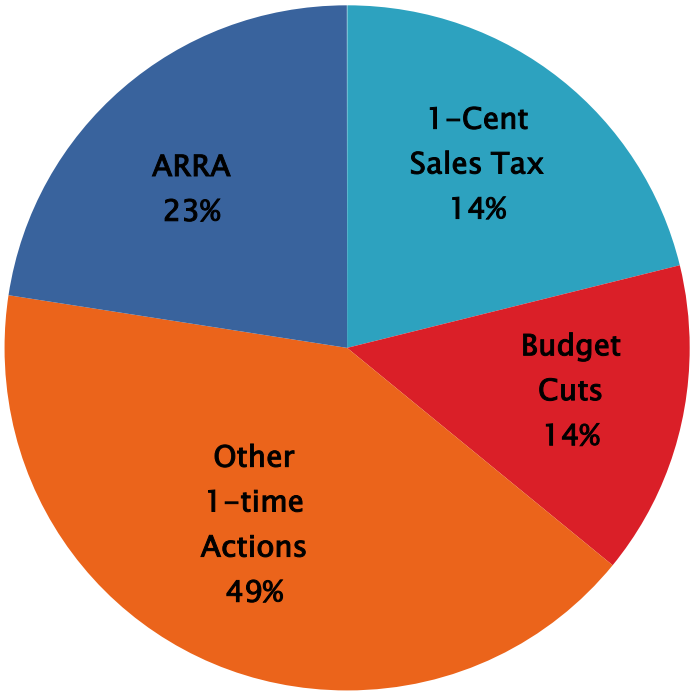
Budget Reductions	Total
AHCCCS (Medicaid)	$ 153,000
K-12	$ 700,000
Universities	$ 197,000
DES	$ 396,000
DHS	$ 114,000
Corrections	$ 179,000
Other	$ 315,000
Total (in thousands)	**$ 2,054,000**

Additional Budget Balancing Actions

Temporary Solutions	**Total**
K-12 & University Rollovers	**1152.6**
BSF Sweep (Rainy Day Fund)	**710**
Fund Transfers	**1284.8**
DPS to HURF and SHF	**254**
Midnight Reversion	**50**
SFB NC Recapture	**344**
SFB New Construction	**237**
DES & AHCCCS Rollovers	**184.9**
K-12 Local Fund Balances	**184**
Lottery Debt	**450**
Sale Leaseback of State Buildings	**1035.4**
Total (In millions)	**7039.9**

Arizona Budget Actions

Actions (FY08 - FY11)	Amounts
1-Cent Sales Tax	2.0B
Budget Cuts	2.1B
Other 1-time Actions	7.0B
ARRA	3.2B
Total	**14.3B**



Overall Impact of ARRA in Arizona

American Recovery and Reinvestment Act (ARRA)

- **What is the impact of ARRA on Arizona….**
  - Approximately $244 billion appropriated for stimulus expenditures (Grants/Contracts) in U.S.
  - Arizona (All Recipients) will receive approximately $6.5 billion

Top 10 ARRA Grants – Arizona

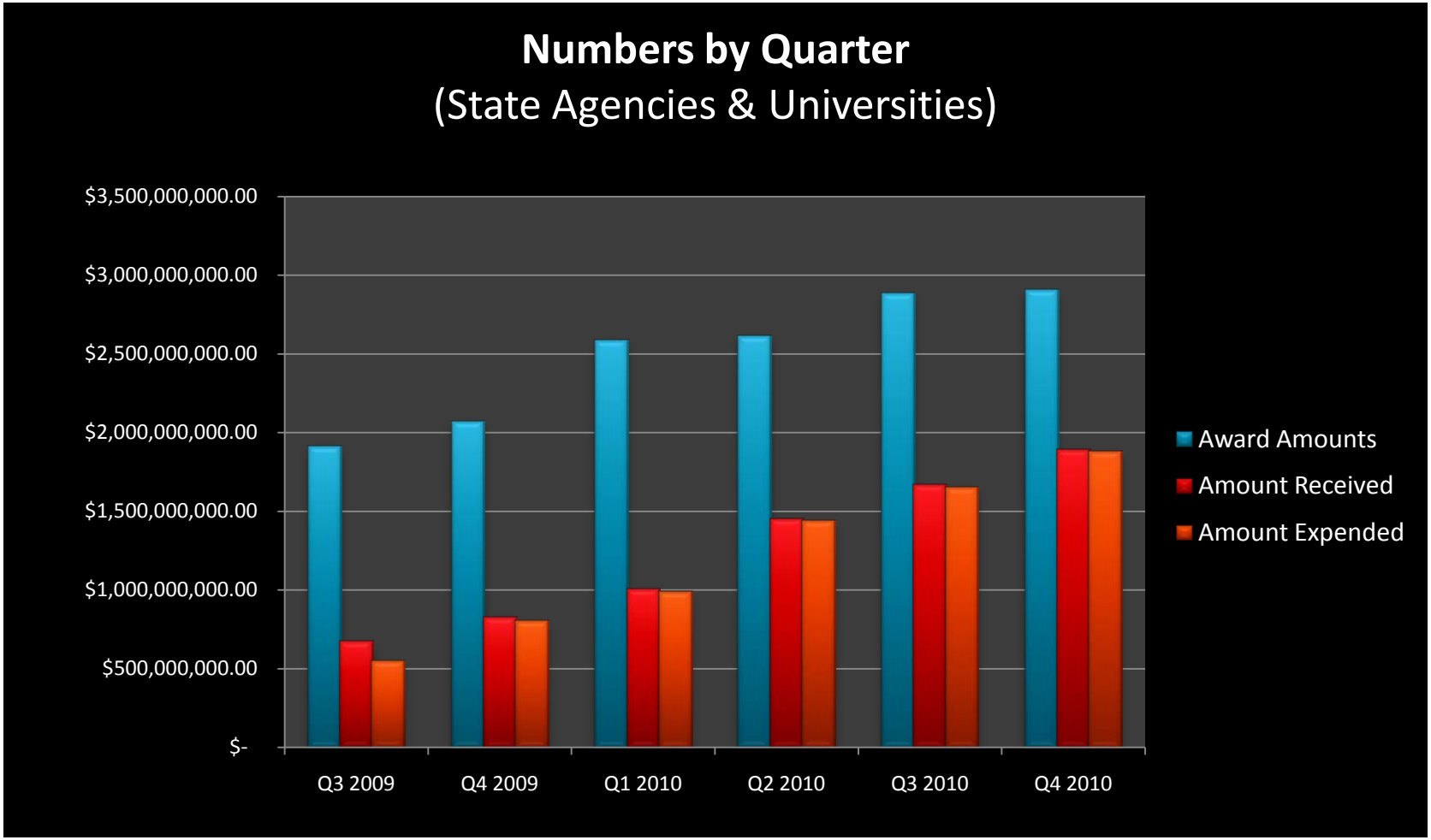
SFSF Education	$832M
Transportation Projects	$535M
Title 1 Local Ed	$195M
SFSF Govt. Services	$185M
IDEA Grants (Part B Section 611)	$178M
Weatherization Assistance	$57M
State Energy Program	$55M
Drinking Water	$55M
Child Care and Development	$51M
Workforce Investment	$41M

FY 2011 Funding Cliffs

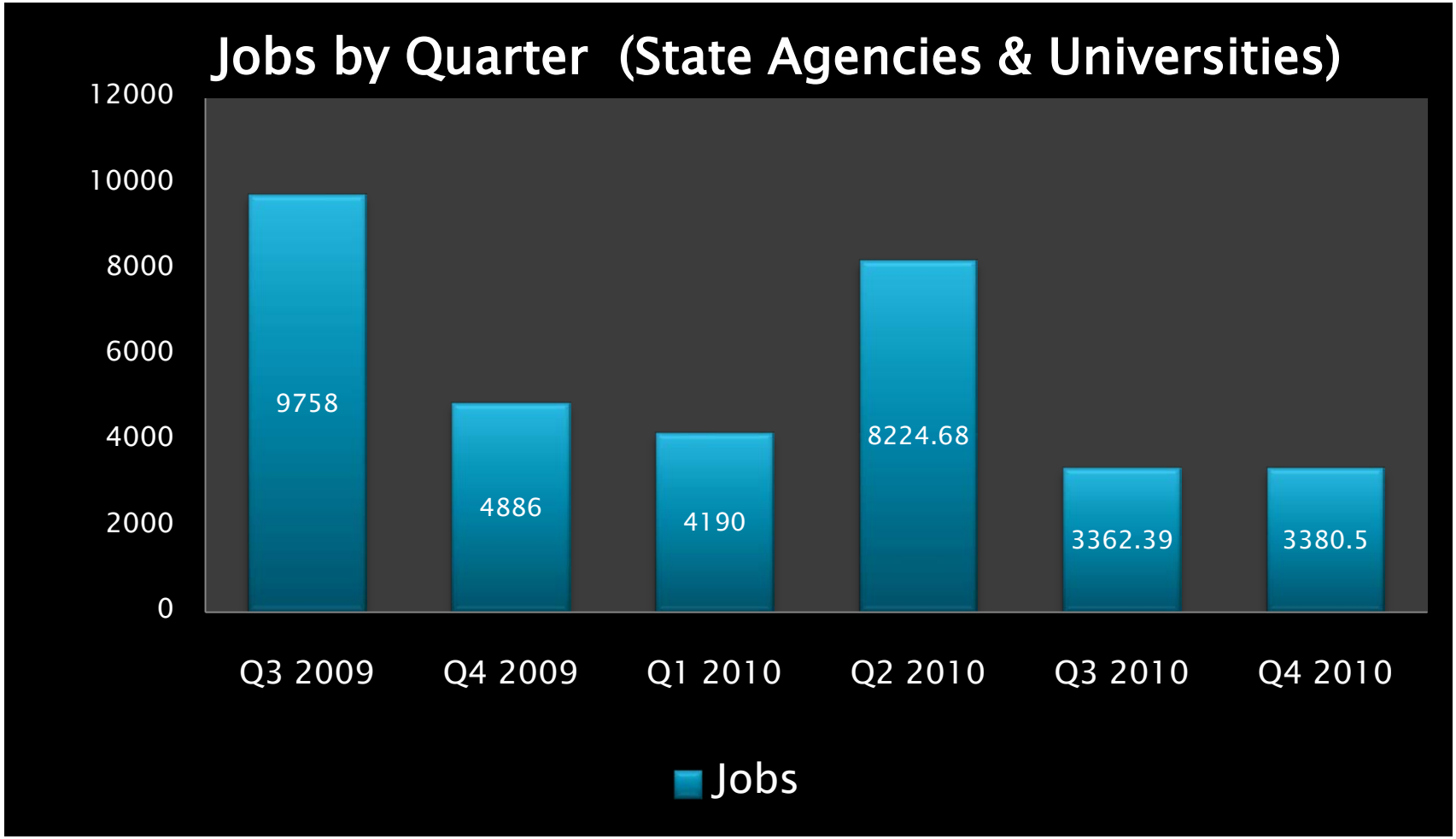
- K-12 Education
- AHCCCS (Medicaid)
- Health Services
- Economic Security
- Universities
- Community Colleges
- Corrections

Over $1 Billion

Numbers by Quarter (State Agencies & Universities)



Jobs by Quarter (State Agencies & Universities)



Note: Jobs Data not Cumulative

Data Observations - National Averages

Averages – National vs. Arizona		
Averages	Average State	Arizona
# Awards	1894	1724
$ Awarded	$4,812,046,862	$4,888,750,000
$ Received	$2,140,276,470	$2,289,480,000
$ Expended	$1,839,498,704	$1,945,209,198
Jobs	12,863.11	6,987.20

Source: Recovery.gov Cumulative Data Download (Q3 2010)

ARRA ISSUES AND PROBLEMS

Setting Up Shop

- Spring 2009: Short time period to establish complex functionality with little guidance from OMB
- States in crisis short on resources
- State offices ranged from three to over fifteen staffers

Centralized v. Decentralized 1512 Reporting

- States initially split about 50/50
- AZ selected CENTRALIZED
  - Including State Universities
- Consistency and control
- Other entities receiving direct grants struggled
- OER became the go-to entity in AZ to solve problems

Cost of Doing ARRA Business

- AZ was very cost conscious
- GOER established with 9 staff
- Selected Microsoft Stimulus 360 Solution to process ARRA data for 1512 Reports
- Used State Wide Cost Allocation Program (SWCAP) to recover costs (thru 2014)
  - Costs include reporting, monitoring, program management (SFSF)
  - U.S. Department of Education would not allow recovery; caused problems

OMB RULE MAKING

- Fast start-up meant problems
- Reporting rules changed back and forth frequently
  - Jobs calculation
  - Changing federalreporting.gov data model
  - OMB guidance didn't always match reporting tools (Guidance referenced outdated reporting templates)
- AZ recognized for excellence in reporting

MEDIA HYPE ABOUT ARRA

- AZ CONGRESSIONAL DISTRICT 14
  - Federalreporting.gov system was not identifying these types of recipient reported errors at the time
  - Data model not fully understood by media despite briefings provided
  - Media expectations unrealistically high
  - No distinction between simple reporting mistakes and waste, fraud and abuse

WEEKLY CZAR CALLS

- Every Thursday morning for nearly two years
- Problems and solutions shared among states
- Leadership from Tennessee (Bill), Ohio (Sally), Washington (Jill), and Florida (Don)
- National Governors Association played a very helpful role
- A formal State Advisory Group would have been useful to OMB and the RATB

GETTING HELP WITH ARRA ISSUES

- Nancy DiPaolo has been very helpful
- Advice from the Hotline/OMB was initially inconsistent, vague, and slow
- Improvements were eventually made
- Today, problems are few, responses prompt and accurate

1512 Reporting Feedback

- Report Submission by the 10th continues to be challenging
  - Statewide accounting system close dates create challenges
  - Vendor Accounting Systems > Sub-Recipient Systems > State Agency Systems > Statewide Accounting Systems (All Closing after the 1st of the reporting month with their own processes and reconciliations)
  - Deadline for submission has been extended 5 out of 6 times
  - Quarter End, Fiscal Year End, Calendar Year End have their own priorities and resource demands (Same people doing ARRA reporting)
  - Permanently extend the dates to set expectations
- Some reporting validation errors still vague and difficult to resolve for awards with thousands of subs. Errors messages should include DUNS or Sub-Award Number
  - Ex: **Error Code:** LT_OR_EQUAL_TO, **Error Message:** Total Sub Award Funds Disbursed(*) must be less than or equal to Amount of Subaward(*).
- Continuous QA period helpful, yet time consuming

WEBSITES

- AZRECOVERY.GOV
- RECOVERY.GOV
  - Good mapping functionality
  - Link to Recovery.gov mapping tools from AZRecovery.gov

FRAUD, WASTE AND ABUSE

- AZ visited by OMB, Inspectors General, the FBI, U.S. GAO, the AZ Auditor General
- GOER: "A Resource to Combat Fraud, Waste and Abuse"
  - Link: http://www.azrecovery.gov/assets/docs/04-01-10-AResourcetoCombatFraudWasteAbuse.pdf

U.S. Government Accountability Office aka GAO

- AZ was one of 16 states selected for bi-monthly monitoring
- Expected problems with reviews did not materialize
- GAO personnel were professional, friendly, and helpful
- Reports highlighted AZ successes

Recipient Feedback on ARRA

- **Feedback from a Phoenix-based energy provider**
  - Received ARRA funding from the Department of Energy for a large Smart Grid project and through the State Energy Office for a series of solar for schools projects.
  - Recovery Act funds have been very valuable.
  - The Davis-Bacon requirement was cumbersome and delayed the speed with which funding could be deployed.
  - The Department of Energy (DOE) was understaffed for the volume and type of awards and federal reviews required of the Smart Grid recipients.
  - The effort and associated cost of compliance oversight and controls to comply with federal regulations are more than anticipated when responding to the Recovery Act opportunities.
  - The DOE Program has substantial cyber-security and smart grid infrastructure interoperability requirements and expectations.

Future of Transparency

- ARRA Section 1512 Reporting Model
  - Great first step – Lessons learned from 1512 reporting appear to be addressed in FFATA model
  - 1512 reporting did not fully transition to FFATA model
  - Did not include all data element details (e.g. Jobs created or retained, expenditure data)

- Federal Fiscal Accountability and Transparency Act of 2006 (FFATA) Model
  - FSRS.gov (Data Entry/Reporting Site)
  - USAspending.gov (Data Publishing Site)

AND IN CONCLUSION……

Food for Thought

- ARRA funds provided Fiscal Stabilization for State budgets
- ARRA Reporting introduced a new level of Government Transparency & Accountability
- Process improved Federal/State partnerships
- Utilize expertise from the States
  - Appoint a State advisory group
- Clarify OMB v. Federal Agency roles and authority
  - SWCAP – Department of Education
  - Davis Bacon – Department of Energy
- Standard approach to reporting structure needed
  - Too much flexibility = Poor data comparability
- ARRA Collaboration is improving Grants Management and Comprehensive Fiscal Management

THANK YOU VERY MUCH

- QUESTIONS?
- COMMENTS!