

AMERICAN RECOVERY AND REINVESTMENT ACT



Analysis of Jobs and Spending Data Submitted by Colorado ARRA Recipients in October 2009

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EXECUTIVE SUMMARY

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act into law in Denver. The Recovery Act is a two-year initiative to invigorate the economy through a combination of tax cuts, increased safety net services and investments in infrastructure and growth industries. The \$787 billion package directs funds through more than 140 different programs, including unemployment benefits, job training and energy efficiency projects. More than \$5.7 billion is expected to come to Colorado over the next two years.

In addition to quick disbursement of funds, the Recovery Act requires an unprecedented level of transparency and accountability. To that end, in October 2009, recipients submitted spending and job data to the federal government for more than 100,000 Recovery Act awards. All of that information was posted on a public website, www.recovery.gov, on October 30, 2009.

This data submission was done to comply with Section 1512 of the Recovery Act, which outlines the type of information that recipients must send to the federal government every three months starting in October 2009. The 1512 process requires job retention and creation information to be gathered and submitted for about a third of all the funds being disbursed through the Recovery Act. Job impact information was not submitted for the other two thirds of funds, which include the Making Work Pay tax cut for most working families, health insurance benefits for laid-off workers, and unemployment benefits and job training.

In Colorado, recipients submitted information for more than 1,000 awards. Recovery Act funds distributed to state agencies were reported to the federal government through a centralized process, led by the Governor's Office and the State Controller's Office. The State submitted information for more than 400 awards amounting to \$1.6 billion.

The Governor's Economic Recovery Team analyzed the information submitted by Colorado recipients. Among the initial findings, the team found that:

- The majority of job data appears to comply with federal guidance and accurately reflect the job impact of Recovery Act funds used in Colorado according to rules established by federal agencies.
- There were a handful of significant examples of inaccurate job information submitted by businesses and local agencies.
- Mistakes in job numbers were caused by lack of understanding of what was supposed to be reported, confusion about the full-time equivalent calculation and a lack of consistent, clear guidance from federal agencies.

CHALLENGE OF COUNTING JOBS

Until the Recovery Act was passed by Congress in early 2009, government agencies at all levels did not track job creation and retention data related to the use of taxpayer funds. The Recovery Act included a requirement to calculate and submit job information for hundreds of billions of dollars being disbursed across the country for projects and services. The addition of this requirement caused significant challenges, which were intensified by inconsistent guidance about job counting across federal agencies. Government agencies needed to create systems that could collect this kind of information, and do it in a very short time frame. And recipients of Recovery Act dollars needed to learn how to calculate jobs and send this information to the federal government.

In the months leading up to the Oct. 10, 2009 deadline, the federal Office of Management and Budget and the national Recovery Accountability Transparency Board established rules for calculating jobs. They announced that jobs needed to be calculated as full-time-equivalent positions. This is a technical calculation that does not reflect the number of people hired or retained with federal funds. Instead, recipients must count hours worked that were funded by these dollars and determine how many full-time positions were funded over the reported time period. So if an agency had 10 people who worked 20 hours a week and 2 people who worked full-time for a full quarter (three months), the FTE count would be 7.0. But you couldn't tell by that figure that 12 people were employed. The calculation can also change significantly depending on which time frame is used for the available hours in the grant, contract or loan. In the above example, if work started on August 15 instead of July 1, the full-time equivalent job impact would be 3.5. On the positive side, the FTE calculation provides an accurate picture of full-time employment that can be audited.

The job calculation does not separate jobs retained and jobs created. Recipients were directed to combine those figures into one. And job information was not submitted by subrecipients or vendors. So the FTE number doesn't reflect how many new employees were hired with Recovery dollars as opposed to how many existing employees were kept on the payroll with Recovery dollars. The numbers also are supposed to reflect job impact with funds used until that point, not jobs that are expected to be created or retained in the future.

In addition to OMB and the national Recovery board, federal agencies distributed their own rules around FTE job calculations. There wasn't a universal set of rules for counting and reporting jobs. The process changed from one federal agency to another. And federal agencies continued to release guidance just before and after the October 10, 2009, deadline for submission of reports.

The shifting environment around job counting rules caused significant challenges for state agencies, especially with one of the largest grants known as the State Fiscal Stabilization Fund. This \$760 million grant was designed to help states retain jobs and services in critical areas. The funds were distributed to public colleges and universities and to the Department of Corrections. It was very difficult to calculate the job impact because the funds were used to avoid budget shortfalls that could have resulted in layoffs. Wherever possible, the State applied federal guidance in a conservative manner with regard to the FTE calculations.

ANALYSIS METHODOLOGY

The Governor's Economic Recovery Team analyzed all Colorado recipient reports submitted to the federal government in October.

Total Prime Awards Analyzed:	1,063
Total Jobs:	8,093.15 full-time equivalent positions
Total Award Amount:	\$2,625,389,145.61
Total Fund Received:	\$685,871,035.12
Total Expenditure:	\$418,199,079.87

The Recovery Team analyzed reports in a variety of ways to identify potential issues. We applied several calculations - a minimum wage test, job count vs. funds received, job count vs. funds expended - to identify reports that appeared inaccurate or not to comply with guidance. We also conducted several other comparisons – award total vs. funds expended and total expenditures vs. disbursements to subrecipients and vendors – to identify potential disparities with the financial data. We looked at congressional districts to see how many recipients entered that information incorrectly. Finally, we scrutinized any report that listed 50 or more jobs.

After applying the tests and comparisons of data, we identified the following issues:

1. Some recipients reported job projections rather than jobs impacted with funds already used.

We saw this issue with dozens of reports that listed jobs without expenditures. Recipients are supposed to only list jobs that were impacted with funds used up to that point.

Example: Pueblo Fire Station grant

The City of Pueblo won a \$2.7 million grant from the Federal Emergency Management Administration to build a new fire station, and reported 100 jobs. We contacted the Fire Department and determined that the people who submitted the 1512 report misunderstood the rules around jobs. They said they expect that 100 people will be hired to build the station. But the project hasn't begun yet. The Governor's Office encouraged them to report only jobs that had already been funded with Recovery Act dollars in future reporting cycles.

2. Recipients listed number of workers impacted by funds rather than full-time equivalent positions.

Recipients listed the number of people who were impacted by the grant or contract in the jobs category rather than full-time equivalent positions. The full-time equivalent calculation was very

confusing for recipients. We saw numerous examples of job figures that were clearly too high given the amount of funds spent.

Example: City of Westminster road project

The City of Westminster reported 117 jobs created or retained with a \$150,438 grant to make improvements on Lowell Boulevard. It is not possible that the 117 jobs are full-time equivalent positions.

Example: Head Start programs

The Community Partnership for Child Development Inc., a Head Start organization in Colorado Springs, reported 269.2 jobs with \$87,044 spent so far to give cost of living salary increases to staff. It is clear that 269 full-time jobs could not have been funded with the amount of funds spent. There were questions about how to handle this grant and the guidance from the federal government was confusing and inconsistent.

On Nov. 18, 2009, after the reporting period was finished, the federal government issued clarifying guidance about these grants that said the Recovery Act funds could be spent on cost of living salary increases. However, the guidance said these funds should not result in job impact. The guidance, issued by the Office of Management and Budget says:

OMB has determined that any Recovery funds used for cost of living increases or retention bonuses are to be excluded from the total number of jobs created and retained calculation.

3. Jobs were reported without expenditure of or receipt of funds.

We found dozens of reports that listed jobs but no expenditures or funds received. It is likely that these are examples of job projections, but we did not have the resources to check each case. The overall job impact of these reports would not significantly impact the total count.

Example: Ball Aerospace & Technologies Corp.

Ball Aerospace received an \$18 million contract from the National Aeronautical and Space Administration and reported that the company retained 58 FTE positions. But the company reported not receiving any funds.

4. In some cases, listing jobs without expenditures is accurate according to federal guidance.

Some projects operated by the Colorado Department of Transportation showed jobs with no expenditures. We contacted CDOT and learned that the apparent discrepancies in their reports were due to federal rules surrounding how to report expenditures. The Federal Highway Administration (FHWA) directed CDOT to report expenditures as dollars that were approved by and reimbursed by FHWA. The federal reimbursement occurs after CDOT has already paid

contractors and otherwise spent money on a local level. In other words, CDOT can spend funds that create or retain a job, but because the dollars have not been reimbursed by the FHWA, the expenditure column in the 1512 report would be zero. This appears to be an inconsistency in guidance between FHWA and OMB. The national Recovery office has raised this issue to federal authorities and is awaiting resolution.

We also discovered this issue with awards reported by the Colorado School of Mines. Under the instructions in the grant, they are allowed to spend flexible (but non-ARRA) funds on things like graduate assistants prior to the start of the budget period. This spending will then be reimbursed by the ARRA dollars once they are available. Once they are reimbursed they will be reported under ARRA expenditure. The University of Colorado faces the same situation.

5. There are limitations to showing geographic distribution of jobs

We found examples of reports that listed a high number of jobs, but it is unclear how many of those jobs will be created or retained in Colorado. The reports identify jobs according to the recipient of the grant, contract or loan. It is not possible for jobs to be listed in different states.

Example: Teletech

Englewood-based Teletech Government Solutions received a \$28.3 million contract from the Federal Communications Commission related to the digital transition in television broadcasting. The company initially reported 4,231 jobs to the federal government because it said that number of people had been hired, mostly in part-time call center jobs across the country. The company later changed the number in its report to 635, which reflects the full-time equivalent positions created so far by the contract. However, most of those jobs were not created in Colorado, but there is no other way in the reporting system to place jobs in other states for a single award. All the jobs are listed in Colorado because the company is located here and the primary place of performance was listed in Colorado.

6. Some recipients incorrectly identified congressional districts.

We found a small number of cases where recipients listed inaccurate congressional districts. The federal government asked recipients to list the congressional district of their office and the congressional district of the primary place of performance for the work in the grant, contract or loan. We found 18 examples of incorrect congressional districts in the recipient field and 20 examples of wrong congressional districts in the primary place of performance field; however, funding can be accounted for by zip code.

In these cases, the recipients simply inputted the wrong number in those fields.

After public scrutiny of this problem, the federal government conducted an analysis to cross-check zip codes with the congressional districts. The ones that didn't match were put into a

separate category in which the congressional district was listed as “zz.” The federal government is devising ways to catch these mistakes in future reporting cycles.

7. State government reports appear sound.

State agencies reported the creation or retention of 4,858 full-time equivalent positions with Recovery Act funds. These jobs include 3,197.38 positions reported by the Governor’s Office, which include positions retained at public higher education institutions and at the Department of Corrections with State Fiscal Stabilization Fund dollars. The jobs reported also included 497.4 positions reported by the Colorado Department of Labor and Employment, 200 FTE positions created through the Youth Summer Employment program, 121.38 positions reported by the Governor’s Energy Office, and 166 positions reported by the Colorado Department of Education. After reviewing the numbers and applying our tests, we found that the job figures and financial data were largely sound and complied with federal guidance to the best extent possible given the tight deadlines leading up to the October 10, 2009 deadline.

8. A small number of reports seemed to show expenditures that exceed award amount.

We found three awards that showed award amounts less than the amount of expenditures. Two of those awards listed \$0 as the award, which can not be accurate. The third case showed a discrepancy of about \$18,000 between the award and amount spent.

Example: The Housing Authority of the City of Englewood

This local agency reported \$0 as the award for their capital improvement fund from the U.S. Department of Housing and Urban Development. The agency reported receiving \$20,274 and spending the same amount.

CONCLUSION

The amount of information that was submitted by Recovery Act fund recipients and made publicly available is enormous and unprecedented. Clearly, the most difficult and controversial part about the 1512 reporting process was calculating jobs. This was the first time job data was collected and many recipients were confused about what to count. The full-time equivalent calculation is complicated and difficult to grasp. And many recipients did not understand that they needed to report jobs retained or created with funds already used, and not to report future job impact. Many of the mistakes apparently were made by businesses and local agencies that did not get enough help understanding how to fill out the dozens of fields in the 1512 report. Finally, guidance was inconsistent across federal agencies and several significant changes occurred at the last minute. The state's centralized reporting process made the job numbers for state programs more accurate because there was a significant amount of communication with federal agencies about how to properly calculate full-time equivalent positions.

Despite the issues around job counting, we are confident that the vast majority of information appeared to accurately represent the impact of Recovery Act funds in Colorado. It is not possible, given our limited resources, to contact each recipient and check all of the information submitted to the federal government. However, based on our tests and analysis, we determined that awards representing almost 6,500 full-time equivalent jobs – of the total 8,093 positions reported by recipients across Colorado, did not get flagged as needing further review.

MOVING FORWARD

In early November, the Governor's Economic Recovery Team publicly offered help to recipients outside of state government. The Recovery Team posted a resource page about reporting on its website, www.colorado.gov/recovery. Our Director of Transparency and Accountability, Chris Smith, has offered his help to all Colorado Recovery Act recipients. We will also continue to issue reports and refine our analysis to proactively identify areas where guidance or recipient understanding needs to be clarified.

It is a challenge to address the 1512 reporting issues since most of the reports submitted to the federal government are from recipients who are outside of the centralized state reporting system. The ultimate accuracy of the reports depends on the information submitted by recipients and the ability of federal agencies to identify mistakes. We encourage any Recovery Act recipient in Colorado to contact our office with questions, and we fully expect the process to improve as federal guidance is clarified and recipients get more experience and a better understanding of how to fill out the reports.