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RECOVERY.CA.GOV

Role of the Recovery Task Force and Oversight and Implementation Structure

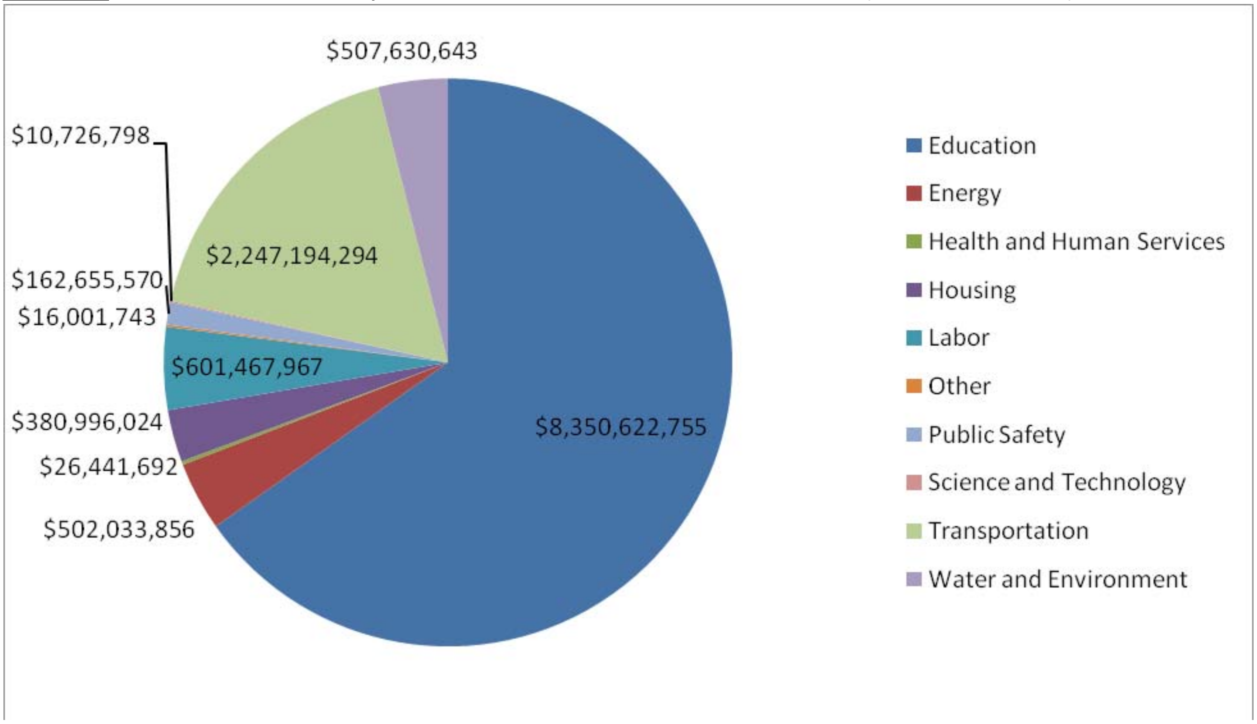
Role of the Task Force
The American Recovery and Reinvestment Act (Recovery Act) was signed by President Obama on February 17, 2009. At the Governor's direction, the administration began planning for an economic stimulus package. The Governor immediately committed to tapping into every possible source of funding to benefit California. For example, the February budget from last year included provisions that were contingent on the General Fund impact of the Recovery Act.

With an estimated $85 billion in federal economic stimulus funds expected to come to California over two years, the Governor created the California Recovery Task Force (Task Force) via Executive Order on March 26, 2009. Membership includes senior level representatives from the Health and Human Services Agency, the Department of Transportation (Caltrans), the Department of Housing and Community Development, the Natural Resources Agency, the Office of the Secretary of Education, the California Environmental Protection Agency and the Labor and Workforce Development Agency. Also participating are representatives from the Department of Food and Agriculture, California Emergency Management Agency, the Office of the Chief Information Officer, Office of the Small Business Advocate, the Department of General Services and the California Energy Commission. The goal of the group was to track the dollars coming in, seize as many opportunities as possible, use the funding effectively and ensure that spending was done with the highest level of transparency and accountability ever associated with government spending. In addition, the Task Force has a core staff to conduct the day-to-day oversight operations.

The Task Force is charged with tracking the Recovery Act funding coming into the state (refer to Graph I for breakdown of state department and agency funding); working with President Barack Obama's administration; helping cities, counties, non-profits and others access the available funding; ensuring that the funding funneled through the state is spent efficiently and effectively; and maintaining a Web site that is frequently and thoroughly updated for Californians to be able to track the stimulus dollars. The Web site, www.recovery.ca.gov, gives all Californians a breakdown, by issue area, of the funding California has and is estimated to receive from the Recovery Act.

The Task Force meets twice weekly and this has led to several partnerships amongst the state agencies and departments. It has helped facilitate efforts like the clean energy jobs training program, which uses Recovery Act funds from the Employment Development Department and California Energy Commission and non-recovery act funds as well as local matches to create a $48 million program to train workers in energy efficiency, renewable energy and clean transportation. It has also helped us in efforts to talk about implementation issues and best practices.

Graph I: Amount of Recovery Act Funds Awarded to State Entities (As of 12/31/09)*



Graphic produced by Recovery Task Force Staff

* These figures represent Recovery Act funds that have been federally announced. They may not yet be available for expenditure.

California's Recovery Act Oversight and Implementation Structure

Agencies and Departments

California state government entitites—34 different departments—are eligible to participate in approximately 60 federal Recovery Act programs. Some of these programs are exclusive to state government, while others are awarded on a competitive basis to the state and non-state government entities. As of December 31, 2009, these 34 different departments and state entities have been awarded $26.7 billion, of which $13.8 billion has been spent to extend the safety net to millions of Californians for such entitlement programs as Medi-Cal, unemployment compensation and food stamps. The remaining $12.8 billion is reserved for federal contracts, grants and loans, of which $6.2 billion has already been spent by state departments to create jobs and provide other benefits to Californians. Ultimately, state government entities will receive an estimated $55 billion from the Recovery Act—the bulk of that further distributed to local governments, school districts, private organizations and individuals.

Governor Schwarzenegger committed that California would achieve the maximum benefit possible from the Recovery Act. He directed state departments and agencies to immediately gear up to prepare the best applications for Recovery Act funds to ensure the most funds possible for California. This has led to a number of coordinated efforts from state government entities ranging from swift regulatory and statutory changes, to using other state, local and federal resources to leverage additional Recovery Act dollars and assisting non-profit and local government entities on joint applications.

Inspector General
The Governor additionally appointed the first-in-the-nation state Recovery Act Inspector General (IG) through Executive Order S-04-09 on April 3, 2009. The Executive Order identifies the IG as an independent entity with the mission to protect the integrity and accountability of the expenditure of Recovery Act funds by preventing and detecting waste, fraud and abuse. The IG is tasked with presenting independent and object reports to the Governor, the Legislature and the federal agencies responsible for Recovery Act oversight.

Rather than duplicate the audit efforts of the state's other auditing entities, such as the Bureau of State Audits (BSA) and the State Controller's Office (SCO), the IG focuses on preventive measures and follow-up to ensure departments and other recipients are taking appropriate and timely corrective actions.

To date, the IG's office has also coordinated fraud prevention and detection training events for state and local agencies and the service provider community with presentations from federal agencies on measures to avoid problems and prevent fraud, waste and abuse. Over 1,000 state and local agency staff attended seven events throughout the state. The event was also available through a Webinar.

Office of State Audits and Evaluations
The Office of State Audits and Evaluations (OSAE), an arm of the California Department of Finance, is also involved in Recovery Act oversight. The California Recovery Task Force requested that OSAE conduct oversight and accountability readiness reviews for Recovery Act funding. A total of 29 reviews were done for state agencies, departments, boards and commissions receiving Recovery Act funds. The purpose of these reviews was to identify early on potential issues in department oversight and internal controls that could lead to increased programmatic or fiscal risks in expending Recovery Act funds.

OSAE examined each entity's readiness in the general areas of oversight and fraud prevention, grants management and accountability, reporting requirements and transparency. Guidelines released by the White House Office of Management and Budget as well as the National Procurement Fraud Task Force best practices guidance were both used to determine compliance standards. To increase transparency and accountability, the readiness reviews were published on the Task Force's Web site. This allowed other auditing agencies to follow up on any noted weaknesses.

The California Recovery Task Force also asked OSAE to perform limited reviews of data reported in the October reporting period. These limited reviews noted some issues in data quality. The Task Force published a Recovery Act Bulletin (RAB) to communicate the noted data quality issues as well as best practices that should be implemented by the state agencies and departments.

Bureau of State Audits
The Bureau of State Audits (BSA) is statutorily responsible for annually conducting California's statewide Single Audit. The Single Audit is a combination of the independent audit of the state's basic financial statements and the independent audit of federal programs administered by various state agencies and departments. The BSA is also responsible for conducting the statewide audit of Recovery Act funding. The BSA is focusing on areas where there are known internal control and compliance weaknesses based on previous Single Audit work and on state agencies and departments that have not previously administered large federal programs. In addition, in April 2009, the BSA identified the state's implementation of the Recovery Act as a high-risk issue area. In June 2009, the BSA followed up on the initial risk assessment by reviewing four state departments' ability to administer Recovery Act funding.

This review noted that while progress had been made, none of the departments were fully prepared. Recently, the BSA has issued three interim audits of state departments, which were awarded Recovery Act funds.

State Controller's Office

The State Controller's Office (SCO) is primarily responsible for the sound fiscal control over both receipts and disbursements of public funds and to report periodically on the financial operations and condition of both state and local government. To that end, the SCO performs financial audits of federal and state funds in connection with SCO's central disbursing function—claim audits. The SCO is the primary state agency that conducts audits of local entities as needed in connection with locals' receipt of funds from the state.

The SCO has a significant role in the state's overall accountability responsibilities because a substantial portion of the Recovery Act funding received by the state will be awarded to sub-recipients who are primarily local governments.

Working in Coordination to Ensure Transparent Spending

While the activities and approaches of the different audit and oversight organizations may be similar in nature, each entity has a distinct responsibility and area of expertise, as shown in Chart I. In addition, each of the entities is committed to coordinating their efforts to minimize duplication and to share information so that, as a whole, the state can expend Recovery Act funds appropriately, minimize the incidence of fraud, waste and abuse and identify or implement appropriate corrective actions to address findings in a responsible and expeditious manner.

Chart I: High-Level Overview of Accountability, Oversight and Implementation Roles

	Prevention	Readiness/ Preparedness	Risk Assessment	Audits	Technical Assistance to Departments	Investigate Fraud, Waste, and Abuse
Recovery Act Departments/ Agencies	Document existing internal controls and determine approach to fund allocation			Support audit activities - follow up on audit findings		As part of compliance reviews, investigate potential fraud
Task Force	Provide education, training and guidance to state recipients on appropriate use of funds	Monitor department activities and support allocation of funds		Data quality checks and reviews of 1512 reports for accuracy	Provide technical assistance on reporting and appropriate use of funds	
Office of State Audits and Evaluations		Readiness reviews focused on internal controls		Conduct program and compliance audits or reviews as requested by the Task Force or directed by the IG	Provide technical assistance to correct audit findings and strengthen internal controls	
Inspector General	Coordinate training to state and local governments on oversight and prevention of fraud, waste, and abuse	Interview each Recovery Act-recipient department to ascertain their plans for ensuring oversight of expenditures and identify risks based on prior audits, reviews, and program characteristics		Limited-scope, reviews and audit work focused on evaluating and pursuing indicators of fraud, waste and abuse	Analyze deficiencies and provide a framework to prevent similar problems in the future	Investigate complaints directed to the Office
Bureau of State Audits	Conduct early reviews and testing of internal controls		Identify risks based on prior Single Audit findings, ARRA funding, and federal guidance	Complete Single Audit for state departments		Investigate or refer whistle blower complaints
State Controller's Office	Audit state agency Recovery Act claims for compliance and to identify high risks		Identify risks based on prior local government audit findings	Complete and issue local government single audit guidance, conduct field audits, of high risk local and state entities		Investigate local government and potential fraud identified during state agency claim audits

Providing Opportunities for Californians

The Task Force has initiated or participated in scores of outreach with stakeholder meetings with governmental, non-profit and small business groups to explain Recovery Act opportunities and to educate them. Over 45,000 people have attended these meetings. Meetings with organizations representing minority, disabled and small business owners comprise roughly half of this attendance number. In addition, the Task Force has been visible and active on a national level, participating with various national associations, such as the National Governor's Association, the National Association of State Budget Officers and interacting with federal officials.

Small and Disabled Veteran Businesses

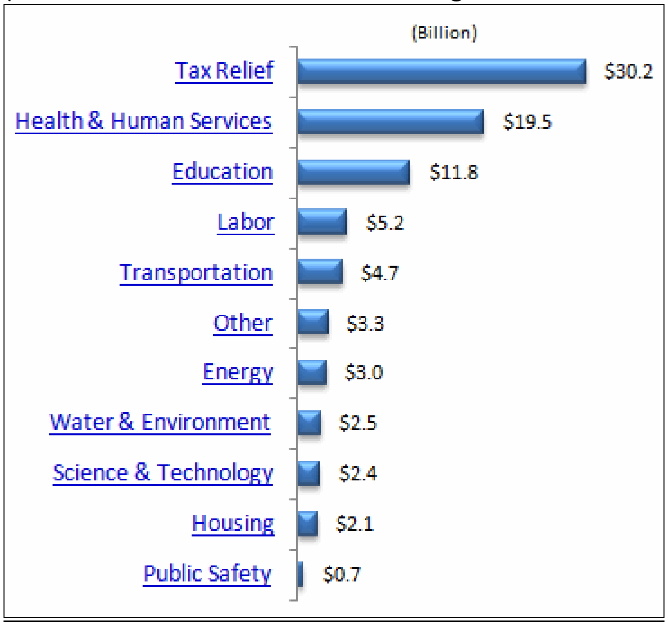
The Task Force recognizes the participation of small businesses and Disabled Veterans Business Enterprises (DVBEs) as both an essential and valuable component to the successful implementation of economic stimulus dollars. Small and DVBE businesses, which comprise 98 percent of all California firms and employ over half of the state's residents, will be the driving force behind the state's economic recovery. It is essential that these firms receive an opportunity to compete for these job-creating contracts which requires timely and accurate information about Recovery Act contracting opportunities in California. To that end, coordination with the Department of General Services, Governor's Office, Business, Transportation and Housing Agency, and Air Resources Board has resulted in an extensive outreach effort and has provided web-based information to potential small business and DVBE bidders.

Additionally, the Task Force is working closely with the Governor's Small Business Advocate to identify ways to target small business in external activities such as workshops, speeches and meetings. Already, the Task Force has added a new tab to our Web site (http://recovery.ca.gov/HTML/HowDoI/smallbusiness.shtml), designed to provide small business owners the resources and information necessary to participate fully in the recovery effort. Additionally, a resource guide and brochure are available noting and distilling down the resources available to small businesses and DVBE on how to locate, apply and compete for federal, state and local recovery projects.

California's Share of Recovery Act Funding

Of the $787 billion estimated total, approximately $499 billion will be available nationally for programs administered by the federal government, state governments, local governments and private organizations. The remaining $288 billion is for direct tax relief to individuals and business. California's initial estimated share of the total Recovery Act funds was over $85 billion, representing more than 10 percent of the funds available nationally. Initial estimates indicate approximately $55 billion will be provided to California state and local governments, non-profits, local education agencies and private companies through spending programs and the remaining $30 billion to individuals and businesses in the form of direct tax relief.

Graph II: $85 Billion in Benefit to California
(Estimated benefit to California through the life of the Recovery Act)



Graphic created by Recovery Task Force Staff

For perspective on the magnitude estimated for California, the $55 billion that will be awarded to state and local governments is equivalent to nearly two-thirds of the state General Fund budget. California's share of the Recovery Act funding is also larger than the annual General Fund budgets of all but two states (Texas and New York). (Refer to pie chart in Appendix I)

Chart II provides a breakdown of the total amounts of Recovery Act funding expected to come to California over the life of the Recovery Act. The Employment Development Department is expected to receive the most funding due largely to their dispersal of funds for training and employment services under the Workforce Investment Act and Wagner-Peyser Act that will be administered locally through One-Stop Career Centers and various local and community organizations.

Existing Programs
Most of the stimulus money coming to California has flowed through channels that already exist.

For example, over $13.8 billion in funds received as of December 31, 2009 have gone toward Health and Human Services programs that are providing a much needed safety net for California's citizens. Money flowing to preexisting programs like Medi-Cal, several food and nutrition assistance programs (e.g. SNAP), immunization clinics, community service grants, social security and vocational rehabilitation are keeping Californian's healthy and providing services that might not otherwise be there.

It is important to note that the increased federal funding under the Recovery Act will not change the amount of funding paid for program services. Rather, the Recovery Act has increased the federal share of funding for the Medi-Cal program, resulting in General Fund savings and mitigating programmatic cuts that would have otherwise been required due to California's budget crisis.

Also, beginning in March 2009, the California Labor and Workforce Development Agency distributed $415 million in Recovery Act funds to 49 Workforce Investment Boards throughout the state. This $415 million nearly doubled the amount of Workforce Investment Act funds the federal government allocated to California in the 2009 fiscal year. All this additional money will provide job training and employment services and unemployment benefits to thousands more Californians.

Discretionary Programs
In some areas, funds are flowing into completely new programs. These include competitive grants such as for broadband, health information technology and Race to the Top. Examples of how these will and are affecting California include:

- **Green Jobs Training Program:** California created the nation's largest state-sponsored green jobs training program, providing $75 million to the Clean Energy Workforce Training Program. This program creatively combines Recovery Act, state, local and private sector investments and trains more than 20,000 workers for jobs in the state's rapidly emerging low-carbon, clean energy economy. To fund the initiative, the Governor invested $10 million in Workforce Investment Act (WIA) Recovery Act funds, coupled with $20 million from the California Energy Commission. The program will:

  - Create a workforce this is capable of performing the jobs necessary to meet the state's goals of renewable energy development, climate change reduction, clean transportation and green building construction.

  - Focus on unemployed workers, particularly from the construction sector, low-wage workers and those preparing to enter the workforce.

  - Teach skills such as installing solar panels, maintaining electric vehicles, programming computers and working on fuel cell technologies.

- **Health Information Technology:** California is putting to work nearly $70 million for health information technology. The Health Information Technology for Economic and Clinical Health (HITECH) Act seeks to improve patient care and promote and provide incentives for the adoption of electronic health records through the creation of a secure, interoperable nationwide health information network. To achieve this goal, the Recovery Act authorized bonus payments for eligible professionals and hospitals participating in Medicare and Medicaid as an incentive to use health information technology and electronic health information exchange. California patients and their caretakers will be the ultimate beneficiaries with the adoption and utilization of these technologies by improved quality and efficiency of care.

- **High-Speed Rail:** California additionally has been awarded based on its successful application more than $2.3 billion of Recovery Act funding made available to states nationally for high-speed intercity rail – more funding than any other state in the nation. When the full system is built, it will stretch close to 800 miles, from Sacramento to San Diego. The building of the Anaheim-to-San Francisco section alone is estimated to bring up to 600,000 jobs throughout every region of California.

Tax Relief
The Recovery Act provides a range of tax-related programs to benefit California taxpayers, businesses and local governments. Californians will receive an estimated $30 billion in tax credits, tax rebates and increased exemptions and deductions on income tax returns.

There are tax credits available for individuals, families and children, HOPE scholarships, first time home owners as well as several other opportunities. California companies will benefit from numerous tax incentives in the areas of accelerated depreciation, manufacturing incentives and renewable energy-related incentives. Local governments are eligible for several tax relief options including assistance for Build America Bonds, Recovery Zone and School Construction Bonds and low-income housing grants.

Chart II: Total Estimated Recovery Act Funding to California Entities

State Department Name	Dollars in Millions
Employment Development Department	16,162
Health Care Services, Department of	12,065
Education, California Department of	6,684
Transportation, Department of	2,604
Social Services, Department of	1,621
Justice, Department of	1,436
Corrections and Rehabilitation, Department of	1,085
Tax Credit Allocation Committee, California	1,068
California State University	869
University of California	869
High Speed Rail Administration	800
Energy Resources Conservation and Development Commission	315
State Water Resources Control Board	299
Community Services and Development, Department of	290
Emergency Management Agency, California	287
Child Support Services, Department of	171
Public Health, Department of	170
Public Utilities Commission	144
Housing and Community Development, Department of	77
Rehabilitation, Department of	74
Developmental Services, Department of	53
Air Resources Board	30
Forestry and Fire Protection, Department of	25
Conservation Corps, California	20
Aging, Department of	12
Coastal Commission, California	11
Victim Compensation and Government Claims Board, California	10
Food and Agriculture, Department of	9
Planning and Research, Office of (SFSF)	9
Toxic Substances Control, Department of	8
Statewide Health Planning and Development, Office of	4
Military Department	3
Arts Council, California	1
Industrial Relations, Department of	1
Total ARRA Funding Estimated to State Departments	**47,286**
Total ARRA Funding And Tax Benefit Estimated to other California Entities (local governments, non-profits, educational institutions, private companies and individuals, tax benefits)	37,714
Total ARRA Funding Estimated to All Entities within California	**85,000**

Chart created by Recovery Task Force staff

Reporting

The Recovery Act contains many provisions mandating transparency and accountability and the requirement of greatest significant to most recipients is Section 1512 of the Act. This section requires quarterly reporting by all recipients of Recovery Act funds. Though the section lists only nine general data elements that recipients must report regarding their awards, these nine general elements translate into nearly 100 specific data elements that must be applied to the hundreds of grants received by the state. This is the information that is ultimately reported to the federal government by way of the Recovery Accountability Transparency Board (RATB).

Federal Oversight Agencies and the Task Force

One overarching theme in the Recovery Act is full transparency and accountability and this is highlighted by the Act's provisions allocating $325 million for the accountability and transparency efforts of federal oversight agencies. These agencies include various federal Offices of Inspectors General, the Government Accountability Office (GAO) and the RATB, which was established to coordinate and facilitate executive branch Offices of Inspectors General oversight. Among its other responsibilities, the RATB is tasked with establishing a public Web site (http://www.recovery.gov) that will enable the public to see in detail where and how Recovery Act funds are spent. To achieve this level of accountability and transparency, the recipients of Recovery Act funds are responsible for providing large amounts of detailed information into a RATB data management system which supplies the content for the http://www.recovery.gov Web site.

The Task Force has coordinated and led the efforts of the state departments in collecting and reporting data required under the Recovery Act:

- It has acted as a clearinghouse between state reporting entities and the RATB and other federal agencies regarding instructions and questions on data content and the technical aspects of data entry and uploading. As part of this role, the Task Force has established a help desk to support departments during the reporting period.
- It is the single point of contact with federal agencies responsible for Recovery Act oversight, specifically the Office of Management and Budget, U.S. Government Accountability Office and RATB.

CAAT System

The reporting process has evolved into one of the Task Force's primary functions. California made the decision to create its own software tool for reporting, which is called the California ARRA Accountability Tool or CAAT, for short. The CAAT system provides various methods in which state departments can report their Recovery Act data. Federal rules require California to capture about 97 data points for every award and, in addition, California requires a few additional data points that are required to make the Web site function.

CAAT was used for the first two rounds of state agency and department reporting and California's Office of the Chief Information Officer (OCIO), on behalf of the Task Force, assists to collect the data from state agencies and departments as well as uploading the data to FederalReporting.gov.

The Task Force, working with the OCIO's office, has procured an off-the-shelf (COTS) software product to facilitate future section 1512 reporting. The new system, Stimulus360, will allow state departments to report their data in the same way they did with the CAAT. However, the new system will allow greater flexibility for system updates when OMB or the RATB require new or additional data to be reported. It will also centralize many of the databases the Task Force manages which are used to provide information to interested parties such as public requests, legislative offices and business groups.

Recovery Act Bulletins and Data Workgroup Meetings

In addition to its members meeting twice weekly to share information and coordinate activities, the Task Force provided guidance to the administering agencies and departments on the accountability and reporting requirements of the Recovery Act. Formal bulletins are issued to ensure departments are aware of critical features of the Recovery Act and important deadlines, and to direct departments to adhere to significant best practices and federal requirements. For example, the Task Force issued Bulletin 09-30 (see Appendix II) to convey updated jobs calculation guidance to state departments from the OMB. To date, the Task Force has issued 31 such bulletins.

In June of 2009, the Task Force established a data workgroup comprised of representatives from all of the agencies and departments who anticipate on receiving Recovery Act funding. The purpose of the workgroup is to provide a forum for informing departments of data reporting requirements and sharing information and lessons learned from the various departments' data collection efforts.

Late and Conflicting Guidance

At the time the Recovery Act became law, some of the programs funded by the 220 allocations were entirely new, and no guidelines or criteria existed. For these new programs, federal agencies needed to quickly develop guidelines and rules in an extremely compressed timeline and in an ongoing fashion.

The federal Office of Management and Budget gave an evolving set of required data elements for reporting between April and August 2009. The first data dictionary released in April contained 21 required data elements for recipients and 11 data elements for sub-recipients. In June, this grew to 57 recipient data elements, 23 sub-recipients data elements and now seven data elements for vendors. The final version was released on August 4, 2009, containing 66 recipient data elements, 26 sub-recipient data elements and five vendor data elements. In addition, the list of federal programs that were subject to reporting was updated. Even with this latest version, the program list continued to be updated on-line with no notification that changes had been made.

To add to the confusion, many federal agencies issued their own guidance and offered their own webinars to discuss the required elements. In some instances, the federal agency webinars were more helpful than those offered by OMB. In other cases, the feral agencies provided information that contradicted OMB's guidance. When OMB was presented with the conflicting advice, their response was to follow the federal agency's guidance.

Evolving Jobs Guidance and Calculations between Quarters 1 and 2

One of the inherent tensions in the Recovery Act is the jobs measurement. Obviously by including the number of jobs created or retained as part of reporting, Congress made reporting jobs a priority and an important metric for measuring the success of the Act. The President's Council of Economic Advisors recommended applying a formula based on measuring the economic effect of direct and indirect job creation. OMB allowed each federal silo to come up with its own methodology. The end result was a jobs number that raised a large number of questions.

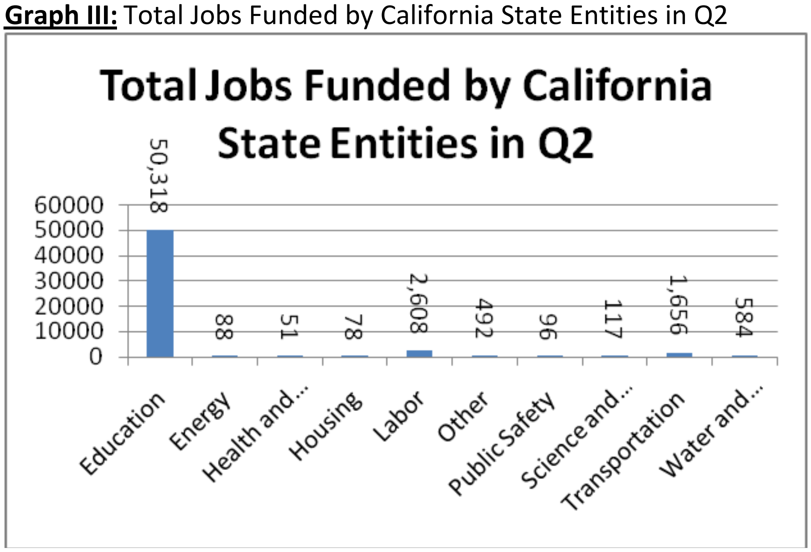
Job calculations, at the outset of the Recovery Act, was calculated as a full time equivalent, which was determined by the recipient, funded with Recovery Act dollars, counted cumulatively or annualized. This method counted nearly 100,000 jobs during the first quarter. As stated before, this method raised some questions about accuracy, and the definitions of job creation were unclear. California raised concerns almost immediately after the reporting period as to the accuracy and relevancy of federal formulas.

At the urging of many states around the nation, including the Task Force, the federal government changed the job calculation on December 18, 2009, very close to the end of the second quarter. The new guidelines changed the definition of a job to any job funded with Recovery Act dollars as opposed to one created or retained. The new calculation also made jobs quarterly instead of cumulative or annually reported.

Almost all state departments complied with the new December jobs formula in the second quarter with the exception of California Department of Education (which used the old formula to calculate jobs). The Department of Education stated that they did not have time to adjust their job calculations because their 1,600 sub-recipients had adjourned for the winter holidays.

As a result, the Task Force publically reported a job calculation number of 21,459 for the second quarter. The total jobs funded, using all of the information the Task Force received (including the California Department of Education), amounted to 56,089 jobs in the second quarter, ending December 31, 2009. As Graph III indicates, the majority of these jobs were in education, including K-12 (compiled by the California Department of Education) and upper education (community colleges, California State Universities and Universities of California).

<u>Graph III:</u> Total Jobs Funded by California State Entities in Q2



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However, because the Department of Education used the old job calculation methodology, the Task Force was not confident of the 34,620 jobs they reported, and therefore took those jobs out to reflect the most accurate calculation of jobs funded by state entities in California.

<u>JOBS FUNDING ACCORDING TO NEW GUIDANCE IN QUARTER TWO</u>

(1) CALIFORNIA STATE ENTITIES	56,089
(2) CALIFORNIA DEPARTMENT OF EDUCATION	(34,620)
(3) TOTAL STATE ENTITY JOBS FUNDED ACCORDING TO NEW CALCULATION	21,469

Successes beyond the Jobs Numbers

To date, the Recovery Act has funded more than 150,000 jobs in California and the White House estimates that 400,000 jobs will be funded in California over the life of the program. But this shouldn't be the only metric to measure success. How many miles of roads did we improve? How many gallons of drinking water did we make safe? How many people got training in the new areas of green technology? How many families kept their health benefits while they were looking for jobs and how many Californians have access to broadband services?

Chart III details the top three programs for each investment category and the funding they've received as of December 31, 2009.

Programmatic Achievements

The following are some of the highlights of benefits to California from Recovery Act funds:

- Serving an estimated 303,474 new patients, 148,376 who are uninsured, with expanded Community Health Center services
- Reduced drinking water backlogs by undertaking 52 projects
- 400 center line miles of roadway
- Placing 40,000 young people in summer jobs
- Rehabilitation and/or replacement of seven bridges
- Distributed over $8.3 million to 38 local health departments and clinics to vaccinate more of California's children
- Helping 1,500 at-risk young adults through the Green Jobs Corps.
- Delivered warm meals to approximately 650,092 seniors in congregate facilities and 476,773 house bound seniors; meals they would not have otherwise received.
- Outfitted 42 Department of Rehabilitation branch and district offices with assistive technology to allow Deaf and Hard of Hearing consumers easier access to learning about employment opportunities.
- 1,751 grants to California universities, laboratories and companies from the National Institutes of Health for medical research and innovations

<u>Chart III:</u> Top Three State Recovery Act Programs, Divided According to Investment Categories

Education	$4,387,948,882 - State Fiscal Stabilization Fund, Education State Grants
	$1,226,944,052 – Special Education, Grants to States
	$1,124,920,473 – Title I, Grants to LEAs
Energy	$226,093,000 – State Energy Program
	$185,811,061 – Weatherization Assistance for Low-Income Persons
	$49,603,400 – Energy Efficiency and Conservation Block Grant
Health and Human Services	$6,585,441 – Aging Congregate Nutrition Services
	$6,347,919 – The Emergency Food Assistance program (TEFAP)
	$3,706,515 – WIC Grants to States
Housing	$325,877,114 – Tax Credit Assistance Program (TCAP)
	$44,466,877 – Homelessness Prevention and Rapid Re-Housing Program
	$10,652,033 – CFDA Community Development Block Grants/State Program and non-Entitlement Grants in Hawaii
Labor	$488,646,876 – WIA Dislocated Workers
	$56,470,213 – Vocational Rehabilitation State Grants
	$46,970,564 – Employment Service/Wagner-Peyser Funded Activities
Other (misc. awards such as community service, military, broadband)	$5,764,908 – AmeriCorps
	$3,552,594 – AmeriCorps
	$2,343,760 – State Broadband Data and Development Grant Program
Public Safety	$135,641,945 – Edward Byrne Memorial Justice Assistance Grant

	$13,298,809 – STOP (Services Training Officers Prosecutors) Violence Against Women Formula Grant Program
	$8,110,005 – State Victim Compensation Formula Grant Program
Science and Technology: (only two awards)	$10,069,863 – Childhood Immunization Program
	$656,935 – Childhood Immunization Program
Transportation	$192,357,000 – Highway Infrastructure Investment
	$189,900,000 – Highway Infrastructure Investment
	$128,116,032 – Highway Infrastructure Investment
Water and Environment:	$280,285,800 – ARRA State Revolving Fund
	$159,008,000 – ARRA Capitalization Grants for Drinking Water State Revolving Funds
	$15,577,984 – ARRA Leaking Underground Storage Tank Trust Fund Program

Created by Task Force Staff

Infrastructure
California currently is home to two of the largest Recovery Act-funded transportation projects in the nation:

- **Caldecott Tunnel 4th Bore Project**: Funded with $197.5 million in federal Recovery Act dollars, this project represents the single largest Recovery Act-funded transportation project in the nation and will reduce congestion on State Route 24 by building a fourth tunnel bore as part of the Caldecott Tunnel, linking Orinda to Oakland.
- **Interstate 405 High Occupancy Vehicle (HOV) Lane Project:** A 10-mile northbound HOV lane will be constructed on the San Diego Freeway (I-405) from the Santa Monica Freeway (I-10) to the Ventura Freeway (U.S. 101). This is the second largest Recovery Act-funded transportation project in the nation. Additional improvements include: realigning existing on- and off- ramps, removing, replacing and constructing new bridge and ramp structures, building approximately 18 miles of retaining and sound walls, and performing road improvements on adjacent city streets. When completed, the lane will significantly improve traffic flow for northbound commuters and the project will complete a continuous 72-mile HOV lane, making it the longest HOV lane in the country.

Job Training and Rehabilitation
Governor Schwarzenegger has fought diligently to secure funds to train those who seek to develop skills for the 21st century economy across a broad cross-section of the state with training in the skills they

need to move from the unemployment rolls to the payrolls of a wide variety of industries throughout the state.

Opportunities arising because of the Recovery Act include:

- $**10.7 Million Investment In Job Training:** Thirteen agencies throughout California will receive a combined $10.7 million to prepare more than 2,100 people for jobs that employers have designated as in-demand occupations, including network administrators, systems engineers, alternative fuel mechanics, paramedics, pharmacy assistants, home health aides, warehouse specialists and logistics clerks.
- **Clean Energy Workforce Training Program:** In August, Governor Schwarzenegger launched a $75 million investment establishing the nation's largest state-sponsored green jobs training program. The program leverages federal Recovery Act funds, public-private partnerships and state and local funding, to train more than 20,000 new or re-skilled clean energy workers to build a workforce capable of performing the jobs necessary to meet the state's goals of renewable energy development, climate change reduction, clean transportation and green building construction for a new green economy.
- **Bolstered Services at Local Workforce Services Offices and One Stop Centers**: To assist workers displaced from their jobs, $415 million in Recovery Act funds will be distributed by the Employment Development Department to 49 local Workforce Investment Boards to help bolster services at the local Workforce Services Offices and One Stop Career Centers, serve workers displaced from their jobs and work to address workforce development priorities. This $415 million in additional Recovery Act funds nearly doubles the amount of Workforce Investment Act funds the federal government has allocated to California in the current fiscal year.

Energy

The Task Force is helping to implement extraordinary funding for increasing energy efficiency projects for both the public and private sectors. In some cases, the Task Force has assisted in creating new state programs that had to be built from the ground up:

- **Loan for California Solar Manufacturing Plan**: The Governor helped to secure a $535 million loan guarantee for Fremont company Solyndra Inc, which manufactures cylindrical solar photovoltaic panels. The federal funding will finance construction of the first phase of Solyndra's new manufacturing facility - which the company estimates will create 3,000 construction jobs, eventually employ approximately 1,000 direct and indirect workers and provide enough clean renewable energy to power 24,000 homes a year through the first phase of annual solar production.
- $**175 Million for Smart Grid Projects**: The nearly $175 million award is part of a larger $620 million pot of Recovery Act funds for Smart Grid projects around the country. The California projects, ranging from wind, battery and underground compressed energy storage systems to regional Smart Grid demonstrations, are leveraging the Recovery Act funds with more than $404 million in private sector funds.
- **$226.1 Million for State Energy Program**: The State Energy Program funding will be available for rebates to consumers for home energy audits or other energy saving improvements; development of renewable energy projects for clean electricity generation and alternative fuels; promotion of Energy Star products; efficiency upgrades for state and local government buildings; and other innovative state efforts to help save family money on their energy bills.

California was the first state in the nation to submit an application for Recovery Act State Energy Program funding.

- **$110 Million for Energy Efficiency and Solar Projects:** State Energy Program Efficiency Building Retrofit and Municipal Financing Programs will provide a combined $110 million to California local jurisdictions, non-profits and private organizations. This will fund an estimated 1,100 jobs and will help to save money on consumer and commercial utility bills.

Education

California is receiving Recovery Act funds to bolster our state's schools and universities so California's future workforce can receive the best education to succeed in and strengthen our state and nation's economy. These funds will protect education funding and important preparatory programs as well as help prevent the layoffs of educators and other school employees. Successes include:

- **Race To The Top Application Submitted For Up To $1 Billion in Federal Education Funds**: The Governor signed legislation making California eligible to submit a competitive application for Race To The Top and which details the statewide plan – strongly supported by over 800 local education agencies representing more than 3.6 million students – to implement the strategies and reforms necessary to fulfill Race to the Top requirements.
- **Governor Submits State's Application for $490 Million for Schools & Universities:** Under Governor Schwarzenegger's leadership, California was the first state in the nation to be federally approved for State Fiscal Stabilization Funds (SFSF). SFSF is a *one-time* allocation of $53.6 billion made available to states under the Recovery Act intended to assist in stabilizing state and local government budgets in order to minimize and avoid reductions in education and other essential public services. Through the Governor's leadership, California received over $3.1 billion in the spring of 2009, as well as an additional grant of $1.3 billion in the fall of 2009. These funding awards make up 90 percent of the total amount available under SFSF for both K-12 and higher education.
- **Title I Schools and Special Education Local Plan Areas**: Additional Title 1 funds will further help schools with high concentrations of students from families that live in poverty improve teaching and learning for students most at risk of failing to meet state academic achievement standards. California has been awarded $1.1 billion in these funds.

Water and Environment

California has long been a world leader in environmental issues and often sets the stage for future developments in the sector. The state's growing population, combined with limited investment in water infrastructure, has placed additional strains on systems that the Recovery Act aims to alleviate:

- **Clean Water State Revolving Fund**: Under the stimulus program the State Water Board is handling $270.5 million in addition to more than $200 million normally loaned by the Clean Water State Revolving Fund (SRF) each year. These funds are going towards a variety of projects assisting local communities in preventing and cleaning up water pollution and protecting public health and the environment. The Clean Water State Revolving Fund concentrates on wastewater (sewer) projects and treatment plants.
- **Addressing California's Long-Term Water Supply Challenges and Drought Conditions:** California is putting to work $260 million to help address its long-term water supply challenges and devastating drought conditions. This includes:

- $40 million for immediate emergency drought relief in the West, specifically in California. These investments will allow for the installation of groundwater wells to boost water supplies to agricultural and urban contractors, the facilitation of the delivery of Federal water to Reclamation contractors through water transfers and exchanges, and the installation of rock barriers in the Sacramento Delta to meet water quality standards during low flows
- $109.8 million to build a screened pumping plant at the Red Bluff Diversion Dam to protect fish populations while delivering water to agricultural users irrigating approximately 150,000 acres

- **National Clean Diesel Funding Assistance Program**: California was awarded $25,403,971 million to replace, repower and retrofit engines in buses, heavy-duty trucks, locomotives, agricultural vehicles, construction vehicles, and cargo handling equipment in metropolitan Los Angeles, the Ports of Long Beach and Los Angeles, San Diego, the San Joaquin Valley, and the Bay Area. These clean diesel projects will create jobs while protecting California's air quality.

Public Safety

The Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) provides $1 billion in national grants to support 100 percent of the cost for approved entry-level salaries and benefits for newly-hired, full-time sworn officer positions (including filling existing unfunded vacancies) or for rehired officers who have been laid off (or are scheduled to be laid off) as a result of local budget cuts. Funds will support these positions for three years and will create and retain law enforcement jobs.

Over $211 million has been awarded to organizations in California, more than 21 percent of the funds available nationally. Overall, nearly 650 police officers have been hired or rehired as a result of this Recovery Act funding.

Individual Stories

The "big picture" numbers fail to tell many of the individual stories of how the Recovery Act has impacted real Californians. The following are real people and the Recovery Act is making a real difference.

<u>Debbie</u>

The Department of Rehabilitation (DOR) received an astounding $61.8 million in federal stimulus funds for its programs, which includes $56.5 million for vocational rehabilitation (VR), $1.6 million for independent living, and $3.7 million for older blind programs. The VR Recovery Act funds constitute a large one–time infusion of VR state grant funding that offers the opportunity to make short-term program improvements that provide long–term benefits. This unprecedented investment will provide our state vocational rehabilitation-related programs with critically needed funds and the opportunities to continue efforts in providing services and advocacy resulting in employment, independent living, and equality for people with disabilities.

Thanks to funds from the Recovery, Debbie, a 27 year-old with a high school equivalency education, now has a job. As a result of the state's On-the-Job Training program, Debbie is working as a Ceramist for a dental lab in Southern California

The Vocational Rehabilitation program serves Californians with disabilities and, with the major infusion of funds from the American Recovery and Reinvestment Act, is able to expand opportunities in this tough job market. Employment training and career development has provided increased opportunities for on-the-job training to facilitate direct job placement opportunities with minimal costs to the business/employer, and self-employment training to assist with the transition into self-employment.

For Debbie, it meant earning $9 per hour during the 13 week program. This program was vital and without it, Debbie would likely have been in training for over a year which would have increased costs for transportation assistance as well as tools, books and supplies and training fees. Instead, once she completes her training, she will have a competitive advantage– actual job experience.

To date, there are nearly 200 new On-the-Job Training placements throughout the State of California, making it the largest vocational rehabilitation program in the country.

<u>Carol</u>
The California Department of Housing and Community Development has helped thousands of Californians facing foreclosure, provided new resources to increase housing supply and helped prevent homelessness. The Homelessness Prevention and Rapid Re-Housing Program (HPRP) was awarded $42.7 million in Recovery Act funding, directed at 31 agencies and local governments in California. The funding provides short and medium-term rental assistance to individuals and families who are currently in housing but at risk of becoming homeless, and to individuals and families who are homeless. This HPRP funding allocation is the largest state allocation in the U.S. to date. In total, entities in California have received $189.1 million in HPRP funds.

The goal of these Recovery funds is to provide financial assistance and other services intended to help people and families find stable housing. The Homelessness Prevention and Rapid Re-Housing Program aids in housing relocation and stabilization services including; housing search, mediation or outreach to property owners, credit repair, security or utility deposits, utility payments, rental assistance, moving cost assistance and other homelessness prevention or rapid re-housing activities.

Carol and her two children were the first family in Alameda County to receive assistance from this program. Earlier this year, Carol along with her children fled their home to escape domestic abuse. Although Carol worked two jobs, her income was not enough to cover the nightly cost of a hotel room and provide food for her and her two children. When the money ran out, Carol and her family were forced to move into her truck.

Fortunately, Recovery Act funds provided to the Priority Home Program, the family was able to move into a two bedroom apartment, blocks from her children's schools. This move came just in time for the family to celebrate Thanksgiving, in their own home. The program paid her deposit and will provide her a small rental subsidy until child support starts in February. The program has also helped her to access benefits, such as food assistance, until her income increases next year. With a total of four months support, Carol and her children will be back on their feet and able to afford their two bedroom town home apartment.

<u>Bart</u>
Caltrans projects have created jobs and opportunities for Californians up and down the state. Many of the Recovery Act projects would have otherwise would have been shelved for years but are breaking ground thanks to the Recovery Act. California has the top two projects in the nation with the largest amount of Recovery Act funding thus far. Cities and counties will utilize over $1 billion of Recovery Act funds for more than 600 projects to construct new roads, repave existing roads, rehabilitate existing

bridges to ensure their safe operation and construct pedestrian and bicycle improvements throughout the state.

In May of 2009 $74.3 million in Recovery Act funding enabled construction to begin on Phase 1B of the State Route 905 project in San Diego County. The project will ultimately cost more than $620 million and create eight miles of a much-needed six-lane freeway along the U.S. - Mexico border. The objective of the project is to improve the annual trade between California and Baja California, which totals more than $35 billion. The road is also expected to ease the access to border ports and improve traffic flow, which is expected to double within the next decade.

Mr. Bart Pensinger is one of the faces you will see if you visit the project. Bart had previously been laid off from his construction job in January 2009 and was out of work for a long six months. Having exhausted their savings, his family was two months away from possibly losing their house. But thanks to this project, Bart, his wife and their two children can now rest easier, knowing their father is bringing home a steady paycheck. Bart is hard at work as project manager for the Sukut Construction Company directing workers to pave and extend the road to this important border artery.

What Money Remains

Of the $166 billion in Recovery Act funds outstanding by the federal government, almost every dollar has already been spoken for, even if it is not yet technically "obligated." For example, of the project related funds, many, such as High Speed Rail and smart grid funds, have already been awarded to recipients but have yet to be obligated. And approximately $20 billion in the total unobligated funding is connected to Health Information Technology (Health IT) investments—some of which will be awarded later this year and the rest spent as incentive payments starting in 2011 for providers who adopt Health IT. Additionally, many of the "payment" types of funds, such as Medicaid, are being allocated on a quarterly basis, so they're not "obligated" until the start of each quarter.

To date, $26.7 billion has been awarded to California's state and local governments, non-profits, local education agencies and private companies through spending programs. With initial estimates of $55 billion in total coming to California through the life of the Recovery Act, this leaves about $30 billion in additional cash benefits yet to come. This would include such programs as broadband and health information technology grants.

Program Challenges

In its role as both providing oversight to departments and working together to implement the Recovery Act, the Task Force continues to work each day to address some of the growing pains associated with the largest disbursement of federal funding in the state's history. Several programs grew exponentially and the Task Force worked with agencies and departments to allocate resources accordingly, and continues to provide support and coordination between agencies and departments to ensure the timely distribution of Recovery Act funding. Two departments that were immediately identified as slow to adapt to the increased funding, thereby impacting programs, are now well on their way to meeting their targets and obligating Recovery Act funding.

Weatherization

As a result of the Task Force's own internal review and a report by the Bureau of State Audits, the Community Services Department (CSD), working with the Task Force, Governor's Office and Health and Human Services Agency, has successfully reorganized and added key resources, streamlined contract approvals and improved internal controls, which have resulted in ramped up production. All are confident that program goals will be reached in a timely manner and not one dollar of Recovery Act money will go unused for this program. To date, after the slow start, the department has significantly ramped up weatherization and completed 849 units with an additional 1,047 in the pipeline and approximately 2,260 units scheduled to begin soon.

The intention of the program is to support efforts to increase energy efficiency of dwellings owned or occupied by low-income persons, reduce their total residential expenditures and improve their health and safety. Of the $5 billion appropriated for the Weatherization Program, the Department of Energy awarded $185 million to CSD. This award represented a significant increase from prior allocations which had remained steady for the past five years, providing between $6 and $7 million a year. The program posed significant challenges for CSD, community action agencies and the local service providers. Due to delayed federal guidance, the program was implemented in phases, which has created challenges preparing contracts to execute. The first phase, representing 10% of the grant amount, was limited to local ramp-up and capacity building activities such as training and administrative preparation. The provision of direct weatherization services was prohibited, pending the determination of prevailing wage scales by the U.S. Department of Labor in compliance with the Davis-Bacon wage requirements (not received until December 2009).

Both the Task Force (in its Readiness Review), as well as the Bureau of State Audits in its interim audit, raised concerns that without immediate action, delays in weatherizing homes could jeopardize CSD's ability to reach its goal of weatherizing 30% of its goal by September 30 (approximately 12,000 units). Additionally, the Bureau of State Audits found that CSD needed to improve its control over cash management and lacks the written procedures necessary for preparing program reports. Further, many existing weatherization providers for non-Recovery Act programs did not want to participate in the Weatherization Program, citing Davis-Bacon prevailing wage requirements and other federal reporting requirements as impediments. In addition, CSD determined that there were potential problems with other willing providers that are impacting the ability of these agencies to contract to weatherize homes.

Energy

The Recovery Act allocated a significant share of funding toward energy projects in California. Of the $3.1 billion provided for the Department of Energy's State Energy Program (Energy), California was awarded $226 million. While the Energy Program existed prior to the Recovery Act, federal funding for the program grew from $3 million in 2008 to $226 million from Recovery Act funds as of September 2009. This represents a 7000% increase from the prior year and required a significant increase in the demands on the California Energy Commission (CEC). The Task Force recognized early on that considerable changes would need to be made at the CEC in order for Recovery Act funding to be successfully obligated. The Task Force coordinated with the Governor's Office and a number of state agencies and departments to help evaluate and determine both resource and staffing needs. The CEC also made certain to include public input when determining the program guidelines for the awarding of grants. While this took time to achieve, it was a worthwhile effort to ensure funds were distributed transparently and accountably.

The CEC allocated funds to eight programs. One of these programs supplemented the existing Energy Conservation Assistance Account Revolving Loan, and the Energy Commission added seven new subprograms as a result of the influx of funds.

During an April 2009 readiness review, GAO concluded that the CEC was not sufficiently prepared to receive, expend and provide oversight for the significant influx of Recovery Act funds they were receiving. The same conclusion was reached by the Bureau of State Audits. The CEC has taken great strides to implement additional internal controls through two contracting efforts:

1. Program Support Auditing and Consultant Services contract to provide a CEC-wide review of controls, processes and procedures, provide recommendations on areas where controls could be improved/strengthened and to conduct risk assessments and audits of funding recipients; and
2. Monitoring, Evaluation, Verification and Reporting contract to provide programmatic/performance reviews and validation of data collected/reported of funding recipients.

In addressing the Bureau of State Audits concerns that the CEC was moving slowly in the expenditure of funds, the CEC made significant progress implementing newly created programs and awarding Recovery Act funds:

- As of February 1, 2010, 31 percent of the State Energy Program (SEP) funds ($70 million) are allocated in executed contracts to the Department of General Services, Employment Development Department, Employment Training Panel and to the Energy Conservation Assistance Account for low interest loans.
- An additional 52 percent of the SEP funds are in the process of being encumbered through active competitive solicitations for the SEP Energy Efficiency Retrofit Programs ($110 million) and support contracts ($6.75 million)
- The remaining 17 percent is allocated for the Clean Energy Business Financing Loan Program ($35 million) and overall program administration ($4.25 million). The Clean Energy Business Financing Program expects to begin awarding funds in May 2010.

The Energy Commission's changes and improvements have put them on target and within the parameters of the law for full obligation of Recovery Act funds.

Conclusions

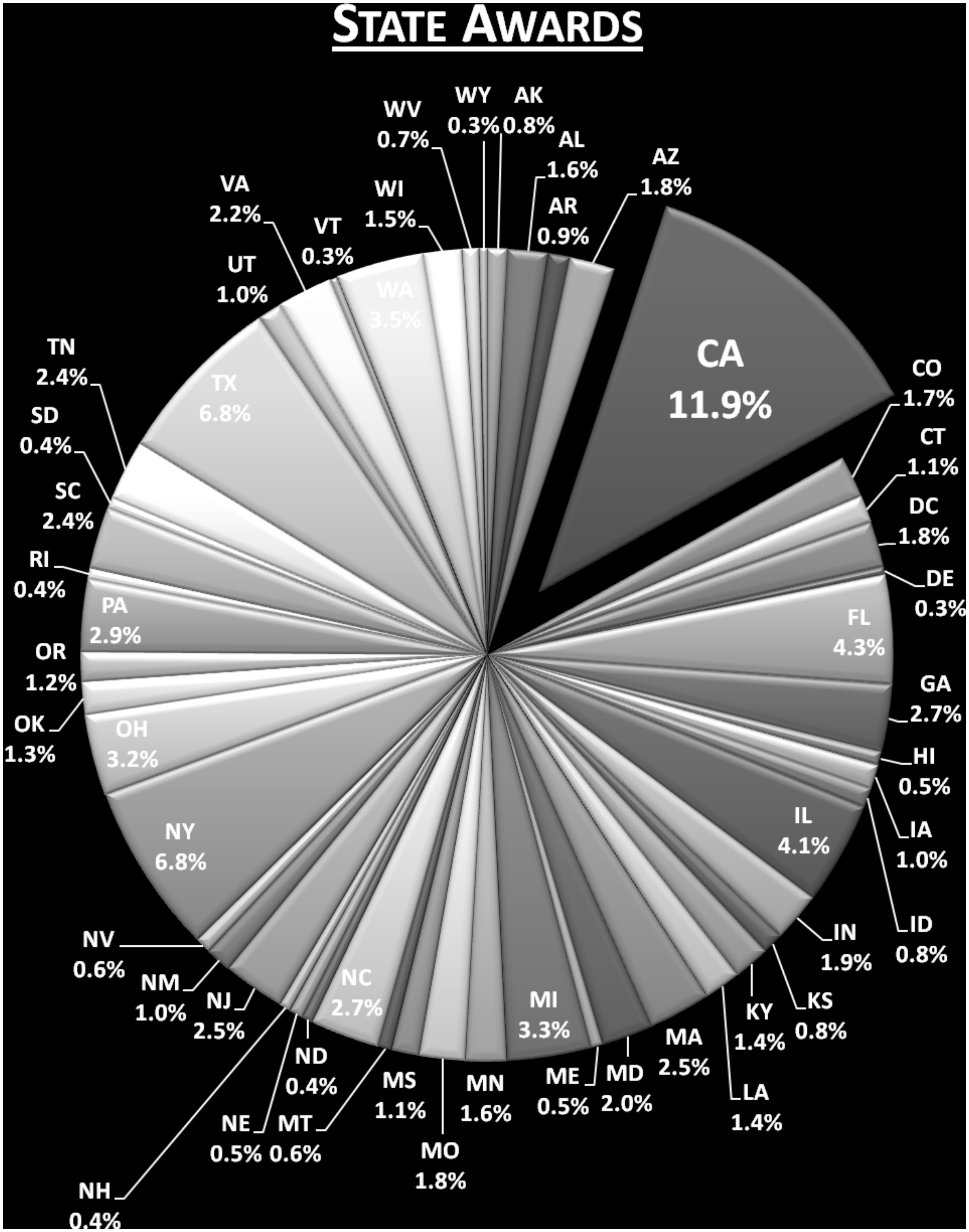
California faced significant challenges in implementing the many programmatic components of the Recovery Act. The breadth and complexity strained many California departments' ability to establish and administer new programs and requirements. This challenge was magnified by the need to move funding into the economy quickly, thus affording departments little time to redeploy existing resources to handle the massive workload.

The Task Force and California state government responded to this challenge by establishing a framework for oversight and implementation. In many instances, whole new methods and structures had to be designed and implemented to collect and report data to provide transparency in the use of funds.

To date, California has met the challenge by securing and providing substantial Recovery Act funding that benefits the people of California. The State, and all of its public, private, and non-profit partners, is continuing its work to ensure the funding of jobs, job training, and safety net services. While the California Recovery Task Force recognizes the challenges inherent with the size and breadth of the Recovery Act, there is no task more important than ensuring California completely and accurately reports the use and impact of Recovery Act resources, and getting funding out quickly, efficiently and with complete accountability. In short, the Task Force is committed to making certain every Recovery Act dollar counts.

www.recovery.ca.gov
For a full report on all California Recovery Act activities up until September 30, 2009:
http://recovery.ca.gov/Content/Documents/RecoveryActOversightPlan.2010.01.25.pdf

Appendix I: State Recovery Act Awards as Percentage of the Whole Act



Created by Recovery Task Force Staff

Appendix II: Recovery Act Bulletin 09-30: Outlined New Job Methodologies for

Recovery Act Bulletin

	NUMBER: 09-30
SUBJECT: REQUEST FOR DATA USING THE CALIFORNIA ARRA AND ACCOUNTABILITY TOOL	**DATE ISSUED:** December 23 , 2009
REFERENCES: AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA) OFFICE OF MANAGEMENT AND BUDGET MEMORANDUM M-10-08 RECOVERY ACT BULLETIN 09-08	**SUPERSEDES:**

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: California Recovery Task Force

Purpose: **The purpose of this bulletin is to convey updated Office of Management and Budget (OMB) guidance for reporting jobs estimates required under Section 1512 of the Recovery Act**

Directive: State agencies reporting on the use of ARRA funds as required per Section 1512 of the Recovery Act, should be prepared to implement OMB's updated methodology for counting jobs created and retained for the January reporting period. If the state agency is unable to implement the changes due to the short timeframe, they should immediately contact the Recovery Task Force. Any delays in data updates must be approved by the Recovery Task Force.

State agencies should also recalculate the job estimates that were reported in October for the September 30, 2009 reporting period using the updated guidance. The recalculations may be displayed on the California Web site so that users can more easily compare numbers reported for each quarter. These recalculated jobs numbers should be submitted to the Recovery Task Force by January 15th.

OMB does not require recipients to correct their September 30th data unless the data was incorrectly reported under the previously issued guidance. If there were errors in the jobs numbers reported previously, state agencies should recalculate the jobs numbers, maintain their new estimate within their internal records, and provide them to the Recovery Task Force. OMB, at a time and process to be specified later, will request the corrections to be submitted.

Definitions The definitions for jobs created and retained have been updated.

> A job *created* is a new position created and filled, or an existing unfilled position that is filled, that is funded by the Recovery Act.
>
> A job *retained* is an existing position that is now funded by the Recovery Act.

As noted in prior guidance, a job cannot be counted as both created and retained. However, for retained jobs, departments do ***not*** have to determine if a particular employee or a job classification would have been laid off without the receipt of ARRA funds. If a position is being funded through Recovery Act funds, then the hours worked should be included in the number of jobs calculation.

Other Changes In the new guidance, recipients will only report jobs on a quarterly basis, i.e. recipients will provide a "quarterly snapshot." Recipients will ***not*** be required to sum hours across reporting quarters or cumulative totals or to adjust estimates of Full Time Equivalent (FTE) hours. This is an effort by OMB to simplify reporting and to follow recommendations made in the Government Accountability Office reports. Prior guidance directed recipients to report job estimates as a cumulative number.

For jobs that are proportionally funded by Recovery Act funds, the job numbers reported will only include hours funded by ARRA. See the section "Jobs Funded Proportionally" below.

Effective February 2, 2010, the federal reporting system will be open to correct data reporting during January. Details on the CAAT system's availability to accept data corrections in February will be released in a future Recovery Act Bulletin.

OMB has recommended that as a best practice, State governments post the employment impact of recovery funds prominently on the State recovery Web site. The California Recovery Web site already displays reported jobs numbers for each Recovery Act award subject to Section 1512 reporting requirements. The numbers displayed are based on the numbers reported by recipients for each award and include a total of prime recipient jobs and sub-recipient jobs.

Documentation OMB Memo M-10-08 does not establish specific requirements for documentation or other written proof to support reported jobs numbers. However, OMB does state that recipients should be prepared to justify their job estimates. Also, as noted in Recovery Act Bulletin 09-27:

> *Departments must ensure that all reported data is supported and documented. The documentation should be sufficient to provide an audit trail between the reported data and the original source document such as accounting records, grant files, executed contracts, invoices, timesheets, etc*.

Recipients must also include an estimate of jobs created and retained by sub-recipients.

> "*To the maximum extent practicable, information should be collected from all sub-recipients and vendors in order to generate the most comprehensive and complete job impact numbers available.*[1]"

Recovery Act Bulletin 09-27 includes a list of best practices that can be implemented by state departments to ensure that job numbers as reported by sub-recipients are valid.

It is also recommended that state agencies document and support job hours created separately from job hours retained. State agencies should use reasonable and consistent judgment to determine if a job meets the definition of created or retained. Per OMB, once a job is reported as created or retained, the recipient should continue to report this job as created or retained in subsequent quarters as long as the job hours are funded by the Recovery Act.

Job Calculation Methodology

As before, the calculation required by OMB converts hours worked and funded by ARRA into a "full time equivalent" job. However, since this is now a quarterly and not a cumulative number, the denominator does not change each quarter. Instead, state agencies should divide hours worked and funded by 520 which represents a 40 hour workweek over 13 weeks in the quarter. (40 x 13 = 520)

Many of the retained positions included in the jobs total include state employees who have been furloughed 3 days a month. Even for these employees, the full time equivalent schedule should remain at 520. This ensures that jobs numbers can be compared across recipients and projects regardless of which jobs are retained or created.

The numerator of the calculation represents hours worked and funded directly by ARRA for the current quarter only. Hours worked should include benefits, vacation, sick, training and jury duty hours that would normally be counted as job expenses if funded by non-ARRA dollars.

[1] Office of Management and Budget Memorandum M-10-08, issued December 18, 2009, p. 19

The following is an example of the calculation methodology:

Period	**3rd qtr**	**4th qtr**	**1st qtr**	**2nd qtr**	**3rd qtr**	**4th qtr**
Full Time Schedule	520	520	520	520	520	520
Full Time Employee 1	520	520	520	260	130	130
Full Time Employee 2	520	520	260	260	130	130
Part Time Employee (half time)	260	260	260	260	130	130
Temporary Employee (650 hours)	0	0	130	130	130	0
Total Hours Worked	1300	1300	1170	910	520	390
Quarterly FTE	2.50	2.50	2.25	1.75	1.00	.75

Note that the denominator remains the same for each quarter. Only hours worked and funded by ARRA are included in the Total Hours Worked. The quarterly FTE is derived by the following formula:

$$\frac{\text{Total Number of Hours Worked and Funded by Recovery Act within Reporting Quarter}}{\text{Quarterly Hours in a Full Time Schedule (520)}}$$

Jobs Funded Proportionally Many projects include multiple funding sources or in some cases, such as State Fiscal Stabilization Funds, funding is received as an offset to other funding sources such as general fund. In calculating job estimates for these scenarios, there are two acceptable methodologies.

Methodology 1 The recipient can tracked job hours separately for each individual based on the funding source. So, only hours directly funded by ARRA would be included in the job calculations.

The following is an example:

Employee Name	Job Title	Funded by Recovery Act?	Hours Worked Total	Hours Funded by ARRA
H. Hoover	Guard	No	n/a	n/a
W. Harding	Custodian	No	n/a	n/a
J. Carter	Technician	Yes	520	520
C. Coolidge	Guard	Yes	520	130
Z. Taylor	Guard	Yes	520	130
Total Hours Worked in Quarter			1560	**780**

For the job estimate calculation, 780 represents the Total Number of Hours Worked and Funded by ARRA and therefore would be used as the numerator.

Methodology 2

The second acceptable methodology can be applied when a recipient knows the overall portion of salary paid by Recovery Act funds, but doesn't track hours at the individual employee level.

The recipient will calculate the total number of FTEs associated with an activity or project funded by ARRA and adjust that total based on the proportion of funding associated with the Recovery Act.

Using the example above, only J. Carter, C. Coolidge and Z. Taylor's hours are totaled because they are the only employees working on an ARRA funded project or activity. Also assume the 1560 total hours are funded through multiple sources including Recovery Act funds, local funds and state general funds. The first step is to calculate total FTEs

$$\frac{\text{1560 (Hours worked on a Recovery Act funded project}}{520} = 3.0 \text{ FTE}$$

Now assume that the project or activity is funded 35% through Recovery Act funds. The second step would take the total FTE and multiply it by the portion of Recovery Act funding.

3.0 FTE x 35% = 1.05 FTE

The recipient would enter 1.05 in their number of jobs data field.

Educational Institutions For educational institutions, typically colleges and universities, that are subject to OMB circular A-21, Cost Principles for Educational Institutions, an alternative calculation based on allocable and allowable portion of activites expressed as a percentage is acceptable. Compensation charged to sponsored projects must conform to the insitution's established polices and reasonably reflect the activity for which the employee is compensated. For ARRA reporting, colleges and universities may count, porportionately, the percentage of effort directly charged to ARRA awards as a FTE equivalent. Job estimates will be based on the total available time in the reporting period, regardless of when the grant or employment period began.

For more specific guidance, contact the awarding federal agency.

Background: OMB Memorandum M-10-08, issued December 18, 2009, replaces section 5 of OMB Memorandum M-09-21 issued on June 22, 2009. M-10-08 also addresses data quality requirements. The data quality guidance will be addressed in a future Recovery Act Bulletin. However, the entire memorandum can be read at:

http://www.whitehouse.gov/omb/assets/memoranda_2010/m10-08.pdf,

OMB issued M-10-08 in an effort to include lessons learned from the first reporting period and address recommendations from the Government Accountability Office in its report, *Recipient Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention*, issued November 19, 2009. GAO's report can be found at: http://www.gao.gov/products/GAO-10-223

Questions: Questions regarding this Recovery Act Bulletin may be directed to Lisa Negri at Lisa.Negri@recovery.ca.gov