

An Update on the American Recovery and Reinvestment Act (ARRA)

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Impact of the Financial Crisis on Hawaii

- 15.1% decline in visitor expenditures (2009 versus 2008).
- Decline in private construction and real estate activity.
- Reduction in consumer spending.
- August statewide unemployment at 7.2%, projected to rise above 8%; national unemployment rate at 9.7%, expected to rise above 10%.
- A \$3 billion State budget shortfall through June 30, 2011 resulting in budget cuts and furlough days.



Purpose of ARRA

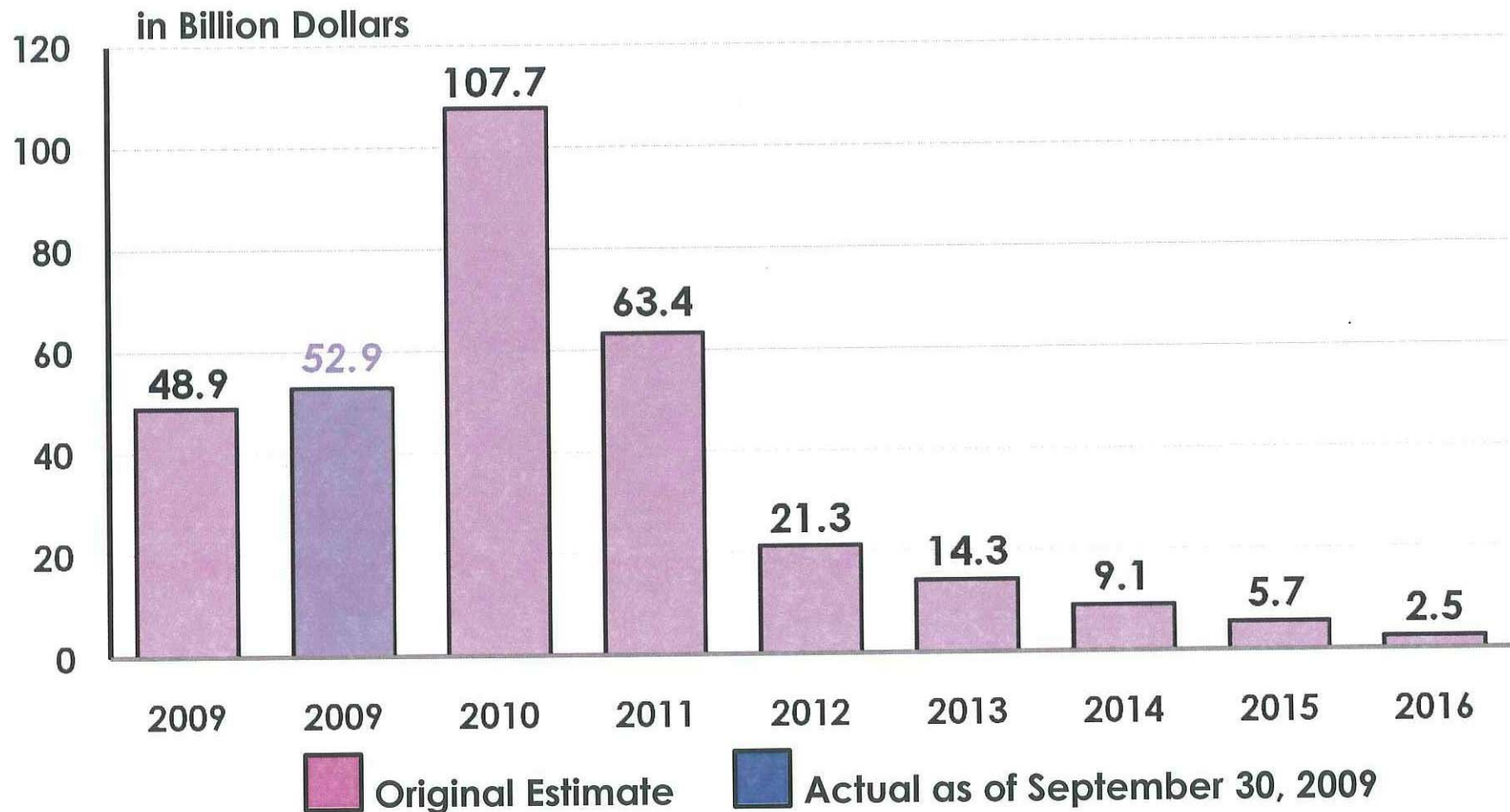
- Preserve and create jobs and promote economic recovery;
- Assist those most impacted by the recession;
- Provide investment needed to increase economic efficiency by spurring technological advances in science and health;
- Invest in transportation, environmental protection, and other infrastructure that will provide long-term benefits and;
- Stabilize state and local government budgets in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.



Hawaii's Plan for ARRA funds

- Secure the maximum amount of ARRA resources available to Hawaii.
- Spend ARRA funds wisely and in economically depressed areas of the state.
- Use ARRA funds to increase Hawaii's economic competitiveness.
- Use ARRA funds to stabilize the State's budget.
- Fulfill federal transparency and reporting requirements.

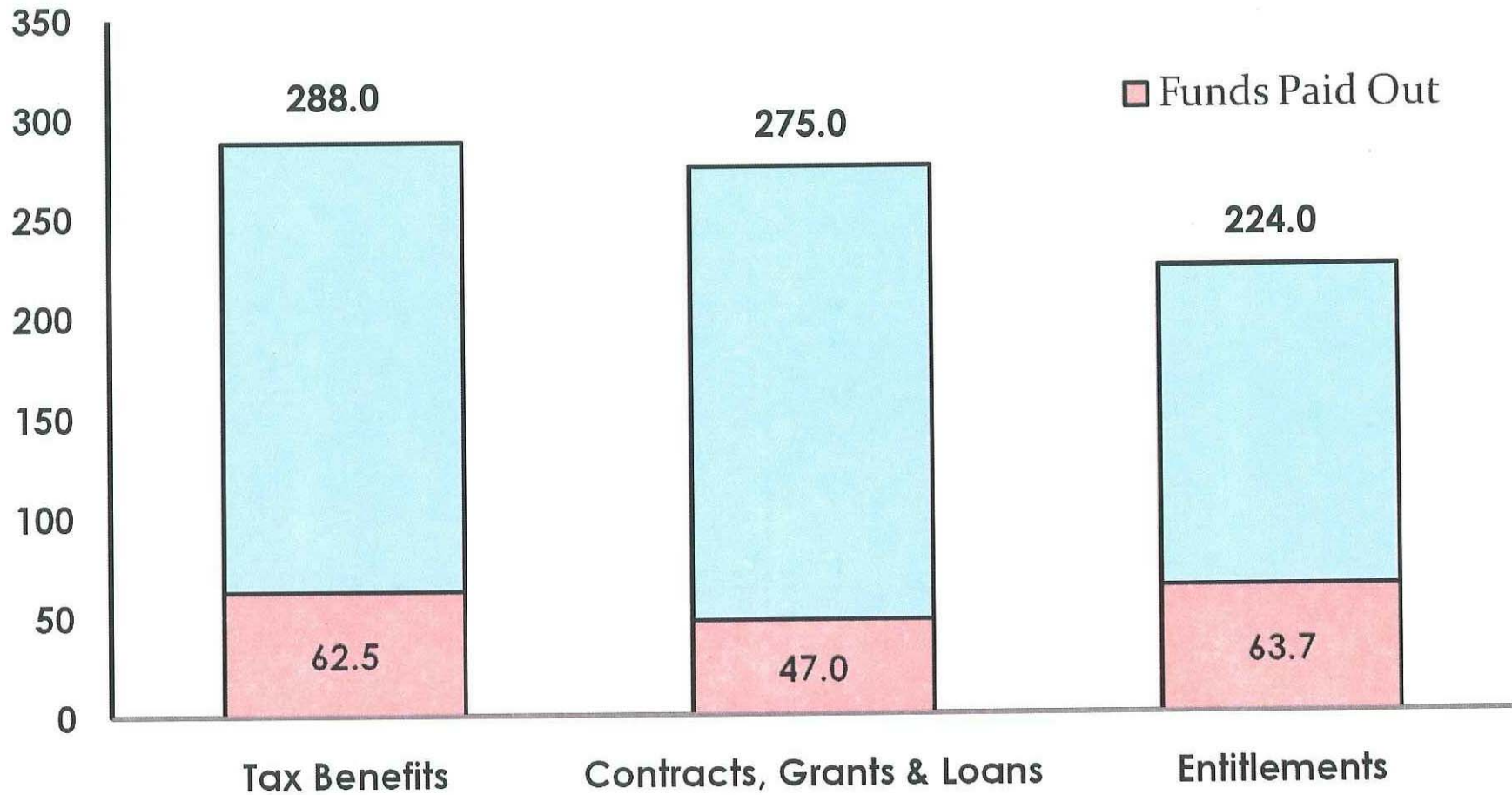
Projected versus Actual Federal Outlays to State and Localities (Nationwide)



Source: GAO analysis of CBO, Federal Funds Information for States, and Recovery.gov data

Composition of Stimulus Package (Nationwide)

Total ARRA Funds, in Billion Dollars



Source: Recovery.gov



Implementing ARRA

- Signed on February 17, 2009.
- Governor signed 1607 certification on March 16, 2009 required to request and use ARRA funds.
- Governor assigned Chief of Staff as overall lead for ARRA.
- Early decision to take a 'de-centralized' approach to manage ARRA fund.
- To the degree possible, use internal controls and oversight measures existing for other federal funds.
- Supplement these polices and procedures with ARRA-specific measures as guidance became clear.



Implementing ARRA

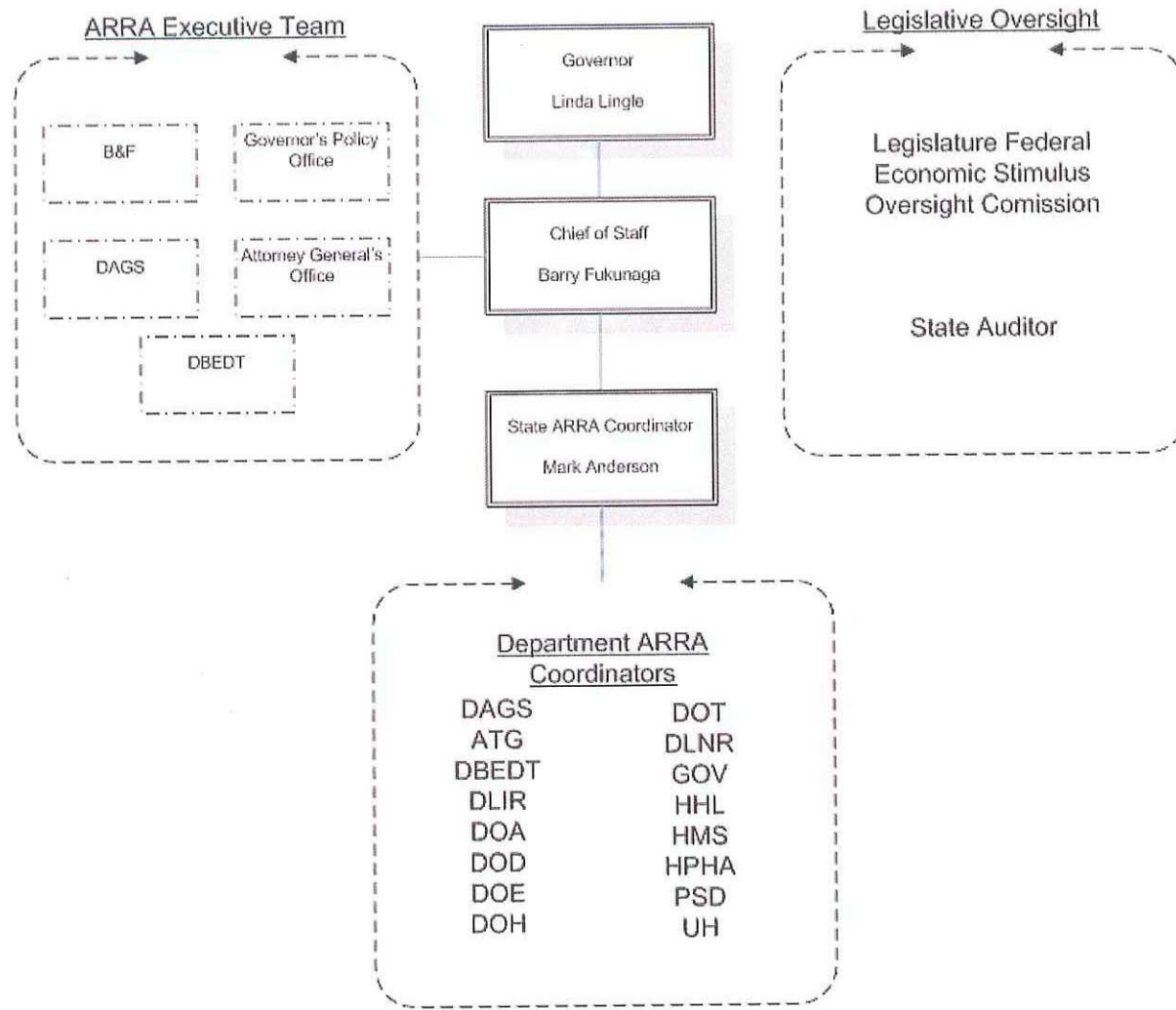
- COS established an ARRA Executive Team to manage ARRA process.
- Coordination with Hawaii's Congressional delegation through Jennifer Sabas.
- A period of trying to understand what exactly ARRA consisted of.
- Through two NGA-sponsored gatherings, Obama Administration reached out to the states.
- Established federal contacts.
- Webinars, conference calls, and volumes of guidance followed.



Implementing ARRA

- Department and State entity heads were able to quickly apply for Hawaii's share of ARRA funds.
- Key decisions are made at department level subject to Governor's approval of ARRA spending plans.
- Governor asked me to spend most of my time on ARRA.
- Bi-weekly meetings held with ARRA coordinators from each department and State entity.
- Meet transparency and reporting requirements but also move projects out.

ARRA Coordination



Internal Control Requirements

State entities (both recipients and sub-recipients) are required to have internal controls suitably designed, established and operating effectively to provide assurance that:

- Costs charged to Recovery Act programs are for allowable costs under the programs, in accordance with applicable laws, regulations, agreements and contracts;
- Funds provided under Recovery Act awards are separately accounted for from receipt to obligation to expenditure;
- For programs funded by the Recovery Act, reporting required by the Recovery Act and other applicable laws and regulations are made accurately and timely; and
- Effective cash management is employed for funding under Recovery Act programs to minimize the time elapsing between (i) the transfer of funds from the Federal Government, or from a pass-through entity, and (ii) disbursement.

Reference: 2009 OMB Compliance Supplement to provide additional guidance for programs with expenditures of American Recovery and Reinvestment Act of 2009 awards
(http://www.whitehouse.gov/omb/assets/a133_compliance/arra_addendum_1.pdf)



Transparency and Reporting

- Responsibilities between central service departments and line departments and state agencies.
- Unique appropriation symbol for each ARRA award (unique federal award ID).
- Risk assessment/internal monitoring plan.
- Retention of records/data for 1512 reporting process.
- RFP/contract language.
- Transparency: IT, website, Form A, Form B



Overview of 1512 Reporting Process

- Direct recipients are required to report quarterly.
- Reporting is required under Section 1512 C of the Recovery Act.
- Applies to non federal recipients of funding.
- Only applies to a subset of total ARRA awards.
- Does not apply to individuals or awards under \$25 K.
- Report on jobs and expenditures.
- Reports are uploaded by recipients on federalreporting.gov and results are posted on recovery.gov



Jobs Reporting By Prime Recipients

- Prime recipients are required to report all jobs they have created or retained as a result of the Recovery award, by project or activity.
- The information is reported as two separate fields:
 - A numeric field.
 - A separate narrative with an expanded description of the employment impact.



Definitions: What is a Job?

- A job created is:
 - A new position created and filled.
 - An existing unfilled position that is filled.
- A job retained is an existing position that would not have been continued to be filled if not for ARRA.
- A job cannot be counted as both created and retained.
- Only compensated employment in the US can be counted.



Definitions: Who is an employee?

- Employees directly paid by ARRA funds.
- Employees not directly charged to ARRA supported projects, who provide critical indirect support, e.g. clerical staff preparing reports or departmental administrators, should NOT be included.
- A percentage of the total, if the person is working only part-time on ARRA related projects is acceptable, i.e. a professor working 50% on ARRA will be counted at .5 FTE
- Total hours reported may include paid leave.



Full time equivalent jobs

- Prime recipients will report the number created and retained using standard calculation, translating both full and part time employees into “full-time equivalents”, or FTEs.
- This calculation is performed by adding the total hours worked by all employees in the quarter, and dividing by the total hours in a full-time schedule.



Recipient Estimates of Job Impacts

- Prime recipients are **required** to generate estimates of job impact by directly collecting specific data from sub-recipients and vendors on the total FTE resulting from the sub-award.
- The FTE estimates must be reported **cumulatively** each calendar quarter.
- Recipients should report only direct jobs and not attempt to calculate indirect jobs.

Calculating Total FTE

Period	3 rd quarter	4 th quarter	1 st quarter	2 nd quarter
Full time schedule	520	1040	1560	2080
Full time employee 1	520	1040	1560	2600
Full time employee 2	520	1040	1560	2600
Part time employee (half time)	260	520	780	1040
Temporary Employee (650 hrs)	0	0	130	390
Total hours worked	1300	2600	4030	5590
Quarterly FTE	2.5	2.5	2.58	2.69



Job Narrative

- The narrative should include a brief description of the types of jobs created or retained.
- This description may rely on job titles, broader labor categories, or the recipient's existing practice, as long as the terms used are widely understood and describe the general nature of the work.



Measuring Jobs from Vendors

- Jobs created from the purchases of services should be counted.
- Jobs created from the purchases of goods should only be counted if the purchase is a key component of the project and not counted if the purchase is relatively minor (eg. small in quantity or value.)



Other reporting alternatives

- Certain recipients, such as those funded by the DOT have job reporting requirements beyond this. Recipients must also comply with program and agency specific requirements.
- Approved statistical methods should be used only in limited circumstances where collection of actual jobs data are overly burdensome.
- The appropriate Federal agency for a given program area will issue supplementary guidance for what is an acceptable statistical methodology



Job Calculation

- Use Federal Methodology
- Recovery.gov reports- 1545 jobs for Hawaii
 - State of Hawaii – 926 jobs
 - Federal Government – 250 jobs
 - Other – 369 jobs



Hawaii ARRA Awards

- Tracking \$1.4 billion total ARRA award into Hawaii.
- State of Hawaii has been awarded a total of \$931,470,835 (including unemployment):
 - 141 awards
 - 15 state entities



Hawaii ARRA Awards to Subject to 1512 Reporting

State of Hawaii has been awarded a total of \$571,445,246, subject to the 1512 reporting requirements:

- 134 awards
- 15 state entities
- 926 jobs
- \$34,162,555 in expenditures



Hawaii ARRA Awards to Not Subject to 1512 Reporting

State of Hawaii has been awarded a total of \$360,025,589, not subject to 1512 reporting requirements:

- 7 awards
- 3 state entities
- No job reporting required
- \$262,338,661 in expenditures



White House Call on 1512 Data

- State fiscal stabilization fund
- Highway Infrastructure spending
- Transit capital assistance
- Public housing capital fund
- State and local law enforcement



To-do List

- Confirm each award has a unique state appropriation code.
- Write-up a description of the Hawaii ARRA Accountability System.
- Create a “how-to” manual for department coordinators .
- Re-do website.
- Begin regular briefings of Legislature and Congressional Delegation.
- Focus on competitive opportunities.



Conclusion

- Parts of ARRA will work quickly, other parts will take time.
- Initial use of ARRA funds has helped to stabilize state budget.
- State of Hawaii is reporting 926 jobs created.
- Data reporting should improve over time.
- CIP projects will show up in next report.
- Managing ARRA will drive beneficial changes to state government.