



900 Second Street, NE
Suite 109
Washington, DC 20002

202.898.1444
fax 202.898.0188
waterman@wafed.com

MEMORANDUM

To: Paul McIntosh, Executive Director, California State Association of Counties

From: Tom Joseph, Waterman & Associates

Date: March 20, 2009

Re: Local Government Briefing on Economic Recovery Act Programs

SENT ELECTRONICALLY

This memo provides you with a summary of the comments and information received during Vice-President Biden's briefing for local governments on implementing the American Recovery and Reinvestment Act (ARRA).

The memo is organized in the order in which the briefings occurred.

Recovery Act Transparency and Accountability Board

Key Points

- Earl Devaney is the Director of the Board (Current phone: 202.208.5745)
- Board is tasked with conducting and coordinating oversight of the use of ARRA funds.
- Board does not yet have offices or staff.
- Numerous questions on reporting requirements have not been resolved.
- Further guidance will be forthcoming.
- Board will ultimately control the content of the key ARRA website: www.recovery.gov

Board Chairman Earl Devaney outlined the Board's role in coordinating and conducting oversight of the use of ARRA funds. Tapped by President Obama to lead the effort, Devaney has 38 years of federal experience as an inspector general.

To date, the Board has no offices or equipment. Its first meeting of the ten inspector generals serving on the Board will occur at the end of this month. The key means of communicating and receiving information to and from the public will be through the website, www.recovery.gov. That site is constantly updated and continues to be developed. Devaney intends that the site be

used as an 'accountability tool' and it will assume more of those capabilities over the next 30 to 45 days. He envisions citizens using the site to alert the Board of the progress or lack thereof of local ARRA projects. The site is receiving 3,900 hits per second.

Devaney intends to have his Board prevent fraud and abuse before it happens. He intends to provide information to grantees and the general public on how to evaluate spending plans; institute proper financial controls; participate in fraud awareness training; utilize risk-based tools; and conduct ARRA audit training for state and local officials.

He acknowledged that the historic level of funding under ARRA presents numerous challenges for all governmental levels. The timeliness and reliability of federal data used to measure results has 'never been good.' He recognizes that there are not enough procurement officials to distribute ARRA's huge amount of funding. Consequently, some level of waste and fraud will be inevitable.

The board will release additional guidance will be forthcoming on the federal metrics to be used to measure results and ensure accountability, including some guidance on how to define what is a 'job created or saved', how 'supplantation' would be defined and the types of data localities should collect and report so that the federal government is assured that the funds are spent correctly and procurement policies were followed.

Department of Commerce

Key Points

- Contact is Ellen Herbst, 202.482.6269 eherst@doc.gov
- \$4.7 billion will be available for broadband development and expansion to underserved areas and to public safety agencies.
- \$200 million of the broadband pot will be available to upgrade technology in public libraries, community colleges and other settings.
- Timing is uncertain on issuance of broadband guidance and funding announcements.
- The Census Bureau has received \$1 billion for outreach to minority populations.

ARRA funds for programs in the Commerce Department amounted to roughly the total annual appropriations it typically receives. The largest allocation of the nearly \$8 billion in Commerce is for about \$4.7 billion for developing and expanding broadband technology to underserved and rural areas and to improve access to broadband by public safety agencies. Within the \$4.7 billion is also \$200 million in competitive grants to upgrade technology in public settings, including libraries and community colleges

The Department is presently gathering information on how to structure the program. Regional forums have been conducted in collaboration with the USDA which received separate rural ARRA broadband funds and the Federal Communications Commission.

Paul McIntosh, CSAC Executive Director

March 20, 2009

Page 3 of 10

Commerce will be providing guidance later on the program, including what constitutes an 'underserved' area. The Department has received numerous comments on how to define that concept. The amount of funding to be allocated to public safety has not been determined. No timeline was given on when to expect the guidance and notice of funding availability.

There is a website providing updates on the development of the broadband program at: <http://www.ntia.doc.gov/broadbandgrants/>

Commerce was also allocated \$1 billion for the Census Bureau to hire new personnel and fund outreach efforts to minority communities and hard-to-reach populations.

Department of Housing and Urban Development

Key Points

- Contact is Bruce Katz, 202.402.6411, bruce.j.katz@hud.gov
- Release of homelessness prevention and CDBG funds is imminent.
- Expect a May announcement of competitive Neighborhood Stabilization grants to address home foreclosures.

HUD received \$13.6 billion in the ARRA. About 75 percent of the funds have already been released or will be released within days through existing program formulas. HUD is in the process of obligating those funds and executing contracts. Programs under this umbrella include the public housing capital fund, tax credit assistance program, homeless prevention fund and the Community Development Block Grant (CDBG).

A total of \$1.5 billion in homelessness prevention funds will be allocated through the existing program formula. The announcement of the grants should be made soon. The intended uses of the funds are to prevent and/or rapidly re-house those who are homeless.

Approximately \$980 million in CDBG funding will be allocated via the existing CDBG funding formula. The actual funding announcement may take place as early as March 20, 2009. There are additional restrictions on the use of CDBG funding under ARRA that are outlined in Section 1604 of the Act prohibiting the use of funds towards 'any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool'.

A competitive grant announcement for the Neighborhood Stabilization Program is expected on or around May 3, 2009. Nearly \$2 billion will be made available for eligible entities to address home foreclosure and abandonment. HUD is drafting details on the structure the competitive grant program.

Valerie Jarrett

Valerie Jarrett, Senior Advisor and Assistant to the President for Intergovernmental Affairs and Public Liaison spoke briefly. In referring to ARRA, she said, 'our credibility rests in your hands'.

Vice-President Biden

Vice-President Biden addressed the group. He stated that he told the governors last week that he expects them to consult with county and city officials on ARRA implementation. He was very forceful on urging all concerned to 'get this right'. If projects do not pass the 'smell test', Biden promised that 'I will show up in your community and say it is a stupid idea.' He wants everyone to follow the dollars more closely than ever.

Department of Health and Human Services

Key Points

- Contact is Nikki Bratcher-Bowman, 202.690.6060 nikki.bratcher-bowman@hhs.gov
- An estimated \$1 billion in child support restorations will be available.
- Large infusions of Medicaid and foster care dollars will also flow into the state.

Most of the \$22 billion in discretionary ARRA funding for HHS will be distributed via current program formulas. That includes funds for child care, Head Start, the Community Services Block Grant, and meals to older Americans through area agencies on aging. Included in the \$22 billion discretionary pot is \$10 billion for the National Institutes of Health and \$2 billion for community health centers.

Entitlement funding comprises the greatest share of the \$137 billion in HHS investments. ARRA includes \$87 billion in increased federal contributions to Medicaid from October 1, 2008 to December 31, 2010. States are already eligible for the first two quarters of the enhanced federal match.

Funds to states from an increased federal match for foster care and adoption assistance (IV-E) was made available this week. About \$186.5 million was made available nationally for the first two quarters of federal fiscal year 2009. Funded by a 6.2 percentage point increase in the federal share of IV-E, the enhance match will expire on December 31, 2010.

Nearly \$1 billion in child support funds will be made available for federal fiscal years 2009 and 2010, based on incentives for good performance.

HHS created an Office of Recovery Act Coordination last week, lead by Dennis Williams. The office is in the process of finding office space and staff.

Department of Energy

Key Points

- Contact is Matt Rogers, 202.586.1989, Matt.rogers@hq.doe.gov
- Billions of energy efficiency dollars to communities will be released, but guidance is not available yet due to the programs' size, scope and lack of state and local grants experience within the Energy Department.

The Department of Energy (DOE) has received a massive amount of new spending for energy efficiency programs. The \$5 billion total for weatherization compares to \$244 million for the total annual appropriation nationally in FFY 2009.

ARRA also provides \$3.2 billion toward the Energy Efficiency and Conservation Block Grant; the program was established in the Energy Independence and Security Act of 2007, but was not previously funded. The grants will go toward states, local governments, and tribal governments to support the development of energy efficiency and conservation strategies and programs, including energy audit programs and projects to install fuel cells and solar, wind, and biomass power projects at government buildings.

Due to the huge infusion of funding and lack of staffing and grants expertise at DOE, the Department acknowledges that counties need a lot more detail on the programs. Guidance is being drafted. States may begin to draw down about ten percent of their state energy grants and weatherization funds before their overall plan is approved. DOE must craft detailed guidance before grant announcements and additional funding will be released. The timetable for additional information is uncertain.

The website for ARRA initiatives at DOE is: <http://www.energy.gov/recovery/>

Department of Transportation

Key Points

- Contact is Admiral Tom Barrett, thomas.barrett@dot.gov, 202.366.2487
- DOT heard local concerns about States and their use of the ARRA funds, but responded that the law refers to governor certifications.
- Discretionary surface transportation grant announcement will be made in May. Local governments will be eligible to compete for funding.

Approximately \$27.5 billion has been apportioned to states for highways and \$8.4 billion for transit. A number of questions were raised with DOT staff regarding the inability of localities in some states to work collaboratively with their states in prioritizing shovel-ready projects. Federal staff recognized the county and city concerns but pointed to the ARRA statute which refers to ARRA certifications to be made by governors.

Paul McIntosh, CSAC Executive Director

March 20, 2009

Page 6 of 10

DOT is working on guidance for the \$1.5 billion in discretionary competitive grants for capital investments in surface transportation projects. That criterion is by law to be published within 90 days of the February 17 date of enactment of ARRA. Local governments are eligible for funding and must submit applications within 180 days after the publication of the criteria. DOT stated that it would welcome guidance on what should be in the rule. The Department has created an e-mail and phone help desk to respond to questions: TigerTeam@dot.gov (202.366.0747).

Finally, with regard to highway funding, the Federal Highway Administration (FHWA) has established an ARRA website that includes a series of key questions and answers. The webpage can be accessed at: <http://www.fhwa.dot.gov/economicrecovery/qandas.htm>

Department of Labor

Key Points

- Contact is Ray Uhalde, Uhalde.Ray@dol.gov, (202.693.6000)
- Funding under WIA has just been released and flows under current program formulas.
- A new competitive green job grant program through WIA will be announced in a few months.

Over \$3.4 billion in Workforce Investment Act funds were released on March 18, 2009. The guidance provided to states and Workforce Investment Boards may be found at the following address: <http://wdr.doleta.gov/directives/attach/TEGL/TEGL14-08.pdf>

Funding will flow via the regular WIA formulas. The DOL staff reminded the briefing participants that the funds should be spent concurrently with existing WIA funds –the funds are not meant to allow workforce boards to ‘bank’ the funds.

Sometime in May or June there will be an announcement of a \$750 million competitive grant program, including \$500 million for energy efficiency jobs as outlined in the *Green Jobs Act of 2007* which became part of the Energy Independence and Security Act of 2007 (PL 110-140). Priority populations eligible to be served include low-income adults, public assistance recipients, at-risk youth and ex-offenders.

Department of Education

Key Points

- Contact is Tony Miller, Tony.Miller@ed.gov, 202.205.3530
- Funds to states for education will flow within weeks.
- MOE requirement may be waived by Education Department.

ARRA contains \$48.6 billion in State Fiscal Stabilization Funds (SFSF) to support K-12 and higher education. In order to receive the ARRA funds, states must spend no less on education than they spent in FY 2006. The Secretary of Education may waive that maintenance of effort

requirement for those states in great economic distress. The first two-thirds of the SFSF will be available later this month, as well as a streamlined application process and answers to frequently asked questions about the funding.

Department of Homeland Security

Key Points

- Contact is Brian de Vallance, brian.devallance@hq.dhs.gov, 202.447.3986.
- Most of the funding goes to federal efforts in immigration and airport security.
- Funding will be made available for transit security and firehouse construction.

The Department of Homeland Security (DHS) received \$2.75 billion under ARRA. Most of the funding will be invested in U.S Customs and border protection, and the Transportation Security Administration.

Transit and rail security grant funding in the amount of \$150 million will be made available, as well as \$210 million for Assistance to Firefighter grants for firehouse construction, with a maximum grant award of \$15 million. DHS is developing announcements of those funding opportunities. No date was given on when the application notices would be made.

Department of Interior

Key Points

- Contact is Ray Rivera (Ray_Rivera@ios.doi.gov) (202.208.1923)
- A large share of the funding is directed to the Bureau of Indian Affairs and national parks.
- \$1 billion is available for Bureau of Reclamation projects, but little information yet on how the funds will be disbursed.

Programs under the Department's jurisdiction are slated to receive about \$3 billion from ARRA. The Bureau of Reclamation will receive \$1 billion to enhance water reclamation and reuse, improve rural water quality and fund water conservation and drought remediation activities. The Interior Department contact believes that the funds would be available for local remediation and to improve existing facilities, but did not provide anything more specific than that.

The Department's website for recovery act programs at <http://www.doi.gov/recovery/> does not contain much information yet on how the ARRA funds will be distributed.

Department of Justice

Key Points

- Bryne contact is Laurie Robinson, laurie.robinson@usdoj.gov, 202.307.5933

Paul McIntosh, CSAC Executive Director

March 20, 2009

Page 8 of 10

- COPS contact is Timothy Quinn, timothy.quinn@usdoj.gov, 202.616.2888
- Funding is available for Byrne Justice Assistance Grant (JAG) programs and COPS.
- Funding applications are due soon.

JAG: ARRA contains \$2 billion for the program. The deadline for local applications is May 18. Application materials are available at:

<http://www.ojp.usdoj.gov/BJA/recoveryJAG/JAGrecoveryLocal.pdf>

Byrne Competitive Grants: ARRA also provides \$225 million for the Byrne competitive grant program. Applications are due April 27. Application materials are available at:

<http://www.ojp.usdoj.gov/BJA/recovery/RecoveryByrne.pdf>

DOJ has created an e-mail address for questions at jagrecovery@usdoj.gov and a phone number: 866.268.0079.

COPS: \$1 billion has been made available under the COPS program. There is no match requirement, unlike the normal program. Additionally, the annual cap of \$75,000 per officer has been eliminated. The program will pay for both salary and benefits costs. The funds are for three years and the locality must retain the officer for at least one year after that. The application deadline for the program is April 14. Further information may be found at: www.cops.usdoj.gov

Environmental Protection Agency

Key Points

- Contact is Craig Hooks, hooks.craig@epa.gov, 202.564.4600
- Most funding is distributed via existing program formulas.
- Competitive grant availability was announced this week for brownfields job training.

ARRA provides \$7.2 billion in funding, including significant investments for Brownfields, the Clean Water and Drinking Water State Revolving Fund, and the Leaking Underground Storage Tanks (LUST) program. The funding is distributed via the existing program structures.

On March 19, 2009, EPA issued a request for applications (RFA) from eligible governmental entities and nonprofit organizations to provide environmental job training projects that will facilitate job creation in the assessment, remediation, or preparation of brownfields sites for sustainable reuse. The closing date for receipt of applications is April 20, 2009. Approximately \$5 million is available under the program.

Additional information on the programs funded by EPA may be found at:

<http://www.epa.gov/recovery/programs.html>

Department of Agriculture

Key Points

- Contact is Bill Hagy, Bill.Hagy@osec.usda.gov, 202.720.7130
- SNAP/Food Stamp benefits will be increased 13.6% on April 1.
- Funds will be made available for rural broadband, but coordination must take place with the Commerce Department.

Nearly \$20 billion in increased Supplemental Nutrition Assistance Program (SNAP/Food Stamps) benefits is available under ARRA. Beginning April 1, otherwise eligible SNAP recipients will receive a 13.6 percent increase in their benefit. This increase will remain until the normal COLAs provided under SNAP each year catch up to the ARRA increase.

Additional funding is available via the USDA's forest service, watershed, rural broadband and farm service agency programs. There is \$2.5 billion available for rural broadband. USDA is working closely with the Commerce Department to coordinate efforts since Commerce received \$4.7 billion for broadband as well.

About \$145 million is available for rural watershed rehabilitation. Of that amount, about \$80 million will be released soon. No additional information is available on the process yet.

The Farm Service Agency has received \$160 million in loans under ARRA. To date, 2,241 farmers have received loans. One-half of them are beginning farmers.

Office of Management and Budget

Key Points

- Contact is Danny Werfel, OMB Deputy Controller, 202.395.3993
- E-mail questions to recovery@omb.eop.gov. His team is monitoring that site.
- Additional OMB guidance on ARRA will be issued in April, including guidance on new reporting/auditing requirements.

OMB released initial guidance on ARRA to federal agencies and state and local governments on February 18. It contains immediate steps to be taken to ensure timely and effective implementation of the Act. The guidance may be found at:

<http://www.recovery.gov/files/Initial%20Recovery%20Act%20Implementing%20Guidance.pdf>

Section 1512 of ARRA contains new federal reporting requirements. OMB is crafting additional guidance on those issues which it hopes will be issued in early April. OMB has identified at least three major areas needing additional clarification and definition of terms: Information collection and associated reporting requirements; Davis Bacon; and Buy America provisions. Parts of the April guidance will have an immediate effective date, while other parts will be open for

Paul McIntosh, CSAC Executive Director

March 20, 2009

Page 10 of 10

comments from stakeholders. OMB is working on issues such as developing metrics for 'jobs created', 'completion status of a project', etc.

There are additional audit requirements under ARRA. OMB has engaged the Government Accountability Office (GAO) to determine how to reconcile the single audit requirements with ARRA.

An update to the Circular No. A-133 Compliance Supplement is due in April. OMB will provide additional ARRA guidance within it.