



2010 FISCAL YEAR END REPORT
TO THE PRESIDENT ON
PROGRESS IMPLEMENTING THE
AMERICAN RECOVERY AND
REINVESTMENT ACT OF 2009

SEPTEMBER 2010





Dear Mr. President,

About 18 months ago, on February 17, 2009, Congress passed, and you signed, H.R. 1, the American Recovery and Reinvestment Act. In the three months prior to the Act, the nation lost 2.2 million jobs. Financial institutions were on the brink of collapse, and the “Great Recession” was being recognized for what it was – the most calamitous economic downturn since the Great Depression. You asked me to lead the implementation of the Act, with a focus on getting its efforts underway quickly, watching the taxpayers’ funds carefully, and putting America back to work. The Act was based on five fundamental objectives:

- Preserving and creating jobs
- Assisting those most impacted by the recession
- Stabilizing state and local government budgets to avoid reductions in services and tax increases
- Investing in long-term economic growth
- Spurring technological advances in science and health

We continue to show consistent progress on your commitment to create or save 3.5 million jobs by the end of calendar year 2010. In its most recent report, CBO indicated that through June 30th, 2010 up to 3.3 million jobs had been created or saved. In addition, over 95 percent of working families have seen their taxes lowered.

Furthermore, governors, mayors and other local officials—both Democrats and Republicans—have widely acknowledge the critical role that the Recovery has played in preventing teacher layoffs; avoiding tax increases, and driving forward the economy of the future. For example, Governor Schwarzenegger, speaking about Recovery Act clean energy funds recently said, “In these challenging fiscal times, access to capital from this program is essential to helping California’s manufacturers retool for a competitive green economy.”

Through the Recovery Act we are laying the foundation for long term economic growth through critical investments in high speed rail, health technology, broadband, “smart grid”, renewable energy, vehicle electrification and batteries. These investments are leveraging billions of dollars in private capital to put Americans back to work and are once again restoring America’s leadership in science, technology and innovation.

In order to meet the these objectives, the Administration committed – shortly after enactment – to having 70 percent of the funds outlayed and delivered in tax relief by September 30th, 2010, while at the same time avoiding fraud, waste and abuse. This goal of careful stewardship was critically important given the extraordinary level of funding and the rapid pace of disbursement which were both greater

and faster than normally expected. We are happy to report to you that we have met both of these goals. This is demonstrated by the fact that we estimate that we will have:

- Outlaid \$308 billion and paid out \$243 billion in tax relief – a total of \$551 billion; 70 percent of the Act's \$787 billion cost estimate at the time of enactment
- Obligated over \$444 billion, or over 88 percent of the Act's originally estimated \$499 billion in spending
- Met every spending deadline Congress set for putting Recovery Act dollars to work on-time and, in many cases, ahead of schedule
- Achieved cost-savings great enough to fund 3,000 additional Recovery Act projects
- Witnessed currently active fraud investigations on less than 0.2 percent of all reported awards.

We will continue to obligate and outlay funds so that substantially all of the remaining discretionary appropriations will be obligated by December 31, 2010.

As noted above, your administration has also achieved this unprecedented pace of outlays with comparatively low levels of fraud, waste and abuse. This has been in large part due to enhanced project reviews by agencies and the Office of Management and Budget, oversight of all spending and contracts by a team of 12 Inspectors General who make up the Recovery Accountability and Transparency Board, and focused work by the Justice Department's Anti-Fraud Task Force on Recovery Act activities. While any waste or fraud is unacceptable, the record to date compares very favorably with both public and private sector experience – and is substantially below what was either anticipated or expected.

To meet the enormous challenge of dramatically increased spending rates while maintaining strict oversight of funds, federal agencies had to develop "new ways" of doing business. These new ways include the unprecedented levels of transparency and accountability ensured by quarterly reporting by recipients and the user-friendly data available on Recovery.gov. They also include efforts to ensure that small, minority, veteran and women owned business had increased opportunities to benefit from federal spending. I believe these "new ways" to be an important legacy of the Recovery Act that should be preserved to enhance government efficiency and accountability.

What follows is a report that details how, after eighteen months of concentrated effort by your administration and recipients in every corner of America, we have made progress toward achieving the fundamental objectives of the Recovery Act, while spending funds both quickly and wisely. In this report, we will provide the financial, programmatic, and economic details of Recovery Act accomplishments.

Cordially,

A handwritten signature in blue ink, appearing to read "Barack Obama", with a long, sweeping underline that extends to the left.

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Chapter 1: Economic Review of the Recovery Act

What We Were Facing

When the American Recovery and Reinvestment Act (ARRA) was passed on February 17, 2009, the nation was facing the most calamitous economic downturn since the Great Depression. Employment had fallen dramatically (see Figure 1) in the 13 months prior to our inauguration, and GDP had fallen for two consecutive quarters. The Recovery Act was one of a series of Administration initiatives designed to stop the bleeding and to build a base for a sustainable recovery and long-term economic growth.

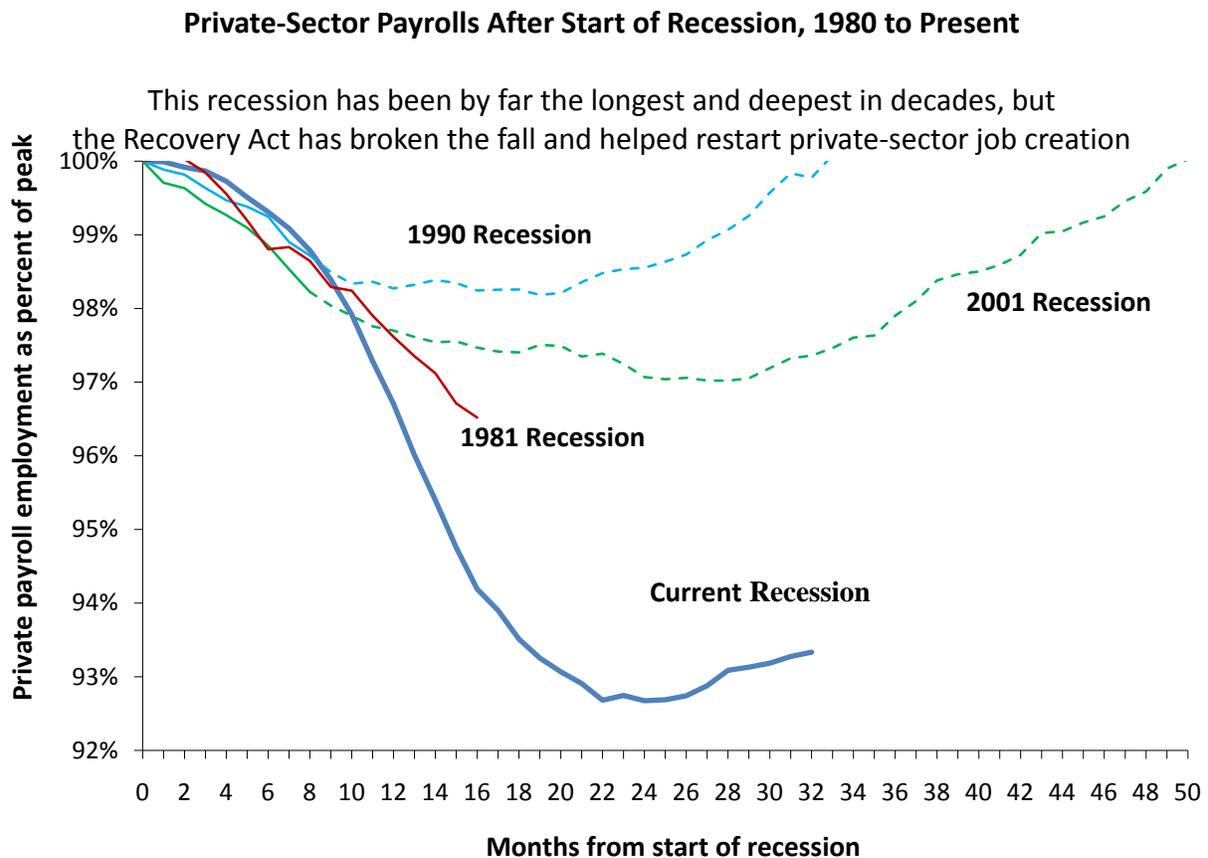


Figure 1: Current v. Previous Recessions

The Recovery Act Response

Shortly after the passage of the Recovery Act, the rate of job loss began to diminish. Net private-sector job creation has accelerated every quarter since the passage of the Recovery Act; the last three quarters of 2009 were marked by consistently diminishing job losses, and the first two complete quarters of 2009 have shown employment gains for the first time since 2007 (see Figure 2).

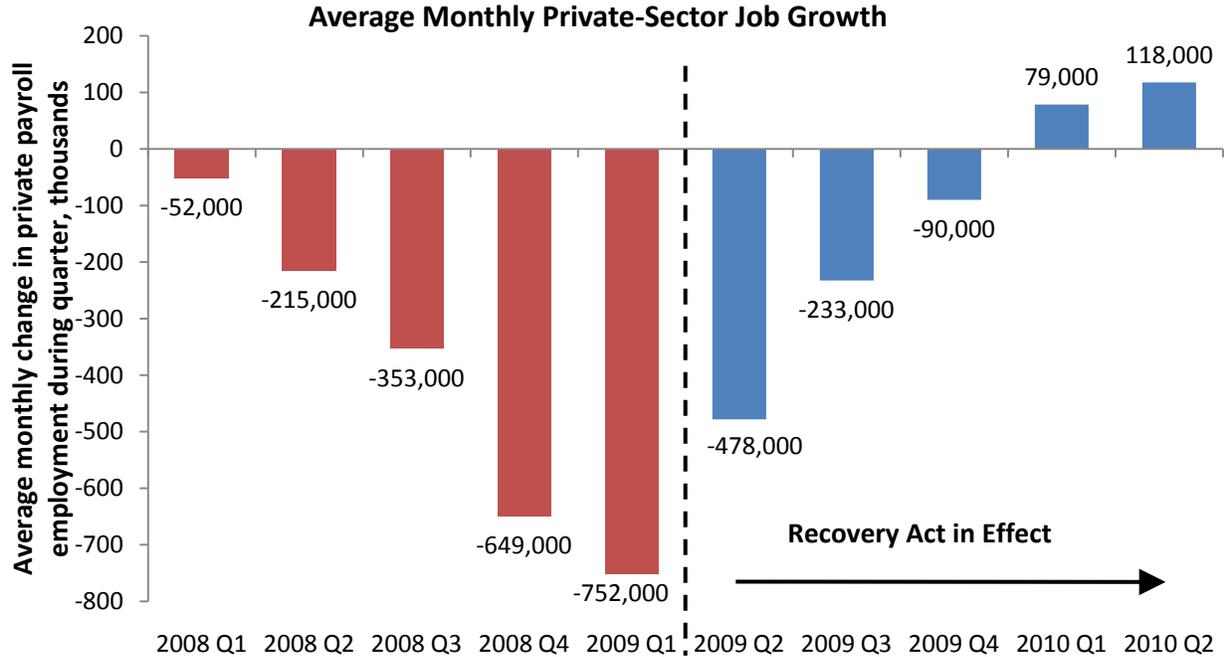


Figure 2: Average Monthly Job Growth by Quarter since the Start of the Recession

As Figure 2 illustrates, the passage of the Recovery Act corresponds very closely with the beginning of diminishing job losses. While net job creation would not return for several months after the passage of the Recovery Act, the economy almost immediately transitioned from accelerating job losses to decelerating losses. In other words, while the Recovery Act did not restore the economy to full employment, it helped end job losses and stabilize employment.

Gross domestic product (GDP) has shown similar trends (see Figure 3). The period of the sharpest GDP declines came in late 2008, at the height of the financial crisis, as firms were not only cutting back production but rapidly liquidating inventories. Following passage of the Recovery Act, GDP growth showed immediate improvement. While real GDP contracted by -4.9 percent at an annual rate in Q1 2009 (the quarter the Recovery Act was passed, before it had substantially taken effect), it fell by only -0.7 percent at an annual rate the following quarter, GDP has subsequently grown for four straight quarters.

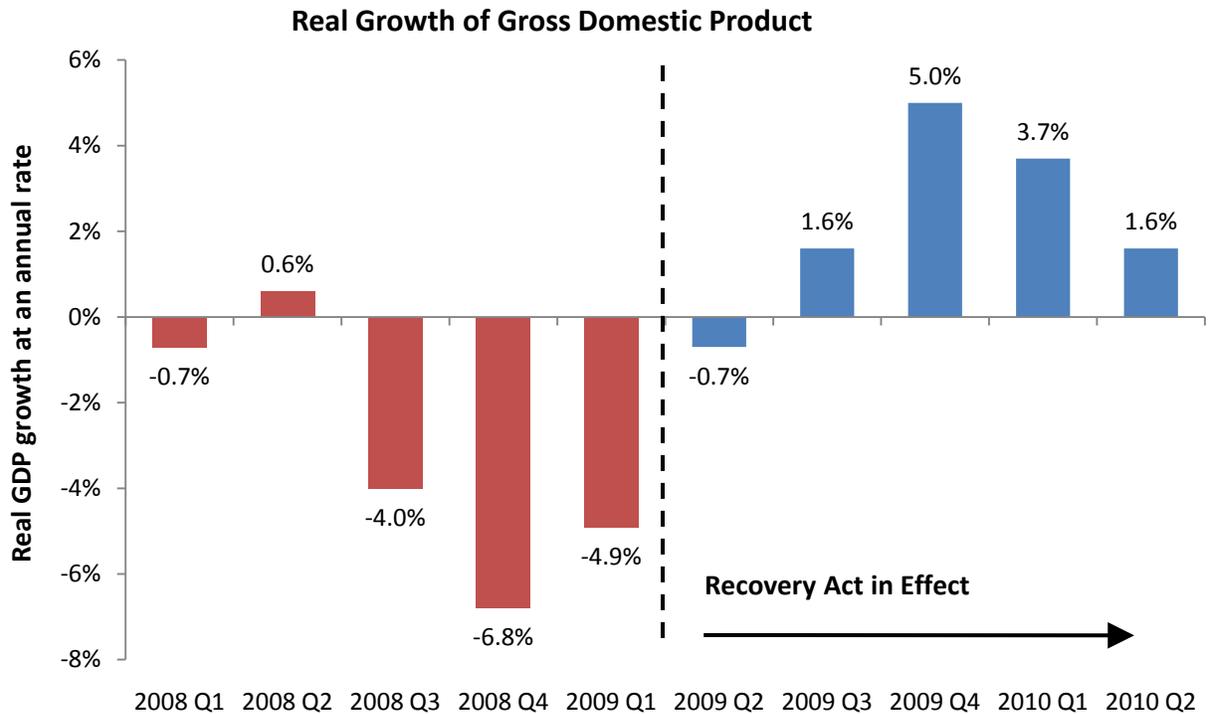


Figure 3: Real GDP Growth since the Start of the Recession

As in the case of employment, the passage and implementation of the Recovery Act coincided closely with the cessation of the peak rate of GDP decline that was seen during the height of the financial crisis in late 2008.

The fact that the passage of the Recovery Act lines up with the trough of both job creation and GDP growth provides suggestive evidence that the turnaround of jobs and economic activity was largely due to the Recovery Act. While correlation alone cannot demonstrate causation in this case, rigorous analyses confirm that the Recovery Act was one of the single most important factors in ending job losses and GDP declines.

Along with many other analysts, the non-partisan Congressional Budget Office (CBO) has concluded that the Recovery Act began contributing significantly to job creation and GDP growth soon after its passage, and that the Recovery Act has now increased employment by up to 3.3 million jobs and GDP by up to \$400 billion relative to what they would otherwise have been. A comparison between the actual trajectory of the economy and CBO's analysis of what that trajectory would have been without the Recovery Act is shown in Figures 4 and 5, below.

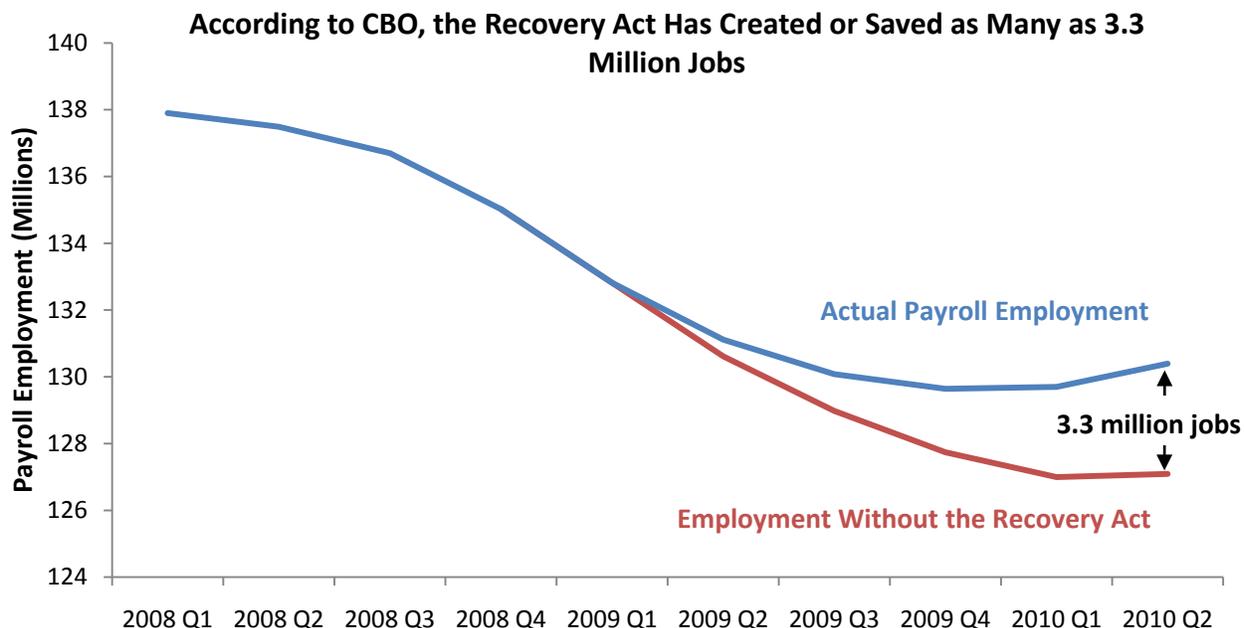


Figure 4: Employment, With and Without ARRA, According to CBO

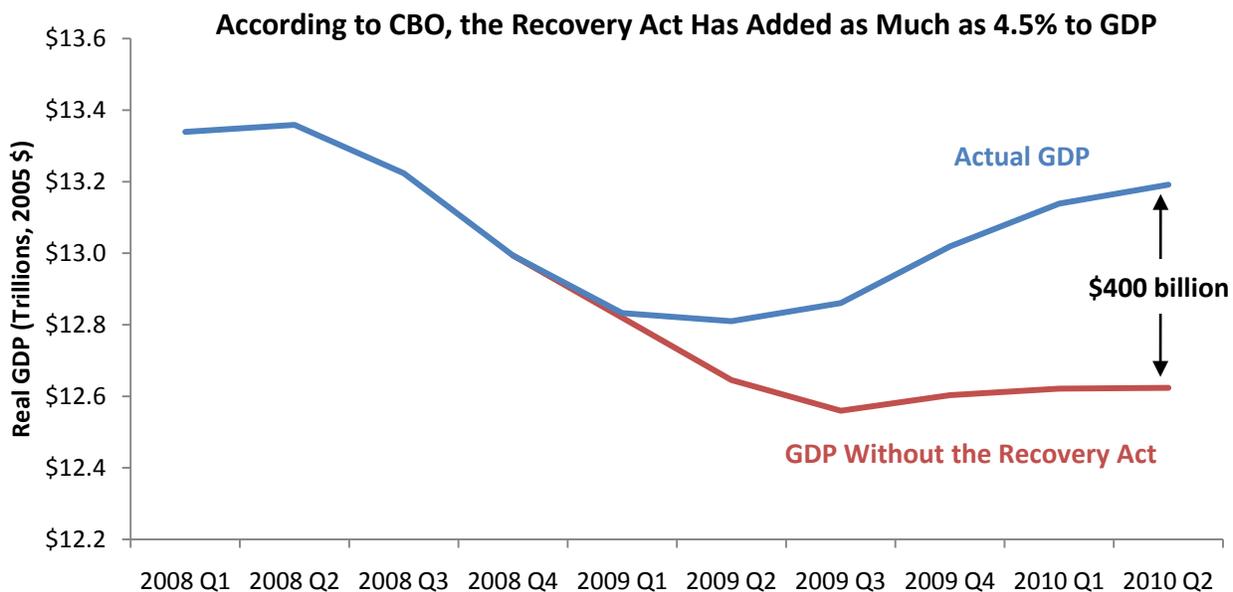


Figure 5: GDP, With and Without ARRA, According to CBO

As Figures 4 and 5 illustrate, the Recovery Act has already led to major improvements in both the growth and the level of employment and output. It is no accident that the most significant indicators of the state of the American economy began improving soon after the Recovery Act was passed.

Chapter 2: Meeting the Goals of the Recovery Act

Progress against Different Categories of Funding

The severity of the recession meant that investments needed to be made as quickly as prudently possible. This dual goal of speed and prudence was governed by a series of milestones laid out by the Office of Management and Budget and affirmed by the Congressional Budget Office. As displayed in the figure below, the Act had three basic components:

- Tax Benefits - \$288 billion estimated
- Contracts, Grants, and Loans - \$226 billion appropriated
- Entitlements or Payments - \$273 billion appropriated and/or estimated

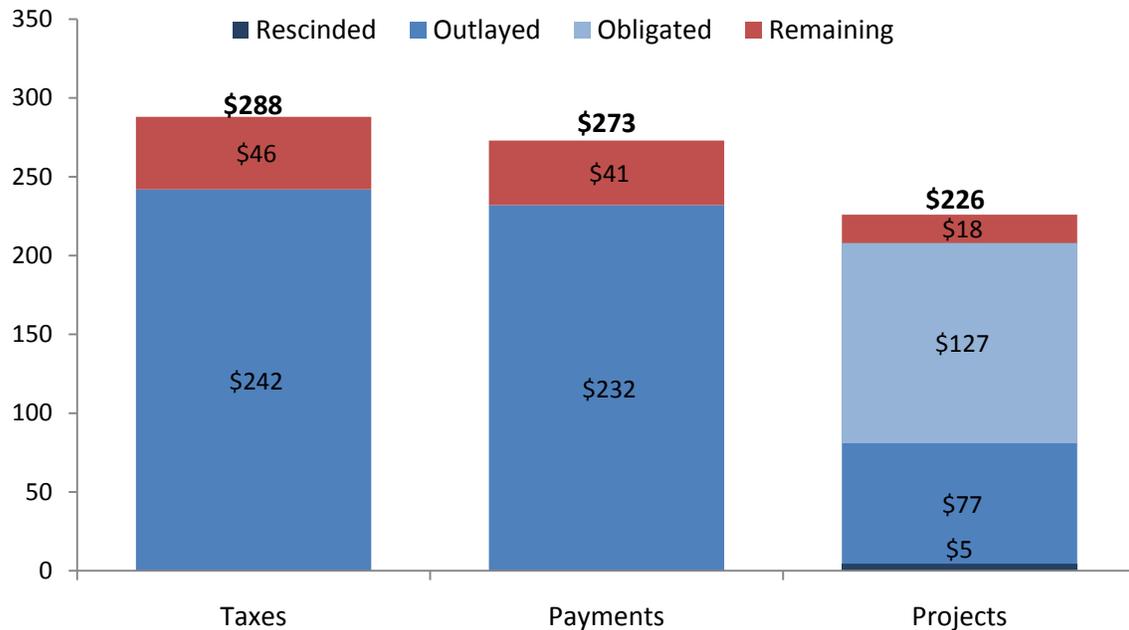


Figure 6: The Three Parts of the Recovery Act (dollars in billions)

As seen above, each category has been significantly paid out (taxes and payments) or obligated against (projects). Each of these components had unique methods of meeting the dual tests of speed and prudence.

In the case of entitlements, the majority of the funding was provided via existing formula programs such as Medicaid or unemployment compensation, by either increasing the level of federal assistance provided or extending the amount of time it was available. Strict maintenance of effort and other regulatory provisions were put in place to comply with the terms of the statute. An example of the

success of the program is noted in the Government Accountability Office’s (GAO) most recent bi-monthly report:

“As of July 31, 2010, the 16 states and the District had drawn down \$43.9 billion in increased FMAP funds. If current spending patterns continue, GAO estimates that these states and the District will draw down \$56.2 billion by December 31, 2010—about 95 percent of their initial estimated allocation. Most states reported that, without the increased FMAP funds, they could not have continued to support the substantial Medicaid enrollment growth they have experienced, most of which was attributable to children.”¹

Because additional funds acted largely as a buoy to existing programs, within existing structures, smooth funding dissemination was attained through following enhanced and existing procedures. The fact that there are no outstanding or new recommendations in GAO’s Bi-Monthly Report for any entitlement program under the Recovery Act, including FMAP, speaks to this point.

Funding for projects, on the other hand, was provided to both existing and new (or significantly transformed) programs, and was both distributed through both formula and competitive processes. New or significantly transformed and competitive programs have been more challenging to implement quickly than existing and formula driven programs. Examples of programs in each category are shown in Table 1 below.

		Program Type	
		Existing	New / Significantly Transformed
Funding Method	Formula Driven	<p><u>Example:</u> <i>Highway Infrastructure Investments (DOT)</i></p>	<p><u>Example:</u> <i>Weatherization Assistance Program (DOE)</i></p>
	Competition Driven	<p><u>Example:</u> <i>Community Oriented Policing Services (DOJ)</i></p>	<p><u>Example:</u> <i>Broadband Technology Opportunity Program (DOC)</i></p>

Table 1: Categorization of Recovery Act Programs

The Federal Highway Administration’s received \$27.5 billion in Recovery Act funds, on top of their 2010 enacted budget of \$42 billion, and is a good example of an existing program that received formula

¹ GAO’s Report covers only 16 states and the District of Columbia. The results are similar in other recipient jurisdictions

funds. Still, the Recovery Act laid out an ambitious requirement to obligate 50 percent of funds, by state, by June 29, 2009 (less than four and a half months after the enactment of the Recovery Act), and 100 percent of funds by March 2, 2010. All states and territories successfully met both deadlines, and in the case of the first, all came in at least ten days ahead of schedule.

In contrast to highway construction, the National Telecommunications and Information Administration had to stand up the Broadband Technology Opportunity Program nearly from scratch after passage of the Recovery Act, and had to run two separate rounds of competitions to distribute its funding. The program also faced an aggressive goal of needing to obligate all funds by September 30, 2010. Nevertheless, within the last week, and with a smart resourcing strategy that utilized resources from other Department of Commerce bureaus – the Department of Commerce obligated the entirety of its funding on time.

In other cases, the Recovery Act provided additional funds for existing competitive programs (e.g. DOJ's Community Oriented Policing Services, or COPS) or significantly altered the requirements of existing formula programs (e.g. DOE's Weatherization Assistance Program). In the case of the latter, the Weatherization Assistance Program received \$5 billion to spend out by the first quarter of 2012, in contrast to a pre-existing annual budget of \$200 million. The program was also subject to new rules, such as the adherence to prevailing wage rates for their projects.

Because of the different requirements of project versus payments, the vast majority of funds outlaid during the first ten months of the Recovery Act were payment related. However, since then, as projected in last February's "One Year" report to the President, the mix has been shifting as project related programs start to represent a higher share of outlays. Some of these programs were able to obligate and outlay only as work progressed (often on a reimbursement basis), and others, while also following this general pattern, had to award funds first through competitive means, and often had to complete a contracting process with recipients to ensure taxpayer dollars would be used as prudently as possible.

Lastly, in the case of taxes, the Recovery Act both created new tax relief programs, such as the Making Work Pay provision which provided tax relief to 95 percent of working families, and extended or expanded current tax provisions, such as the Earned Income Tax Credit or the First Time Homebuyers Tax Credit. For both new and extant programs, the Treasury Department had to quickly develop and disseminate guidance, and the success with which they did so has been highlighted in several reports by the Treasury Inspector General for Tax Administration (TIGTA). For example, in the case of the new bond program "Build America Bonds" which provided State and Local governments with the option of accessing the taxable bond market to obtain funding for capital investment projects, TIGTA wrote:

"Our review determined that, generally, all complete requests for payment of the Build America Bond Federal subsidies were processed accurately, timely, and without indications of fraudulent or erroneous disbursement. State and local governments received almost \$26.4 billion in funding for capital improvements through 315 bond issuances. The Federal subsidy payment reduced the

cost of financing, as intended by Congress, by more than \$110 million for 80 bond issuances requesting payment by the time of our review.”²

Meeting the 70 Percent Outlay and Tax Relief Target on Time

Early in 2009, less than a month and a half after the Recovery Act’s passage, the Administration committed to paying out (in outlays and tax relief) 70 percent of the \$787 billion in originally estimated Recovery Act funds by September 30, 2010. Through steady progress on both the tax relief and spending fronts, as of September 30, 2010, agencies and Treasury project that this goal will be met, as seen in Figure 7. Information regarding actual year end outlays and tax relief provided will be posted on Recovery.gov on October 8, 2010.

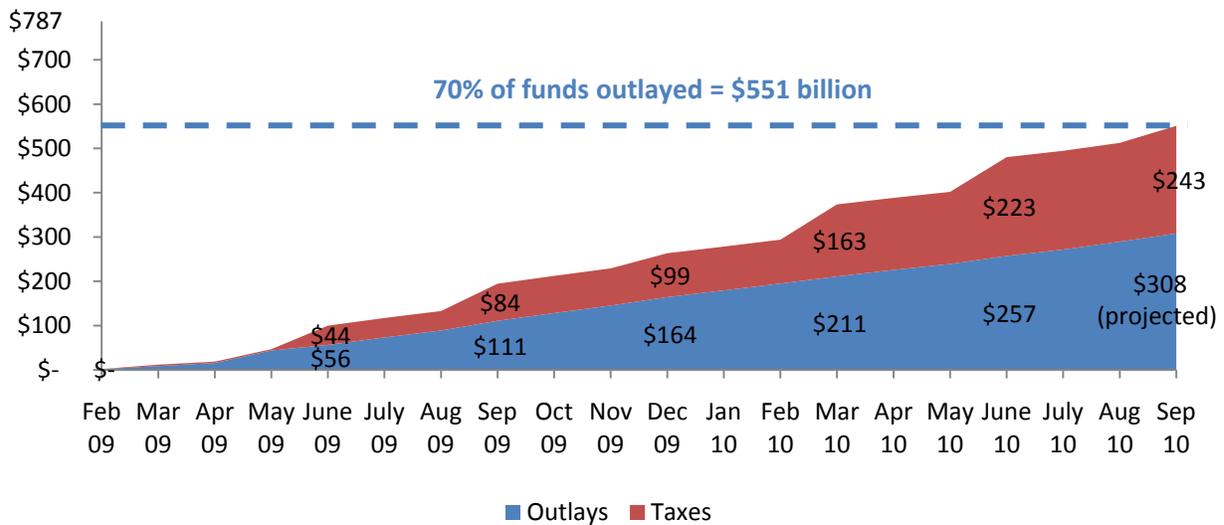


Figure 7: Recovery Act Outlays and Tax Relief over Time (dollars in billions)

Outlays for both projects and payments have been made rapidly. When taking into account obligations, the total amount of non-tax funds committed by the Recovery Act is estimated to be at over \$444 billion. In the case of many programs, significant economic activity begins at the point of obligation, and payments (outlays) are made on a reimbursable basis *after* work is complete.

Since we last reported out on the status of obligations and outlays in the Act, in February of 2010, an additional \$110 billion has been obligated, \$129 billion has been outlayed, and Americans are benefitting from an additional \$124 billion in estimated tax relief.

² Treasury Inspector General for the Tax Administration: “Initial Build America Bond Subsidy Payments were Processed Accurately and Timely” July 14, 2010. Reference: 2010-11-083

In addition, we will be returning an estimated \$400 million to the Treasury in funds that were not obligated by the end of this fiscal year. These funds were not needed to accomplish their original purpose and agencies complied with Sections 1306 and 1613 of the Pay it Back Act³ and good practice in returning them to the Treasury to reduce the deficit.

Contract bids, in some cases, have come in anywhere from 6 to 20 percent below expected costs, allowing agencies to do more work within their original appropriations. We surveyed eight agencies⁴, and found that they were able to do over 3,000 additional projects above what they had originally projected to perform with Recovery Act resources. Some agencies will return bid savings to the Treasury when statutory deadlines require it.

What Remains to Outlay

With 70 percent of the total tax relief, payment, and project funds paid out, approximately 30 percent or approximately \$236 billion remains. \$46 billion is additional tax relief, primarily for 95 percent of over 110 million working American families, through the Making Work Pay Tax Credit and for a variety of tax credits for businesses on Main Street, which will benefit tens of thousands of American businesses.

\$42 billion is in payments and other mandatory programs, such as the Supplemental Nutrition Assistance Program (SNAP) or Medicaid. The former program makes it easier for over 40 million families to put food on the table; the latter helps millions of Americans get the healthcare they need. These funds will be paid out on pre-determined schedules, continuing to aid Americans who remain in need.

The remaining \$144 billion will be spent on projects. The vast majority (\$126 billion, about 90 percent) of that funding is already obligated to specific projects. Only \$18 billion, less than 2 percent of total Recovery Act funds, remains unspent and unobligated to projects.

These categories of remaining funds can be seen in Figure 8.

³ Public Law 111-203

⁴ DOL, VA, GSA, DOD, DOI, DOT and EPA

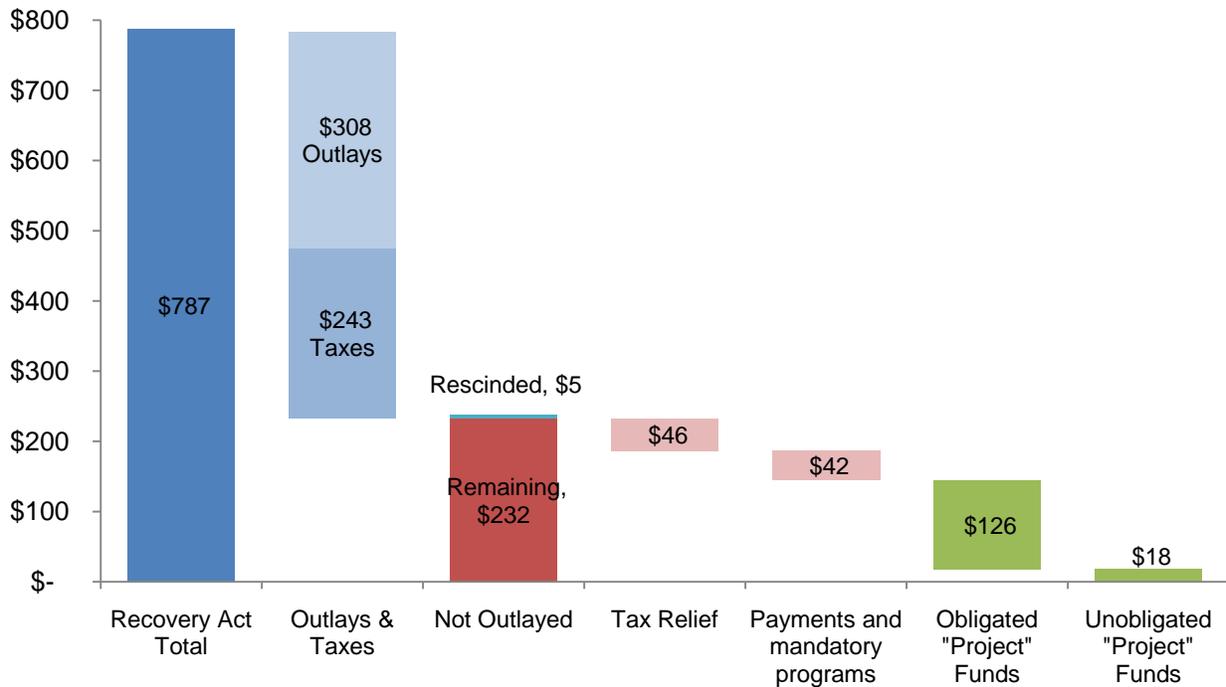


Figure 8: What Remains to be Outlayed and Provided in Tax Relief in the Recovery Act (dollars in billions)

Remaining Tax Relief

The largest component, or \$26 billion, of remaining tax relief is in the Making Work Pay Tax Credit. This tax benefit expires on December 31, 2010. As noted above, over 110 million American families are benefiting from this tax credit, and each stands to gain up to \$200 dollars more in the remaining portion of this year. Over \$20 billion that remains is in a variety of tax provisions that are geared especially towards job creation and tax relief for businesses. As noted above, tens of thousands of businesses will benefit from these tax cuts.

Remaining Mandatory Funds

Virtually all remaining mandatory funds are in three programs: Health IT, Supplemental Nutrition Assistance Program (SNAP), and Medicaid (FMAP). We estimate \$22.8 billion is to be spent on Health IT mandatory funds (\$25.2 billion for Medicare and Medicaid HIT Incentive program payments netted against \$5.9 billion in Medicare penalties, as well as \$3.5 billion for Federal and State administration). The incentive payments do not begin until 2011. These funds are part of a larger Health IT program that includes \$2 billion in discretionary spending that has already been almost fully obligated. This upfront spending was directed at projects and programs geared toward:

- 1) Readying hospitals, physicians, other providers, and other healthcare system actors (e.g. states) for the transition to using health information technology.
- 2) Demonstration programs across the country to test various cost and outcome benefits that can be derived from health IT usage.

Health IT mandatory funds will start paying out in 2011, the first year identified in the statute⁵, in the form of payments to hospitals and other providers as incentives for adopting and meaningfully using electronic health records. Payments peak in 2013. For 2015 and later, Medicare HIT incentive program payments will be netted against revenue from penalties that non-complying hospitals and providers must pay. Since the passage of the Recovery Act and subsequent rule making processes that determined standards that defined “meaningful use,” we expect that providers have or will begin adopting Health IT solutions in anticipation of future payments.

SNAP and FMAP payments make up virtually all other remaining mandatory funds. SNAP is set to finish obligating and outlaying funds by 2014, and FMAP will finish obligating in 2011 and outlaying by 2012. It is worth noting that these programs are partly tied to economic conditions and cost estimates for both have fluctuated up and down since the Act’s passage, and could continue to do so.

Remaining “Project” Funds that are Already Obligated

The largest category of remaining Recovery Act funds are those that have already been obligated to specific projects, for which work is already underway today. These funds largely fall into three categories:

- 1) Funds for infrastructure projects that are ongoing: These funds are for projects that largely pay out on a re-imbusement basis in stages after work is complete, with final payment not occurring until after the entire project is finished
- 2) Funds under state and local control: The majority of these funds, states and localities can act to “make the money last,” smoothing or delaying spending across the allowable horizon to fill budget holes as required by local needs. This is allowed by statute.
- 3) Funds for projects that will perform over a longer horizon, and thus titled “extended spend.”

Figure 9 shows this breakdown.

⁵ The statute applies only to the Medicare payments. Medicaid payments will start per regulation at the same time.



Figure 9: Breakdown of Remaining “Project” Funds that are already Obligated and In the Process of Paying Out (dollars in billions)

The majority of the remaining funding will go to infrastructure reimbursement. For infrastructure, the vast majority of remaining funds – about \$35 billion – is estimated to be spent in 2011. These funds include competitive infrastructure programs, including broadband, smart grid, and battery awards, as well as traditional formula programs such as highways and water projects. In many cases competitive programs took longer to obligate, as awardees needed to be determined through an application process—processes and competitions that were often new, and had to be designed from scratch.

After infrastructure, the next largest subset of remaining funds is state and locally controlled spending. These funds will pay out almost entirely in 2011; \$36 billion estimated to be spent that fiscal year. The largest example of state and locally controlled spending is the \$24.4 billion remaining in education funds. These funds do not outlay until the state or local entities “draw down.” By statute, this ‘draw down’ will largely occur by September 2011.

The third largest category of funding not yet outlaid is “extended spending,” which accounts for roughly \$28 billion of the remaining funds. Of this, \$15 billion is estimated to be spent in 2011.

A number of programs fall under this category. The majority of the \$23 billion of extended spending is for research, including National Institute of Health research funding, National Science Foundation research funding, and the Department of Energy’s Office of Science research and development funding.

Approximately a quarter of this extended spending is the Recovery Act’s investment agenda, such as the fossil energy program, which is funding research, development, and demonstration of carbon capture and sequestration.

Federal construction is another element of the extended spending category. These funds are used for construction of military hospitals and facilities, Veterans Affairs medical facility repair and rehabilitation, and federal buildings. Because of the size of these projects, there is some lag between when funds are

obligated and when they are outlaid. \$6 billion of the \$9 billion remaining for the projects will be spent in 2011.

Project funds yet to be obligated

Only \$18 billion of the \$787 billion Recovery Act in Recovery Act funds, or 2 percent, remains unobligated. The majority of these funds are already awarded, and thus un-awarded funds represent less than 1 percent of the Recovery Act’s total funding.

A significant portion of this \$18 billion falls into two areas: high-speed rail (\$7.2 billion still unobligated, but fully awarded) and clean energy projects⁶ (\$8.7 billion still unobligated but partially awarded). The remaining \$2.1 billion is spread across several programs.

Figure 10 shows this breakdown.

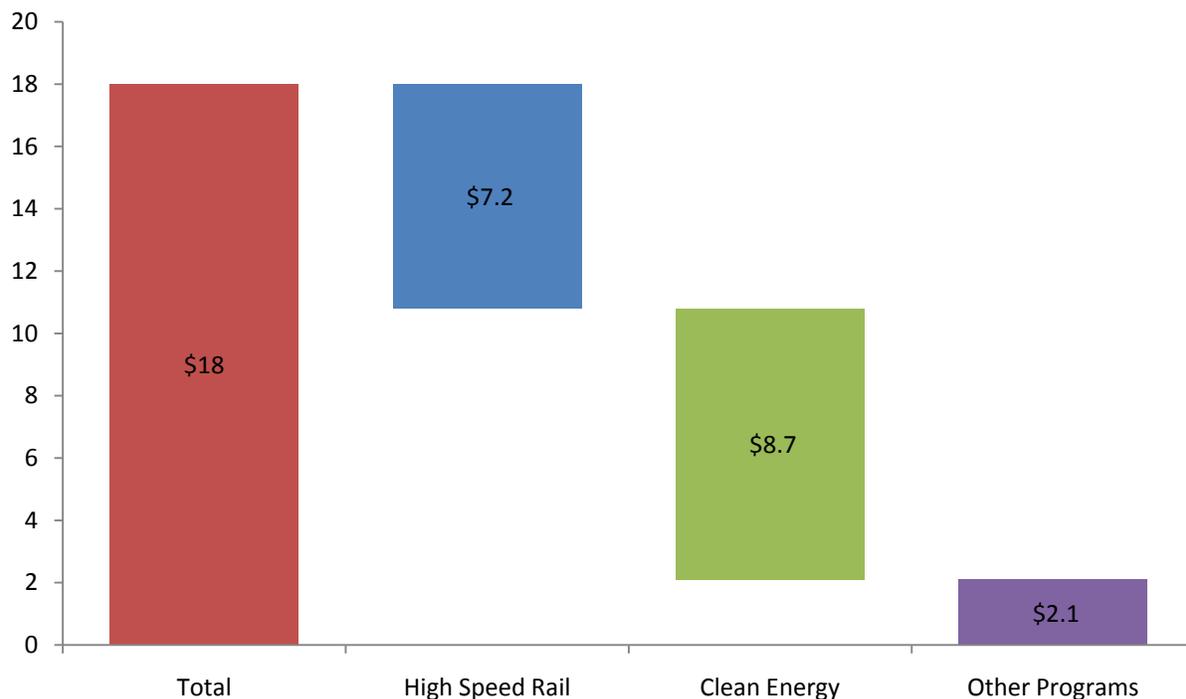


Figure 10: Breakdown of Remaining Unobligated Project Funds (dollars in billions)

High Speed Rail funds were all awarded in January of this year, and to date, \$800 million has already been obligated. This is essentially a new program, and contracts for these awards are complex,

⁶ The clean energy component includes both Section 1705 loan guarantees and borrowing authority for the Western Area and Bonneville Power Administrations.

requiring negotiation with freight carriers to ensure passenger rail benefits are secured. Because of this, High Speed Rail funds were given a September 30, 2012 deadline to obligate by statute.

Energy loan guarantees are awarded on a rolling basis. So far, DOE has issued loan guarantees totaling \$774 million to four projects and awarded conditional commitments to six others. Together, these guarantees and commitments represent \$4.1 billion in total value. The ten projects they support are expected to generate more than 8,000 construction jobs and 2,700 permanent jobs, and to avoid the release of almost 22 million tons of carbon dioxide per year. DOE anticipates offering a number of additional commitments by the end of the year, in support of projects expected to generate over 10,000 additional construction jobs, and over 2,000 additional permanent jobs. Contracts for these loan guarantees are complex, requiring negotiation with recipients as well as reviews by OMB and Treasury teams. Funds are obligated when the guaranteed loans close, and these funds were given, by statute, a September 30, 2011 deadline for obligation.

WAPA and BPA funds represent a permanent and indefinite increase to the borrowing authority of the two power administrations, giving WAPA a permanent borrowing authority (similar to a revolving fund) for the first time and increasing BPA's borrowing authority from \$4.45 billion to \$7.7 billion. WAPA has spent nearly \$90 million, all of which is tied to the Montana Alberta Tie Ltd. transmission line project (the contract for which is up to \$161 million). A key stipulation of WAPA borrowing authority projects is that they must facilitate the delivery of renewable energy resources to market. BPA has identified up to \$2 billion in major projects for which it will use Recovery Act borrowing authority and to date has spent \$255.5 million on these projects, which will enhance transmission and hydro system infrastructure, create new jobs, and implement energy efficiency.

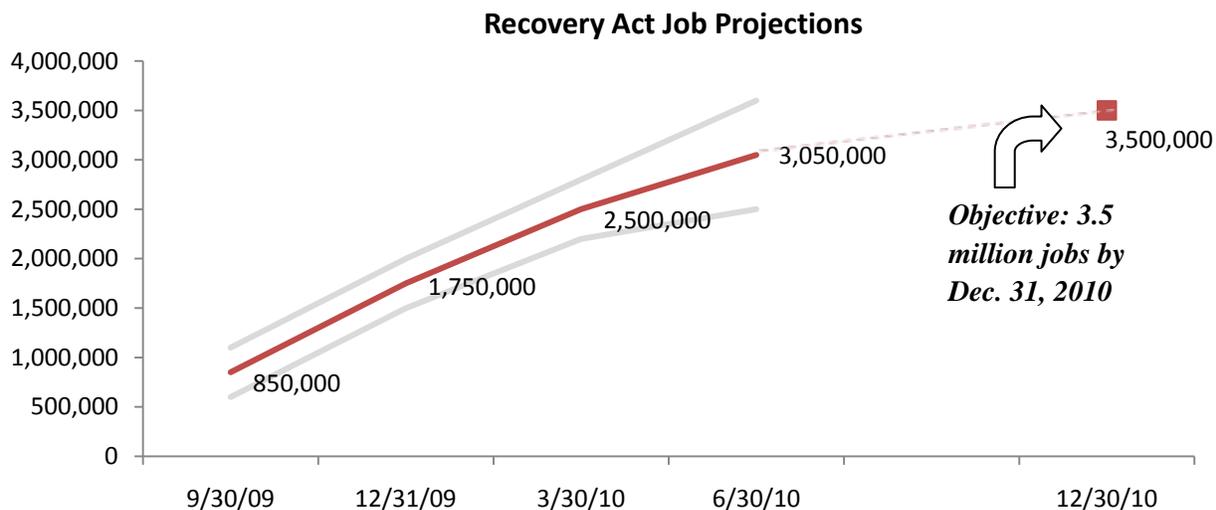
Meeting All Deadlines

In addition to meeting the Administration's 70 percent outlay target, all Recovery Act deadlines that Congress set for putting Recovery Act dollars to work were met on time, select examples include:

- 6/17/09 – Airport Funds 50 Percent Obligated – *Met*
- 6/30/09 – Highway Funds 50 Percent Obligated – *Met Early on 6/19/09*
- 2/17/10 – Clean and Drinking Water Projects 100 Percent Under Contract – *Met*
- 2/17/10 – Airport Funds 100 Percent Obligated – *Met Early on 12/31/09*
- 2/17/10 – TIGER Grants 100 Percent Awarded – *Met*
- 3/2/10 – Highway Funds 100 Percent Obligated – *Met*
- 3/24/10 – Public Housing Capital Funds 100 Percent Obligated – *Met*
- 6/30/10 – Job Corps Center Funds 100 Percent Obligated – *Met*
- 9/30/10 – COPS Funds 100 Percent Obligated – *Met Early on 6/28/09*
- 9/30/10 – DOC and USDA Broadband Funds 100 Percent Obligated – *Met Early on 9/27/10*

Reaching 3.5 Million Jobs Created or Saved

When the Recovery Act was passed, the objective was to create 3.5 million jobs by the end of 2010. Since then, multiple reports from the Council of Economic Advisors (CEA) and the Congressional Budget Office (CBO) have shown consistent progress toward that goal. Figure 11 depicts this progress:



Note: Grey lines represent the maximum and minimum values in the range provided. Red line is the center point.

Figure 11: Jobs Created by the Recovery Act over Time⁷

Moreover, the hundreds of programs in the Recovery Act generated a multitude of jobs in clean energy industry, education, and many other industries. From environmental cleanup, to construction, to scientific and medical researchers studying groundbreaking technologies, Recovery Act jobs span industries, employing Americans with a variety of skill sets and backgrounds.

These job projections only account for the direct investment from the Recovery Act. In fact, on \$95 billion of Recovery Act project spending, for every dollar that was invested by the Federal government, three dollars were invested by external sources. As the CEA’s July 14, 2010 report states, “This fact has potentially important implications for measuring the employment effects... we make no attempt to include any of the employment impact of the leveraged spending beyond the cost to the Federal government.” This means that \$286 billion of investments brought off the sidelines by the Recovery Act are generating economic activity and employment not captured in these models – and as a result the actual numbers may exceed even these estimates.

The analysis from CEA is not unique. In August 2010, the nonpartisan CBO determined that the Recovery Act had raised employment by up to 3.3 million jobs in the second quarter of 2010 alone. And countless economists from a diverse range of institutions and backgrounds have supported this analysis. For example, Mark Zandi, Chief Economist and co-founder of Moody’s Analytics, as well as economic advisor of Senator and former Presidential Candidate John McCain joined with Alan Blinder, former Vice

⁷ Council of Economic Advisers Quarterly ARRA Reports
<http://www.whitehouse.gov/administration/eop/cea/factsheets-reports>

Chairman of the Federal Reserve, in a recently published a report that stated that without the Recovery Act, unemployment would have averaged 11.2 percent this quarter and 11.6 percent next quarter, and that payroll employment would have been 2.9 million people lower both this and next quarter.⁸

⁸ How the Great Recession was Brought to an End (<http://www.economy.com/mark-zandi/documents/End-of-Great-Recession.pdf>)

Chapter 3: Outperforming On Complex Implementation Objectives

A Focus on Transparency

The Recovery Act has an unprecedented commitment to providing timely, transparent, and accountable information about the Act's progress. As the President stated, the Administration's goal is to "see where your tax dollars are going"⁹. In pursuit of this goal, Section 1512 of the Act requires nearly every grant, contract and loan recipient of Recovery Act funds to file quarterly reports providing spending, employment and project status information.¹⁰

Currently, there are over 200,000 recipients that file quarterly reports. Altogether, the funds subject to the recipient reporting requirement comprise about one-third of the total funding of the Act (tax cuts, individual aid and much of state government assistance are exempt from Section 1512 reporting requirements). Recovery Act recipient reports are collected and made public quarterly which is more frequent than other major financial reporting required by the federal government.¹¹

After undergoing a quality assurance process conducted by each agency, recipient reported data is then posted on Recovery.gov. Maintained by the Recovery Accountability and Transparency Board, and mandated by the Act, Recovery.gov is an unprecedented user-friendly tool for tracking federal spending. Taxpayers are able to track every project down to the zip code with relevant financial and employment data as well as project descriptions.

The Administration has been committed to ensuring a high rate of compliance with recipient reporting. On April 6, 2010, the President issued a memorandum, "Combating Noncompliance with Recovery Act Reporting Recipients," directing federal agencies to use every means available to identify prime recipients that have failed to file a report on FederalReporting.gov and to hold them accountable to the fullest extent permitted by law. The directive requires agencies, when appropriate, to terminate awards, reclaim misused funds, and pursue suspension and debarment proceedings against non-reporters. The memorandum also directs agencies to "intensify efforts" to identify noncompliant recipients. On May 4, the Office of Management and Budget (OMB) issued a separate memorandum providing guidance to agencies on additional actions they could take to hold recipients accountable for reporting compliance.

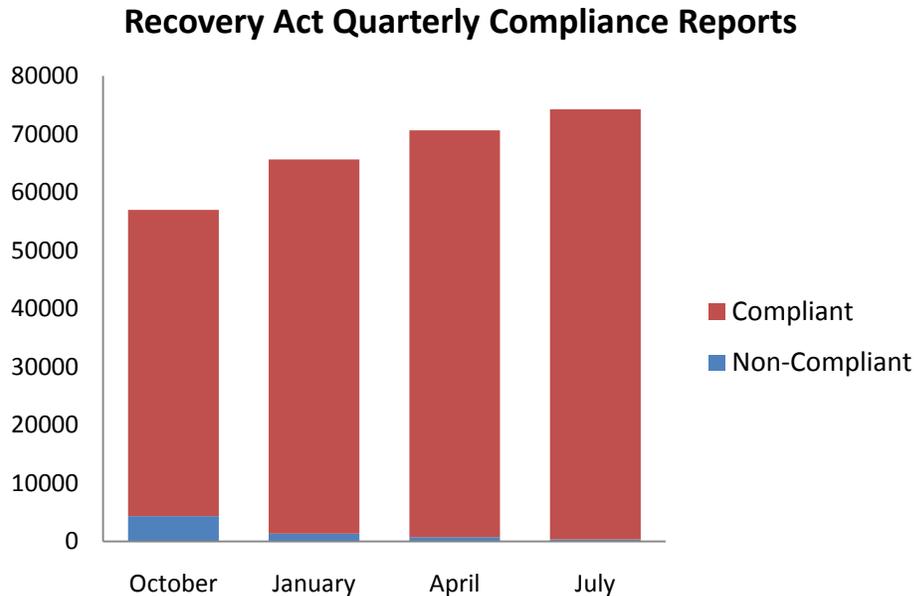
In the most recent quarter ending on June 30, 2010, over 99 percent of Recovery Act prime recipients that were required to file reports on their spending did so on a timely basis. Although no level of non-compliance is acceptable, the overwhelming compliance of Recovery Act funding recipients is encouraging. There is a high bar for success in providing the unprecedented levels of transparency and accountability that the President promised when he signed the Recovery Act. Together with Congress, the Recovery Accountability and Transparency Board, OMB, Federal agencies, funding recipients, and the American people, we are delivering and will continue to deliver on that promise. Through continued

⁹ http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-and-Vice-President-at-the-Department-of-Transportation/

¹⁰ Section 1512 of the Recovery Act details which recipients are required to report every quarter.

¹¹ Financial reports such as the Non-profit IRS 990, Private Sector Year-End SEC 10K, and the Private Sector Quarterly SEC 10Q, and the deadlines for federal agency financial statements.

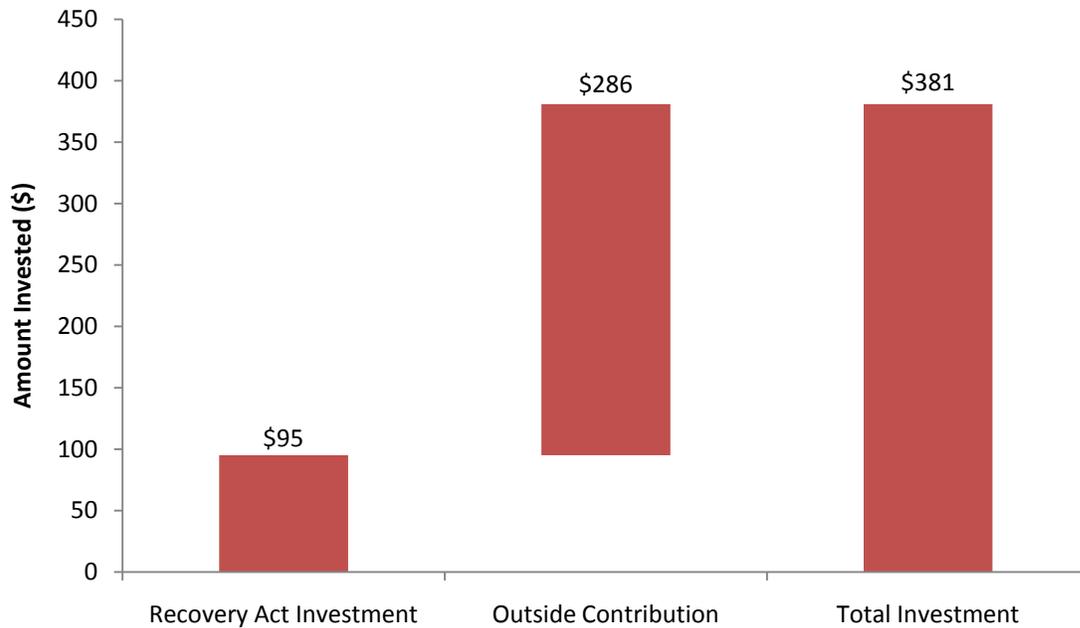
outreach and training for recipients, we have collectively improved compliance and data quality. In the fourth period of recipient reporting, May through July 2010, instances of recipient non-compliance continue to decrease in each reporting period:



As indicated above, Non-compliance has dropped from 755 in April to 352 in July. Consecutive period non-compliance has also dropped, going from 68 in April to 40 in the last period. Of the over 88,000 prime recipients that have ever filed, the 352 non-reporters represents 0.4 percent.

A Focus on Innovation & Leveraging Private Capital

The Recovery Act recognized that government could not restore the economy alone. As a result, the Act included many provisions that leveraged outside investment. In July, the Council of Economic Advisors found that \$95 billion of Recovery Act investments are drawing \$286 billion of external investment. In other words, on these investments, every dollar contributed out of the Recovery Act has been matched by roughly three dollars of non-federal contribution.



This leverage has benefits beyond jumpstarting private investment in a time when credit markets were still tight. For one, leverage aligns economic incentives to encourage good stewardship of public support. When private investors have a vested financial interest in the success of their Recovery Act-supported investments, they have greater incentive to use that funding responsibly. Second, co-investment increases the efficacy of public support. The federal government has a responsibility to use tax dollars as effectively and efficiently as possible. Taxpayers get more value when those dollars are leveraged by private investment.

A Focus on Stakeholders: Small and Disadvantaged Businesses

In addition to the Administration's efforts in both transparency and accountability, the Administration also remains committed to ensuring a broad array of businesses,-including small businesses and firms owned by minorities, women, and veterans- take part in America's economic recovery. Through the Recovery Act, we have directed the Cabinet to be innovative and work together in new ways to ensure that these businesses can participate fully in the Recovery Act's Federal contracting opportunities.

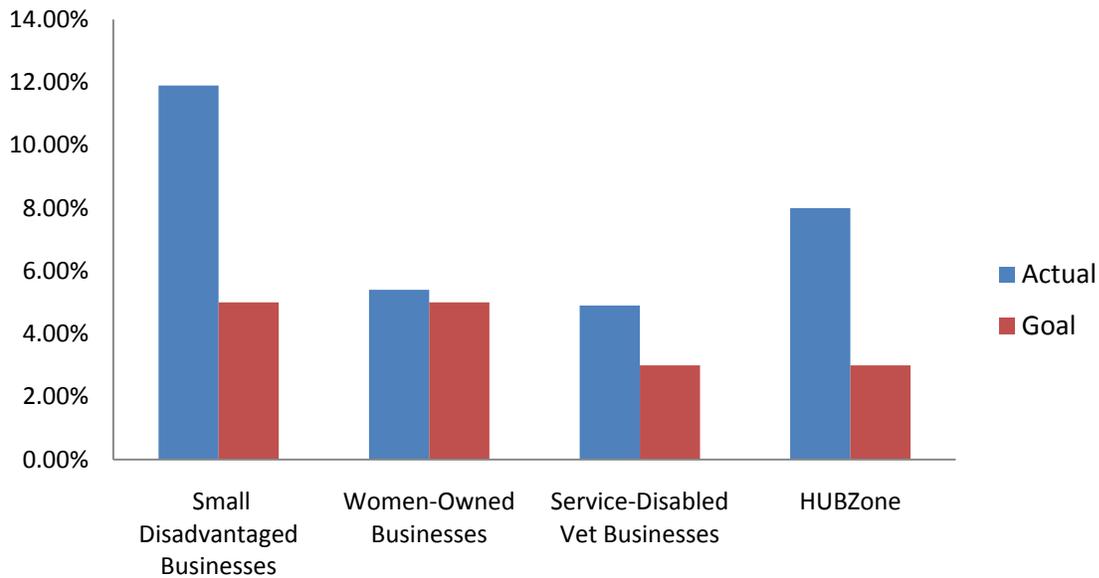
On July 30, 2009, The President and Vice President asked the U.S. Department of Commerce (DOC) and the U.S. Small Business Administration (SBA) to co-lead an effort designed to ensure that minority businesses, small businesses, and firms owned by women and veterans have greater access to federal government contracting opportunities. This effort was named the Stakeholder Outreach Initiative (SOI).

Through the SOI, agencies conducted over 300 outreach events and worked together to improve access to opportunities. SOI featured new forms of training and education of external stakeholders using webinars, regional events, and updating Federal websites to make opportunities more prominent. It increased interaction within and among agencies that led to a new model of local forums that connects

people and businesses with opportunities. Through the Recovery Implementation Office (RIO) and in conjunction with DOC and SBA, the SOI also tracked and regularly communicated progress and was a topic at three of the Vice President’s Recovery Cabinet Meetings.

The results of the SOI are encouraging. As of September 24, 2010, 31.6 percent of federal agency Recovery Act contracting dollars, totaling \$10.37 billion, have gone into the hands of small businesses as compared to the Government-wide goal of 23 percent. Various types of small businesses have received significant Recovery Act contracting dollars, and are currently meeting socioeconomic goals:

**Business Participation by Type
As a Percentage of Total Recovery Act Funding**



In addition, 17.3 percent of ARRA contracting dollars have gone to minority-owned firms, totaling \$5.15 billion. The focus of the stakeholder outreach initiative has yielded positive results as well as provided insights into how government can continue to build upon these efforts. The Administration is committed to continuing this progress and has incorporated many of the lessons learned from this effort into the Interagency Task Force on Federal Contracting for Small Businesses.

A Focus on Avoiding Fraud, Waste, and Abuse

From the very beginning, the President and Vice President directed agencies to make the prevention of fraud, waste and abuse a top priority. To implement this direction, each Department and Agency put in place risk management and mitigation strategies. They have designed programs to identify and mitigate the risks of non-performance and waste, fraud, and abuse in each step of program implementation. Some of their continuous actions are:

- Conducting risk assessments, establishing risk mitigation strategies, and monitoring results
- Working with their Office of Inspector General (IG) on the design of programs
- Executing regular program and financial reviews.

These plans are electronically posted on the OMB collaborative website MAX so that they can be viewed by other agencies as best practices.

Working with the Agencies and OMB, the Vice President's Recovery Implementation Office (RIO) tracks every one of the more than 250 appropriations (Treasury Account Fund Symbols (TAFS)) weekly to be sure that:

- The money is moving into the economy
- Congressional intent is being met
- Best practices are shared among agencies and the risk management plans are continually strengthened

RIO also works with OMB to review project lists before they are put into the procurement process and to review certain kinds of contracts before they are executed. This has helped filter out "unwise" projects as well as deterred bad projects from receiving funds. In total this detailed, layered review process has helped to stop over 200 projects – many before they even made it onto Federal Agency's final project lists that are submitted for Administration and Congressional notification. In addition, RIO has worked with state and local Recovery offices in the cases where Recovery Act funds were under local control to help those offices choose projects that represent the most prudent use of these funds.

In Section 1521 of the American Recovery and Reinvestment Act, Congress established the Recovery Accountability and Transparency Board (the Recovery Board) and gave it the responsibility to "coordinate and conduct oversight of covered funds in order to prevent fraud, waste, and abuse."

All reports of suspected fraud, waste, and abuse are closely reviewed, and if any warrant investigation, they are referred to the appropriate IG. As of July 31, 2010, the Recovery Board and the federal IGs have received a total of 3,806 complaints of wrongdoing associated with Recovery funds. Of those, 424 have triggered active investigations and 141 cases were closed after careful scrutiny without action.

To put these numbers in context, as of June 30, 2010 Recovery.gov reported 196,937 prime and sub contracts, grants and loans under the Recovery Act. The 283 open or consequential investigations represent less than 0.2 percent of the number of total Recovery Act awards in Recovery.gov at that time. In addition to the efforts of the Recovery Board, the Government Accountability Office (GAO) also receives and investigates allegations of fraud. GAO has acknowledged that levels of fraud remain quite minimal. As of August 11, 2010, there were 224 allegations of Recovery Act wrongdoing from the public to GAO, 181 of which have already closed after investigation.

As reported by the New York Times,

“The IG community has gotten on the front end of Recovery Act spending, monitoring the money from day one and allowing the public to access the same information, [Devaney] said. IGs no longer have to "stumble upon fraud like we usually do." The result, he said has been far less fraud than expected. "We don't know how much fraud we have prevented," Devaney said. "I do think history will show that there was a lot less fraud in this effort than had been anticipated or that normally would occur with such a large amount of money." “Interior IG Brings Detective's Zeal to Stimulus Watchdog Post” NYT – 9/10/2010

An important aspect of making this work is responsiveness. With so much Recovery Act funding flowing through state and local governments, the Vice President has regular contact with Governors and Mayors. He has hosted 34 conference calls which have collectively included the governors of all 50 states at least once, 5 representatives from U.S. territories, 119 mayors, and 37 county executives. The Vice President has committed to a 24 hour turn around on any issues or concerns that arise from these calls. This commitment is that, if an answer is not readily available, the interested party will receive a call within the 24 hour window with an estimate of when an answer will be possible. The network of agencies, states, localities, recipients, federal IGs, the Board, and even the Justice Department has been a powerful force in deterring waste, fraud, abuse and unwise projects.