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Testimony before United States House Oversight and Government

Reform Committee

Washington, DC

Wednesday, July 8, 2009

Good morning. Thank you Chairman Towns, Ranking Member Issa, and members of the Committee for the opportunity to testify today about the American Recovery and Reinvestment Act and its impact on the Commonwealth of Massachusetts. I first want to acknowledge and thank President Obama for his leadership and commitment to ensuring that the states have the tools they need to weather these unprecedented economic challenges. I also want to thank Congress for providing these much needed funds, and for their long-term vision for economic sustainability.

To date, Massachusetts has been awarded close to \$2.6 billion in federal recovery funds for Medicaid, education, and transportation projects. These federal funds have helped Massachusetts sustain critical safety net programs and services while avoiding laying off thousands of teachers, public safety workers, human service

providers and other government employees. It also is allowing us to make infrastructure investments that are both creating jobs now and laying the foundation for long term economic growth in the future. Of course, even with ARRA funds, we have been forced to make difficult cuts to balance the state budget. I am not under any illusions that ARRA funding is a panacea. We continue to make the hard choices to ensure our long-term economic health.

In Massachusetts, we have a rich history of education achievement. Our fourth and eighth graders outscored the nation, and most of their international peers, in math and science on the world's largest study of student performance in those subjects. According to the results of the 2007 Trends in International Mathematics and Science Study (TIMSS), Massachusetts 4th graders ranked second worldwide in science achievement and tied for third in mathematics; the state's 8th graders tied for first in science and ranked sixth in mathematics.

With the influx of federal recovery dollars through the State Fiscal Stabilization Fund we have been able to protect the gains we

have already made and continue the work to adopt an even more rigorous set of academic standards and assessment that will best equip tomorrow's leaders with the tools for success.

This past fiscal year, ARRA funds prevented a 10 percent cut to education spending in Massachusetts. We used \$412M of stabilization funds to ensure that we fully funded all 328 of our school districts.

While we have asked districts to use these one-time funds in strategic ways to drive education reform, we are also mindful that superintendents across the state are seeing their "funding cliffs" right now. Therefore, some of these stabilization funds are being used to avoid massive layoffs in the short-term, and they have helped bridge the gap until our state revenue picture begins to turn around.

ARRA funds have also enabled Massachusetts to continue its pioneering experiment in health care reform. Today, over 97 percent of Massachusetts residents have health insurance – the highest of any state in the nation. In FY 2009, enhanced Medicaid matching funds allowed us to continue our successful health reform programs

by claiming an additional \$860 million in federal reimbursements. In FY 2010, the increased FMAP will allow the Commonwealth to maintain eligibility and benefits for hundreds of thousands of low income residents who rely on state-subsidized health insurance.

These are important steps to secure the safety net for Massachusetts residents. But ARRA funding is also about long-term thinking and bringing better tomorrows within our reach. The opportunity in this crisis is to ensure that we do everything we can to position ourselves for the upswing by preparing our states for sustainable long-term growth in the 21<sup>st</sup> century innovation economy.

Our focus in Massachusetts has always been on the future of the innovation economy. We have been working to position the Commonwealth for success regardless of the economic climate by making strategic investments in the engines we believe will drive tomorrow's economy. We are leading the way out of the fossil fuel era towards a clean energy future. The clean energy field is the fastest growing sector in the state with 20% growth over the previous year in 2007. Today, we have more than 500 firms and 14,000 jobs

in this field. Just last week, I announced a program with ARRA funds to install solar panels on state buildings, including all four terminals at Logan Airport. Town halls, libraries and other municipal buildings are also set to receive funds for solar installations and small businesses are likely to undertake the majority of this work.

The Commonwealth's highly educated workforce, academic research centers, and our entrepreneurial spirit ensure that we will remain an international clean energy leader in the years ahead.

Under the leadership of the President and the Congress, Massachusetts will continue to compete for millions of dollars for shared priorities in transportation projects, labor and workforce development programs and technology investments, including broadband expansion to un-served and underserved communities. These federal investments coupled with continued state funds will yield increased employment and better infrastructure today and will open the doors of opportunity to more citizens to share in tomorrow's prosperity.

Our initial highway funds are also immediately putting people back to work, and laying the foundation for future growth. We are using highway stimulus funds in Fall River, an area hard-hit by the recession, for a new interchange opening up 300 acres of property for commercial and industrial development. Investments are also being made in the western part of the state for an intermodal facility to allow for the efficient interaction of different transportation methods.

ARRA funding has not only enabled us to get people back to work more quickly and invest in our infrastructure and future growth, but it has provided an opportunity to make fundamental changes to the way we do business. For instance, the “use it or lose it” requirements motivated MassHighway to examine and improve the process for contract awards. Previously, the time from bid opening to notice to proceed took around 120 days. Through a concerted effort the Commissioner and her staff reduced this time for ARRA projects to less than sixty days without any loss of oversight.

From the beginning, we have been committed to maximum transparency and accountability. I commend the Congress for

insisting that we deliver on this goal. In Massachusetts, we have been focused on creating a transparent, accessible way for citizens to track ARRA spending and we have taken a number of steps to protect against waste, fraud, and abuse. In January, prior to ARRA's enactment, we identified the state agencies and programs through which ARRA funds were expected to flow and directed those agencies to review, update and/or amend their existing internal control plans to satisfy ARRA's compliance/oversight requirements.

We transmitted copies of those control plans to the state auditor, inspector general and attorney general and requested that they review the plans and inform us if they perceived any potential vulnerabilities or concerns.

We also developed a centralized ARRA project management office, the Office of Infrastructure Investment. This office coordinates projects between state agencies and municipalities, helping to streamline the process of obtaining regulatory approvals and ensuring compliance with federal and state regulations. The office will include a Compliance and Monitoring Manager, who will oversee

internal control processes, assess compliance risks and conduct compliance reviews across all state agencies receiving ARRA funds.

With respect to transparency, we have developed a state recovery website – [www.mass.gov/recovery](http://www.mass.gov/recovery). We currently publish on that site ARRA allocations and spending by type and by region for money that flows through the State. Consistent with the guidance that OMB just issued, we also plan to publish on the site all of the information required by section 1512 of ARRA, including a detailed description of each ARRA-funded project and activity. Our goal is to develop a robust, centralized oversight mechanism which can identify and resolve issues as quickly as possible, and can continue to provide enhanced financial oversight after ARRA expires.

While we have taken many positive steps forward in the areas of transparency and accountability, we have encountered a few bumps in the road.

We all know that the implementation of the Recovery Act is a huge endeavor. I believe that all parties have been trying to balance



the need for appropriate oversight and transparency with the requisite expediency needed to spur economic activity. We await the bulk of the money to come through. It is true that the funds we have received through FMAP and education are enormously helpful to shore up the safety net and I've already talked about the impact of those funds. And the transportation money is already proving beneficial as we begin to undertake various projects throughout the state that put people to work. Additionally, I do not think you can discount the impact that these images of folks working can have on the public.

I commend Congress for authorizing states to utilize a small portion of ARRA funds for central reporting and accountability systems. One concern I have, however, involves the process states must go through to obtain authorization to begin spending these funds. Per OMB Guidance dated May 11, 2009, states have been instructed that in order to access ARRA funds to pay for centralized systems - including transparency and accountability systems - states must follow longstanding cost allocation procedures set forth in OMB Administrative Circular 87, and submit proposed amendments to their

existing statewide cost allocation plans to Health and Human Services for review and approval. Massachusetts has done so and is currently in negotiations with HHS over the details of its proposed plan amendment. In the meantime, however, we cannot access the funds and it is unclear when we will be able to do so. To the best of my knowledge, no other state has been able to access their funds either.

I appreciate why OMB may have initially believed that it would be most efficient to use existing Circular 87 procedures. However, we have growing concerns about whether those procedures adequately take into account ARRA's unique issues and requirements. Unless these differences are recognized and addressed, I fear we will not be able to access the funds we need in sufficient time to build the reporting and oversight systems that ARRA requires.

My comptroller has shared these concerns with OMB. The issues are complicated, but we have a very productive working

relationship with OMB and will continue working with them to find solutions.

Again, thank you for inviting me today. I look forward to our continued partnership as we work to help America recover from this economic crisis. I am happy to take any questions you might have.