

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

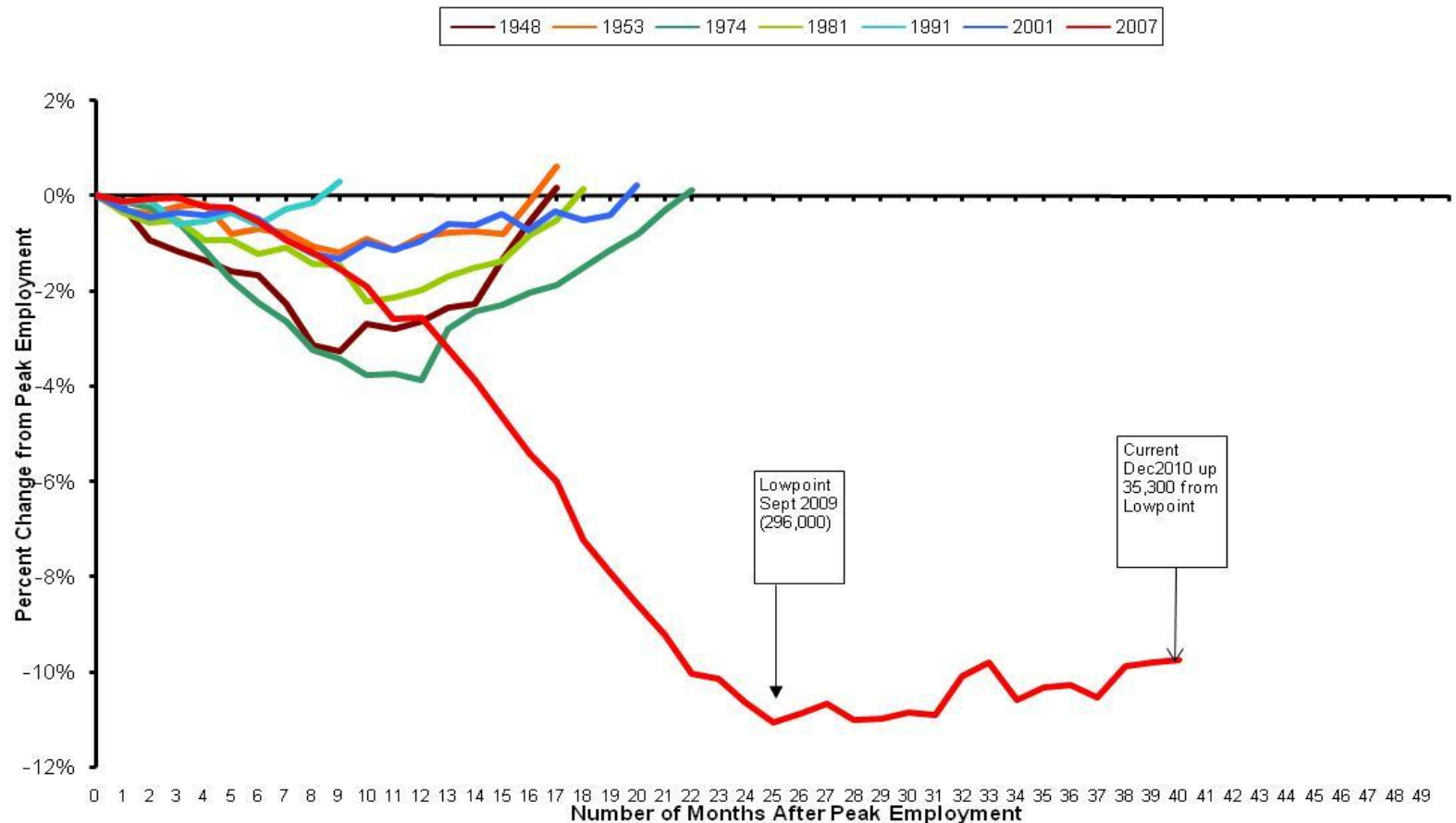
- ▶ Arizona's Fiscal Picture
- ▶ Impact of ARRA
- ▶ Issues and Problems
 - Setting up Shop
 - Centralized v. Decentralized
 - Cost of doing Business: SWCAP
 - OMB Rules
 - Media Hype: AZ Congressional District 14
 - The Weekly Czar Calls
 - Getting Help
 - Websites
 - Report Timing: By the 10th of the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



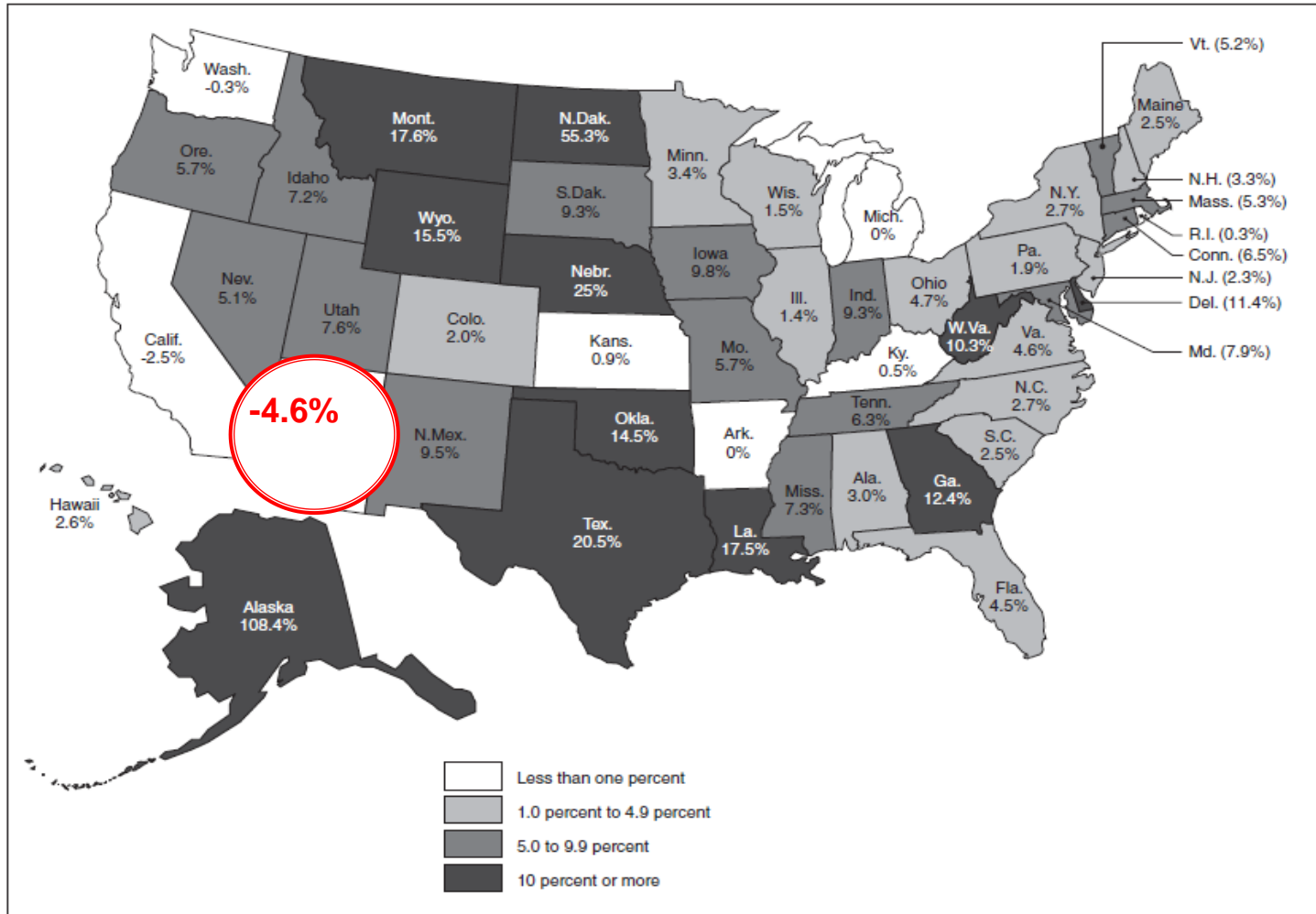
ARIZONA'S FISCAL PICTURE >>

Arizona Employment Trends

Arizona
Job Loss Non-Farm Seasonally Adjusted



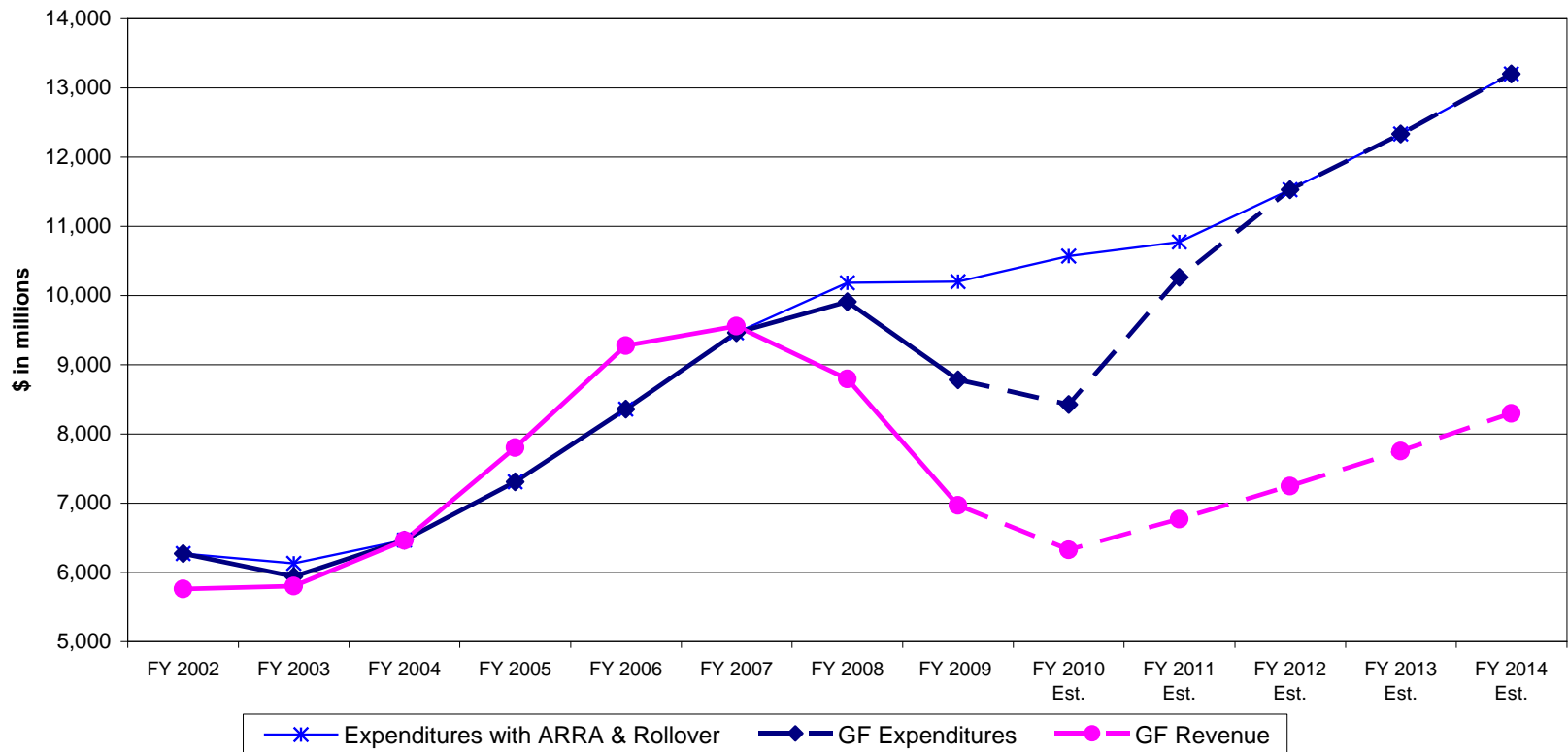
Total Year-End Balances as a Percentage of Expenditures, Fiscal Year 2009



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

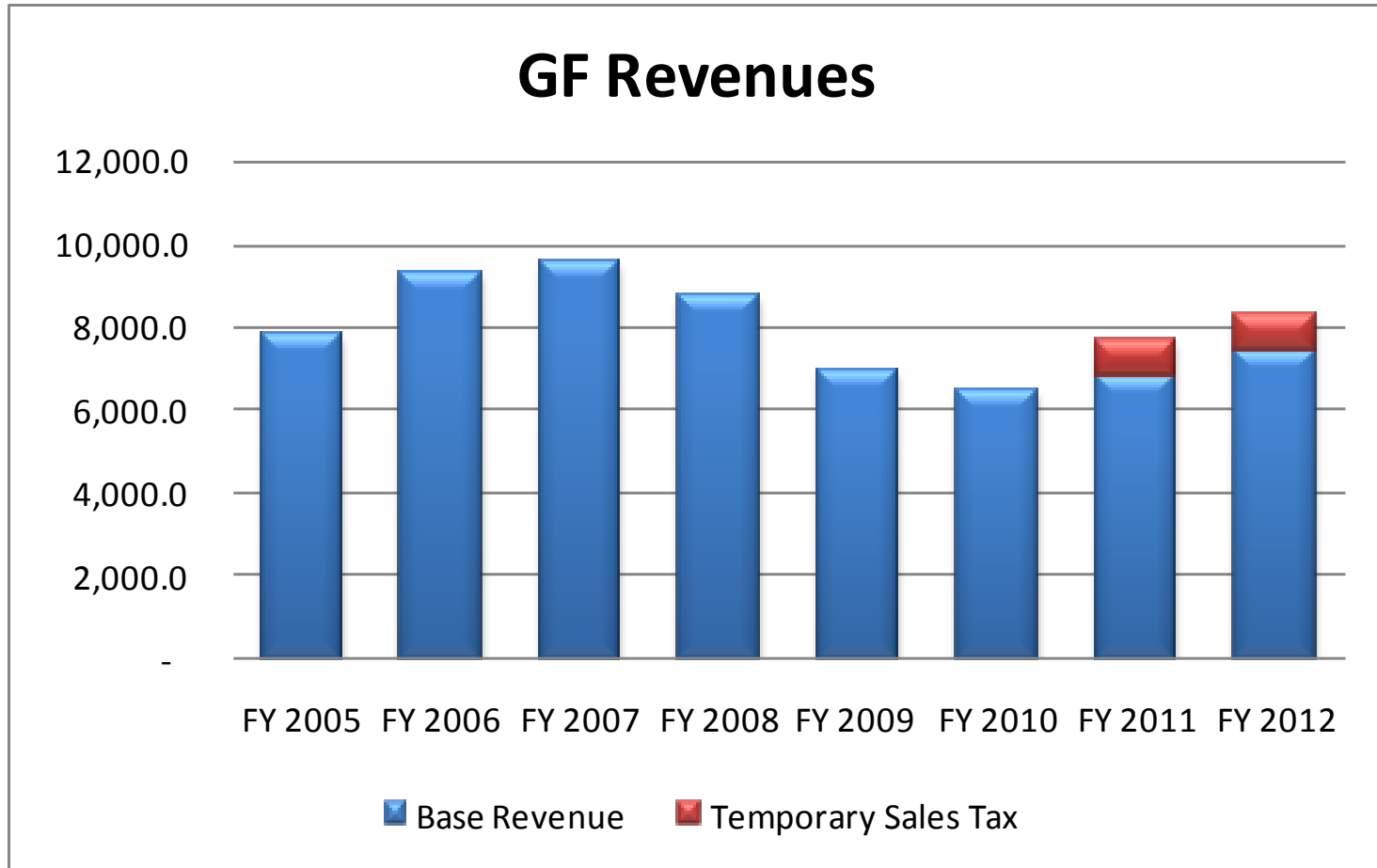


Assumptions: **Revenue:** Ongoing revenue does not include one time items such as fund transfer, asset sales, etc. Growth rates assumptions: FY10: -9.2%, FY11:7%, FY12 and 7%. **Expenditure:** Ongoing expenditure does not include rollover or ARRA. FY10 and FY11 estimated Expenditure from most current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

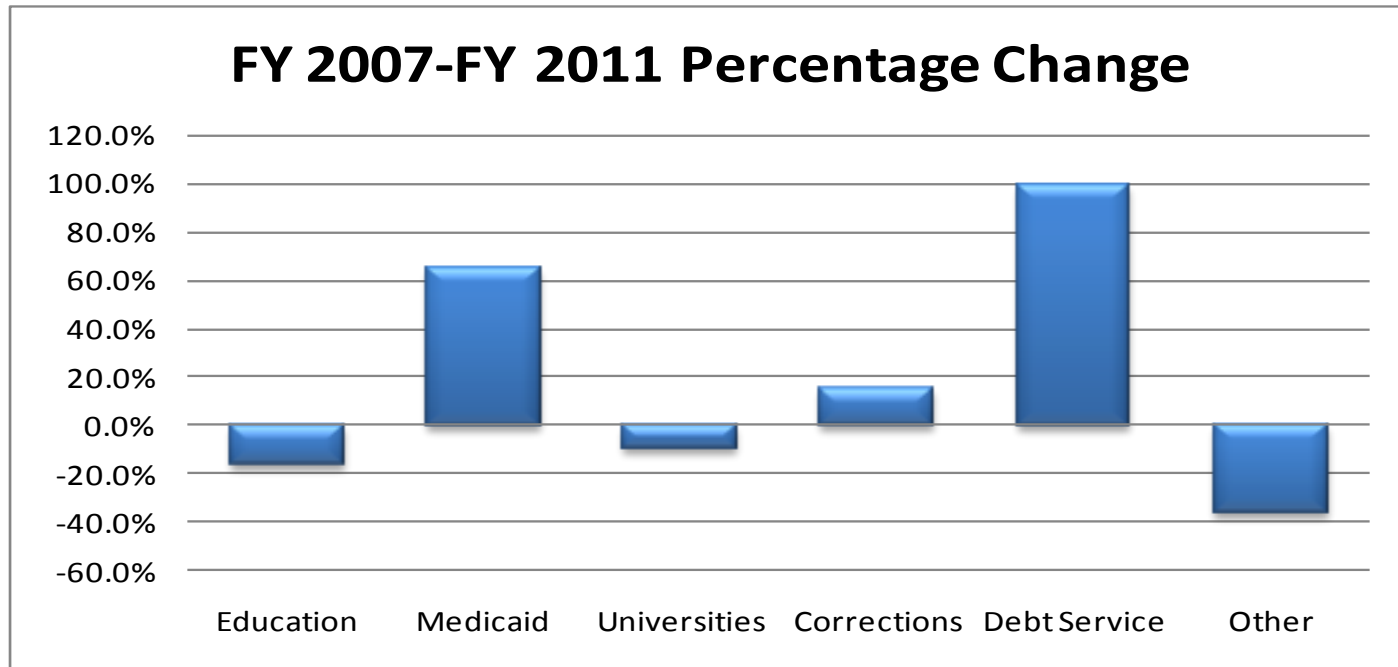
Budget Shortfall

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

Revenues



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**

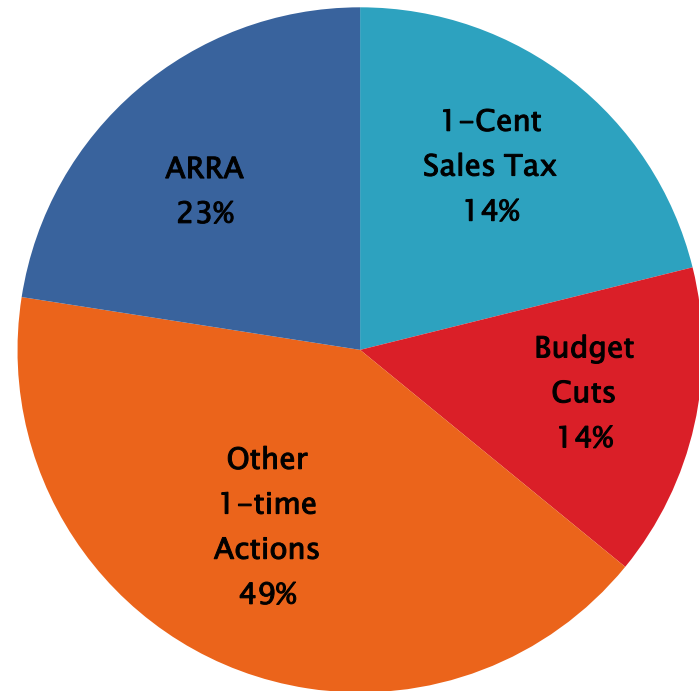
Budget Reductions	Total
AHCCCS (Medicaid)	\$ 153,000
K-12	\$ 700,000
Universities	\$ 197,000
DES	\$ 396,000
DHS	\$ 114,000
Corrections	\$ 179,000
Other	\$ 315,000
Total (in thousands)	\$ 2,054,000

Additional Budget Balancing Actions

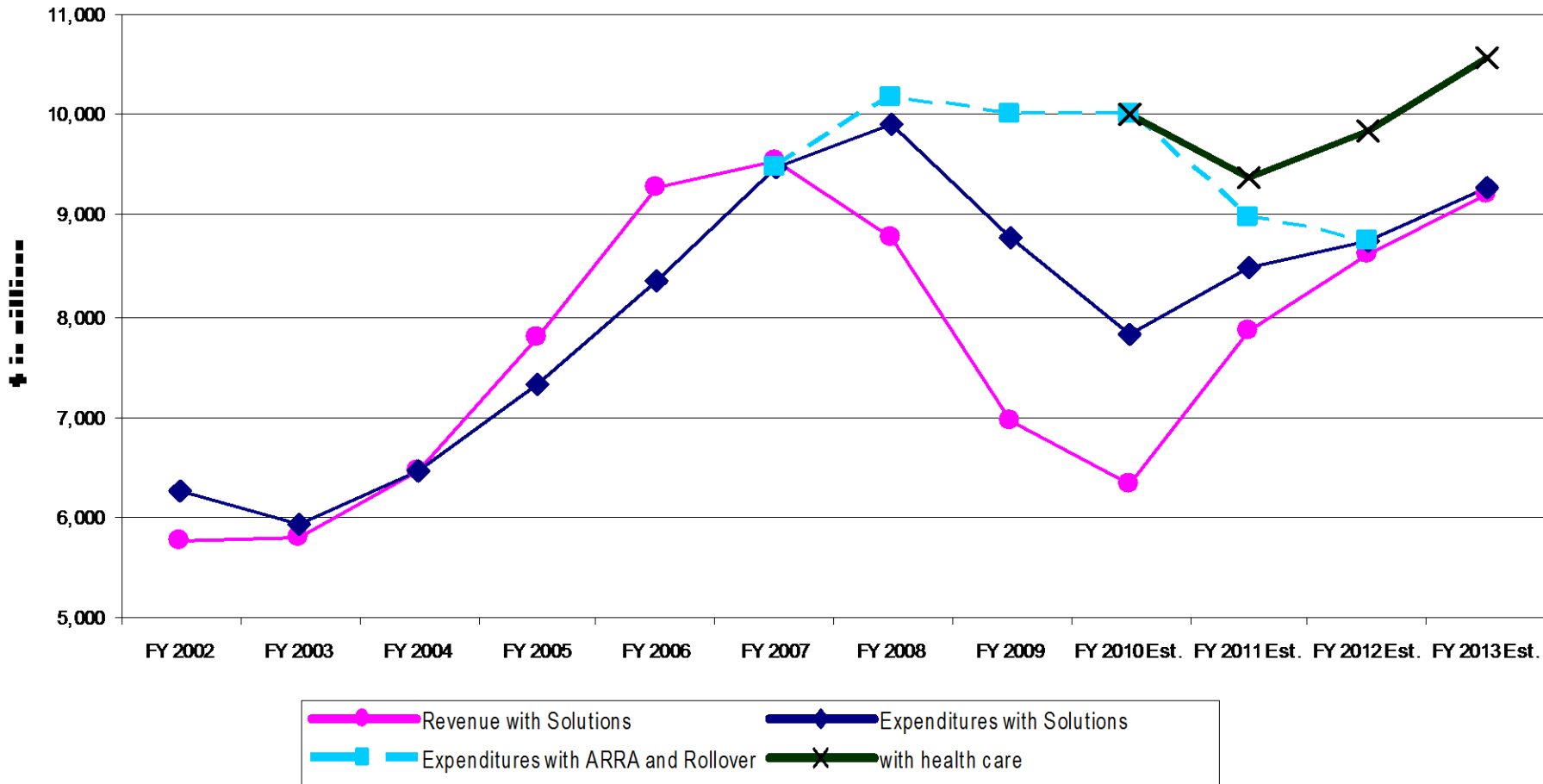
Temporary Solutions	Total
K-12 & University Rollovers	1152.6
BSF Sweep (Rainy Day Fund)	710
Fund Transfers	1284.8
DPS to HURF and SHF	254
Midnight Reversion	50
SFB NC Recapture	344
SFB New Construction	237
DES & AHCCCS Rollovers	184.9
K-12 Local Fund Balances	184
Lottery Debt	450
Sale Leaseback of State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



General Fund Ongoing Revenue and Expenditures Adopted Budget



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

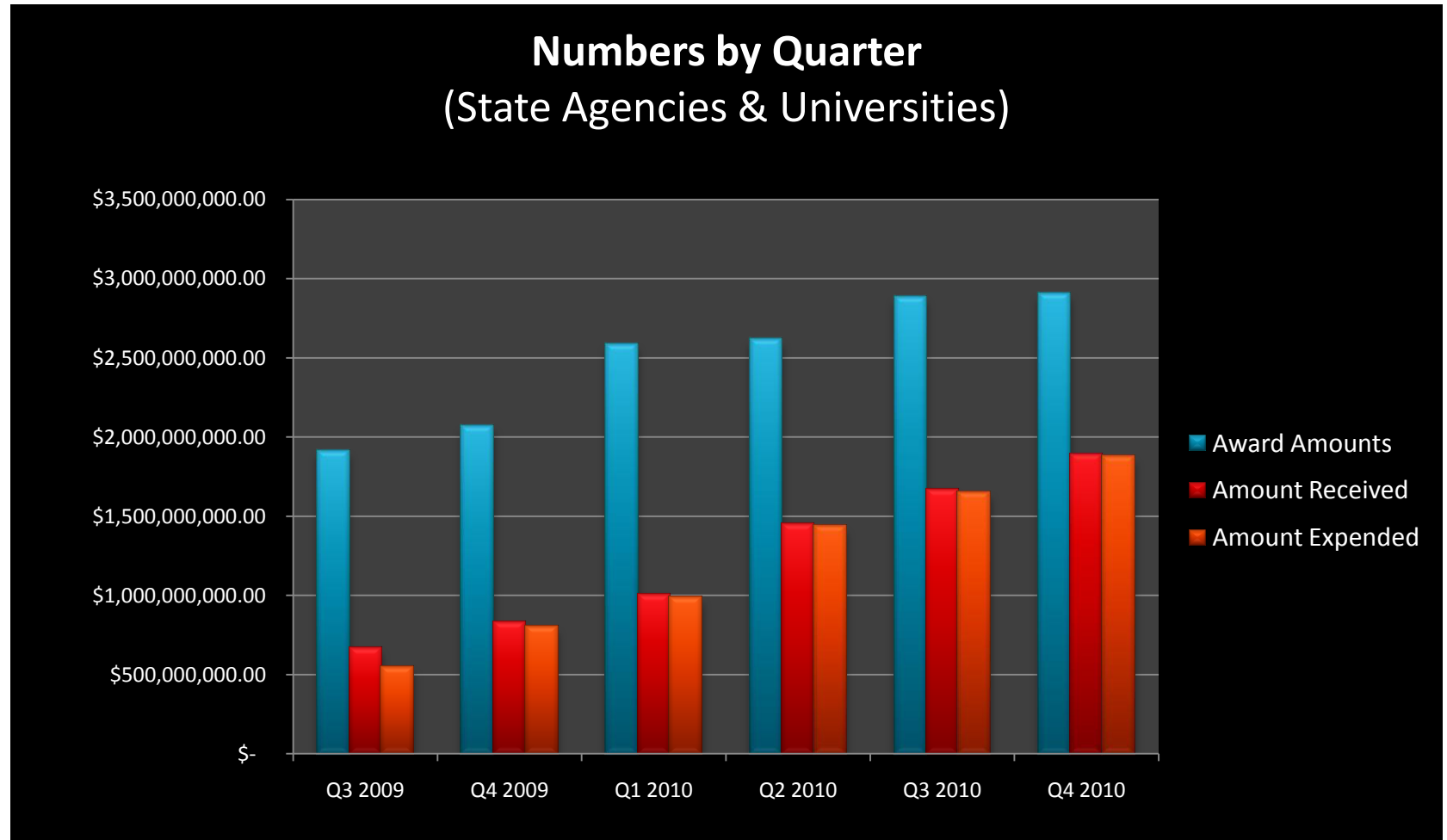
FY 2011 Funding Cliffs

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

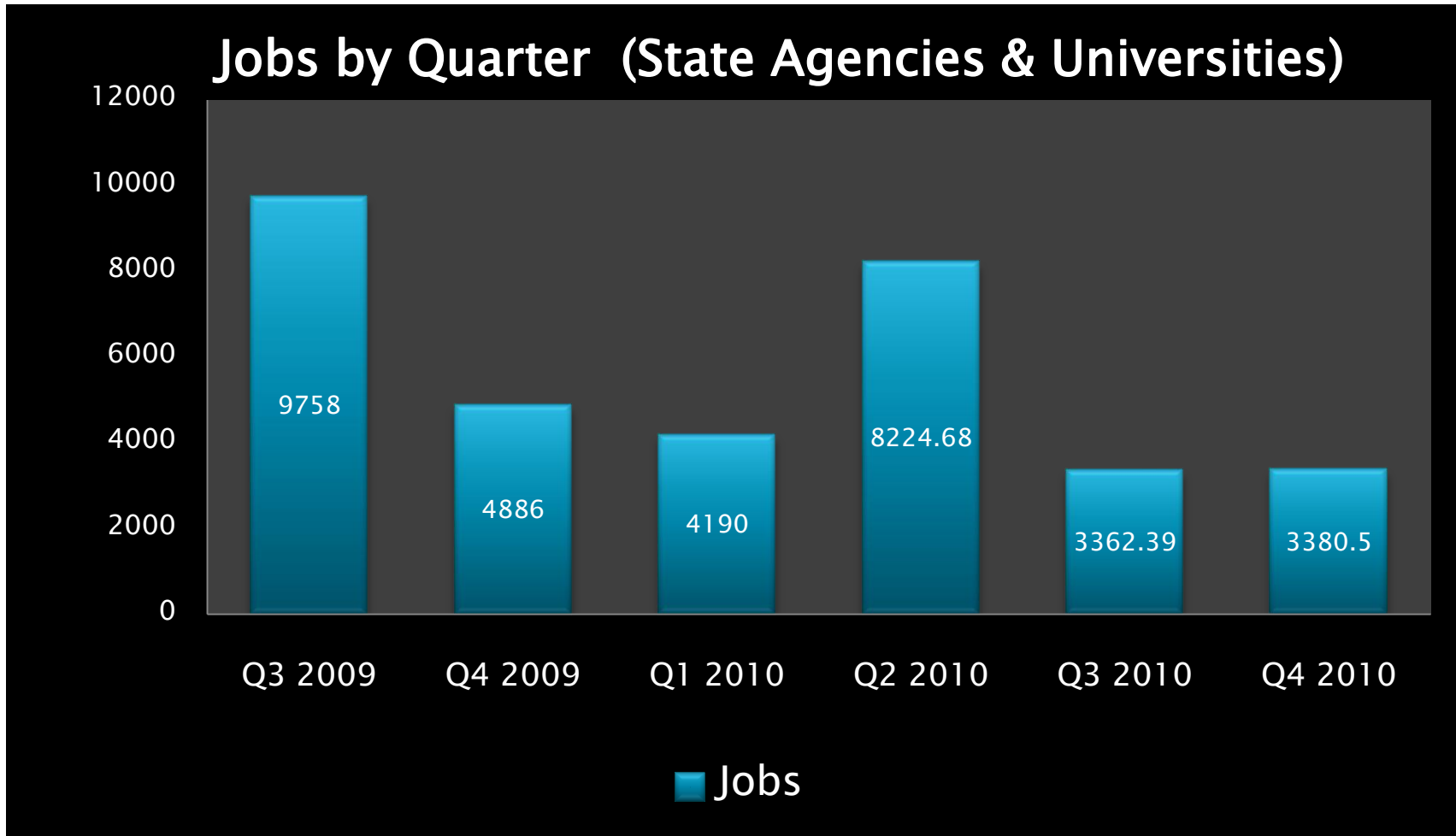


Over \$1 Billion

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

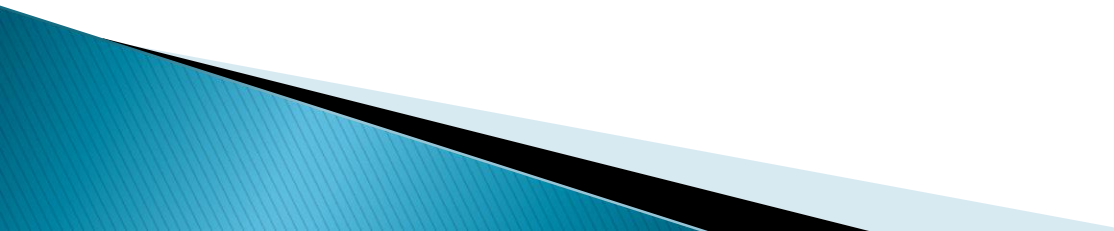
Source: Recovery.gov Cumulative Data Download (Q3 2010)

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

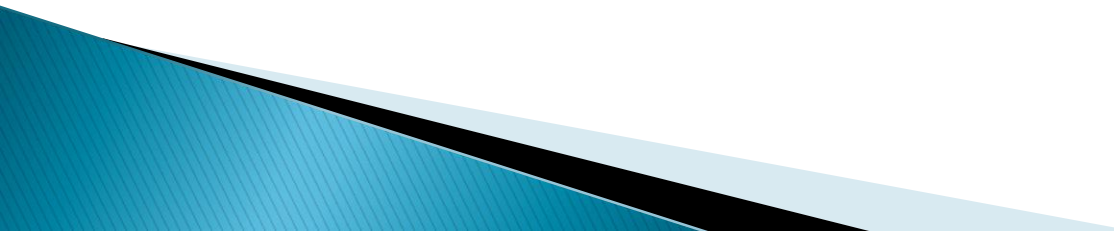
Centralized v. Decentralized 1512 Reporting

- ▶ 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
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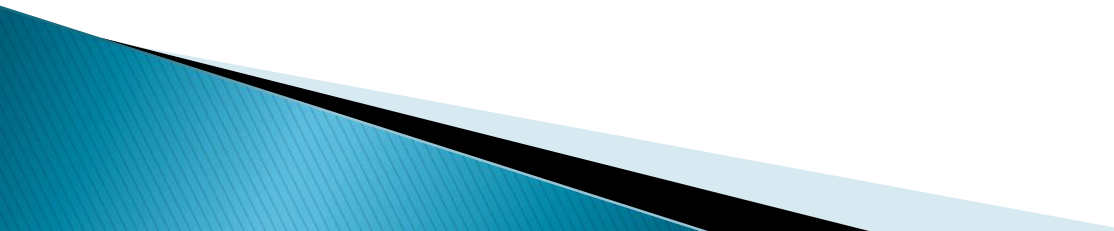
Cost of Doing ARRA Business

- ▶ 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

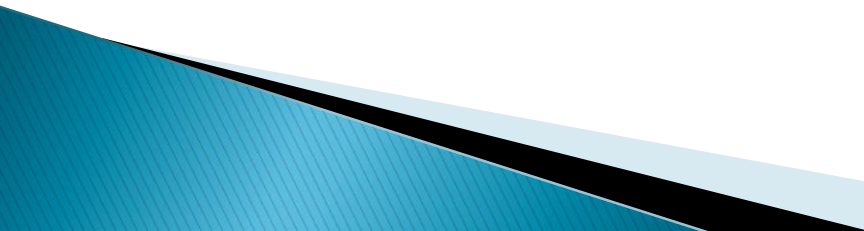
OMB RULE MAKING

- ▶ 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
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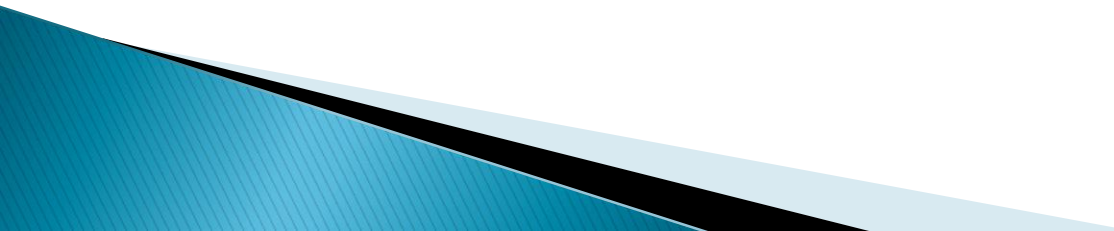
MEDIA HYPE ABOUT ARRA

- ▶ 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
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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
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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
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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. Error 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

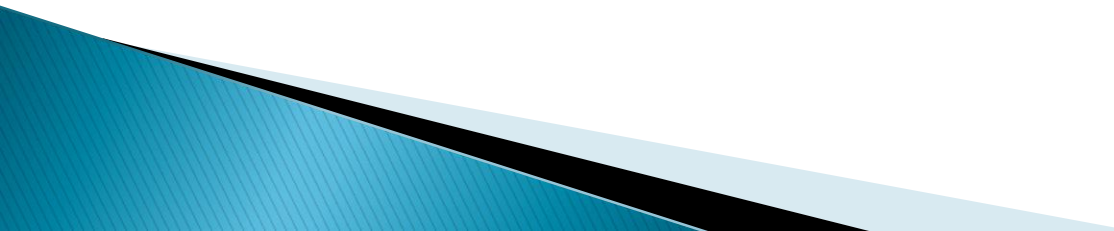
WEBSITES

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

FRAUD, WASTE AND ABUSE

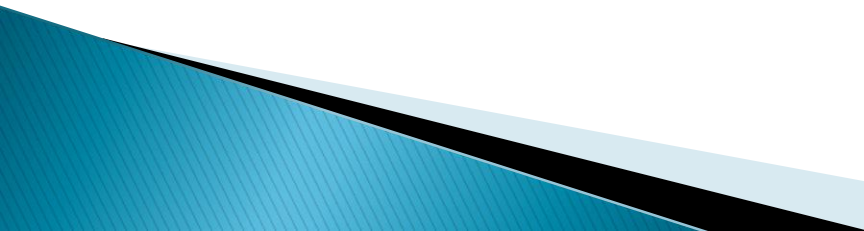
- ▶ AZ visited by OMB, Inspectors General, the FBI, U.S. GAO, the AZ Auditor General
- ▶ GOER: “A Resource to Combat Fraud, Waste and Abuse”
 - Link: <http://www.azrecovery.gov/assets/docs/04-01-10-AResourcetoCombatFraudWasteAbuse.pdf>

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
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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.
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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!
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