

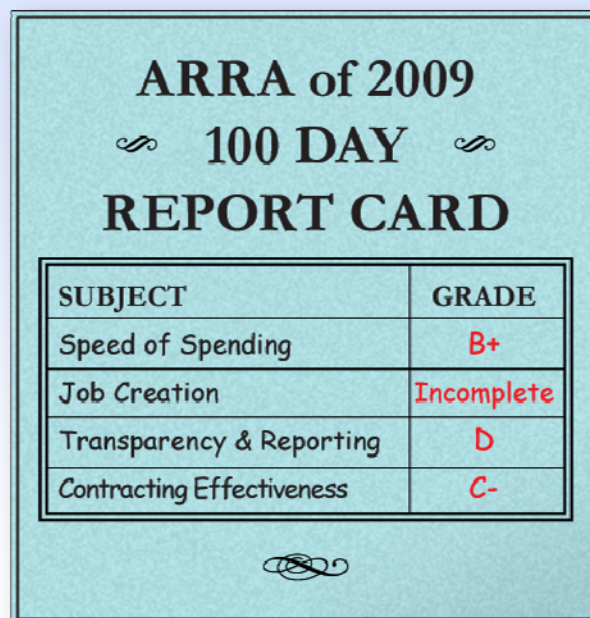
ARRA of 2009 100 Day Report Card



Introduction

With the passage of the American Recovery & Reinvestment Act (ARRA) of 2009, President Obama and Congress committed an unprecedented level of funding to creating and preserving jobs and promoting economic recovery from one of the deepest recessions to face the U.S. in decades. In addition, ambitious goals have been set by the Obama Administration through this legislation requiring unprecedented transparency in tracking the flow of money and strong guidance on how contracts should be competed and awarded. In keeping with these themes, INPUT has prepared a 100 Day Report Card to assess how the administration is progressing against these goals in the following areas:

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



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

Bottom Line

- Accurate reporting of job creation is a pipe dream. U.S. citizens will never really know the impact of the ARRA on the economy, nor the extent to which it pulls the economy out of the current recession, except in the broadest of terms.
- The federal government has shown unusual adeptness in dispensing a tremendous amount of money very quickly. What is more impressive, it accomplished this while much of the agencies' senior leadership was not yet in place.
- Despite the legislation's prescribed guidance, early indications are that the federal government is spending money much like it has in the past, relying extensively on cost plus contracts and existing contractors to fulfill its requirements.

Speed of Spending

INPUT Assessment

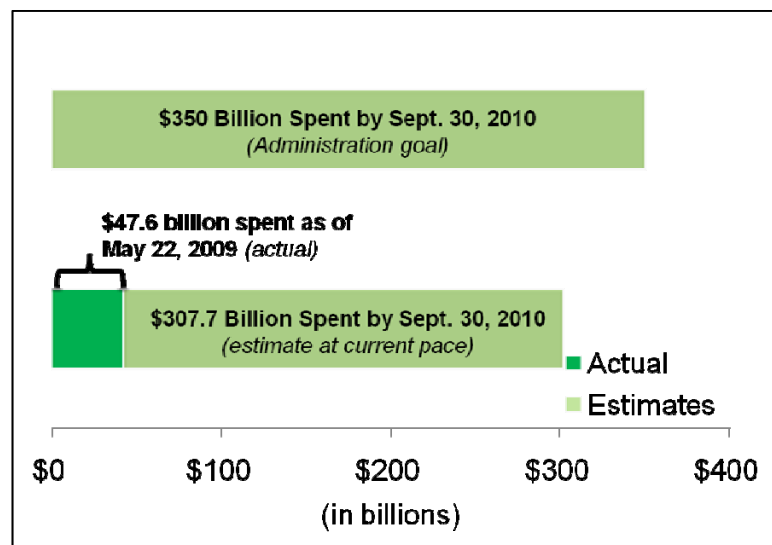
Grade: B+

In Vice President Biden's first *Quarterly Report to the President on Implementing the American Recovery and Reinvestment Act of 2009*¹, he stated that 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 May 22, 2009, the most recent week of complete reporting data, the federal government has spent \$47.6 billion, which equates to \$3.66 billion per week. In order to achieve the administration's goal, the federal government needs to be spending \$4.16 billion per week. If the federal government continues to spend ARRA funds at its current pace, it will spend \$307.7 billion by September 30, 2010, 88% of Obama's goal. However, it has been increasing its weekly spending by 20% since April 24.

Exhibit 1

Administration Goal vs. Estimated Spending at Current Pace



Source: Recovery.gov, INPUT

The federal government has demonstrated uncharacteristic speed in moving funds thus far. However, it faces some significant obstacles in keeping up the pace of spending. These obstacles are largely beyond the federal government's control due to the nature of some of the investments planned. Major construction projects and grant programs funded in ARRA will require many levels of approval and protracted acquisition cycles. These projects are likely to compel the federal government to draw out spending on many projects well into 2011. Some notable examples include the construction of the

¹ 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

Department of Homeland Security's headquarters at the site of the former St. Elizabeth's Hospital and the construction of a new computer center for the Social Security Administration.

Methodology

In preparing this assessment of the current pace of spending, INPUT used the weekly financial and activity reports to determine total outlays. Using these total outlays we calculated the average spending per week and projected that spending out to September 30, 2010.

Job Creation

INPUT Assessment

Grade: Incomplete

In President Obama's address to the joint session of Congress on February 24, 2009, he indicated the ARRA "will save or create 3.5 million jobs." Since the Act was signed into law, the national unemployment rate has climbed from 8.1 to 8.9 percent and 13.7 million people are currently unemployed. During the month of April, over a half a million people lost their jobs.

The Council of Economic Advisors (CEA) released its *Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009*² on May 11, 2009, which included initial guidelines to federal government agencies for reporting job creation. Table 5 of this CEA report included a 'simple rule' for calculating job-year³ creation – \$92,000 of government spending creates one job-year.

INPUT believes the calculation provided by the CEA, while convenient in its simplicity, proved to be inherently flawed when applied to calculating the number of jobs created or preserved by ARRA. However, it is clear that determining an accurate number of jobs created or preserved is an impossible undertaking, as a calculation cannot accurately account for indirect jobs created, nor predict jobs that may or may not be lost in the future.

It is doubtful that the American people will ever know exactly how many jobs are created or preserved by the ARRA.

² Council of Economic Advisors, *Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009* (May 11, 2009), http://www.whitehouse.gov/assets/documents/Estimate_of_Job_Creation.pdf

³ A job-year is one job for one year.

Transparency & Reporting

INPUT Assessment

Grade: D

President Obama has promised that transparency will be a hallmark of his administration and transparency provisions in ARRA clearly reflect this commitment. These provisions call for extensive reporting to the public by government agencies and by recipients of government funds, including state and local governments, educational institutions and contractors, on their use of recovery related funds.

This has resulted in fairly onerous reporting requirements for any organization receiving such funds. With just 100 days into the implementation of ARRA, it's very evident that government agencies and the Office of Management and Budget (OMB) are struggling to live up to the new transparency provisions.

While the administration earns good marks for launching Recovery.gov so quickly after the legislation was enacted and conducting a national online dialog about how the site could be improved, many of the reporting requirements are still unfulfilled and vague. For example, since the House version of the legislation was introduced, the OMB has issued six memos providing guidance to agencies on how to administer the funds. Major OMB communications providing guidance specific to reporting requirements were issued on February 18 and April 3, 2009.⁴ The April 3 memo changed substantial reporting requirements for agencies outlined within the February 18 memo. Exhibit 2 outlines some of the key changes.

⁴ Office of Management and Budget, Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009, M-09-10, (February 18, 2009), <http://www.recovery.gov/files/Initial%20Recovery%20Act%20Implementing%20Guidance.pdf> and Updated Guidance for the American Recovery and Reinvestment Act of 2009, M-09-15, (April 3, 2009), <http://www.recovery.gov/sites/default/files/m09-15.pdf>

Exhibit 2

Changes to Reporting Guidance

Report	Reporting Period	Changes
Major Communications	Immediate/On-going	No changes
Formula/Block Grant Allocations	Immediate/On-going	Replaced by Funding Notification Reports
Funding Notification Report	Introduced on 04/03/2009	Replaces the Formula/Block Grant Allocations
Initial Weekly Reports (now called Weekly Financial and Activity Reports)	03/03/2009-05/12/2009	Report template changed on 4/3/2009 and 05/15/2009
Monthly Financial	Starting 05/08/2009	Cancelled on 04/03/2009
Award-level Reporting (federal contract and assistance awards)	Starting 05/05/2009	No changes
Agency-wide Plan	No later than 05/01/2009	Final reports delayed until 05/15/2009, drafts due on 05/01/2009
Program-specific Plan	No later than 05/01/2009	Final reports delayed until 05/15/2009, drafts due on 05/01/2009
Recipient Reports	Starting 7/10/2009	Delayed until 10/10/2009

Source: Recovery.gov, INPUT

In a letter sent on April 23 to the Senate Committee on Homeland Security and Government Affairs, Vice President Biden indicated OMB would be issuing additional guidance in early May that addresses several open issues related to implementation of the Act. To date, OMB has provided guidance on only one of the issues identified by Vice President Biden. In addition, OMB cautioned in its memo dated April 3, that they could modify the existing guidance on recipient reporting up until 45 days before the reports are due, making it difficult for agencies and recipients to depend on the guidance it does receive from OMB.

With all of the changes to guidance and unfulfilled promises of additional guidance, the administration has gotten off to a rocky start and has created much confusion and consternation among the organizations being asked to comply with these new requirements. Reporting deadlines have not been met consistently by agencies and some of the reports provided have paid lip service to the requirements by providing very little if any information.

In addition, organizations or citizens interested in monitoring ARRA funds must go to several Web sites, such as FBO.gov and Grants.gov, to know when requests for proposals (RFP) or requests for applications (RFA) have been released. In some cases, agencies provide much more information on their own sites than is provided on Recovery.gov and in other cases the reverse is true.

Perhaps the biggest challenge is tracking the money that flows down to the 80,000+ state and local governments eligible for ARRA funding through grants. Ostensibly that will be found in the recipient reporting that comes later this year, but those reports are not due until October, six months into the implementation of the Act.

Contracting Effectiveness

INPUT Assessment

Grade: C-

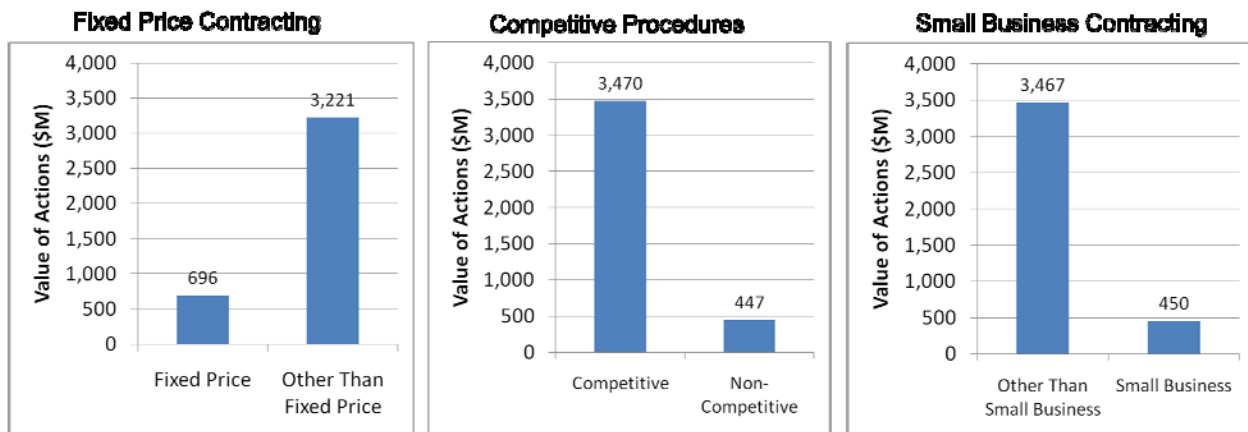
Section 1554 of ARRA called for agencies to use fixed price contracts and competitive procedures to the 'maximum extent possible' in acquiring products and services related to ARRA investments. OMB has since issued guidance to agencies reinforcing these provisions.

To determine the federal government's performance in complying with these provisions, INPUT analyzed reported ARRA 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 3

Recovery Act Related Contracting Actions



Source: FPDS, INPUT

The vast majority of the number of ARRA-funded contracts awarded by the federal government have been fixed price. However, just 18% of the reported contract obligations (value of those contracts) have been fixed price. A substantial percentage of the dollars awarded are being channeled through cost plus contract vehicles, which are the very contracting method President Obama aimed at regulating in his campaign rhetoric and in early federal acquisition policy guidance.

Conversely, nearly 90% of the reported contract obligations are being channeled through competitive contracts. However, a further look reveals that 94% of the reported obligations have been issued against contracts that were already in place prior to passage of ARRA. While utilizing existing contracts to fulfill ARRA requirements is perfectly acceptable under the legislation, it does suggest a strong bias inherent in the government's acquisition procedures towards existing contractors. Early indications suggest that companies without existing contracts with the federal government may have difficulty competing for ARRA funds.

Just over 11% of dollars awarded have been to small businesses, well below the government-wide goal of 23%.⁵ While there were no specific provisions in the 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 60 to 80% of the net new jobs since the mid 1990s. In 2005, the latest year for which data is available, firms with less than 500 employees created almost one million new jobs.

Methodology

In determining federal agencies' adherence to ARRA contracting provisions, INPUT analyzed over 1,000 contract actions reported by federal agencies to the Federal Procurement Data System (FPDS), the federal government's centralized contract reporting system. INPUT analyzed both the number of contract actions and the value of those actions. Through May 27, 2009, over \$3.9 billion in ARRA-related contract obligations have 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 it accomplished this while much of the agencies' senior leadership was not yet in place. However, in order to meet the Administration's goal to spend \$350 billion by September 30, 2010, agencies are spending money much like they have in the past, relying extensively on cost plus contracts and existing contractors to fulfill its requirements. Federal agencies will become more pressed after direct spending and formula grants has been dispensed. Once they begin the procurement process for new projects and new competitive grant programs established by ARRA, spending is likely to slow.

While job creation was a key objective of the legislation, and ARRA will undoubtedly create or protect many jobs, accurate reporting of job creation is a pipe dream. U.S. citizens will never really know the impact of the ARRA on the economy nor the extent to which it pulls the economy out of the current recession, except in the broadest of terms.

The reporting and transparency provisions have been the most problematic area for agencies and OMB. If OMB continues to revise the guidance on recipient reporting until 45 days before the first reports are due, recipients simply will not be able to develop, implement and deploy the reporting systems required to comply. Compliance and tardy reporting has not been addressed in any guidance released to date. What happens when required reports are not submitted or are incomplete? So far, there have been no consequences.

⁵ Small Business Administration, FY 2007 Government-wide Scorecard, http://www.sba.gov/idc/groups/public/documents/sba_homepage/gov_wide_assessment08.pdf

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