

## Recovery Act of 2009 Report Card II: Recipient Reporting

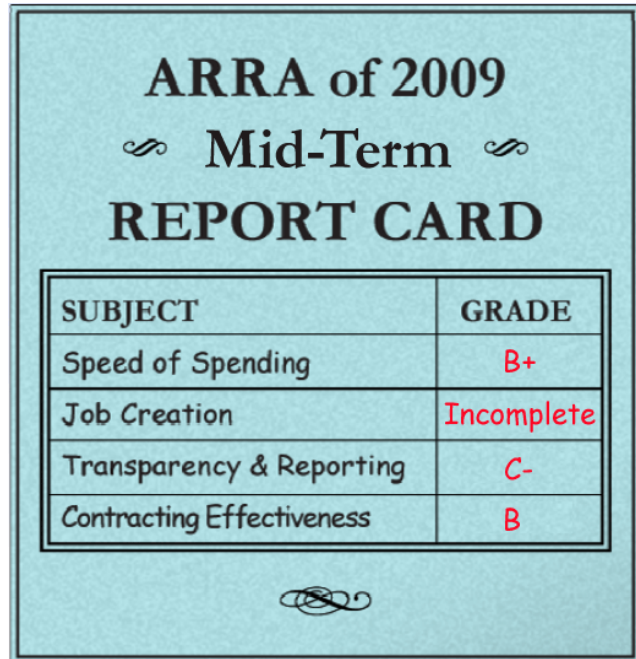
### Introduction

With the release of the much-anticipated recipient reports required by Section 1512 of the American Recovery and Reinvestment Act (ARRA), INPUT has reviewed its 100-Day Report Card, first released in June 2009, to see how implementation of the Recovery Act has fared since then in the following areas:

- Speed of Spending
- Job Creation
- Transparency and Reporting
- Effectiveness of Contracting

### Bottom Line

- The federal government has continued to show unusual adeptness in dispensing a tremendous amount of money very quickly. The speed of spending has remained about the same as INPUT's last report card -- \$3.6 billion per week. At its current spending pace, the federal government will achieve 87% of the goal set by the president of having \$350 billion spent by September 30, 2010.
- While the efforts to count jobs created or saved is a laudable goal, INPUT believes that accurate reporting of job creation is ultimately unknowable because of the number of recipients reporting, the complexity of the reports, and the vagueness in the definition of a saved job. What the recipient reporting has shown is that the cost of each job created varies widely from state to state.
- The biggest area of improvement since INPUT's initial report card is in the area of federal contracting effectiveness. Federal agencies significantly improved in the use of fixed-price contracts and the percentage of contract awards made to small businesses.



The graphic is a light blue rectangular box with a black border. At the top, it reads "ARRA of 2009" in a large, bold, black serif font. Below this, "Mid-Term" is written in a smaller, black serif font, flanked by decorative flourishes. Underneath, "REPORT CARD" is written in a large, bold, black serif font. In the center of the box is a table with two columns: "SUBJECT" and "GRADE". The table contains four rows of data. At the bottom of the graphic, there is a decorative flourish.

SUBJECT	GRADE
Speed of Spending	B+
Job Creation	Incomplete
Transparency & Reporting	C-
Contracting Effectiveness	B

**Speed of Spending**

**INPUT Assessment**

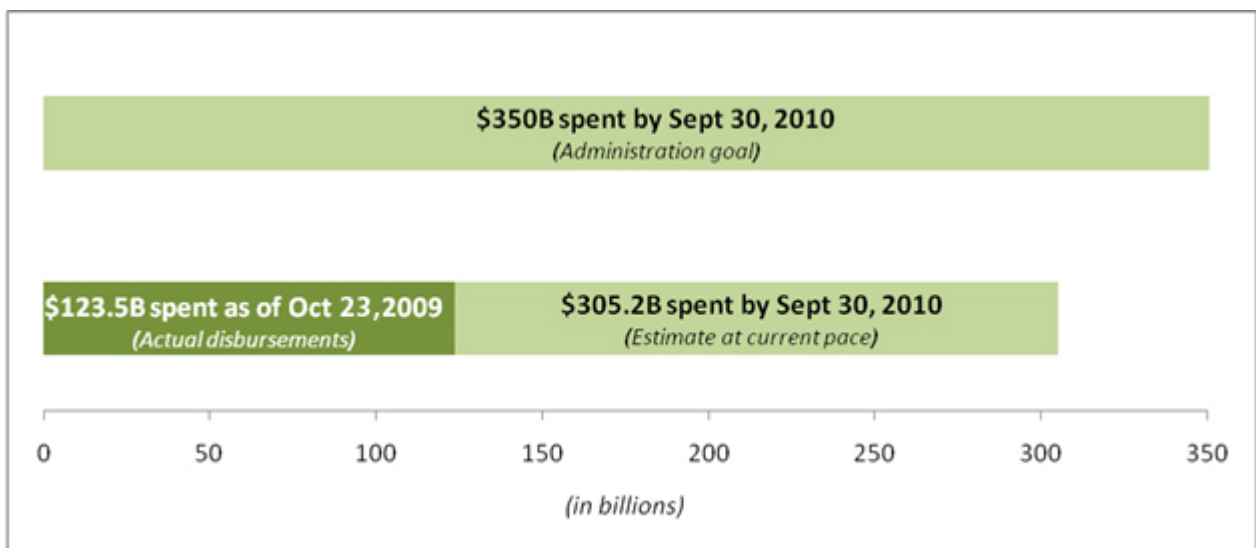
**Grade: B+**

In Vice President Biden’s first *Quarterly Report to the President on Implementing the American Recovery and Reinvestment Act of 2009*,<sup>1</sup> he stated the president had set a goal of spending \$350 billion by September 30, 2010.

According to the Weekly Financial and Activity Reports submitted by federal agencies for the week ending October 23, 2009, and the recently released recipient reports, the federal government has spent \$123.5 billion, which equates to \$3.63 billion per week. In order to achieve the administration’s goal, the federal government needs to spend \$4.16 billion per week. If the federal government continues to spend ARRA funds at its current pace, it will spend \$305.2 billion by September 30, 2010, or 87% of President Obama’s goal.

**Exhibit 1**

**Administration Goal vs. Estimated Spending at Current Pace**



Source: Recovery.gov, INPUT

**Change from Previous Report Card**

The speed of spending has remained relatively constant since INPUT’s initial report card was released. At that time, federal agencies were spending \$3.66 billion per week. Now they are spending \$3.63 billion. This slight slowdown means spending at the current pace will reach only \$305.2 billion instead of the \$307.7 billion INPUT previously projected.

<sup>1</sup> Office of the Vice President, Quarterly Report to the President on Implementing the American Recovery and Reinvestment Act of 2009 (May 13, 2009), [http://www.recovery.gov/sites/default/files/FINALQ1\\_ARRA\\_Report.pdf](http://www.recovery.gov/sites/default/files/FINALQ1_ARRA_Report.pdf)

### Methodology

In preparing this assessment of the current pace of spending, INPUT used the Weekly Financial and Activity Reports provided by federal agencies to Recovery.gov, totaled the reported disbursements (outlays), and divided them by the number of weeks since enactment of the Recovery Act.

### Job Creation

#### INPUT Assessment

# Grade: Incomplete

President Obama promised 3.5 million to 4.0 million jobs would be created or saved with the passage of the Recovery Act. While the recently released recipient reports put that number at 640,329 eight months after enactment, the unemployment rate has continued to rise. The Bureau of Labor Statistics reported that the September unemployment rate was 9.8%, 2.6 million people have lost their jobs since March, and 512,000 unemployment claims were filed in the week ending October 31, 2009.

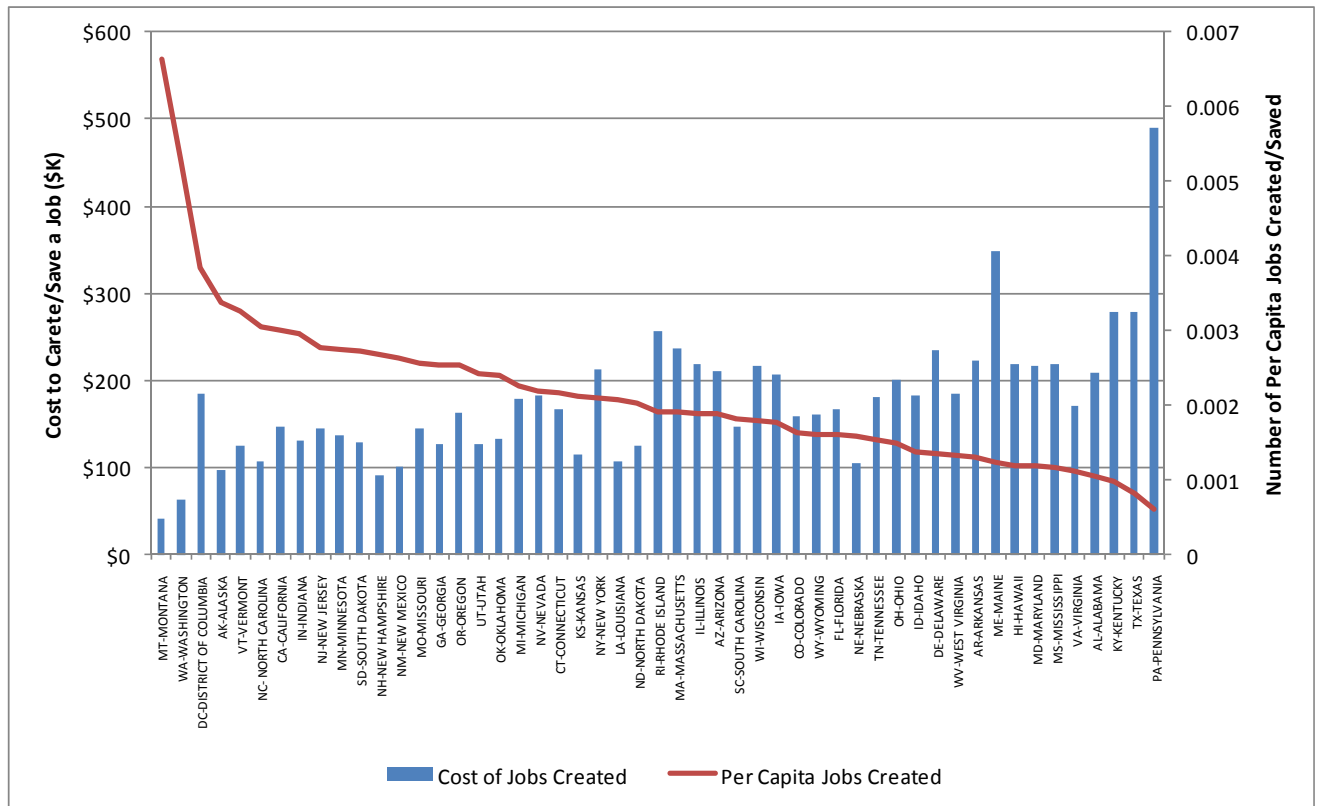
Because the majority of stimulus appropriations were earmarked for specific federal assistance programs with pre-existing funding disbursement formulas, the majority of the money outlaid to date is not going to the areas of the country with the highest unemployment. The Recovery Act is using a “scattershot” approach to job creation instead of a “rifle shot” approach.

#### Exhibit 2

Unemployment			Unemployment		
State	Rate	Stimulus Outlays	State	Rate	Stimulus Outlays
AK	8.4%	\$ 223,046,992	MT	6.7%	\$ 266,559,231
AL	10.7%	\$ 1,019,054,529	NC	10.8%	\$ 2,999,469,659
AR	7.1%	\$ 829,473,401	ND	4.2%	\$ 162,366,925
AZ	9.1%	\$ 2,584,746,640	NE	4.9%	\$ 298,510,475
CA	12.2%	\$ 16,156,179,749	NH	7.2%	\$ 317,268,265
CO	7.0%	\$ 1,278,870,116	NJ	9.8%	\$ 3,482,544,732
CT	8.4%	\$ 1,251,608,824	NM	7.7%	\$ 522,998,197
DC	11.4%	\$ 418,539,118	NV	13.3%	\$ 1,037,551,535
DE	8.3%	\$ 273,518,567	NY	8.9%	\$ 8,645,254,311
FL	11.0%	\$ 4,865,841,758	OH	10.1%	\$ 3,424,827,351
GA	10.1%	\$ 3,112,210,378	OK	6.7%	\$ 1,170,023,172
HI	7.2%	\$ 338,255,506	OR	11.5%	\$ 1,565,433,677
IA	6.7%	\$ 1,103,745,646	PA	8.8%	\$ 3,631,089,975
ID	8.8%	\$ 384,206,851	RI	16.2%	\$ 950,802,310
IL	10.5%	\$ 5,340,525,990	SC	13.0%	\$ 516,104,603
IN	9.6%	\$ 2,470,475,930	SC	11.6%	\$ 1,190,125,948
KS	6.9%	\$ 683,413,879	TN	4.8%	\$ 282,472,173
KY	10.9%	\$ 1,166,610,011	TX	10.5%	\$ 1,727,007,549
LA	7.4%	\$ 968,262,959	VA	8.2%	\$ 5,458,229,627
MA	9.3%	\$ 2,937,584,136	UT	6.2%	\$ 835,097,704
MD	7.2%	\$ 1,458,315,217	VA	6.7%	\$ 1,479,375,122
ME	8.5%	\$ 562,477,793	VT	6.7%	\$ 253,866,262
MI	15.3%	\$ 4,031,507,960	WA	9.3%	\$ 2,173,292,571
MN	7.3%	\$ 1,956,480,863	WI	8.3%	\$ 2,179,914,477
MO	9.5%	\$ 1,736,074,796	WV	8.9%	\$ 446,211,516
MS	9.2%	\$ 749,823,568	WY	6.8%	\$ 138,896,077

Exhibit 3

Recovery Act Cost to Create Jobs vs. Per Capita Job Creation



Source: Bureau of Labor Statistics, Recovery.gov, INPUT

In addition, the cost to create or save jobs varies widely from state to state. In Pennsylvania, it cost \$488,930 per job, while in Montana it cost \$41,475.

Perhaps the most troubling issue is the number of public sector jobs being created or preserved. INPUT analyzed every recipient report that created over 1,000 jobs and discovered that over half of the total number of jobs created, 337,955, were in the area of education and nearly 38,000 more were in the areas of criminal justice, corrections, and public administration. There are serious concerns about what will happen to these jobs when stimulus money runs out and states are still faced with nearly \$200 billion in budget gaps.

Change Since Initial Report Card

INPUT’s initial report card gave the administration an Incomplete for job creation because INPUT is doubtful, based on the Council of Economic Advisers’ (CEA) formula to calculate jobs, that the American people will ever know exactly how many jobs were created or preserved. With the release of the initial recipient reporting, INPUT now has an initial count that is based, for the most part, on something more substantial than a formula. However, INPUT remains doubtful that job creation performance can ever be graded, because of the number of recipients reporting, the complexity of the reports, the

definition of a saved job, and the fact that recipients were allowed to use a calculation when they couldn't provide actual data.

### **Methodology**

To determine the per capita stimulus spending illustrated in Exhibit 3, INPUT divided the federal outlays per state by the number of jobs created in that state and compared it to the per capita jobs created. This was calculated by dividing the number of jobs created by the population.

## **Transparency & Reporting**

### **INPUT Assessment**

# Grade: C-

President Obama has promised that transparency will be a hallmark of his administration. The transparency and reporting provisions specified by the Recovery Act clearly reflect that commitment. The recipient reports released on October 30, 2009, are just the latest in a new series of reports required by the Recovery Act. Each new report has been late, based on the Office of Management and Budget's (OMB) initial guidance, and the data quality of each new report has been poor upon release. However, over time the quality and completeness of reports have improved. INPUT expects this will continue to be the case with the new recipient reports, especially due to the scrutiny these reports will receive and as recipients unfamiliar with federal reporting requirements gain experience.

A major area of disappointment continues to be the lack of transparency surrounding grant applications for many of the grant programs funded by the Recovery Act. By allowing citizens access to grant applications before the awards are made and to comment on those applications, federal agencies could truly be taking a proactive approach to combating fraud, waste, and abuse. Earl Devaney, chair of the Recovery Accountability and Transparency Board has testified before Congress about the importance of preventing abuse before it occurs. INPUT encourages the administration to reconsider its approach with respect to publication of grant applications.

### **Change Since Initial Report Card**

INPUT has raised the grade for reporting and transparency from a D to a C-. The reports continue to be late, and the initial data quality is poor or incomplete. We believe that there are additional areas where more transparency would help the administration combat fraud, waste, and abuse.

### **Methodology**

Grading for reporting and transparency is subjective but based on timeliness of meeting reporting commitments and accuracy of reported information.

## Contracting Effectiveness

### INPUT Assessment

# Grade: B

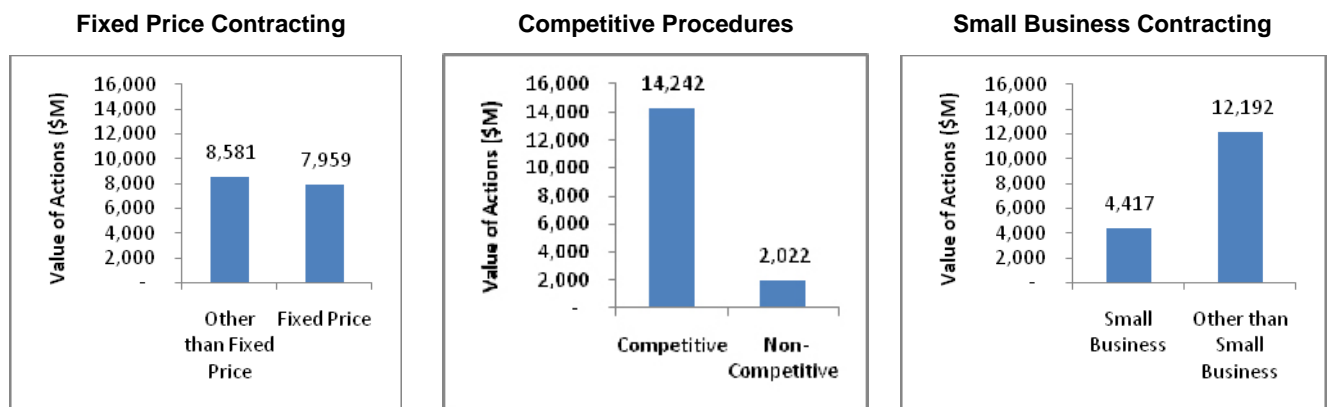
Section 1554 of ARRA called for agencies to use fixed-price contracts and competitive procedures to the “maximum extent possible” in acquiring products and services related to ARRA investments. OMB has since issued guidance to agencies that reinforces these provisions.

To determine the federal government’s performance in complying with these provisions, INPUT analyzed the reported ARRA-related federal contract actions in three ways:

1. Extent to which competitive procedures were used
2. Extent to which fixed-price contracts were used
3. Extent to which contracts were awarded to small businesses

#### Exhibit 4

### Recovery Act Related Contracting Actions



Sources: FPDS, INPUT

To date, the federal government has awarded 48% of the reported contract obligations by using fixed-price contracts, a 30% increase over INPUT’s initial report card.

In addition, 86% of the reported contract obligations are being channeled through competitive contracts. Almost 70% of the reported obligations have been issued against contracts that were already in place prior to passage of ARRA. This is an improvement from the 94% use of existing contracts in June. It is not surprising to see a reduction in the use of existing contracts as more time passes since enactment of the legislation. Federal contracting officials need time to plan and conduct new procurements. However, in order for stimulus to provide a legitimate business opportunity for new market entrants, the federal government would need to continue reducing its dependence on existing contracts and contractors in meeting stimulus-related requirements.

Nearly 27% of the dollars awarded have gone to small businesses, 4% above the government-wide goal of 23%.<sup>2</sup> While there were no specific provisions in the Recovery Act for small-business contracting, history suggests that small businesses have been particularly adept at creating jobs. The Small Business Administration's Office of Advocacy reports that small businesses have created more than 60% of the net new jobs since the mid-1990s.

### **Change Since Initial Report Card**

Federal contracting officials have substantially improved their performance since our last report card in the use of fixed-price contracts, small-business involvement, and the establishment of new contracts. The use of competitive contract vehicles is overwhelming and remains about the same as in INPUT's last report card.

### **Methodology**

In determining federal agencies' adherence to the contracting provisions, INPUT analyzed over 26,943 ARRA-related contract actions reported by agencies to the Federal Procurement Data System (FPDS), the federal government's centralized contract reporting system. Through October 26, 2009, over \$16.6 billion in ARRA-related contract obligations has been reported to FPDS.

## **Conclusion**

The federal government has shown unusual adeptness in dispensing a tremendous amount of money very quickly. What is more impressive is that since INPUT's initial report card, federal contracting officials have significantly improved the use of competitive and fixed-price contracting vehicles as well as exceeded the federal government's small-business contracting goal.

While job creation remains a key objective of the legislation and ARRA will undoubtedly create or protect many jobs, accurate reporting of job creation is a pipe dream, because of the number of recipients reporting, the complexity of the reporting requirements, and the ability by recipients to use a formula to determine jobs created. U.S. citizens will never really know the impact of ARRA on the economy nor the extent to which it pulls the economy out of the recession, except in the broadest of terms.

The administration should look to the states that were able to create jobs at the least cost per job for best practices that can be used by other states to reduce the cost to create jobs, as this figure varies widely from state to state and appears exorbitant in many cases.

The reporting and transparency provisions continue to be problematic. Each new report type required by the Recovery Act has been late, incomplete, and riddled with poor data quality. Over time we have seen significant improvements, but these issues make it difficult to accurately judge the effectiveness of the Recovery Act and the administration's implementation of the legislation.

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<sup>2</sup> Small Business Administration, FY 2007 Government-wide Report card, [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/gov\\_wide\\_assessment08.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/gov_wide_assessment08.pdf)

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