

DETERMINING LEGISLATIVE OVERSIGHT OF AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS

A Report Prepared for the
Legislative Finance Committee

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PURPOSE

The purpose of this report is to provide the Legislative Finance Committee (LFC) with a discussion format to determine the parameters and format of legislative oversight of activities related to the monies received under the American Recovery and Reinvestment Act (ARRA).

BACKGROUND

The Obama administration proposed and the United States Congress approved the ARRA with these specific intentions:

- “(1) To preserve and create jobs and promote economic recovery.*
- (2) To assist those most impacted by the recession.*
- (3) To provide investments needed to increase economic efficiency by spurring technological advances in science and health.*
- (4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.*
- (5) To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.”*

The act appropriated funds to federal agencies, states and US territories for a wide variety of purposes with the goal to get funds on the ground and create jobs. The act also contained a number of accountability provisions to ensure that the funds were spent as intended and that the general public would have access to information regarding these expenditures.

The legislature funded ARRA in HB 645. A summary of appropriations is attached to this report. Oversight for the ARRA was originally addressed in SB 460 to create a special commission to provide specific functions regarding the receipt and expenditures of stimulus funds. The bill passed the legislature and was vetoed by the Governor. The override poll did not change the outcome of the bill; therefore, the decision on oversight of stimulus money spending will be the responsibility of the LFC. The LFC will need to determine the parameters of the project.

WHY THE LFC?

The LFC provides the oversight function of state spending for the legislature and the people of Montana. The committee through oversight activities can make assurances that HB 645 is implemented as intended by the legislature, and that the desired outcomes, including a stronger Montana economy, are achieved. The information obtained through the oversight process can be used to improve implementation of the act, identify areas of concern, celebrate success, and provide insight on other policy issues that may need to be addressed. Without oversight by the LFC, legislative monitoring may not occur in any organized manner.

WHAT DOES THE LFC WANT TO KNOW?

The key question to developing an oversight plan is to isolate what the LFC wants to know and achieve regarding the implementation of funding contained in HB 645. HB 645 contains general fund appropriated for specific purposes with specific goals in mind and a majority of federal funds were appropriated with joint goals with the federal government. Those funds are to be delivered to state and local entities through formulas, competitive grants, and direct allocations. Therefore, the oversight of the funds could be dependent upon the type funding and the ultimate purpose of that funding. Consider some broad questions:

- Is legislative intent of general fund appropriations in HB 645 being followed?
- Are on-the-ground projects progressing in a manner that creates jobs?
- Will the intended outcomes of the new programs established in HB 645 be met?
- Are those Montanans most affected by the recession being helped?

- If budget adjustments such as program transfers and operational plan changes are made, do they alter the intent of the appropriation?
- Did Montana agencies receive any competitive grants through the ARRA?
- Where did the funding go, geographically, within Montana?
- What, if anything, is preventing the optimal use of federal funding?

Once the committee can articulate what they want to know about the outcome of HB 645 and other ARRA funding, the work plan can be formulated. The future work plan would serve as a blue print to the oversight process, flexible enough to change if warranted. The work plan would detail the who, what, when and how of the process.

DETERMINING THE WHO, WHAT, WHEN, HOW AND OUTCOMES

The LFC has the opportunity to determine what type of oversight should occur and how such oversight should be managed. Once the LFC has determined what they wish to achieve from oversight, the details can be worked out to achieve those purposes. The following are potential elements of the work plan.

- Who – Who should provide the oversight?
 - Full LFC, subcommittee of the LFC, other
- What – What should occur?
 - Review of implementation of ARRA funding, job creation, cash flow, issue identification, informational items, items from SB 460
- When - When should these activities occur?
 - At each committee meeting, additional full committee meetings, additional subcommittee meetings
- How - How would the LFC like the information delivered?
 - Written reports, 2-pagers, agency presentations, educational pieces
- Outcome - What outcome will occur?
 - Impact analysis, legislation

Prior to defining the parameters of the project, the legislature should consider the oversight activities that are already occurring under the ARRA. Those activities could be used by the LFC to accomplish some of the work, without requiring extra or duplicative reporting by the agencies.

Current Oversight Activities

Federal

According to the act, all entities receiving ARRA funds, including states, will report basic outcome information such as jobs created, projects funded, and information in certain areas. The official federal reporting requirements have not yet been released. According to the National Conference of State Legislatures (NCSL), the Office of Management and Budget (OMB) will be releasing guidance to states on reporting requirements on or about June 15, 2009.

The initial reports will be due to the federal government on October 10th. Those reports will be published by October 30th. The legislature may have the opportunity to review these reports as they are submitted.

Montana

Here in Montana, the Office of Budget and Program Planning has established a reporting process for agencies to provide information regarding expenditures, timeliness, contractors, project progress, units of service, project location, and job creation. According to the directions provided to agencies, this information will be collected on a monthly basis through the end of September at which time a switch to quarterly reports may be made.

The Governor has also launched www.recovery.mt.gov for this purpose. The home page states:

“This site is to allow all Montanans to follow how we are reinvesting and rebuilding Montana with funding from the federal American Recovery and Reinvestment Act. An estimated 11,000 jobs will be created or saved and the majority of Montanans will see tax relief.

Governor Schweitzer is committed to being accountable to every dollar that comes from the Recovery and Reinvestment Act and get the money on the ground as quickly as possible putting people to work. Montanans will be able to submit comments to this site enhancing accessibility, accountability, and openness.”

The web page currently links to other sources such as recovery.gov, as well as the recovery sites of state agencies. There is a menu for state agency reports, where at this writing are a few reports addressing clean water grants and transit grants. The value of this information to the legislature, as well as the public, will be dependent upon how often it is updated.

NEXT STEPS

To take the steps to design a work plan, the legislature needs to complete the scoping activity and determine the schedule and the deliverables. The ARRA menu, as attached, can be used as a guide for both scoping and determining type of deliverables. That information can be rolled into a schedule to create the overall plan.

For the purposes of aiding discussion, the ARRA menu was used to aid in building a work plan and is attached. This work plan is designed as a starting point for committee discussions. The option involves oversight by the entire committee on a scheduled basis with opportunities for additional information when deemed necessary.

To adopt this project, the committee may wish to:

- Appoint a workgroup to determine the scope of the work plan for approval by the full LFC
- Appoint a member(s) to serve as committee lead for the project

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