

THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009: THE ROLE OF STATE AND LOCAL GOVERNMENTS

HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

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THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009: THE ROLE OF STATE AND LOCAL GOVERNMENTS

TUESDAY, APRIL 21, 2009

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Brooklyn, NY.

The committee met, pursuant to notice, at 10:10 a.m., at Brooklyn Borough Hall, 209 Joralemon Street, Brooklyn, NY, Hon. Edolphus Towns (chairman of the committee) presiding.

Present: Representatives Towns, Kucinich, Welch, Issa and Platts.

Staff present: Katherine Graham, investigator; Mike McCarthy, deputy staff director; Jesse McCollum, senior advisor; Jenny Rosenberg, director of communications; Christopher Staszak, senior investigative counsel; Lawrence Brady, minority staff director; Frederick Hill, minority director of communications; Adam Fromm, minority chief clerk and Member liaison; Seamus Draft, minority deputy press secretary; and Christopher Hixon, minority senior counsel.

Chairman TOWNS. We come to order. We're delighted this morning to be at Borough Hall, and of course the borough president of Brooklyn is here. And we would like for him to have an opportunity to welcome the Members to the great Borough of Brooklyn. Those of you that reside in our city do know his name. I don't have to introduce him in any way. All you have to do is just go someplace and say "Marty Markowitz." [Laughter.]

Mr. MARKOWITZ. Thank you. Thank you very, very much. Of course, welcome to—right now we're called the Republic of Brooklyn.

Actually, my name is Marty Towns Markowitz. [Laughter.]

Your colleagues should know, for us in public service here in Brooklyn, we all wish we were related to Ed; and I have to tell you that perhaps he's truly the gold standard in our Borough. So, thank you, Ed, Congressman, very, very much.

And certainly, I want to welcome Deputy Mayor Edward Skyler. Many people say that he bears an uncanny resemblance to me, I have to tell you. And let me tell you a part of it is his height. If I was his height, I'd definitely be his weight, am I right?

Also, New York City Comptroller Bill Thompson and Timothy Gilchrist, a senior advisor to Governor Paterson in construction and transportation. And Colvin Grannum, it's good to see you are here as well, president of the Bedford Stuyvesant Restoration Corp.

And David Robinson, associate director of the Center for Information Technology Policy at Princeton University.

I can't think of a better person than Ed—Congressman Towns—to chair the House Committee on Oversight on Government Reform. I think you can all agree that this is one of the most important jobs in Congress at this moment.

In this day and age when every dollar counts, and you all know that, we need someone like Congressman Towns to make sure that the government spends our money wisely, along with your colleagues.

And if there's one thing that we all agree on, the American Recovery and Reinvestment Act, it is that this money needs to be spent now to give to our community a jump-start, no doubt about it. But it also needs to be spent well, so that we can get our economy back on the right track once and for all, and make sure that every penny allocated is used for the stated purpose.

We go in uneasy and unsettling times but, please rest assured, in my opinion of course, that after a long 8 years of George W. Bush, we finally have in the White House a President who understands that our Nation exists on the engines of economic development of all nations.

And we are fortunate that President Obama has sent Congressman Towns to make sure that fiscal responsibility returns in our Federal spending policy process.

So now, Congressman Ed Towns, thank you for inviting me and your fellow congressional Members to this event. Thanks.

Chairman TOWNS. Thank you. And thank you for welcoming us to Borough Hall. Thank you. Thank you so much.

[Applause.]

Chairman TOWNS. Today's hearing is the first in a series of field hearings that will be held in various locations throughout the country. The purpose of these hearings is to examine the crucial role that the State and local government will play in the administration of the American Recovery and Reinvestment Act of 2009, also known as the Stimulus Program or the Recovery Act.

The American Recovery and Reinvestment Act of 2009 is a historic piece of legislation, which I was proud to be one of the nine co-sponsors of the legislation. The stimulus program had already been and will continue to be a powerful force for getting the American economy back on track.

As we face the greatest economic crisis since the Great Depression, I'm especially proud to be here today in my district, in my home, the borough of Brooklyn. New York is the financial capital of the world. It is home to millions of these hardworking and dedicated people from all backgrounds who stand ready to help turn the American economy in the right direction.

I'm also happy to have my friend and colleague from the State of California, the ranking member, Congressman Issa, here with me today, to get a look at how we do things in the borough of Brooklyn, and today we'll talk with people from the borough of Brooklyn.

Just a few weeks ago, several hundred residents of Brooklyn attended a town hall meeting on a Saturday morning that Congresswoman Yvette Clark and I held to talk about President Obama's

stimulus program. That is a simple but telling example of the commitments the American people have to overcome in these economic challenges that we all are facing together. And I emphasize the word “together.”

New Yorkers are a unique source of strength for America. And I know it will play a unique role in putting our economy back on the right track.

In Washington, this committee has been working hard to make certain that Federal agencies do everything possible to protect your hard-earned tax dollars and see to it that they are spent wisely.

Every dollar that we can stop from being wasted is a dollar that is put to good use on a school improvement project for our children, a job training program for those who want to work but need new skills, or construction projects resulting in something as simple but as important as a safer road or cleaner drinking water.

For the Recovery Act to be effective, the Federal, State and local governments must coordinate, cooperate and communicate. As President Obama stated recently, “This plan cannot and will not be an excuse for waste and abuse.”

To fight fraud, the Recovery Act provides for an unprecedented degree of oversight and accountability. For that, the Recovery Act established the Recovery Accountability and Transparency Board [Recovery Act Board]. Some people refer to it as RAT. [Laughter.]

Which is designed to provide transparency on how Federal recovery money is to be spent. The act also included significant increases in funding for the Office of the Inspector General, whose job is to root out waste, fraud and abuse in Federal programs.

I applaud President Obama for his support of these measures. But I must admit that I have concerns, and let me tell you why. I’m concerned that a heavy burden is being placed on the State auditors who are responsible for monitoring the accounts for the stimulus funds they receive.

This concern was raised at the committee’s hearing last month and it needs to be addressed. Accordingly, I plan to introduce legislation that will provide increased funding for State audits so they will be able to meet the demands placed on them by the Recovery Act.

With individual States receiving billions in stimulus funding, it makes sense that the States also be fully equipped to closely monitor those taxpayer’s dollars.

Not initially providing funds for State auditors under the Recovery Act was an omission, an omission that should be rectified as soon as possible.

I’m also concerned that States have already started spending funds from the Recovery Act, but they have not yet been given complete guidelines from the Federal Government in terms of how the money is to be tracked and how they are required to report spending of stimulus funds.

Further, I have major concerns about the administration of a primary transparency tool, Recovery.gov. The fact of the matter is that Recovery.gov is currently not usable. So, it’s not a usable data base where citizens can go to see how their money is being spent.

I expressed this concern to the chairman of the Recovery Act Board when he testified before this committee in Washington last

month. It is my hope that he takes the concerns of Congress to heart and transforms Recovery.gov into a comprehensive, useful and easy to understand data base that will bring about true transparency.

If he fails in this regard, you can be certain that the members of this committee will exercise their full oversight authority to ensure that he honors his commitment.

Today, we will hear from people who have been and will continue to be at the forefront of the effort to ensure that the Recovery Act is administered at an efficient and fair manner at the State and the local level. We want to learn more from our witnesses about how the Federal Government is doing so far in administering the stimulus program, where and how can the Federal Government do better, and to ensure that the Federal Government is doing everything it can to help State and local governments to successfully administer the Stimulus Program.

I want to thank all of our witnesses for appearing here today and I look forward to hearing their testimony. I will now yield to our ranking member, Mr. Darrell Issa, from the great State of California, for his opening statement.

[The prepared statement of Hon. Edolphus Towns follows:]

HOUSE COMMITTEE ON
OVERSIGHT & GOVERNMENT REFORM

**OPENING STATEMENT OF
CHAIRMAN EDOLPHUS TOWNS**

Field Hearing: The American Recovery and Reinvestment Act of 2009: The
Role of State and Local Governments

April 21, 2009

Good morning and thank you all for being here. Today's hearing is the first in a series of field hearings that will be held in various locations throughout the country. The purpose of these hearings is to examine the crucial role that state and local governments will play in the administration of the American Recovery and Reinvestment Act of 2009, also known as the Stimulus Program or the Recovery Act.

The American Recovery and Reinvestment Act of 2009 is an historic piece of legislation which I was proud to co-sponsor.

The stimulus program has already been, and will continue to be a powerful force for getting the American economy back on track as we face the greatest economic crisis since the Great Depression. The American Recovery and Reinvestment Act provides \$787 billion in tax cuts and federal

spending to preserve and create jobs, assist those most harmed by the recession, and reinvest in our great country.

I am especially proud to be here today in my district, in my home borough of Brooklyn. New York is not only the financial capital of the world, it is home to millions of decent, hard working and dedicated people from all backgrounds, who stand ready to help turn the American economy in the right direction.

I am also happy to have my friend and colleague, Ranking Member Issa, here with me today in Brooklyn.

Just a few weeks ago, several hundred residents of Brooklyn attended a town hall meeting on a Saturday morning that Congresswoman Clarke and I held to talk about President Obama's Stimulus Program.

That is a simple but telling example of the commitment the American people have to overcoming the economic challenges that we all face together.

New York is a unique source of strength for America and I know it will play a unique role in putting our economy back in the right direction.

In Washington, my colleagues and I on this Committee have been working hard to make sure that federal agencies do everything possible to protect your hard-earned taxpayer dollars and see to it that they are spent wisely.

Every dollar that we can stop from being wasted is a dollar that is put to good use on a school improvement project for our children, a job training program for those who want to work but need new skills, or a construction project that results in something as simple but important as a safer road or cleaner drinking water.

The Recovery Act is a monumental program that calls for a monumental effort to fight waste and promote efficiency. For the Recovery Act to be effective, the federal, state and local governments must coordinate, cooperate and communicate. As President Obama stated recently, "This plan cannot and will not be an excuse for waste and abuse."

To fight fraud, the Recovery Act provides for an unprecedented degree of oversight and accountability. For example, the Recovery Act established the Recovery Accountability and Transparency Board (known as the “Recovery Act Board”), which is designed to provide transparency on how federal recovery money is spent. The Act also included significant increases in funding for the offices of Inspector General, whose job it is to root out waste, fraud and abuse in federal programs. I applaud President Obama for his support of these measures.

However, I also have concerns. I am concerned that a very heavy burden is being placed on State auditors who are responsible for monitoring and accounting for the Stimulus funds they receive. This concern was raised at the Committee’s hearing last month and it needs to be addressed.

Accordingly, I plan to introduce legislation that will provide increased funding for State auditors so they will be able to meet the demands placed on them by the Recovery Act. With individual states receiving billions in Stimulus funding, it makes sense that the State’s also be fully equipped to closely monitor those taxpayer dollars. Not initially providing funds for State auditors under the Recovery Act was an omission that should be rectified.

I am also concerned that states have already started spending funds from the Recovery Act, but they have not yet been given complete guidance from the federal government in terms of how the money is to be tracked and how they are required to report spending of Stimulus funds. Further, I have major concerns about the Administration's primary transparency tool, Recovery.gov. The fact of the matter is that Recovery.gov is currently not a useable database where citizens can go to see how their money is being spent.

I expressed this concern to the Chairman of the Recovery Act Board when he testified before this Committee in Washington last month. It is my hope that he takes the concerns of Congress to heart and transforms Recovery.gov into a comprehensive, useful and easy to understand database.

If he fails in this regard, you can be certain that the members of this Committee will exercise their full oversight authority to ensure that he honors his commitment.

I fully recognize the difficulties presented by building a website that tracks how every dollar of a \$787 billion program is spent. But I also know how hard the average American works for each dollar they earn. Americans have a right to know exactly how their money is being used, and the Administration has an obligation to show them.

We will hear today from people who have been, and will continue to be at the forefront of the effort to ensure that the Recovery Act is administered in an efficient and fair manner at the State and local level. Today, we want to learn more from our witnesses about how the federal government is doing so far in administering the Stimulus Program.

Where can the federal government do better, and how has it been successful thus far?

In short, we want to ensure that the federal government is doing everything it can to help state and local governments successfully administer the Stimulus Program.

We all know that this is one of the toughest economic situations we've ever faced as a Nation, but I also know that Americans, and New Yorkers in particular, can overcome any obstacle, beat any opponent and triumph in the face of the most difficult circumstances.

I want to thank all of our witnesses for appearing here today, and I look forward to hearing their testimony.

Mr. ISSA. Thank you, Mr. Chairman. It truly is a pleasure to be here in the great borough of Brooklyn. I'm also, as you know, a Clevelander. So, we've had sort of a path of knowledge of things that have come out of this part of the world long before I went to California or to Washington.

I want everyone to understand that one of the reasons that this makes today so special is that this committee is supposed to be about waste, fraud, abuse and is supposed to work in a bipartisan fashion.

Under your leadership, it's very clear it is doing just that. For the chairman, obviously, and the majority of the party of the President to start shedding light on failures that we make in Congress, this stimulus bill of \$787 billion; failures oversights, things which we were not consulted in advance, but in fact now, after the fact that Chairman Towns and this committee are seeking to make sure we can rectify.

As the chairman so rightly mentioned, there was no funding in order to do oversight by the States in this legislation. And I join the chairman in making sure that we do find a way, either with the existing funds or the new funds, to provide that material to the States.

Additionally, nothing in this legislation provides accountability below the first recipient; meaning, when Albany receives the funds, much of what we're talking about today, they could distribute it, meeting every requirement. But we had no way of a guarantee, transparency below that.

So that if they were not doing their job to ensure that once the check is written, it was used properly, there was no oversight. We are going to work together on a bipartisan basis to change that.

Additionally, as you undoubtedly will hear repeatedly today, there's a little bait and switch that goes on between the time the money leaves Washington and the time it does seem to arrive at hospitals and other areas of need here in the borough. And that's understandable.

Both my State of California, which had a \$45 billion deficit at one point, and a slightly smaller deficit here in New York, were partially wiped out by the stimulus funding; meaning, they didn't apply the money that we sent from Washington to additional projects, but rather simply pulled back their dollars, pushed forward Federal dollars.

And as a result, when you thought you were getting more, at best, you may be getting what you originally were promised, or less.

As we all know, we have lost millions of jobs in the stimulus package. At best, if used properly, it's estimated to save about 3½ million jobs. If we allow the moving around of the dollars in a way that diminishes the intent, we obviously will diminish the outcome. We cannot afford to have one of those 3½ million jobs we hoped to save lost. And clearly today, we will hear that is happening.

The President, in fact, has made this one of the hallmarks of his administration early on. He did so with good intent and I join him in the belief that we needed something that is timely, targeted and temporary.

But as we would have begun to see, the targets are often poorly defined. The temporary, as some States who were pushed back on the funding, is questionable because of little nuances pushed into the bill that are affecting the ability of States and localities to use the money in a temporary basis, and in some cases, require that the program may begin, which will only be funded for 18 months and thereafter would fall to your community.

Mr. Chairman, I'm deeply concerned about the waste that will come if cities which were already stretched to the limit find themselves, when the money runs out, forced to continue with programs that may or may not suit their particular municipal area. Here in Brooklyn, you are an older city; so new construction and many of those items is not nearly as important as repair and reconstruction.

One size does not fit all. I'm hoping today that our working in a bipartisan basis, the solidarity and the additional committee under your leadership has begun to have will show, and show it to the people here that this committee will not allow this fine city to be shortchanged between the time the money leaves Washington and the time it was supposed to arrive here.

With that, I look forward to all the testimony that we will have, Mr. Chairman.

Thank you very much.

Chairman TOWNS. Thank you very much for your statement.

[The prepared statement of Hon. Darrell E. Issa follows:]

EDOLPHUS TOWNS, NEW YORK
CHAIRMAN

DARRELL E. ISSA, CALIFORNIA
RANKING MINORITY MEMBER

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Opening Statement
Ranking Member Darrell E. Issa
April 21, 2009

Mr. Chairman, thank you for holding this hearing. It is a pleasure to be here in Brooklyn.

In response to the financial crisis we now face, Congress and the Administration have proposed trillions of dollars in bailouts, rescue packages, guarantees, and other efforts to pump more taxpayer dollars into the economy. Part of this spending binge is the President's stimulus package, which is borrowing \$787 billion, before interest payments, in an attempt to jump-start the economy. The Administration claims this spending will create or save 3.5 million jobs. Whether this plan succeeds or not, the unprecedented sum of money being spent with such haste makes it crucial that this Committee ensure that the American people's money does not fly out of the federal coffers without full transparency and accountability. If we don't get this right, hundreds of billions of dollars could vanish in the blink of an eye, without the Administration, Congress, or the American people having any chance of knowing where the money went, who received it, and whether it actually created or saved jobs.

President Obama recently stood before Congress and promised the American people a new era of transparency and accountability for this \$787 billion of government spending. He pledged that those entrusted with this money would be held accountable by him and by the American people "for every dollar they spend." I applaud the President for his commitment to Americans' right to know how the government is spending their money. Unfortunately, the Administration's plans for fulfilling the President's promise to America remain woefully incomplete.

President Obama signed the stimulus into law in February. Money is already flowing out the door, though how much has already been spent, and on what, is largely unknown. The Congressional Budget Office says that by the end of this fiscal year, \$120 billion will have already been spent. This Committee has a responsibility to the American people to ensure that all appropriate steps are taken to provide complete transparency and accountability now.

At our last hearing on the stimulus in Washington, we heard from Earl Devaney, Chairman of the Recovery Accountability and Transparency Board and the President's point man for combating waste, fraud and abuse of stimulus dollars. Mr. Devaney suggested that if history is a guide, \$55 billion of the stimulus funds will be wasted. We cannot let this happen. This Committee has an obligation to ensure that there is sufficient transparency and accountability in the stimulus spending so that we minimize the amount of taxpayer money that is lost to waste and fraud.

I have been disturbed by the guidance that the Administration is giving to federal agencies, which tells them they only have to follow the money they dole out as far as the state and municipal level. After that, the money trail runs cold. Under the Administration's guidance so far, there will be ZERO accountability for any contractors, lobbyists or special interests that get taxpayer money.

While the Administration has made some progress in requiring disclosure of contractor data from recipients of direct federal funding, the Administration remains unwilling to require disclosure of contractor and subcontractor data when stimulus money is funneled through states and localities. Let's be clear about what this means: the state of New York could receive a lump payment of billions of dollars, and then pass on some portion of that money to the city of Albany. Under the Administration's guidance so far, that's all any of us would ever know. We won't know if the city leaders in Albany choose to award the money to reputable companies or politically-connected special interests. We won't know if the contracts are awarded in fair competitions or through sweetheart deals. And we won't know what is actually accomplished, at the ground level with the taxpayer dollars. This certainly doesn't fulfill the President's promise to follow "every dollar." The American people deserve better.

Fortunately, the revolution in information technology now provides the ability to bridge the gap between what President Obama has promised and what his Administration's plans envision. By implementing a standardized and universal system of reporting, we can allow every interested American to contribute his or her own ingenuity and superior knowledge of local projects to the critical job of watching this money. Ordinary Americans can become citizen-regulators, greatly enhancing our efforts to bring transparency and accountability to government spending. All that's required is for the Administration to show the political will and leadership to provide all of the stimulus data in a centralized, uniform, and structured format.

To that end, I look forward to hearing today from David Robinson, a noted e-transparency expert from Princeton University. I hope to hear Mr. Robinson's views on how technology can facilitate real transparency and accountability for stimulus spending.

I also look forward to hearing from our other witnesses as well. It is very important for this Committee to hear how states, townships, and local communities are planning on both spending stimulus money as well as ensuring that the money is spent wisely and without waste and fraud. It is also important to understand what our state and local officials need from the federal government. I believe that clear and consistent guidance from the federal government is necessary to enable state and local officials to do their jobs and ensure proper oversight of stimulus spending.

I want to tell all of the witnesses today that I intend to ask tough questions. That's my job, and that's the job of our Committee. I'm going to ask tough questions about oversight of stimulus spending whether I'm in Washington, New York, California, or any other place across our great country. We must work hard to ensure that the appropriate guidance and processes are in place so that we do not waste our taxpayers' hard earned money.

Mr. Chairman, as I said, we have our work cut out for us. It is our responsibility to this Congress and to the American people to ensure that the Administration lives up to its promise that this massive amount of funding is fully transparent and that as little taxpayer money as possible is lost to waste and fraud.

Thank you, Mr. Chairman.

Chairman TOWNS. At this time, one of the hardest working gentlemen in the United States, the gentleman from Ohio, Mr. Dennis Kucinich. We yield to him 5 minutes for an opening statement.

Mr. KUCINICH. Mr. Chairman and my colleagues on the committee and the people of Brooklyn, I'm here to support our chairman, and also because I understand the concerns that Brooklyn has related to the concerns of the people all over the country now.

Are we going to see a recovery? What will that recovery look like, will it provide more jobs, will it rebuild America's infrastructure?

All across this country, there are people who are worried about losing their homes, their jobs, their health care, their retirement, their security and their investments. And this committee has the responsibility of being the watchdog to make sure that all Federal programs find their way through to the beneficiaries.

And when you're talking about trillions of dollars, the money from the recovery program, money in the troubled asset relief program, we know that any time we're talking about spending on that level, it is inevitable that there is going to be problems with the way the money is distributed and problems with the dollars spent.

You are fortunate in Brooklyn that your Congressman, Ed Towns, ascended to be the chairman of the Oversight Committee, because this committee has the ability to be able to make sure that we hold all of those who are entrusted with these funds to the highest level of accountability.

And the only way that can be done is to make sure that you have people representing you who have the kind of experience that can see if something looks like it's going on that is not right.

And because of Ed Towns' experience in rising to Congress from this borough, you can be sure that his eyes, his ears, are going to be essential in making sure that these programs find the way in helping people who were the intended. And also, if there's any mismanagement involved, that would be brought to the public's attention.

Let's go back to where we are as a Nation. The Obama administration understands that this American Recovery Act is only the first step. A hundred million dollars out of the initial \$787 billion will go toward infrastructure and improvement.

And yet, Mr. Chairman, the American Institute of Architects says there's over \$2 trillion in infrastructure needs, to rebuild our bridges, water systems, to rebuild our roads, schools, hospitals.

America needs to be rebuilt, meaning that those people are back to work doing that. But we will not have the confidence, the Members of the Congress here to vote for more programs, unless we conclude that these programs are being set up, are going to be operated in a way where there's integrity and where there is a commitment to making sure that the program that we say that we want money for, that's what happened and that they're done in a way that's honest and efficient.

I'm a person who believes the government can work, but it only works if we have the people watching to make sure it works. And so that's what this committee is about.

And I am proud to be here with my chairman and with the ranking member, Mr. Issa, Congressman Platt and Congressman Welch, so that we can hear from the people of Brooklyn about what their

dreams and hopes and expectations are and what you're concerned about.

And we can take that information back to Washington and share it with our colleagues. This is a great community. I am glad to be here at this moment to be a part of this hearing and I look forward to hearing your testimony.

And thanks again, Mr. Towns, for giving us the opportunity to come to Brooklyn so that we can hear from your constituents whose concerns expressed are the concerns of all Americans. Thank you very much. Great to be here.

Chairman TOWNS. Thank you very much. Thank you for your kind words, as well.

Also, I'd like to recognize a person that I've had an opportunity to serve with as the ranking member, who was the chair of a subcommittee and who—I had enjoyed working with you. And he said that if you give him an opportunity to give you input, I expect your output. And I want you to know that I had enjoyed working with you and that it was an arrangement. I want you to know that the deal still is an offer. [Laughter.]

Mr. PLATTS. Thank you, Mr. Chairman. It's great to be with you. It is great to be with my colleagues here. First, it is wonderful to be back in the city of New York and the borough of Brooklyn.

I know we've called up hearings here at Borough Hall in the past as well as at the Brooklyn School of Law, close by, and it is just a wonderful opportunity to visit a great city. I want to add my words of thanks to my colleagues, to you for holding this important oversight hearing.

One of the most important responsibilities we have as public officials, as elected Members of the Congress, is to ensure that we are good stewards of the American people's funds, and that is what this hearing is all about. It is ensuring that the funds they have sent to Washington and entrusted us to oversee are then returned to our communities, including here in New York, in the most efficient, effective and accountable way possible.

And this oversight hearing is all about ensuring that we achieve that very important fiscal rule. So, thank you for your leadership as chair of the oversight committee and also to those witnesses who are here with us today, who have been—the State and the local level will give us a good insight as to how fast and more effectively we perform our oversight responsibilities. With that, I will go back to the chairman.

Thank you.

Chairman TOWNS. Thank you very much.

Now, I'd like to yield 5 minutes to Congressman Welch from Vermont, one of the very thoughtful members of this committee, who makes sure that we do our research and homework before moving forward.

Congressman Welch, of the great State of Vermont.

Mr. WELCH. Thank you very much, Mr. Chairman. I'll be brief. It is thrilling to hear from our distinguished witnesses. You know what? In government we do two things. One, we set a policy, and we did that by passing this stimulus, which after a vigorous debate, the policy direction has been set. And No. 2, we implement a policy. And usually we don't—oftentimes we don't do this as well

as we need to, remember to achieve the goals. Mr. Issa outlined all of the challenges that we face.

And with \$787 billion of our money, your money at stake, and also the ability to make the economy stop its free fall and hopefully begin a recovery, every single dollar, every single job is absolutely important.

And Mr. Chairman, what I appreciate of your work on this committee is that you are getting started before the reports of mismanagement or fraud come in, not waiting until after. Oftentimes, with this amount of money it is inevitable. There will be outright fraud, and that creates not only a waste of money but bitterness in the minds and hearts of the taxpayers who paid for it.

And oftentimes even more money is wasted because of poor management and getting behind the curves on making certain things, and we're doing well, we need more of it, and if things aren't working, we stop.

So, having this hearing, Mr. Chairman, at the beginning and working so cooperatively with Mr. Issa to get us focused at the outset on finding the critical contribution we can make; and what is tremendous is that we are going to start by hearing the people on the front lines of implementing the policy.

Because in Congress we set a policy that oftentimes the harder work is the work that you do back home to implement that policy. So, I am very eager to hear from the folks on the front line.

And I wanted to thank you, Mr. Chairman, for welcoming Vermont to this important country. [Laughter.]

And I feel pretty safe so far. And Mr. Issa, it is good to be here with you, and my colleagues, as well.

Chairman TOWNS. Thank you very much for everything, all of you for your statements.

At this time, I would like to ask our panelists to come forward.

Mr. Gilchrist, Deputy Mayor Skyler, please stand.

Chairman TOWNS. Longstanding tradition, I will swear all of our witnesses in. Please raise your right hands.

[Witnesses sworn.]

Chairman TOWNS. Let the record reflect that they both answered in the affirmative.

Just before we introduce our panelists, let me introduce to you the United Talmudical Academy of Satmar. They appear in the room from the school. Let's give them a big round of applause.

[Applause.]

Chairman TOWNS. United Talmudical Academy of Satmar, I am always happy to have our young people to come in to see the government in action. Let me introduce our witnesses.

Mr. Timothy Gilchrist is a senior advisor to Governor Paterson, Department of Infrastructure and Transportation. Serving in this role, Mr. Gilchrist leads the New York State Recovery and Reinvestment Act with Governor Paterson, which informs and oversees the distribution of Federal Recovery Act funds throughout the State.

In his current position, Mr. Gilchrist served as a deputy secretary to the Governor for economic development infrastructure, overseeing the major economic development infrastructures and transportation agencies and authorities in the State. Before he

joined the executive chamber, Mr. Gilchrist served for over 26 years at the New York State Department of Transportation in a variety of management roles, including the director of strategic planning. He is a graduate of the State University of New York at Oswego and Harvard University, as well.

Deputy Mayor Skyler is the deputy mayor of operations for the city of New York. Mr. Skyler has been asked by Mayor Bloomberg to coordinate New York City's stimulus spending. In addition, Mr. Skyler has a broad range of responsibilities through assisting the mayor, Mayor Bloomberg.

He manages the Police Department, Fire Department, Office of Emergency Management, Office of Management and Budget, and the Office of Labor Relations.

Mr. Skyler also directly oversees several city agencies and departments, which includes the New York City Department of Transportation, the Department of Environmental Protection and the Department of Sanitation.

Prior to his employment as a deputy mayor of operations, Mr. Skyler served as deputy mayor for administration and as the mayor's communications director and press secretary. He is a graduate of the University of Pennsylvania and Fordham Law School.

Let me say to you, I welcome both of you. Gentlemen, the rule is that we have 5 minutes to present. And then after your presentation, then we have a question-and-answer period. Now, the light that we start out, the light is on green. When it tells you that you should be conscious of the fact that your time is about to end, it goes to yellow. And then when your time ends, it goes to red. And it is very clear. If there is any question about that, let me know. [Laughter.]

So, we will start with you there.

**STATEMENT OF TIMOTHY GILCHRIST, SENIOR ADVISOR FOR
INFRASTRUCTURE AND TRANSPORTATION, OFFICE OF GOV-
ERNOR DAVID A. PATERSON**

Mr. GILCHRIST. Thank you very much Chairman Towns and all the members of the committee. And I hope my transportation background will help me work through the light system. [Laughter.]

On behalf of Governor Paterson, who is in Albany trying to deal with the MTA crisis, I'm very pleased to be here this morning and hope we can help assist the committee in considering its role for State and local governments in regard to the implementation of the American Recovery Investment Act.

I've provided written testimony to the committee and I'll provide a summary of that, and we're welcoming any questions after my colleague, Deputy Mayor Skyler.

My name is Timothy Gilchrist. I serve as Governor Paterson's senior advisor for infrastructure and transportation, and serve as the lead for the implementation of the American Recovery and Reinvestment Act.

Our latest estimate is that New York State will receive over \$26.7 billion in funds from the American Recovery and Reinvestment Act, in addition to the funding that will be provided for the local governments organizing discretionary funding that we will be

aggressively seeking, including an FMAP increase of \$1.1 billion and State fiscal stabilization funds of over \$3 billion.

And we also currently estimate that we would receive over \$4 billion for infrastructure and energy programs, \$5.9 billion to help in the services programs, \$2.3 billion for education programs, and \$124 million for public safety programs.

Of all these funds, over \$1.8 billion have been expended, mostly FMAP funds, with additional funds pending disbursement.

In addition, the Governor certified over \$200 million worth of highway transportation projects that are currently out to bid.

In anticipation of the American Recovery and Reinvestment Act, Governor Paterson established at that time a recovery and reinvestment cabinet on February 10th, ahead of the legislation in order to coordinate the State's economic development.

The cabinet of which I serve as chair has representatives from over 30 of our State agencies and authorities; and there's a dedicated staff working in the agencies and in the Governor's office to support the activities.

Within the cabinet, we have several work groups, and we are constantly re-aligning these groups to meet the ongoing challenges of moving forward. But I'm going to touch on some of those highlights that we're doing to oversee the disbursement of the funds and to ensure transparency in the accountability and to root out waste and fraud.

One of the important working groups in the reinvestment cabinet is the internal control working group, which is made up of the State agencies, internal audit or internal control officers in the Office of the State Comptroller, which is a separately elected position within the State of New York.

This group is meeting on a regular basis to help agencies review their internal control processes, look at their contracting process, their contract disbursement process, their contractual award process, to insure that the funds are spent within all of the current guidelines.

What I'd like to point out is that New York State has a very robust internal control procurement process to limit waste, fraud and abuse. The State has a strong due process that lines out the funding that needs to be spent in the budget that was passed in the first week of April. All of the American Recovery and Reinvestment Act funds that were appropriated have been separately flagged in the appropriations so that they can be tracked.

The Office of the State Comptroller, Central Accounting System, has set up a special accounting code to track all of the funding that is being spent on ARRA funds. And because a certain amount of the funding flows directly from the Federal Government to State authorities outside of the State budget process, the enacted State budget requires regular reporting by those authorities.

In addition, we have an MBE/WBE office that reports directly to the Governor's office and has an active role as part of the committee. We have an independent inspector general that roots out fraud and abuse; and a separately elected comptroller and attorney general that need to sign off on all of the contracts that the agency allows through the competitive processes.

We are not only going to administer all of our own funding, but we're putting programs in place to help localities that are not always as sophisticated as the State of New York. We report on their funds and follow tracking programs, and have continued outreach to with Members of Congress and members of our State delegation to give information to not-for-profits and elected local officials' funds.

I look forward to your questions.

Chairman TOWNS. Thank you very much for your testimony, Mr. Gilchrist.

[The prepared statement of Mr. Gilchrist follows:]

**Testimony of Timothy Gilchrist
Office of Governor David A. Paterson
House of Representatives Committee on Oversight and Government Reform
Hearing on April 21, 2009-09**

Thank you, Chairman Towns and Members of the House Committee on Oversight and Government Reform. I am pleased to be here this morning, and hope to assist the Committee as it considers the role of state and local governments with regard to the American Recovery and Reinvestment Act.

My name is Timothy Gilchrist. I serve as New York Governor David A. Paterson's Senior Advisor for Infrastructure and Transportation, and am New York State's lead for the implementation of the American Recovery and Reinvestment Act.

Our latest estimate is that New York will receive \$26.746 billion, including an FMAP increase of \$11.1 billion and State Fiscal Stabilization funds of \$3.018 billion. We also currently estimate that we will receive \$4.162 billion for Infrastructure and Energy programs, \$5.982 billion for Health and Human Service programs, \$2.361 billion for education programs, and \$124.2 million for Public Safety programs.

Of these amounts, \$1.807 billion has been expended (mostly additional FMAP funds), with additional funds pending disbursement.

In anticipation of the American Recovery and Reinvestment Act, Governor Paterson established an Economic Recovery and Reinvestment Cabinet on February 10, 2009 to coordinate the State's economic recovery efforts. (See Attachment 1.) The Cabinet, of which I serve as Chair, has representatives from 30 of our State agencies and authorities. There is dedicated staff to support all Cabinet efforts.

Within the Cabinet are twelve working groups, dedicated to: Civil Service/Workforce, DBE/MWBE, Energy, Health and Human Services, Higher Education/Competitive Grants, GIS, Legal/Procurement, Permitting, Project Finance, Project Management, and Reporting. These groups include agency representatives and convene on a regular basis to share information and collaborate on stimulus-related issues – from drafting legislation to ensuring effective ARRA implementation to determining how project proposals the Cabinet has received should be handled.

Beyond these twelve original working groups, New York's Economic Recovery and Reinvestment Cabinet recently established a new group dedicated to Internal Controls. This working group includes the internal control officers from State agencies with responsibility for implementing ARRA funded programs.

The Internal Controls working group will meet on a regular basis, and will provide guidance to State agencies and authorities as necessary. This group is building upon New York's existing internal control structure in order to assure the public that ARRA funds

are being used for their intended purpose. In addition, we are working with New York's independently-elected Comptroller to ensure compliance and to monitor adherence to all appropriate fiscal practices.

Public Disclosure and New York's Economic Recovery Website

New York was among the first states to establish an economic recovery website, www.recovery.ny.gov. The site went live on February 17, 2009 and is a priority project of New York's Office for Technology.

New York's Economic Recovery website has enabled New Yorkers to submit project ideas directly into a project database created solely for the State's Economic Recovery effort. We have received more than 17,000 submissions, each of which has been reviewed by State agency representative who have met daily in a dedicated Economic Recovery "Situation Room."

We have also held regional forums across the state to solicit citizen and stakeholder input on the use of recovery funds.

Each submission has been assigned to a State agency or authority charged with responding to each individual submitter whether or not his or her project qualifies for funding under the Recovery Act. Our State agencies are being further instructed to work together in order to maximize opportunities for competitive funds.

The State has twice posted the entire list of project suggestions on our public website, and is scheduled to post another update next week. The listing can currently be downloaded as a highly-formatted .pdf and, shortly, will also be available as a searchable datafile. To make it easy for the public to visualize ARRA funded projects, New York's State agencies and authorities are collaborating to enable the on-line mapping of all ARRA funded projects.

All projects receiving ARRA funding, along with the relevant certification and a detailed description are posted on our website.

New York's State Budget

New York has a strong Executive Budget system, as provided in Article VII of our State Constitution, and a State Fiscal Year (SFY) that runs from April 1st through March 31st. New York's State Legislature took final action on the appropriations bills submitted by the Governor for SFY 2009-10 during the first week in April, 2009.

New York's enacted Budget contains separate appropriations for ARRA funds, and our enacted Budget was specifically constructed to enable all necessary accounting, project tracking, and reporting related to ARRA-funded projects.

Further, New York's State Budget for SFY 2009-10 contains provisions to ensure accountability on the part of any State public authority receiving funding under the American Recovery and Reinvestment Act. Any such authority will need to produce a detailed expenditure plan within thirty days of award of funds. These expenditure plans will include: (1) the total amount awarded, (2) a description of the program and Federal agency from which the funding was awarded, (3) a description of the intended uses of such award, (4) recipient eligibility requirements, and (5) the methodology for the allocation of funding awards for program applicants. Our enacted Budget legislation also requires our State public authorities to post copies of any report required under the ARRA on their public website.

New York's Inspector General

New York State has an Inspector General (IG) charged with ensuring that all State officials and employees are meeting the highest standards of integrity, efficiency, and accountability. Our IG has jurisdiction over all private entities doing business with the State, and over all State government entities headed by an appointee of the Governor, with the only exceptions being those that have their own statutorily dedicated Inspector General.

The Office of the State Inspector General has broad authority to detect, investigate, deter and eliminate corruption, fraud, criminal activity, conflicts of interest, abuses of office, and waste. The IG performs these functions with a professional staff of trained investigators, experienced attorneys and skilled forensic analysts who possess a broad range of expertise and a commitment to combating corruption and promoting greater efficiency in State government.

Additional Internal Control Measures

New York's Division of the Budget (DOB) is charged with the responsibility for advising the Governor on matters that affect the financial health of the State. Our DOB intends to employ enhanced fiscal control measures to track ARRA funds.

A memo from New York's Director of State Operations has already been issued to all State agencies and authorities on ARRA accountability and transparency requirements. All agencies and departments that expect to receive ARRA funds have been asked to review and report on their practices for fraud prevention, contract management, and grants accountability. Further, all agencies and authorities are being required to assess any current vulnerabilities and to ensure that the State is prepared to meet all Recovery Act requirements. The Economic Recovery Cabinet will be coordinating fraud prevention training sessions.

To assist with effort, New York plans to engage an outside consultant to review our management infrastructure and capabilities to achieve accountability, effective internal controls, compliance, and reliable reporting under the Recovery Act.

In addition, New York's Department of Audit and Control (headed by the New York State Comptroller) has issued an Accounting Bulletin that outlines procedures for tracking ARRA funds.

The General Accounting Office

New York's is one of sixteen states for which the GAO will provide a bimonthly review of ARRA fund use. The GAO staff assigned to New York has been meeting with us, and with our State agencies, to describe the monitoring and reporting activities that will be needed and to make sure we are jointly putting all necessary systems in place. We have been working cooperatively on all aspects of oversight, accountability and transparency, and strive to be a model of compliance.

Minority and Women's Business Enterprises

New York has an office dedicated to Minority and Women-Owned Business Development, headed by an Executive Director that serves as a member of the Governor's Cabinet. The mission of this office is to promote equality of economic opportunities for MWBEs and to eliminate barriers to their participation in State contracts.

New York's MWBD office regularly conducts free workshops to strengthen MWBE certification, and works with New York State agencies to do the same. New York is committed to continuing this effort to meet any and all DBE participation goals established for ARRA projects. Further, New York's dedicated MWBD office, in conjunction with our Economic Recovery Cabinet's MWBE working group, will direct efforts across all State agencies and authorities.

Reporting and Transparency

As described earlier in my testimony, New York has been utilizing technology for purposes of providing transparency on all aspects of ARRA funding, project selection and reporting.

One area where we believe states would benefit from Federal assistance is with the calculation of jobs, both created and retained, and particularly those characterized as either indirect or induced. There is some data and methods available for estimating such job figures in particular policy areas, however we believe the best way to arrive and report on jobs is to have the states supply raw data, and to have the Federal government model and report jobs data.

The effort to report on jobs would benefit greatly from a common set of tools – developed by the Federal government, and made available to states, local governments any other direct ARRA-fund recipient.

I know that the Chairman and other members of this Committee have advocated for the development of such systems. As the Chair has written, "While portions of the Recovery Act will be used for various technology initiatives, such as Health Information Technology and Smart Grid Technology, we need to further explore the use of information technology for optimal administration and management of all stimulus-related programs."

We understand the challenges of developing and deploying new technology, particularly given the accelerated timetables associated with ARRA implementation. Given New York's long history with technology innovation, we would like to assist in this effort as you deem appropriate.

Thank you again for the opportunity to appear here this morning, and I would be happy to address any questions you may have.

Attachment 1:

FOR IMMEDIATE RELEASE:
February 10, 2009

**GOVERNOR PATERSON ANNOUNCES THE ESTABLISHMENT OF
 STATE CABINET TO OVERSEE DISTRIBUTION OF ECONOMIC
 RECOVERY FUNDS ACROSS NEW YORK**

*Creates Cabinet to Help Municipalities Access Federal Economic Recovery and
 Reinvestment Funds*

*Command Center in the Capitol will Ensure Cross-Agency Coordination, Broad Regional
 Representation*

Governor David A. Paterson today announced the creation of the New York State Economic Recovery and Reinvestment Cabinet to manage the development of State and local infrastructure projects financed through the federal American Recovery and Reinvestment Act. The cabinet will be composed of State agency heads and senior staff from the Governor's Office. Timothy J. Gilchrist will serve as Senior Advisor for Infrastructure and Transportation, a position created to lead the cabinet. Mr. Gilchrist, who had been serving as Deputy Secretary for Economic Development and Infrastructure, will oversee the distribution of federal funds throughout the State for projects involving transportation, water and sewer, energy, technology and other infrastructure. Under Mr. Gilchrist's leadership, the Cabinet will work closely with local governments to ensure federal dollars reach critical projects and put people to work as quickly as possible.

"These economic recovery funds provide a unique opportunity for New York to embark on State and local projects that will have a lasting impact on all aspects of our infrastructure, from schools to highways," said Governor Paterson. "Now that the Senate has passed the economic recovery bill, I encourage both houses to work quickly to reach a compromise, and will make the distribution of these funds a top priority. As we struggle to close our \$13 billion budget deficit, this Cabinet will ensure that critical projects move forward and that our local governments are fully prepared to put these funds to use and get people back to work."

In preparation for the federal American Recovery and Reinvestment Act package, the Governor's Office has been actively engaged in outreach to municipal leaders and county executives throughout the State, including the New York State Association of Counties, the New York Association of Towns and the New York Conference of Mayors. Through this outreach, the Governor's office has received requests for stimulus project financing from localities across the State for roads, bridges, water/sewer infrastructure, community development projects and broadband infrastructure, among others. These projects have been forwarded to the relevant State agencies, and the agencies are evaluating the projects and determining whether they meet the requirements of the federal economic recovery and reinvestment package. Local government officials and leaders may continue to submit project information and financing requests to the Economic Recovery and Reinvestment Cabinet via email at EconomicRecovery@chamber.state.ny.us.

The Cabinet will continue this active outreach through regional and trade meetings in close collaboration with the Governor's Washington, D.C. office. Once the key differences between the House and Senate bill are resolved the Cabinet will provide each county, city and town in the State with a letter outlining federal programs and requirements, and will work with New York's Congressional Delegation and municipalities on identifying eligible projects. Project selection will be made by the relevant agencies in consultation with the Cabinet, based upon the federal project selection criteria outlined in the final American Economic Recovery and Reinvestment Act.

The Economic Recovery and Reinvestment Cabinet will utilize a designated suite on the Second Floor of the Capitol as a stimulus command center, complete with computer-aided mapping equipment. State agencies will assign staff to work in the command center to ensure cross-agency coordination.

The Cabinet will be charged with identifying project delivery problems such as permits or regulatory approvals and resolving the problems to speed project delivery. The Cabinet will also oversee the distribution of funds to ensure an equitable geographic distribution of federal funds.

State Agencies in the Cabinet include the Department of Transportation, the Metropolitan Transportation Authority, the Empire State Development Corporation, the Port Authority of New York and New Jersey, Thruway Authority, the Department of Environmental Conservation, the Environmental Facilities Corporation, Department of Labor, the Department of State, the New York State Foundation for Science, Technology and Innovation, the Department of Agriculture and Markets, the Office of Parks and Historic Preservation, the Division of Housing and Community Renewal, the Department of Education, the Department of Health, the State University of New York, the Division of Criminal Justice Services, the Office of Homeland Security, the Dormitory Authority, the Office of General Services, the New York Energy Research and Development Authority, the New York Power Authority, the Long Island Power Authority, the Public Service Commission, the Office for Technology, the Office of Cyber Security and Critical Infrastructure Coordination and the Division of the Budget.

Prior to his appointment as Senior Advisor, Mr. Gilchrist served Governor Paterson as Deputy Secretary for Economic Development and Infrastructure, overseeing the major economic development, infrastructure and transportation agencies and authorities in the State. Before he joined the Executive Chamber, Mr. Gilchrist served for over 26 years at the New York State Department of Transportation in a variety of management roles including the Director of Strategic Planning. Mr. Gilchrist earned his Bachelors of Arts from the State University of New York at Oswego and his Masters Degree from Harvard University, John F. Kennedy School of Government.

Chairman TOWNS. Now, we call upon you, Deputy Mayor Skyler.

**STATEMENT OF EDWARD SKYLER, DEPUTY MAYOR OF
OPERATIONS FOR THE CITY OF NEW YORK**

Mr. SKYLER. Good morning, Chairman Towns, Representative Issa, and other members of the committee. Thank you for the opportunity here today. I'm here on behalf of Mayor Bloomberg, who is actually in Washington with some of your colleagues for that bill to be signed by President Obama later in the afternoon.

I'm here to testify on the measures the city has in place to ensure that all stimulus funds allocated to the city are spent appropriately and the steps the Federal Government is taking to assist us in this endeavor.

In total, the city and citywide entities are expected to receive about \$4 billion in expenses and \$1 billion in capital funds for the next 2 years. For the stimulus funds, we want the city to be a national paragon of transparency and accountability. We intend to not only use our existing systems, but take additional steps to ensure that our share of funds are spent properly. This increased transparency will enable you and the public to hold us accountable on many levels.

First, when we discuss New York City's robust fraud and waste prevention measures; the Mayor's Office of Contract Services oversees all procurements throughout the city. City agencies must conduct background checks on all potential vendors, checking for compliance regarding the worker filing and licensing rules, as well as the means for passing a company or its principles; and then make the responsibility determination for every contract awarded.

In addition, vendors who have received contractors or subcontractors that meet certain financial thresholds must submit detailed questionnaires with the companies and its top principal officers, which are entered into the city's Vendex system to inform the agency decisions regarding vendor responsibility.

For awards greater than \$100,000, the city's Department of Investigation also conducts a vendor name check, checking every entity in person names on the Vendex questionnaire against their data base to see if they've been subject to any criminal investigations and if there is any other relevant information that should be provided to the contracting agency to aid in the responsibility determination.

Next, all contracts must be certified by the relevant agency's chief contracting officer. We've assigned specific point people to take responsibility with the integrity of our contracts, including compliance with the city, Federal minority and woman-owned business participation requirements.

For every contract, other than those obtained by competitive bidding, the mayor's office will certify that the city has complied with all applicable laws and rules, and the corporation counsel will certify the legal authority of the contracting agency to proceed with the award.

In addition to the mayoral oversight, the Department of Investigation and the Comptroller, people we will hear from later, we also closely monitor contract work going in.

On top of these checks we already have in place and prior to the enactment of the stimulus bill, we created a government structure known as the Stimulus Oversight Group, through which all stimulus funds are overseen by the mayor's office and the appropriate oversight agencies.

We've assigned every funding stream for which the city is eligible to working groups: infrastructure and energy efficiency, social safety net, economic and work force development, public safety and fiscal assistance.

These working groups review allocations, applications and documentation for all funding streams. Adjustments are based on the following criteria: ability to deliver program results, job creation, economic stimulus impact, the speed at which spending could occur, long-term public benefit, integrity and fraud prevention.

All working groups are represented under the oversight group, the deputy mayor, and the oversight agencies; and this level of involvement has brought unparalleled scrutiny to each funding decision.

In addition to these steps, we're also implementing an additional way of public transparency. We launched an interactive Web site called the Systems Tracker, available through New York City with the government. This will track all dollars on the way from districts, city programs and projects through the step of contracting, financial processing and payment for project work.

So, the ultimate impact of each fund is shown on the lives of the New Yorkers. These features are set to be fully operational by the end this month. In addition, we obtained an additional level of scrutiny provided by KPMD, whose services were obtained to help guide New York City's stimulus reporting process.

By obtaining experts in the accounting field, we will start to meet and exceed the Federal and State reporting requirements for these stimulus funds.

Taken together, these measures will provide an unprecedented level of oversight in funding additional contracts that allows us to verify that we are spending our stimulus moneys as efficiently and effectively as possible.

As you know, New York State is 1 of 16 States that's to be audited by the Government Accountability Office. Our staff recently met with GAO, and we did indicate to GAO we have specific information of those hired by the Federal Government, but we are challenged to account for the impact of our funds in a manner consistent with the government expectations.

For example, we strongly recommend the creation of standardized job creation methodology that accounts for regional differences. With the new Federal guidelines, we would ask that local governments be allowed to ask the Governors to use stimulus dollars to meet enhanced reporting requirements. We encourage Congress and Federal agencies to issue additional guidelines as soon as possible.

Thank you very much for the privilege to testify this morning. I'm happy to take any questions you may have.

Chairman TOWNS. Thank you very much.

[The prepared statement of Mr. Skyler follows:]

**Testimony of Deputy Mayor Edward Skyler before the Committee Oversight and
Government Reform**
(April 21, 2009)

Good morning Chairman Towns and other members of the committee. Thank you for the opportunity to appear before you today. My name is Edward Skyler, and I am the Deputy Mayor for Operations for the City of New York. On behalf of Mayor Bloomberg, I am here to testify on the measures that the City of New York has in place to ensure that all American Recovery and Reinvestment Act (ARRA) funds allocated to the City are spent appropriately and the steps the Federal government is taking to assist us in this endeavor.

The City of New York has been hard hit by the current economic crisis; our unemployment rate was 8.1% in March 2009, as compared to 7.6% in the rest of New York State. This has had a profound effect on the City's ability to provide services when they are most needed. Our non-property taxes are down \$6.77 billion from 2008-2010, and we are currently facing a \$4 billion budget gap. The Federal Stimulus funding will provide much needed temporary financial assistance to the City of New York and help jumpstart the local economy. While ARRA funding alone cannot prevent or postpone the difficult decisions required in light of our projected budget deficit, it will help us maintain critical services, and allow us to proceed with projects that we may not otherwise have been able to fund.

In total, the City of New York and City-related entities expect to receive at least \$4 billion in expense funding and nearly \$1 billion in capital funding over the next two years. We are still awaiting our final allocations for several programs and are in the process of applying for many competitive programs, but we have already announced \$261 million in transportation projects and \$25 million a month in increased food stamp allocations. We are eager to put these funds in place to help stimulate recovery from the current economic crisis, but potential misuse of these funds is not an issue to be taken lightly.

Mayor Bloomberg has a strong track record of increasing transparency in government to avoid fraud, waste, and error in the disbursement of funds. For the ARRA funds, we want the City of New York to be a national model of transparency and accountability. We intend to not only use our existing systems but also take additional steps to ensure that our share of funds is spent properly and that each expenditure is rigorously tracked. This increased transparency will enable you – and the public – to hold us accountable on many levels.

I will first describe for you the controls the City already has in place to prevent fraud and abuse and the new oversight structure and additional controls we have put in place for Stimulus funding. Then, I will discuss our interactions with the Federal government and areas where we anxiously await additional guidance from the Federal government.

Existing Fraud and Waste Prevention Measures

New York City already has robust fraud and waste prevention measures in place. The Mayor's Office of Contract Services (MOCS) oversees all procurements throughout the City. City agencies must conduct research on all potential vendors, including tax payments, outstanding judgments or liens; compliance with all required corporate filings and licensing rules, any history of debarments or for-cause terminations; past criminal conduct by the company or its principals, as well as past administrative sanctions, such as OSHA or Environmental Control Board violations, and then the agency must make a "responsibility determination" for every contract awarded.

In addition, vendors that receive contracts or subcontracts that are valued at \$100,000 or more, and/or sole source contracts valued at \$10,000 or more, and/or whose cumulative business with all City agencies during the immediately-preceding 12 months totals \$100,000 or more, must complete detailed questionnaires for the company itself and its top three principal officers, which are entered into MOCS' Vendor Information Exchange System (VENDEX) database to inform agency decisions regarding vendor responsibility. For awards greater than \$100,000, the City's Department of Investigation (DOI) also conducts a "Vendor Name Check," checking every entity and person named on the VENDEX questionnaire against DOI's databases, to see if they have been the subject of any investigations, and/or if there is any other relevant information that DOI can provide the contracting agency, to aid in making the responsibility determination.

All contracts must be certified at the highest levels, requiring specific point people to take responsibility for the integrity of our contracts including compliance with City and Federal minority and women owned business participation requirements. Every contract requires a certification by the agency's chief contracting officer as to the accuracy of all of the information upon which the award decision is made. For every contract, other than those obtained by competitive sealed bid, the Mayor or his designee must certify that the City has complied with all applicable laws and rules governing contracts, and the Corporation Counsel must certify the legal authority of the contracting agency to proceed with the award.

We expect at least \$500 million in capital funds to go to City agencies, and are paying especially close attention to the potential for corruption in the construction industry. The Vendor Responsibility and Compliance Unit at MOCS conducts detailed background investigations on specific vendors, particularly those not previously known to the City. All of our major construction agencies request DOI Vendor Name Checks not only for their prime contractors in construction, but also for their subcontractors. And, where the facts warrant, we work with DOI to assign monitors – called Independent Private Sector Inspectors General (IPSIGs) – to vendors with particularly troubled histories. IPSIGs have full access to such vendors' records and report directly to DOI on their activities on City contracts.

In addition to Mayoral oversight, the City has two additional layers of oversight, DOI and the Comptroller. The City's chief financial officer, the Comptroller, "registers" contracts once he has determined that there are available funds in the budget for the contract, and that he does not consider there to have been possible corruption in the letting of the contract, nor corrupt activity on the part of the potential vendor. Furthermore, DOI has a specific Inspector General assigned to each City agency; these senior investigative professionals monitor the contract portfolios closely.

New Efficiency and Transparency Measures

In addition to the checks we already have in place for our contract process, prior to the enactment of ARRA we created a governance structure through which all Stimulus funds are overseen by the Mayor's Office and oversight agencies. The Mayor's Office will review and sign-off on every contract and every funding decision, which will provide an unprecedented level of oversight. We have assigned every funding stream for which the city is eligible to a working group: Infrastructure & Energy Efficiency, Social Safety Net, Economic & Workforce Development, Public Safety, and Fiscal Assistance. Each working group, under the leadership of a staff member from the Mayor's Office, reviews allocations, applications and documentation for all funding streams. Allocations are judged by each working group against the following criteria: ability to deliver programmatic results, job creation and economic stimulative impact, speed at which spending can occur, long-term public benefit, and integrity and fraud prevention.

All working group recommendations are then presented to the ARRA Oversight Group, which consists of the Deputy Mayors; the Budget Director; the Directors of the Mayor's Offices of Contract Services and Operations; the Criminal Justice Coordinator; and the Corporation Counsel. Every funding decision requires sign-off from the relevant Deputy Mayors and the Director of the Office of Management & Budget. This level of involvement has brought an unparalleled level of scrutiny to each funding decision.

In addition to our Stimulus oversight structure and the robust controls that are already in place, we are implementing an additional layer of transparency for Stimulus funds. We are developing a new interactive website called NYC Stimulus Tracker. This website will track ARRA dollars all the way from the initial allocation to the City; to their distribution to City programs or capital projects; through the steps of contracting, financial processing, and payments for project work; to the ultimate impact of each funded project on the lives of New Yorkers. Currently, we have information available on the funding streams for which we believe New York City is eligible, in addition to detailed information about the projects that we have announced.

Within the next several days we will roll out our full system, which will include all the details of the process – such as the start and end dates of construction projects, the contract status for outsourced projects, and when payments are made to vendors. In addition, the public can track key performance measures – such as jobs created – showing how these projects and programs benefit the City. And lastly, the public will have an opportunity to get ARRA update emails and send direct feedback to Mayor Bloomberg

through this website. This additional layer of oversight and transparency will help hold City government accountable by easily identifying progress toward program goals. A preliminary version of NYC Stimulus Tracker is operational, and all of the features I just described are expected to be fully operational by the end of April.

An additional level of scrutiny will be provided by KPMG whose services we are retaining to help guide New York City's stimulus reporting process. By retaining experts in the field, we will strive to meet and exceed the federal and state reporting and compliance requirements for the use of stimulus funds.

Taken together, these measures will provide an unprecedented level of oversight over funding decisions and contracts, and they will allow the City to verify that we are spending our stimulus funds as efficiently and effectively as possible.

Federal and State Roles

As you may know, New York State is one of 16 states that will be audited by the Government Accountability Office (GAO) on behalf of Congress. To make sure that we are complying with all standards and regulations, our staff recently met with the GAO to brief them on the steps I have discussed today. We received positive feedback on the controls we have in place. However, we did indicate to the GAO that the key to complying with Federal reporting requirements is to know those requirements from the start. Without clear guidance on the specific information required by the federal government as we develop our systems, it will be a challenge to account for the impact of Recovery Act funds in a manner that is consistent with the Federal government's expectations. For example, we strongly recommend the creation of a standardized job creation methodology that adjusts for regional differences. If the new federal guidelines require additional monitoring and reporting, we would ask that local governments be allowed to use stimulus dollars to meet these enhanced reporting and compliance requirements. We encourage Congress and the Federal Agencies to issue additional guidance as soon as possible.

In conclusion, we are all walking in new territory as we work to distribute these Stimulus funds. The country has not seen such a rapid infusion of federal funds since the 1930s, and we are all trying to make sure that we put the best system in place to ensure accountability and transparency while creating jobs, repairing infrastructure and providing a safety net. New York City has the unique advantage of having such a large operating budget that many of the necessary accountability measures are already in place, but we welcome your suggestions as we strengthen our system.

Thank you very much for the opportunity to testify this morning, and I will be happy to take any questions.

Chairman TOWNS. I want to thank both of you for your testimony.

Now, we would like to start the question and answer period. There was an article in the Wall Street Journal yesterday entitled, "Stimulus Confusion Frustrates Business."

Have either of you heard about any widespread confusion that businesses have about the timing or details of the stimulus program?

Mr. GILCHRIST. Yes. Certainly, in our conversations around the State, in the forum such as in Brooklyn a few weeks ago and in other forums throughout the State, I believe that there's not an understanding in a lot of the business community as to the availability of the funding.

And that often they're looking for funding for programs that were not authorized within the bill. We have received over 16,000 projects worth over \$100 billion in our request for projects, many of which are not really eligible for the program.

And that's part of the education that we are working to carry forward as the Federal Government comes out with information to put on our Web site, Recovery.ny.gov, information on those programs for New York businesses.

Chairman TOWNS. Thank you.

Mr. SKYLER. Our concern has been reaching out to Federal agencies as to the questions from the private and not-for-profit sector to get a better understanding of the guidelines that are coming out.

We calculate that about 50 percent of the individual programs included in the stimulus bill have yet to—that there's not guidelines distributed for them, including deadlines for application submission. So, there's still a great deal of information that needs to be distributed by Federal agencies charged in distributing funds. And as soon as we get that information, we pass that on to the stakeholders in the private and not-for-profit sectors.

Chairman TOWNS. Thank you.

Let me say that just a few weeks ago we met with Mr. Devaney, who is the inspector general and a superstar among inspector generals, who is in charge of the board. And he indicated that without very aggressive—because we're very aggressive—leadership from this committee and others in terms of—what's involved with the stimulus package, that out of the \$787 billion that's being allocated throughout this fashion, \$55 billion would go to waste, fraud and abuse.

Can any of you help us out? Do you have any ideas or suggestions on how we can cut down? Because that to me seems to be a lot of money that can do a lot of good things for a lot of areas in this Nation. But \$55 billion, that's a lot of money.

So, do you have any ideas what we might be able to do as a committee to bring about some changes, to be able to prevent this from happening?

Mr. GILCHRIST. One thing, Mr. Chairman, you and other Members, one of the things that you've done today is an example of what can happen; and also what's going on with the GAO and the accountability of the board, is paying attention to issues such as waste, fraud, abuse up front.

Often, hearings like this were reviewed by an IG, and done well after a contractor is close in the implementing process, and the agency doesn't have time to make a course correction. So, constant reviews that we often see as burdensome by the implementing agencies do give us the opportunity to make sure that we move forward and still prevent waste and fraud abuse.

And then your opening remarks also made a very important point. The act provides for a lot of funding, Federal agencies and Federal IGs for oversight. While they're not a direct allocation to State auditors or State Governor's offices, who are all under very tight fiscal control—so are the mayor's offices—under tight fiscal situations, to hire contractors or additional staff to help us.

So, the city is going to bring in independent outside consultant firms or auditors to help us. We are scraping within our funding to provide that, while on the Federal level, the moneys that are provided out of the Recovery Act to the agencies.

Mr. SKYLER. First, let me say that Mayor Bloomberg's intention and the government's intention is to make sure this is the case and that not one penny of stimulus dollars of New York City is wasted. The mayor is very appreciative of the funds that are going to New York City because of this legislation, and he is doing everything in his power to ensure the trust being placed in New York City is not undermined.

We believe in New York to that end; and to that end what we have done voluntarily, and continue to do as programs are funded, is put as much information on the Internet as possible. We already started our public announcements to try to put out as much information about the grants as we can.

We announced \$260 million in transportation funds for streets and bridges in New York City, and a press release of around 30 pages, talking about how much each project was, explaining when ground would be broken. So, we're going to put out as much information and we will be judged by the public, by the Congress, by the media, and that is one of the things we've voluntarily done in going at the Federal requirements.

We've also spent non-stimulus dollars for our accounting office, so that we have somebody on our behalf independent scrubbing our books to make sure we're not accumulating inappropriately and every dollar is accounted for. We do not want to embarrass the Congress or the President by allowing fraud or misuse of funds to take place.

So, we would certainly provide more information about those two steps, but also encourage this panel to make sure that others take similarly transparent steps.

Chairman TOWNS. Thank you very much.

Now, the ranking member from California, Mr. Issa.

Mr. ISSA. Thank you, Mr. Chairman.

Mr. Gilchrist, when you said, rightfully so, that there was no money in the stimulus bill for your portion of the oversight, I had to muse a little bit. Because you said there's a lot of money for oversight on the government side. Now, I'm just an old fashioned businessman, so bear with me for a moment. If you took \$1 billion out of the \$787 billion, and put it into a very conservative T-bill, maybe for California' tax freeze, it would make 5 percent a year.

One billion would give you \$50 million of income a year, if you factor \$1 billion. The total allocation for oversight of GAO is \$25 million, so you wouldn't get half of what you'd get on \$1 billion in the bank for a year. It's a very, very small amount, and the attorney general has authorization for, I think, for 30 staff people, and doesn't have them yet.

So, I'm very concerned that although it seems generous from those of us who earn a little bit of money; looking up, it is really very little relative to the size that we're going to be asked to oversee.

I think a couple of questions are particularly germane here and I'm glad that the State and the city are represented.

Mr. Gilchrist, have you ever been in a meeting in which there is a discussion, or have you heard of a meeting in which there is a discussion, about how Federal stimulus dollars could be used for already budgeted projects which would then free up those dollars to be used elsewhere? State dollars to be used elsewhere by putting, plugging the Federal dollars stimulus into that use?

Mr. GILCHRIST. Well, I think there's a multiple part to that question, Congressman, because as we move forward with, for example, transportation programs, in order to meet the Federal requirements and to meet with timeframes, we have taken projects that were in the original programs that we've created in the State Department of Transportation or the Metropolitan Transportation Authority, that could not be funded because of cost overruns from the last several years.

Mr. ISSA. I appreciate that. I'll narrow the question. Let's look at transportation. Were there on-budgets—at the time that Albany was viewing the Governor's budgets, were there projects in the budget which are now in shovel-ready projects being allocated Federal funds to do them?

Mr. GILCHRIST. Yes; and the State funds and the government—

Mr. ISSA. And then the State funds were used elsewhere.

Mr. GILCHRIST. No, no. The State funds were reprogrammed to presentation projects and the Governor has signed the required maintenance of effort requirement for the next year's budgets; and these are the requirements for the Accountability Act.

Mr. ISSA. So, following up with this—

Mr. GILCHRIST. There was a slowdown in the fall of State spending on all areas.

Mr. ISSA. I understand. And I understand that. The reason I asked that because—I happen to have my wife's first cousin living here, three blocks away; and she's watching your hospitals, not yet well-funded and finding themselves being closed even though stimulus dollars are being allocated. And what she is seeing is the total dollars—

[Applause.]

Chairman TOWNS. This is a Federal hearing, not a town hall meeting. [Laughter.]

Mr. ISSA. It is important to me because what I see from the oversight standpoint is very clear to my home State of California, the State of New York, cities within the States have budget deficits. We filled some of those budget deficits. No matter how much we

said is allocated in a certain way, the truth is where it is being allocated is not a net increase.

And isn't it true that many of these programs were obligations? So you couldn't have not funded them if nothing came from us; and yet they didn't get flushed up even when they're using the Federal funds. Isn't that a reasonably fair statement, yes or no? Please, followed by a comment.

Mr. GILCHRIST. You have a yes and no; because you need to work through each one of the different programs. And the State had a very difficult challenge, in that we're one of the first States that had to implement our budget 6 weeks after the Recovery Act was passed.

And to be fair, the issue in the report, some of the questions had been, how the money was allocated in your budget—

Mr. ISSA. One final question, and I'll let you answer both together. For both of you, since it's very clear that there is money shifting in order to meet these requirements, isn't it fair for the Federal Government, particularly this committee, to demand not just a recognition of where the dollars went, but a detailed analysis of the shifting that went on? So that, as we see dollars at a par level to hospitals and we see dollars moved elsewhere, isn't it fair for us to know, was it stated in the health care system, or the shortages, and are you prepared to deliver us that kind of explanation over and above the initial requirement? Where you spend it, can you tell us all the shifting of the sand that is going on with the other money?

Mr. GILCHRIST. Yes.

Mr. ISSA. Will you—

Mr. GILCHRIST. Yes. On Friday or early next week we'll be sending out the fiscal report early required for the implementation of the State budget; and that will detail how recovery funds were used.

It is interesting to be answering your questions about whether or not the money is used to offset other things, while we've been widely criticized since April 1st since the size of the increase in our overall State budget, which is because the recovery funds were listed over and above the normal spending. So, we will be issuing a report on our State budget. We will make sure that the committee has that report.

Mr. SKYLER. We not only believe it's fair for you to get that, we've voluntarily started to do that. So, \$260 million in transportation money directly received by the city funded eight projects that were already funded by city dollars.

So, what we did is, we programmed the Federal money, stimulus money, to those eight projects. And the \$260 million that was freed up by the stimulus and was allocated toward 25 other projects that didn't have funding to go forward; and also didn't meet the criteria of the time deadlines being shovel ready, etc., to be part of the stimulus program.

Sometimes with the Federal reviews, and environmental reviews, there was an 180 degree window. So, prior to falling out of that window, there was still time to get Federal funding; and we will do that with every other program.

For example, we were able to work out of the State an arrangement to save 14,000 teaching positions in our city school system with stimulus money. And that money will stay within the school system. So, in short, we think it's fair that we will work with you to do that, so there is no three card monte with the funding.

Chairman TOWNS. Thank you very much.

Five minutes from the gentleman from Ohio, Mr. Kucinich.

Mr. KUCINICH. Mr. Skyler, how long will it take you to spend \$4 billion?

Mr. SKYLER. We believe we'll spend the \$4 billion over 2 years; 2 fiscal years, on the spend side. On the capital side, we have about \$1 billion. There is \$250 million for transportation, as I've mentioned; about \$250 million in clean water, and about \$426 million or so for the Housing Authority. So, in addition to \$1 billion the MTA will receive.

For those, we hope to be breaking ground on the majority of these projects this calendar year. Some of those projects, such as bridges, are multi-year projects. Some of those capital projects actually stretch over possibly a 2 or 3 or 4 year window.

The expense funding, as soon as we get the money here, we're putting it right to the budget. For example, we've already put in about \$250 million of the FMAP money. And we have an allocation for funding that we expect to put into our next police classes, funded by the Department of Justice.

So, we're not going to waste any time. We're not going to save for later use. As soon as the money is received by the city, we will pump it right into the programs it is intended for.

Mr. KUCINICH. In your program response, when you say you'll spend it over 2 years, after 2 years, what happens to the programs that received the money?

Mr. SKYLER. It's an excellent point, sir. We're not able to use our financial situation to baseline any of these programs.

Mr. KUCINICH. Can you explain that?

Mr. SKYLER. The city operates on a financial plan, which means match our revenues with our expenses on a year-to-year basis. And we put forward tax projections over the 4-year window. And we can only afford programs that we knew we have revenues identified to fund them.

So, stimulus funding which is over and above those tax revenues, we can only provide for a year or 2-year duration. So, after that time period closes, we will not have all of the other funding available. And we will not have the resources to continue them.

Mr. KUCINICH. So, these stimulus funds, and this goes into a question, and I'm sure it's raised—they're being used to supplement additional spending—you're not substituting for city spending? You're not swapping the funds and using the funds for anything else? Using your funds from the city budget for something else?

Mr. SKYLER. What we are doing is, using the stimulus funds, essentially gap closers, to continue extension services that we otherwise did. It provides, for example, without the use of the stimulus funds, we would be forced to reduce the work force of the Department of Education, a work force of 14,000 teachers.

So, even though we're in an economic downturn, we intended to continue with those positions. We did not have the funds to do so until the full stimulus money came through.

Mr. KUCINICH. Let me ask you about this. The stimulus money is plugging a \$4 billion downturn gap or helping you address \$4 billion in needs. You are the person that goes over all of these numbers. What are the needs? Are they more than \$4 billion? Are they \$6 billion, are they \$8, \$10, \$12? What are they? What are your capital needs? Are they \$1 billion, are they \$10, are they \$20? What are they?

Mr. SKYLER. I can't give you an answer on what our needs are, because we do try to spend within our means. We have a capital plan, which the mayor will announce later next week, for \$70 billion. That is an enormous amount of money, but it will be cut, like 30 percent, when we present it.

So, we try to fill what the pressing needs are and match up the resources to it. Program stimulus—the Mayor presented his budget in January, a \$4 billion budget deficit. With the stimulus funding available this fiscal year, about \$1 billion of it was in the form of gap closing through money which is being used to keep existing programs afloat, or to do additional work force training or other services that the city wouldn't have the money to do or weren't contained in the financial plan.

Mr. KUCINICH. Mr. Chairman, I think one of the things that we will be doing with this committee is that we really analyze how much of a stimulus this stimulus package is for the economy. We're talking about a couple years. The implication is and, I think, the expectation throughout the country is that it stimulates something. The stimulus is something that happens over a couple of years. That's No. 1.

No. 2, there's no doubt that New York and other cities across the country are experiencing severe declines in their tax revenues, which is creating huge needs and demands. It may be that this stimulus program is just beginning to set the stage for a necessity in going forward with its general revenue shares.

The third thing I want to point out is that, according to the revenue architects, we need over \$2 trillion in repairs for infrastructure. It's something that local communities aren't going to be able to support. So that might be an opening for some later spending that may keep the stimulus going if they find some way to get the shovel-ready projects going to really move the economy, like FDR did in the 1930's when we had the New Deal that rebuilt a lot of this community.

Thank you.

Chairman TOWNS. Point well taken.

At this point, I yield 5 minutes to Congressman Platts from Pennsylvania.

Mr. PLATTS. Thank you, Mr. Chairman. I thank both of our witnesses for their testimony.

And as I said in my opening statement, one of the most important responsibilities that we have as officials is being good stewards of the funds. Each of you in your respective roles, city level and State level, play a critically important role in that sense.

I want to, first of all, question my colleagues on the use of the funds to supplement and not replace State levels, so that it truly benefits the increase in the enhancement, if not status quo.

Mr. Skyler, you laid out pretty well what the city is doing with its transportation money, 260 funded shovel-ready projects; and to the city's 260 move an 25 additional projects.

So, is it fair to say that you will see that same approach state-wide, Mr. Gilchrist, that at the end of the day, we're going to see any of these projects with Federal money in and X number of additional projects are added?

Mr. GILCHRIST. Yes. But on the transportation side, we operate on a 5-year program. One of the things we're tracking are all of the projects that are selected, whether or not they were part of the original 5-year program. And if they were, then how the funds are reprogrammed, similarly the way the city has come forward.

It's a little more cumbersome for us to move forward, through the 13 plans and organizations that are doing the same thing as the city. That's part of our tracking.

Mr. PLATTS. I think I'm the only Member in Congress who actually was a member of the NGO, my local community, from my State house days; and I actually enjoyed transportation issues immensely and I'm glad to be part of that effort.

One of the concerns—and I hadn't seen it in my region, but I have seen it in Pennsylvania, that some of the projects that we're working for, bridges, because of the timeframe restraints, that we're moving projects that are not the substantive type of infrastructure projects that ultimately are going to have a long-term benefit—but because of the short timeframe.

Is that a concern you have in New York?

Mr. GILCHRIST. Well, one of the concerns that they expressed about the projects that are in there, many of them are projects such as bridge painting, culvert repair, minor paving and minor bridge repair.

But let's point out two things. One is, all of those are transportation issues. So, all of those are very important things that any kind of asset management system can tell you are investments; that they should be made.

The second note is, the stimulus portion of the program, they are all very labor-intensive jobs. It can get people to work. There's not much individual support, labor-intensive; they're replacing the culverts or painting a bridge or fixing cracks on the highway.

And that puts people to work. There's \$2 billion that New York State got for transportation, not taking care of our backlog, that would allow to get projects out there and get people to work.

Mr. PLATTS. And I share the opinion that these maintenance projects for the long-term will prevent further or more substantive work having to be done because you do it now.

You kind of touched on my next point, both of your testimonies. You touched on the issue of a common methodology being important when it comes to job creation and job retention numbers; because our goal here is 3½ million jobs created or obtained.

You both touched on that testimony. The way it was touched on is, that you get to see firm guidance from GAO on how to establish those job numbers. And, in fact, I think one of you said that per-

haps the approach is that you provide all your data and let this be successful for your job creation numbers, very essential jobs.

Can you expand on that and what, if any, additional guidelines have been given by GAO?

Mr. SKYLER. I believe we are in discussion with the individual agencies. For example, on the transportation side, we use the Federal transportation formula to calculate about 25,000 jobs be created by the transportation problems the city is going to do, for construction jobs.

On the Housing Authority, we are owed money which is about \$430 million or so. We do not have comparable guidelines from HUD on how many jobs that we could create. So, we're trying to do different types of work to make those calculations.

And on our Web site, we have tracked how many jobs we created. And we want to make sure that those numbers are accurate. Some of these are easier to measure. For example, COP funds, which is we're going to fund the police officers straight toward these accounts; education money that we got through the Governor's help to save 14,000 teacher positions that we can have.

Construction jobs are a little more subjective. So, we would like to get it from a centralized source; it would be incredibly helpful.

Mr. PLATTS. And I agree with what you said where the Federal Government could be very helpful for providing that, as well as direct and indirect jobs that you created.

It gives you an ongoing dialog with GAO at the State level, specifically, that have guidelines with OMB and the guidance of the agencies. One of our recommendations would be that, something that OMB will be taking control of, and not necessarily the administration agencies.

Thank you, Mr. Chairman.

Chairman TOWNS. Thank you.

At this time, I will yield to the gentleman from Vermont, Mr. Welch.

Mr. WELCH. Thank you very much, and I appreciate your testimony.

Now, there are three issues that keep coming up about stimulus. One is the confusion, Mr. Chairman, that so many people have about whether the money is there for their particular program. And then after all the testimony, it's best to explain what the limitations are and it sounds like an infinitely funding bill.

Second, to stop fraud, and both of you outlined your good procedures to try to stop it, and be on top of it.

And the third issue that we're starting to talk about, the most challenging, is how do you make it effective? And once you go beyond the categorical programs, how do you make it effective?

And I guess that I'll ask each of you—there's two questions. One is, how do you make it effective? What are the points that each of you focuses on in the implementation?

When you started mentioning maintenance projects, I happen to agree with it. It's visible, labor-intensive and consistent with the goal. But do each of you have some comments about that?

And then second, how do we measure effectiveness so that you can strategically make mid-course corrections? It's got to be done at the delivery level, not the Washington level.

Mr. Gilchrist, can you answer this?

Mr. GILCHRIST. On the State level, what we're trying to do is take a look by program to go through what our measures are, the objectives of spending the money on. We talk a lot about transportation money that had the earliest deadlines.

But for the water and sewer funding or any of the other funding that comes through by formula, we are asking each agency to make sure that they articulate and have a Web site for public comment; what their criteria are. What are the types of water systems that are funded sooner? How much attention they pay to energy conservation plus other issues and job creation issues.

We're also asking the New York State Energy Research Development Authority about our energy program, putting together the plans to outline ahead of time what their objectives are.

The last point you hit on is public policy. One of the more difficult ones is finding those effective formulas that were used to go through that. But we are all going through our cabinet structure or agencies to go back south in the system and what their measures would be beyond the job creation or the job retention program.

Chairman TOWNS. Thank you.

Mr. Skyler.

Mr. SKYLER. I think for us, that starts at the inception, which is in our oversight; where every deputy mayor with a stimulus funding for a program to present to the working group and justify the funding.

We haven't carved up the pie and given it to our colleagues, "This is your amount, this is your amount, do with it what you wish." Externally, there's oversight to make sure that the needs are real.

Some of the programs lend themselves to efficiency issues that are managed better than others. For example, \$80 million in energy efficiency.

We have auditors in place; the city verifies energy efficiency already, so that we can tell what the payback is for \$80 million worth of project. We'll be able to measure them as time goes by; where they are relating projects or generation projects, hybrid vehicles. How much money the city had saved from other places, such as the work force. The Investment Act and job training will be able to measure how many people were trained.

So, we are endeavoring to create that for each category, and obviously there are dozens of categories, and some of them are more challenging. But at the inception, what we wanted to do is make sure that none of these are done in the back room and that every person in administration that's involved in the process comes to where the money is being spent. And then we have that internal accountability. And then when decisions are made, we're externally accountable.

Mr. WELCH. And the final question.

What suggestions, concrete suggestions, do you have for what we can do in Washington and make it more likely to be successful here in New York?

Mr. SKYLER. Keep sending it.

Mr. GILCHRIST. I think he's saying that to try, making sure there are some consistencies in the guidelines. Because through it, and

the Federal Government does what it often does, we'll share the information across the States. So, when you go through your processing and you pick up a good idea, you can get it to us so we can also look at it.

Mr. SKYLER. We are chomping at the bit, and not just from the authority, but from the information from the Federal agencies on how to spend funds. They all have rigorous guidelines attached to them. And although we started meeting and decided where we wanted to fund programs, we don't know when those, for instance, eligible agencies put out the information.

As I said before, over half the programs don't have the guidelines, the guidance and deadlines out there for us to judge. So, we can't make the internal funding decisions where we manage the money until that information comes out.

So, as far as maximizing the effectiveness of the money, stimulating the economy, if the stimulus has the intent to speed it as part of that, as soon as these Federal agencies can get that information to us, we will take advantage of that.

Mr. WELCH. Thank you very much.

Chairman TOWNS. Thank you very much.

Let me take a moment to introduce a person that served on this committee for 24 years, Congressman Major Owens.

[Applause.]

Chairman TOWNS. Let me start the second round of questions. And as I move around, companies, small companies, small businesses, they have a complaint. They're saying that we have more opportunities. We're left out, what do we do. When we talk about "stimulus," they don't mean us.

Now, what can we do to grow small businesses and at the same time meet your deadlines? And I understand that there's time differences in all of that. But what can we do to be able to let the small businesses come in? But they are saying that they wanted to talk about the big guys.

Mr. GILCHRIST. One of the challenges we face, Congressman, and I think we need to work on, is getting information out into the community early about what is going on; so there will be that contracting opportunity. And so we can move as much as this through the competitive bidding process as we can, which helps you with the waste, fraud and use standard contractor process. We at the State level are struggling on how to do a better job, getting out not only to the State job bank where the jobs are, information for the small businesses, so that they can work with the other contractors and suppliers.

And that's one of the challenges we're facing as we're moving forward. And one of the things we really need to do as we put the first set of contracts out, there's a lot more that we can do in that regard.

Chairman TOWNS. Mr. Skyler.

Mr. SKYLER. Thank you.

We have on the private side, the greatest opportunity for us, we got small businesses involved in construction. Most of the expense funding goes directly to the city agencies for public employees, whether education money, it goes to the grants, essentially for existing city programs.

There are contracts, but the opportunities are not-for-profit sectors. And we have, Mayor Bloomberg announced last week, one person in the mayor's office who's going to be basically the outreach for not-for-profits. Any not-for-profits, a question on getting contractors in the city; whether it's stimulus related or not, we'll have one person to call for 30 or so city agencies with different contracts. They can get the opportunity to have, essentially, one-stop shopping.

And we're continuing to work with the city council and their partners in construction industry are MWBE programs, to make sure that everybody possible benefits from at least the \$1 billion in construction funding stimulus that pumps into the economy. And that has been a priority from the beginning and we will do that.

Chairman TOWNS. Thank you. The Recovery.gov Web site states that, ". . . Does not plan to issue formal guidelines directly to State or local governments. But agencies should seek to do so as appropriate, potential infrastructure funding through their programs."

Does it concern you that the guidelines on stimulus funding may come down from the individual agencies instead of one uniform guidance document?

Mr. GILCHRIST. In certain regards, particularly toward the job creation and the tracking and the reporting, I think the State would prefer we had several guidelines. For certain ideas, especially job creation, the reporting requirements, some of the overall contracting requirements, we would prefer central guidance rather than to have to deal with multiple agency requests.

And the agencies, we believe, are best left to specific rules, such as the authority for water, sewer funds, and those agencies with specific responsibilities; rather than the overall reporting-type guidance that we think should come central.

Mr. SKYLER. For us, a lot of these programs are existing programs that existed in the past. So, for example, the TARP program, we have a relationship with their office in DC—GOJ, that administers the program.

So, their relationships from people that worked in the cities, the administration, and people in the Federal agencies have worked with State administration to administer certain programs so that there is existing infrastructure to move things forward.

So, we can live with the existing system. As we mentioned before, our main priority would be the speed of the information getting out. Since the administration appears to make a decision from a centralized warehouse of information that comes from the agency's administrator, then we just urge them to please expedite the issuing of the guidelines.

Chairman TOWNS. Let me ask you this. Does New York State and offices of New York City have adequate staff to be able to deal with the situation? I ask both of you that question.

Mr. GILCHRIST. One of the things that we are processing through right now—we have a work force route set up to deal with every agency, so that we can go through and measure their needs, particularly in the current budget climate, in implementing the program. And we will bring the staff in from the agencies.

Mr. SKYLER. Although extra resources would be helpful in administering of the stimulus funding, we will do what needs to be done with the existing resources we have. I have redirected people on my staff from other responsibilities to this.

It is a priority. Similarly, the economy is a priority. And all the programs within the stimulus funding are, and the decisions we need to make are what the priorities are. Certainly, we won't turn away funds that were made available, but we don't want to be taking funds on one hand and complaining on the other hand that we don't have enough people to administer them. So, it will be helpful, but we'll do what we can with what we have.

Mr. GILCHRIST. And I'd like to clarify where we're really looking at positions, temporary positions such as construction, especially. We're not adding to the overhead of the agencies.

Chairman TOWNS. Thank you.

Mr. ISSA. Thank you, Mr. Chairman.

Mr. Skyler, I'd probably focus on you, but it is a question for both of you. I happen to be a child of a child of the depression. My grandfather worked on WPA projects, for carpenters and cabinet makers. There was no work for much of those jobs. And he left behind a legacy of things that actually were built during that time that my grandmother and my mom would tell me about, and even go show me a museum to see a piece that he worked on.

So, I appreciate that it was a model, in the Great Depression, of Federal money used to keep people employed, and keep their skills—keep their work ethic. And we—it's not a measurable item. I'm sure there are figures of how many people were employed under WPA and other programs, but he left a legacy.

This summer I was on the West Coast, and I drove from Seattle—I was on summer vacation, going from defense contractors, and then drive down the coast. The drive down the coast part, I went over bridge after bridge after bridge, all of which were built under the WPA.

As a result, I think what differed here, \$800 billion is actually bigger than several years of WPA. Yet, if I read correctly, you talk about how many jobs were saved and so on.

Isn't it fair, Mr. Skyler, to say that if you move Federal dollars into things which you can't fund under our rules, and then you moved dollars elsewhere, that it's almost likely, whether you saved 14,000 jobs or in fact that money really went somewhere else and it created 6,000 jobs?

Isn't that an accounting nightmare to actually give us a fair assessment and—in a sense, wouldn't you also take just the number of, you know, X amount per million we're going to create because—you are in a position where the numbers you report are where you used our money but not necessarily where you're using the money that's freed up for other projects, which may or may not be labor-intensive?

Mr. SKYLER. I agree with your assessment that it is very difficult to get accurate job estimates. On the construction side, it is by far the simplest task because we do it all the time on city projects, how much—replacing a ramp on a bridge, how much to replace a sewer main, how many jobs that creates.

Unfortunately or fortunately, depending on what your priorities are, the vast majority of funding in the stimulus bill is actually not for infrastructure. It is——

Mr. ISSA. We are acutely and sadly aware of the case.

Mr. SKYLER. Mayor Bloomberg met with the President along with Governor Arnold Schwarzenegger in March to discuss reauthorization of some key legislation; but there is a huge need for infrastructure.

Mr. ISSA. Sure. And we need 5 to 10-year programs. I'll followup with just a couple of questions. For all those potential contractors, for any parts of the stimulus, because in many cases here in New York and my home State of California, really, what you have is a group of projects you are already doing and a group of projects that you're able to say or do as a result of the stimulus.

In a sense, there's really no new work for a contractor. These are two pools which before the stimulus may or may not have been funded. And now that they've got the stimulus, instead of a \$10 million, \$15, \$20 million cut across the board of the State, you're cutting less.

So, from an expectation, shouldn't the expectation of contractors be, well, it's not going to be as much of a down year because New York was able to deal, at State and city-level, with its shortfalls? So, realistically, they'll look for new work—less reduction than they otherwise would have had. And as a result, put your expectations reasonable with the new opportunity. If anything, it's going to be a little slower this year.

Is that a fair enough way to put it?

Mr. SKYLER. I agree with you. The assessment depends on what program you're talking about. The city will receive in fiscal year 2010, according to our projections, \$6 billion less in tax revenue, off the basis.

Mr. ISSA. So, if you're talking about receipt is less, the State and the city level, from the previous year, including the stimulus, your net output will be less, too.

Mr. SKYLER. So, what I can do is assure you that only because of this, of the Stimulus Act, the pain that will be felt in our private sector, in the government sector of New York City, will be considerably less than it would have been.

Mr. ISSA. I'm sure less. Let me ask you one last question. The chairman alluded to this in the beginning, and I very much support it.

Wouldn't you say that one possible legacy of the stimulus, if we are able to allow you to redirect funds or, potentially, a new fund; would it be, if in fact the Federal Government and the States and the major cities were able to advance the reporting systems with computers and the ongoing oversight—this isn't the only Federal funding; you receive them every year—If we can get a portion of this money allocated to be reallocated for new funds?

And I realize as—we don't know for sure what we're committing to, but if we would at least create that opportunity, wouldn't one of the best legacies for your jobs be to really, really make a modern leap in the ability to account and report for funding that we all do within government?

Mr. SKYLER. That would absolutely be an amazing legacy. Too often in government, projects are judged by the costs, not the outcomes. And that is the model Mayor Bloomberg is trying to get away from: Not judging projects by how much you spend, but what you get for the money.

Mr. GILCHRIST. And on the accountability, also, what we're discovering is the ability to show to the taxpayers all of the sources of funding that are going to the community, where before it was often left to the individual agencies. So, now we are trying to line up highway, water and sewer modernization and housing projects all together.

Chairman TOWNS. Thank you very much.

Congressman Kucinich.

Mr. KUCINICH. Mr. Skyler, how much funds have the city of New York received already from this program?

Mr. SKYLER. It's \$250 million.

Mr. KUCINICH. You're expecting a total of—

Mr. SKYLER. \$4 billion, sir.

Mr. KUCINICH. \$4 billion.

Mr. SKYLER. In additional capital.

Mr. KUCINICH. And when will that \$4 billion be finally received?

Mr. SKYLER. I believe that's—for example, the FMAP funds goes from three separate fiscal years. So, we expect to get installments into, I believe, fiscal 2011. We got our first installment in the current fiscal year 2009, until—over 2½ fiscal years, we'll be getting installments of that money.

Mr. KUCINICH. When this money comes in, where does it go? Just walk us through it. The Federal Government sends you money; how do they deliver it?

We are doing oversight. Walk us through, how do you get \$250 million from the government?

Mr. SKYLER. Essentially, the city—my understanding of the way these are treated is that—for accounting purposes, we don't really exist. We are creatures of the State and our funding, our Federal funding, actually flows through the State of New York, to a large degree, to prevent—

Mr. KUCINICH. Through what, please.

Mr. SKYLER. Through the State of New York. And, for example, the Medicaid funding, although we worked with our allocations—

Mr. KUCINICH. Mr. Gilchrist, how much money has the State of New York received?

Mr. GILCHRIST. We've spent about \$1.8 billion so far.

Mr. KUCINICH. Now, the U.S. Government gives you \$1.8 billion. What do you do with it? Where does it go, physically?

Mr. GILCHRIST. Physically, it changes by program.

Mr. KUCINICH. Where does it go? Does it go into an account?

Mr. GILCHRIST. The State treasury, an account the State treasury would hold, through the Tax Department in the State of New York.

Mr. KUCINICH. Now, what does the State treasury do with its deposits? What happens to that money in the State treasury? Do you invest it in various banks?

Mr. GILCHRIST. It's invested in various securities for overnight or daily, depending upon the State cash-flow, or it's turned right back

around. A program such as FF would go back and the funding would go from the State program and go out through the localities.

Mr. KUCINICH. So, let me ask you this.

I just want to take a few minutes to understand this involvement.

So, some of the money that's coming from the Federal Government, in fact, is going into the Treasury and you reinvest that money, right?

Mr. GILCHRIST. Well, the bulk of it is given to us on a reimbursement basis.

Mr. KUCINICH. Meaning?

Mr. GILCHRIST. So, for example, our highway program—

Mr. KUCINICH. So, you spend it and—

Mr. GILCHRIST [continuing]. We spend, the Federal Government reimburses us. So, we have to have—

Mr. KUCINICH. But what about the other programs we were on, the programmatic—the highway?

Mr. GILCHRIST. Again, I believe that FMAP money that we received, was the ability to build back to last fall—

Mr. KUCINICH. So, you're saying all the Federal dollars you received from this American Recovery and Reinvestment Act are—you're just getting reimbursed.

Mr. GILCHRIST. I can't say every dollar. It depends on—each program is different.

Mr. KUCINICH. How much of the money are you not getting reimbursed for, that in effect, you are getting money and then you're going to spend it?

Mr. GILCHRIST. I would have to get back to you on that; I couldn't—

Mr. KUCINICH. Well, do you have any idea at all?

Mr. GILCHRIST. I couldn't give you an accurate answer.

Mr. KUCINICH. Well, what I'm interested in, Mr. Chairman, is this: I'm only interested where national stimulus funds are going in. Are States reinvesting that money as a way to spend? Because if they are, then that's another way to help the banks.

And so, I'm very concerned about this. It's not just New York or any other State. I want to find out—let this committee know. When the money is coming, what happens to the money? And if you're talking about—if your State is issuing financing, like participation notes, OK, are you then issuing this money and then these are helping pay off interest?

I want to find out the role of the banks in this chain of custody of the money. And are the banks in any way—not just in New York but across the country, are the banks in any way benefiting from the Federal dollars that are coming in, and the money is not being spent, is waiting to be spent?

We have heard testimony here that some of this money won't be spent till 2011. Now, if that's a fact, I'm interested in knowing where the money is, when it's being transferred. Reimbursements I can understand, but I want to know if any money is sitting around waiting to find a program while there are people around the country waiting for a job. So, if you could give us that information, we'd be—

Mr. GILCHRIST. We will provide that. I don't believe we have any money sitting around.

Mr. KUCINICH. Thank you.

Chairman TOWNS. We will hold that open to receive the information.

Congressman Platts.

Mr. PLATTS. Thank you, Mr. Chairman.

Mr. Kucinich started our followup, but first I want to commend Mayor Bloomberg and his administration for a hands-on approach to ensure accountability, transparency in the tracking system, the Stimulus Tracker.

On the detail, to followup my colleague, where the money is going to be spent, how detailed do you expect it to be in the sense of the flow of money, all the way down to identifying subcontractors on construction projects that actually are recipients of these funds, or were the initial contractor and—

Mr. SKYLER. What I will do is, I will get the committee a sample when we bid out the first construction project. I will then be able to show you exactly what level of detail goes into it. We already have some information on the projects, but we haven't done the bidding yet. We haven't put all the—the details don't exist yet.

What we will do is, we will get to you a sample of the level it goes to. If there's suggestions on going even deeper into it, we will certainly do it. Some of the programs don't really lend themselves to that type of depth.

For example, we received an increase in money for food stamps. We've got 1.3 million New Yorkers whose allocations have gone up by 13 percent. So, there isn't the same type of detail provided for that.

But for one such as construction, we trace it from allocation to groundbreaking. We should be able to provide any and all information.

Mr. PLATTS. And when there's a contract for using these funds, being different than a contract signed, subcontractor signed, and then that would be relevant, to kind of follow the trail.

Related to that—and I do commend the mayor in his approach. Do you have concerns from the OMB—I know they talk about the guidance coming, leaving to a great extent right now up to the State—and advise how extensive your reporting process is and what detail you're going to include?

But if these recent guidelines early this month would be left open, then they have the authority and may require additional information. As you advise your system, that may create problems. You don't want to spend a lot of money on an information technology system that generates X data and then find out they want something else.

Again, is there a dialog at your level or perhaps at the State level that gives you some assurances that the money you're spending on your information technology is going to be well spent? Because I'm going to have to be revising one or two down the road because of all these changes.

Mr. SKYLER. We haven't had any situations thus far that, where we've gone for information from OMB or gotten from a Federal agency. So, I assume part of their plan in making OMB kind of a

clearing house for Federal stimulus funds—to delegate that responsibility to an agency that there wouldn't be cross information and confusing the different municipalities or States.

The mayor did meet with Peter Orszag several weeks ago to talk about systems accountability; and we gave them a sample of our Web site so that they'll be able to see it. And on my level—and I called several officials at OMB on different issues that the FMAP funding or other ways to budget, and they then called back within 24 hours. And so, we're pleased with the direction and response from the administration.

Mr. PLATTS. And that approach that you're taking, the mayor is very commendable.

Mr. Chairman, if I could ask one more here.

At the State level, Mr. Gilchrist, the reference to your testimony that the inspector general had an important role at the Federal level to play, in reference to the jurisdiction including overall private entities that receive funds for doing business with—to what extent is that authority to go in and look at financial documents of those recipients? How extensive is that authority? I know it's early in the process, 2 months in; but has there been any IG efforts as far as early stages and saying, "Hey, this concerns us?"

Mr. GILCHRIST. We've done, early on, some preventive measures. State law requires us to select the lowest responsible bidder, which means that these are similar to the City Vendex program, and have the contractor go through and show us the financial capability and relationship of those areas.

Early on in this process, what we're doing is going back and reviewing previous findings to make sure that corrective actions have been instituted as our first level of prevention; of broad-based prevention.

Mr. PLATTS. I've had the privilege of chairing, not the full committee, like Mr. Towns, but of a subcommittee; and that approach was to have interim controls, and up front information is critical.

Mr. GILCHRIST. Dennis Whalen, who is the director of State operations, who all the State agencies report to, issued a memo last month that requires each agency by May 1st to give Dennis and the Division of the Budget a report on what their internal control programs are doing, all of the programs who received ARA funds; and what they have done to solve all of their outstanding audit findings. And we're also instituting a broad waste prevention training program in conjunction with the Office of the State Comptroller.

Chairman TOWNS. Thank you.

I yield to the gentleman from the State of Vermont, Mr. Welch.

Mr. WELCH. Mr. Chairman, my questions have largely been answered from the questions of my colleague, Mr. Kucinich.

Mr. KUCINICH. Mr. Skyler, in your contracting that's going on as a result of the money that you're getting, what do you do to make sure that no minority business enterprises are actually going to be part of that?

What kind of effort is being made so that all this money that's coming doesn't just go to the big name contractors who don't necessarily find a way to link up with minority departments?

Mr. SKYLER. We have existing programs for minority and women-owned businesses in New York City. In all stimulus programs, especially—

Mr. KUCINICH. I know you have programs, I'm familiar with those programs. But what kind of effort is being made? Have you had meetings already with minority business entrepreneurs telling them how they become part of the program?

Mr. SKYLER. As I mentioned before, we set up a one-stop shop or one-point contact for the nonprofit communities. A lot of the contracting that's desired in that community is actually the not-for-profit sector.

We've designated a one-point person to be accessible and to have meetings and to share information as information is made available to us so that there is transparency and there is accessibility to the programs; so people don't get lost.

And as I said, part of our frustration is that we haven't gotten guidelines of a great many programs from the Federal Government, I think, something like 50 percent. So, we don't necessarily have the answers to the question being asked of us.

We do commit to share that information, whether it's through the Web site or whether it's through one-point contacts, to try to get these question answered.

Mr. KUCINICH. Thank you. One last question.

Do you deal with the MTA?

Mr. SKYLER. I do. I'm not on the board, but I'm the Mayor's Office liaison.

Mr. KUCINICH. Could you answer this: I understand that the MTA may be assessed billions of dollars in penalties by banks for technical default—no insurance because of AIG. Have you heard about that?

Mr. SKYLER. I have not, sir.

Mr. KUCINICH. OK. Maybe afterwards we can talk about it.

Thank you.

Chairman TOWNS. Thank you very much. If there are no further questions, let me thank you, first of all. We look forward to working with you to make certain that the money is used for the purpose intended. And that is, stimulate the economy, not stimulate the big guy's pocket. [Laughter.]

We need to make certain that's not the case. We will be talking with you as we move along, because we think oversight and the responsibility is important. And for the superstar of inspector generals to say to us, even if we are aggressive, of the \$787 billion, that \$55 billion will go to waste and fraud, is disturbing.

I understand that never before in all of my years I have seen this kind of money flow out. At the same time, we have to make certain that the money is used for the purpose; that is, to stimulate the economy.

Thank you so much.

[Applause.]

Chairman TOWNS. Next. Mr. Colvin Grannum is the president of the Bedford Stuyvesant Restoration Corp., one of the oldest community development organizations in the United States.

Restoration owns and manages a 300,000 square foot commercial and cultural center in Brooklyn that provides services and pro-

grams in the areas of arts and education, youth education, work force development and housing development.

Mr. Grannum formerly served as founding director and CEO of Bridge Street Development Corp., a community development corporation which continues to serve the community through promoting housing development, home ownership and financial literacy.

He practiced law over 17 years before embarking on his career in community development. He has been employed by the U.S. Department of Justice, the New York State Attorney General's Office, and the New York City Corporation Counsel.

Mr. Grannum was in high school right here in Brooklyn before he headed off to the University of Pennsylvania and, of course, Georgetown Law School. He has devoted much of his life to working for the people of Brooklyn, and we are happy to have him today as one of our witnesses.

And let me move on to Mr. David Robinson. David Robinson is the associate director of the Center for Information Technology Policy at Princeton University. Before accepting his current position, he was managing editor of the American, a business magazine published by the American Enterprise Institute.

He has written about the social impacts of technology for the American, the Wall Street Journal and Time magazine. And his work at the center includes research and writing, strategic planning and management of the center's operations. He's a graduate of Princeton University.

Mr. Robinson, we welcome you. We welcome you, Mr. Grannum, as well. Gentlemen, I would ask you to summarize your statements within 5 minutes, which will allow us to have a question and answer period.

If you, Mr. Grannum, would start out; and a maximum of 5 minutes. Thank you.

STATEMENT OF COLVIN W. GRANNUM, PRESIDENT, BEDFORD-STUYVESANT RESTORATION CORP.

Mr. GRANNUM. Thank you, Chairman Towns, and the other members of the committee. I want to just thank you for the tone you are setting through your early intervention and oversight of this process. It really is a tremendous amount of resources that the country is investing in the stimulus plan. And it is critically important, as you have articulated, that there be oversight. So, to ensure not just efficiency but that the purposes of the legislation are achieved.

I've been invited to speak about the impacts on the local community. A community such as Bedford-Stuyvesant, which is a very robust community, of course, has a substantial number of people who are low income and a substantial number of people who have been hurt by the current economic downturn. So, I want to speak to that a little bit. I have submitted written testimony, which I'll try to briefly summarize.

Chairman TOWNS. Written testimony will be included in the record.

Mr. GRANNUM. Thank you. By the summary, the way I'm looking at it, is that it's very clear. I believe that the stimulus package will have some very concrete benefits for a community like Bedford-

Stuyvesant, which has very high unemployment rates, very high mortgage foreclosure rates.

As you know, the high school graduation rates lag behind the city and statewide averages. And very high, relatively high poverty rates; despite the fact, as I've mentioned earlier, that it has a robust community with a range of incomes—people with a range of household incomes.

And the community just before the economic downturn had been experiencing a very significant growth. But the act will have benefits clearly, I think in the area of infrastructure development, energy efficiency, education, job training and social safety net. And those benefits will improve the conditions in the community, particularly physical conditions. And I speak a little about that in the testimony.

I think what's less clear is, despite the significant benefits, is whether residents of communities like Bedford-Stuyvesant residents who are low-skilled and chronically unemployed will directly receive employment opportunities as a result of the act.

And the second consideration would be whether minority and women-owned businesses will directly receive business opportunities as a result of the act.

These are serious concerns, but I don't want to downplay the benefits because they are real. For example, in places like Bedford-Stuyvesant, as mentioned, because of the substantial number of people who are living in poverty or who are working poor, in that poverty number, a fair number of people are working poor. The fact that we're going to have extended unemployment insurance benefits, the Social Security one time payment, the enhanced food stamp benefits and the lower payroll taxes are all going to have a significant positive impact for residents and local businesses. That's clear.

I think in addition to that, the city of New York, I think—I'm in favor of what the city of New York did with the money, to use the lion's share of it for youth employment. Because I think this summer, they have young people working, acquiring skills, being able to supplement the household income, that's going to be very important. Of course, that was a given also, in part, because these funds have to be spent in 2 years.

And of course, there is going to be substantially more work force development funds available to assist residents, particularly in the job training area; and other benefits as they relate to the physical conditions in the community.

For example, one of the projects being funded by the city of New York, one of the transportation projects is the improvement of the commercial corridor in central Brooklyn along Fulton Street, where Your Honor's offices were previously located.

And that's going to result in new sidewalks, new signage, new street furnishings, new streets. This is important for that particular corridor because it will assist the local businesses in creating a safe and attractive environment that will facilitate the improvement of their business operations.

Another area that there's going to be some concrete benefits that will assist local income residents is—my 5 minutes are up? [Laughter.]

Quickly, that was a quick 5 minutes.

Well, let me just say that my concerns have to do with 2-year spending. Obviously, it's reasonable given the intended purpose, which is to jump-start the economy. But the concern is that, as agency heads thought about how to spend funds in 2 years, they have been inclined to think about using the existing contractual relationships, which frequently don't include small minority-owned businesses.

And the difficulty is trying to figure out processes that incorporate them quickly. And the other thing is the prevailing wage requirement, which is also relatively reasonable when you look at it on paper. But again, that has the possibility of limiting the incorporation of low skilled workers.

[The prepared statement of Mr. Grannum follows:]

CONGRESS OF THE UNITED STATES
House of Representatives
Committee on Oversight and Government Reform

Testimony of
Colvin W. Grannum
President, Bedford Stuyvesant Restoration Corporation

Concerning
Implementation of the Economic Stimulus Package
Of
The American Recovery and Reinvestment Act of 2009

Introduction:

Thank you for the opportunity to submit this testimony concerning the benefits to the local community of the American Recovery and Reinvestment Act of 2009 (ARRA). This testimony is presented in my capacity as the president of Bedford Stuyvesant Restoration Corporation, a community development corporation, and someone with deep personal ties to Brooklyn. My perspective is also informed by my service as a member of the boards of the New York City Workforce Investment Board, Local Initiatives Support Corporation, a national development intermediary, Association for Neighborhood and Housing Developers (ANHD), and Brooklyn Chamber of Commerce. I have also served as a member of the New York City Commission on Economic Opportunity.

For the reasons I set forth in greater detail below, the stimulus package will almost certainly have several beneficial impacts on Central Brooklyn particularly in the areas of infrastructure development, energy efficiency, education and job training. It is less clear that the residents and businesses of Bedford Stuyvesant will directly receive the employment and business opportunities that will be generated by the stimulus spending unless government prioritizes and monitors goals for local employment and minority and woman-owned business utilization.

The Local Community:

Bedford Stuyvesant Restoration Corporation (Restoration) serves the Central Brooklyn community with special emphasis on Bedford Stuyvesant. More than a half million people live in the Central Brooklyn communities of Bedford Stuyvesant, Crown Heights, Brownsville, East New York and Bushwick. Bedford Stuyvesant alone is home to approximately 132,000 residents. More than 85 percent of the residents of Bedford Stuyvesant are people of African or Hispanic descent. While Bedford Stuyvesant has recently experienced an influx of households with annual incomes in excess of \$50,000, the community remains one of the lowest income communities in New York City with more than 35 percent of the residents living in poverty. In addition, the residential mortgage foreclosure and unemployment rates in Bedford Stuyvesant exceed the borough and City-wide averages while the high school graduation rate lags behind the borough and City-wide averages.

Restoration is recognized as the oldest community development corporation in the United States. Restoration has been serving the Central Brooklyn community since 1967 when the residents of Bedford Stuyvesant joined with United States Senators Robert F. Kennedy and Jacob Javits to form a comprehensive community development corporation. Restoration partners with residents and business to improve the quality of life of Central Brooklyn by fostering economic self-sufficiency, enhancing family stability and growth, promoting the arts and culture, and transforming the neighborhood into a safe, vibrant place to live, work and visit.

Over the past 42 years, Restoration has attracted more than \$500 million of investment to Bedford Stuyvesant. Commercial revitalization initiatives include operating a 300,000 square foot commercial hub, assisting local merchants in strengthening their businesses, attracting new complementary businesses, and creating vibrant, safe and attractive commercial corridors. Residential housing efforts include owning and operating several hundred units of low-income housing, and developing local properties for homeownership, and mixed-income residential properties for a range of household incomes. As a Weatherization services provider, Restoration works to reduce the

consumption of energy by local low-income households. The Weatherization program serves housing ranging from large multi-family properties, including project-based Section 8 properties, to one-family homes.

Restoration also offers services that assist local residents in improving their education, acquiring skills and gaining employment. Our workforce development programs serve a range of clients including chronically unemployed individuals. Last year we launched a new program geared to young people who have been incarcerated or otherwise entangled in the criminal justice system. The program reintegrates the clients into the community, and orients them to the world of work with the end goal of placing each client into a permanent job. Residents are also connected to supplemental income such as the Earned Income Tax Credit, food stamps, and health insurance, just to name a few. Our youth development programs focus on supporting high school students in graduating from high school and moving on to college, post-secondary vocational school or permanent employment. Several hundred youth are also enrolled in Restoration's Youth Arts Academy where they learn performing arts disciplines including dance, drama and musical instruments.

Finally, Restoration sponsors a unique combination of cultural assets designed to entertain and educate Brooklyn residents. The Billie Holiday Theatre is one of the oldest African-American operated theatres in the nation. Four to five live theatrical productions are presented each year, many of which employ local playwrights and actors, and raise thought provoking themes. Restoration also sponsors the Skylight Gallery, an art gallery that serves as a forum for presentations by local artists. In addition, as mentioned above, the Youth Arts Academy provides performing arts education for several hundred youth each year. Restoration is also proud to host several other local cultural organizations providing them with space for administrative operations, rehearsals, performances and presentations.

Local Benefit from the ARRA Stimulus Package:

As mentioned above, we anticipate that the stimulus package will have several beneficial impacts on Central Brooklyn particularly in the areas of infrastructure development, energy efficiency, education and job training.

First, we applaud Congress and President Obama for taking proactive measures to stimulate investment and job creation during this severe economic downturn. We also commend Congress and President Obama for strengthening the social safety net for low-income families and for households at risk financially as a result of layoffs due to the ongoing recession.

As mentioned above, many residents of Central Brooklyn and Bedford Stuyvesant are chronically unemployed, low income or low skilled. As such, they and their families are particularly vulnerable to hiring freezes and layoffs, and likewise local businesses are vulnerable because of the reduced income circulating in the community. As a result, stimulus package programs such as the extended unemployment insurance, Social Security Income-One Time Payment, Food Stamp benefit increase and the Making Work Pay Tax Credit are essential to undergird the households and businesses of communities like Bedford Stuyvesant.

Children and teenagers in Bedford Stuyvesant should benefit from the stimulus funding designed to avoid huge cuts in public school services. The City's decision to invest the lion's share of the Workforce Investment Act funding in summer youth employment program will benefit hundreds of Bedford Stuyvesant youth. Young people who work this summer will also be able to use their earnings to supplement family income and attend college. The youth will also acquire work readiness skills that will prepare them for the permanent workforce.

In addition to the safety net programs, residents of Central Brooklyn will benefit from stimulus package spending measures intended to improve the physical conditions in Bedford Stuyvesant and adjoining neighborhoods through spending on transportation

infrastructure, Weatherization Assistance Program, retrofits for Section 8 and public housing developments, and capital improvement expenditures that will remedy years of deferred maintenance in public housing developments.

The transportation infrastructure projects should vastly improve transportation conditions in and around Bedford Stuyvesant so that residents can more effectively engage in business, work, education and entertainment. As the result of the stimulus package, the City of New York has committed to invest \$9 million in a streetscape improvement project for the Bedford Stuyvesant Gateway Business Improvement District (BID) -- a project championed by Restoration. The project is designed to increase consumer traffic in the area covered by the Bedford Stuyvesant Gateway BID, a densely populated and heavily trafficked area, by creating a safe and attractive commercial corridor. The project is also intended to serve as a catalyst for attracting private sector investment and new and diverse businesses to the area.

Bedford Stuyvesant residents and businesses will also benefit from “shovel-ready” transportation infrastructure projects outside of Bedford Stuyvesant but essential to the well being of the community including:

- Rehabilitation of the Brooklyn Bridge, the major conduit between Brooklyn and Manhattan;
- Improvements to the infrastructure of the Brooklyn Navy Yard which houses businesses that employ local residents and businesses;
- Improvements to Flatbush Avenue, one of the major transportation corridors in Brooklyn; and
- Reconstruction of Eastern Parkway.

The increased funding for the Weatherization Assistance Program will benefit thousands of Central Brooklyn households. As noted above, Restoration is a well established Weatherization assistance provider. Restoration will weatherize more than 1500 units over the next two years in Central Brooklyn. The Weatherization program assists income

eligible households to reduce their heating and cooling costs and improve the safety of their homes through approved energy efficiency measures. Approved measures include air sealing, wall and ceiling insulation, heating system improvement or replacement, energy efficient lighting, hot water tank and pipe insulation, and refrigerator and air conditioning replacements with highly efficient Energy Star units. Single-family and multi-family projects are eligible for subsidy under the program.

Not surprisingly, a large number of Central Brooklyn families live in project-based Section 8 housing and NYC Housing Authority developments. These families will benefit from the funds slated to be invested in improving public housing developments. For example, NYCHA is designated to receive \$405 million to address long deferred maintenance issues. The expenditures should result in improved living conditions for local families.

Finally, Central Brooklyn communities are among those communities experiencing the highest rates of foreclosure in the City. Foreclosures not only separate families from their homes and wealth but also destabilize the communities where they occur by creating abandonment and disrepair. ARRA's Neighborhood Stabilization Program should help to stabilize communities like Bedford Stuyvesant where the foreclosure rate is high, and there is substantial nonprofit capacity to participate in the acquisition, rehabilitation and resale of foreclosed homes.

Job Creation and Opportunities for Local Businesses and Minority and Women-Owned Businesses:

Despite the billions of dollars that will be invested in the New York State, and more specifically in Brooklyn, widespread concern exists regarding whether residents of Bedford Stuyvesant and comparable areas will benefit from the jobs that will be created and whether business owners will benefit from the business opportunities. Some of the provisions of ARRA, such as the requirement to spend the funds within two years, and the prevailing wage requirement, may unintentionally limit the number of local residents and minority-owned businesses engaged by the stimulus spending.

The ARRA mandate for the stimulus funds to be spent within two years under penalty of forfeiture may limit opportunities for minority and woman-owned businesses. The requirement to spend the stimulus funding in quickly has caused many agencies to consider relying almost exclusively on existing contractual relationships in order to comply with the law. In procurement areas where the federal agency, state or municipality is currently doing little to contract with minority-owned businesses or community based organizations, little time exists to qualify new providers and develop new contractual relationships. In a limited number of program areas such as the Weatherization Assistance Program, the existing contractual relationships include community based organizations and minority-owned businesses. Even here, however, there is little time for firms not already certified in the field to gain certification and begin competing for contracts.

The prevailing wage requirement may limit the number of minority-owned firms and local workers who are employed on projects receiving stimulus funding. The prevailing wage requirement will increase the per unit costs of projects that currently are not subject to the requirement and thereby either limit the number of projects that otherwise would have been performed or jobs created. Fewer new jobs will result in fewer employment opportunities for chronically unemployed local residents or low-skilled workers. The prevailing wage requirement also may limit access of small and minority-owned firms that do not currently participate on projects that have prevailing wage requirements. These contractors are unlikely to have the organizational infrastructure to administer the prevailing wage compliance and reporting process.

ARRA is intended to reach disadvantaged residents and businesses but it does not explicitly identify local hiring and contracting with minority and woman-owned businesses as priority objectives. Specifically, ARRA does not impose any numerical goals for local hiring and contracting with minority and women-owned businesses. As a result, federal agencies and state and local governments that currently do not prioritize these objectives may not see a clear need to do so. We are aware that the Obama

administration may be moving to address this issue and reinforce that ARRA prioritizes local hiring and contracting with minority and woman-owned businesses. A memorandum dated April 3, 2007, from Peter Orszag, the Director of the Office of Management and Budget sets forth ARRA implementation guidance including that the Act is intended to promote "equal opportunity laws and principles, support small businesses including disadvantaged business enterprises, engage in sound labor practices, promote local hiring and engage community based organizations." We trust that Congress and the administration will continue to communicate the importance of local hiring and contracting with minority and woman-owned businesses and monitor the spending of stimulus funding for compliance with these objectives.

In brief, sharp focus and vigilance will be required to ensure that residents and businesses of Bedford Stuyvesant and comparable low-income areas directly receive employment and business opportunities generated by the stimulus spending.

Conclusion:

We applaud the Chairman Towns for holding this field hearing concerning the impact of the stimulus package on local communities. I am thankful for the opportunity to present my assessment. We are hopeful that the ARRA will not only reverse the current economic downturn but also usher in a new era of opportunity for low-income residents and minority and woman-owned businesses.

Respectfully submitted,



Colvin W. Grannum

President

Bedford Stuyvesant Restoration Corporation

1368 Fulton Street

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Chairman TOWNS. Mr. Robinson.

**STATEMENT OF DAVID G. ROBINSON, ASSOCIATE DIRECTOR,
CENTER FOR INFORMATION TECHNOLOGY POLICY, PRINCE-
TON UNIVERSITY**

Mr. ROBINSON. Chairman Towns, members of the committee, thank you very much for your invitation to me and holding this important hearing. I suppose I'm here to help you if I can, to bring some of the important questions that have already come up about Recovery.gov and use of the Internet to make the stimulus as transparent as possible.

Information technology can make recovery activities more transparent than any government project has ever been. Government transparency means making all public information available in a way that is useful for citizens. Because we are starting fresh with Recovery.com, there's a rare opportunity here to get this right.

What might it mean in practice? First, obviously, transparency can help government institutions to become more effective. Where there is broader abuse, public attention gets problems solved. Where government is working well, that same attention can build trust and confidence in public actions.

Second, transparency lets people as individuals to put pieces together in new and unexpected ways. For example, Vivek Kundra ran a contest while he was serving as Washington, DC's, technology officer that encouraged people to take advantage of data being published by the city.

Inspired citizens responded by building a dashboard and map that shows local demographic, transit, business and crime information, all in an integrated Web site.

If the same approach were used to publish recovery related information, sites might emerge to highlight the benefits stimulus funding brings to specific communities; and by extension, the good work of State and local officials across America.

Third, transparency can let individuals and businesses spot the economic opportunities that are available to them, helping not only themselves but also the economy as a whole. The Recovery Act creates so many possible grants, contracts and loans that it's tough to match each opportunity to really make the most of it.

There is a competition among different ways of finding out about these stimulus opportunities. In each case, reuse is the key. Whatever public data is reported by States or agencies, we need to make it easy for innovators to get their own complete copy of that data in a computer-friendly way so that innovators can develop new tools.

An increasing number of experts and groups have highlighted the importance of data reuse. The Association for Computing Machinery is one example. But a public policy committee that I served on recently issued consent recommendations for the government, which I've included with my written testimony.

The most recent, as has been discussed, detailed information we have about transparency for the stimulus is in this April 3rd memo from OMB. There are some good signs, but also concern about the hundreds of billions of dollars that will be spent by States.

They report that, at least initially, the Recovery Act will be able to tell people if that money was sent to a certain State and then to a locality, but not what ultimately became of the funds. The States will decide how much detail to reveal.

The longer-term picture, though, is less clear. OMB reserves the right to require reporting on “all levels of sub awards.” How will they use that power? An uncertainty about OMB’s intentions leaves States with tough choices. That’s what the Federal Government is doing. State governments may wish to create new infrastructure to expose the details of their recovery extending to public view.

But any new systems being deployed today could turn out to be a risky investment. It could become redundant or even obsolete if OMB later decides to centralize and standardize the nationwide reporting of the same information.

Ideally, OMB would either collect detailed information about State stimulus spending itself, or else set a clear and public minimum standard of disclosure for each State to follow. How far will OMB’s plan extend its reporting requirements for States? Will it collect all of the data that we need for real transparency, or will it cede responsibility for States to collect and manage the most detailed information?

Either way, OMB should lose no time in reaching a decision, and clearly and publicly communicating its intention.

Thanks for the chance to appear. I look forward to your questions.

[The prepared statement of Mr. Robinson follows:]

**Testimony of David G. Robinson
Associate Director, Center for Information Technology Policy
Princeton University**

Submitted to

**United States House of Representatives
Committee on Oversight and Government Reform**

**Hearing on
“The American Recovery and Reinvestment Act of 2009:
The Role of State and Local Governments”
April 21, 2009**

My name is David Robinson. I serve Princeton University as the Associate Director of a newly created research center, called the Center for Information Technology Policy. We study digital technologies in public life, bringing together technological expertise, social science, and public policy scholarship to work on a range of issues, from electronic voting, to copyright and digital media, to new ways the Internet can make government more effective and more transparent. In each area, we hope to help policymakers meet the information revolution with well-informed, confident and successful public policies. The testimony I offer today has benefited from the insights of my colleagues, but I speak only for myself, not for Princeton University or any other group.

The Recovery Act is both an urgent response to a crisis, and the most significant public works initiative in a generation. One facet of its historic nature holds particular interest for me: It is the first public program of its scale to be launched since the birth of the Internet. Businesses, schools, nonprofits and individuals today use computers and networks to connect, understand, and create in ways that were once unimaginable—and they often do so at remarkably low cost. The Recovery Act, with its call for rapid government growth, presents a rare opportunity for government to catch up and “cash in” on the benefits of the information revolution, taking advantage of the efficiency, flexibility and power of digital technologies.

Information technology can make Recovery Act activities more transparent than any government project has ever been. Government transparency means making all public information available in a way that is useful for citizens. Transparency delivers benefits in at least three different ways: enabling public scrutiny, empowering people to make new insights, and connecting people to opportunities that might otherwise be obscure. Because the stimulus effort starts fresh with Recovery.gov, it can unlock each of these possibilities as never before. The driving force behind all these benefits is simple: reuse of government data. Information about the stimulus must be published in a form that enables and encourages citizens to reuse it.

What can the results look like in practice? First, public scrutiny can help government institutions become more effective. Where there is fraud or abuse, public

attention gets problems solved. Where government is working well, that same attention builds trust and confidence in public actions. For example, a site called WashingtonWatch uses public information about Congressional budget proposals to calculate their net present value or cost so they can be accurately compared and debated, leading to more efficient spending choices. As another example, Jerry Brito, who testified before this committee last month, has created a site called StimulusWatch that allows hundreds of people working together to discuss, evaluate and rank the spending proposals published by the U.S. Conference of Mayors. But WashingtonWatch, StimulusWatch, and similar sites can only be as good as the government information that is provided to them.

A second payoff of transparency is that it can offer insights for individual citizens, letting people put the pieces together in new and unexpected ways, to understand their government and their world better. For example, Vivek Kundra (who is now the federal administrator for e-Government) ran a contest while he was serving as Washington, DC's CTO encouraging people to take advantage of the unprecedented amount of data that the city had published online. Inspired citizens responded by building a site called iLive.at, which provides a local dashboard and map integrating all kinds of information about local demographics, transit services, businesses, and crime. The same data publishing approach that made iLive.at possible could be applied to the spending and programs of the Recovery Act. Making data available for innovators would let all kinds of tools emerge at no cost to government itself. An example similar to iLive.at might highlight the benefits stimulus funds bring to specific communities, and by extension the good work of state and local officials across America.

Thirdly, transparency can allow individuals, businesses and other organizations to spot the economic opportunities available to them—helping not only the people involved, but the economy as a whole. The Recovery Act creates so many possible grants, contracts, and loans that it is difficult to connect each opportunity with the person or group who can really make the most of it. Government web sites can do their best to provide a single unified view of the information, but we will all be better off if there is a competitive ecosystem, and a range of options, for presenting information about stimulus opportunities. If conditions are right, this ecosystem can thrive: there is already, for example, a private firm building a web site at Recovery.org that combines scattered lists to provide information about the stimulus projects available to government contractors. Only if government makes smart choices about how to publish its data can resources like these become truly comprehensive.

In each of these areas, people are finding fresh ways to understand what government is doing. Innovation often begins with people outside government—citizens, activists, companies, or scholars—who are reusing the public data in new ways. Reuse is the key: Whatever public data is reported by states or agencies, we need to make it easy for innovators to download a complete copy of the data, in a “machine readable” format that computers can understand, so that innovators can develop their own new tools to make sense of it.

An increasing number of experts and groups have highlighted the importance of data reuse. One such body is the Association for Computing Machinery—a scientific society that combines more than 92,000 computing educators, researchers and

professionals. Its U.S. Public Policy Committee (USACM), on which I serve along with more than 75 computing professionals from around the country, recently issued consensus “Recommendations on Open Government.” I have attached them to my testimony. I hope recommendations like these succeed in nudging Recovery.gov in the right direction.

How, exactly, will the information about stimulus spending be put online? The most recent and detailed information we have appears in a memo from the Office of Management and Budget dated April 3, 2009 (OMB Memo M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*). There are some encouraging elements here, but also some causes for concern, particularly regarding money that is destined for the states. Of nearly one trillion dollars in the Recovery Act, several hundred billion will be given to, and expended by, state governments. For these state-based funds, there is a potentially serious gap in the reporting requirements. As the recent guidance explains:

In limited circumstances, recovery funds will go from a Federal agency to a State, and then to a local government or other local organization. In this case, the current reporting model will not track funds to subsequent recipients beyond these local governments or other organizations. OMB plans to expand the reporting model in the future to also obtain this information, once the system capabilities and processes have been established. (*id.*, p. 21)

In other words, at least initially, Recovery.gov will be able to tell people that monies were sent to a certain state, and then sent to a certain place within that state—but the site will not be able to tell people who the ultimate recipient of the funds was, how that recipient was chosen, or what that recipient did with the money. Being able to say where the funds were initially sent is important, but incomplete: real transparency means knowing where the funds end up.

This means that along with money, responsibility is for the moment being passed along to the states: in the short term, state law and state officials will determine what information about the ultimate uses of these funds is available, and how and where it is available. The longer term picture, though, is less clear. The recent guidance reserves the right to require deep reports of state stimulus spending directly back to OMB:

In addition, the Director of the Office of Management and Budget has the authority under the Federal Funding Accountability and Transparency Act of 2006 (the Transparency Act) to require Federal agencies to collect information from all Federal recipients on all tiers of sub-awards. The Director also has the authority under the Transparency Act to expand reporting requirements to include additional relevant information. (*id.*, p. 25)

The current uncertainty about OMB’s intentions leaves states with some tough choices. Just as the federal government is doing, state governments may wish to create new infrastructures to expose the details of their Recovery Act spending to public view. But any new system that a state deploys today could turn out to be a risky investment: it

could become redundant or even obsolete if OMB later decides to centralize and standardize the nationwide reporting of the same information.

Recovery Act spending that flows through the states should be just as transparent as direct federal spending is. In an ideal world, the federal government would either collect detailed information about state stimulus spending itself, or else set a clear and public minimum standard of disclosure for each state to follow. Which approach is better? There are good arguments on both sides. Federal monitoring of the details of state spending could allow apples-to-apples comparison and analyses of spending across the nation. And state officials might well find it worthwhile to publish the reports they send to OMB, within their state-level web sites. On the other hand, if individual states establish their own reporting formats and standards to complement the OMB reporting infrastructure, we may end up with systems that are better tailored to each state's existing budgetary and information technology needs.

How far does OMB plan to expand its reporting requirements for states? Will it collect all of the detail that we need for real transparency? Or, will it leave room (and cede responsibility) for states to collect and manage the most detailed information? Either way, OMB should lose no time in reaching a decision and clearly and publicly communicating its intentions.

By holding hearings like this one, the Committee is performing a vital public service. Given the rapid pace at which the stimulus must proceed in order to be effective, there is an enormous range of questions to consider. I thank the committee in particular for recognizing the central role that online data can play if its usefulness is maximized.



USACM Policy Recommendations on Open Government

Background

Computing and networking technology has made it easier than ever before for organizations and individuals to share, analyze and understand large bodies of information. Government agencies and legislators have long recognized the value of the Internet, having helped to create it, and share a strong commitment to providing for the information needs of citizens and others.

Government agencies increasingly post information -- often for the benefit of individual citizens -- on the Internet and through the World Wide Web (WWW). The U.S. Public Policy Committee of the ACM (USACM) applauds ongoing efforts to make these data as accessible as possible to all Americans. However, law, custom and technology have all contributed to diverse and often inconsistent forms of publication for the data provided.

Many Internet users are learning to control their online experience, including combining and analyzing information in innovative ways that go beyond what the data's original publishers imagined. Individual citizens, companies and organizations have begun to use computers to analyze government data, often creating and sharing tools that allow others to perform their own analyses. This process can be enhanced by government policies that promote data reusability, which often can be achieved through modest technical measures. But today, various parts of governments at all levels have differing and sometimes detrimental policies toward promoting a vibrant landscape of third-party web sites and tools that can enhance the usefulness of government data.

USACM makes the following policy recommendations for data that is already considered public information.

Policy Recommendations

- Data published by the government should be in formats and approaches that promote analysis and reuse of that data.
- Data republished by the government that has been received or stored in a machine-readable format (such as online regulatory filings) should preserve the machine-readability of that data.
- Information should be posted so as to also be accessible to citizens with limitations and disabilities.
- Citizens should be able to download complete datasets of regulatory, legislative or other information, or appropriately chosen subsets of that information, when it is published by government.



- Citizens should be able to directly access government-published datasets using standard methods such as queries via an API (Application Programming Interface).
- Government bodies publishing data online should always seek to publish using data formats that do not include executable content.
- Published content should be digitally signed or include attestation of publication/creation date, authenticity, and integrity.

ABOUT ACM

ACM, the Association for Computing Machinery www.acm.org, is the world's largest educational and scientific computing society, uniting computing educators, researchers and professionals to inspire dialogue, share resources and address the field's challenges. ACM strengthens the computing profession's collective voice through strong leadership, promotion of the highest standards, and recognition of technical excellence. ACM supports the professional growth of its members by providing opportunities for life-long learning, career development, and professional networking.

ABOUT USACM

The ACM U.S. Public Policy Committee (USACM) <http://www.acm.org/usacm> serves as the focal point for ACM's interaction with U.S. government organizations, the computing community, and the U.S. public in all matters of U.S. public policy related to information technology. Supported by ACM's Washington, D.C., Office of Public Policy, USACM responds to requests for information and technical expertise from U.S. government agencies and departments, seeks to influence relevant U.S. government policies on behalf of the computing community and the public, and provides information to ACM on relevant U.S. government activities. USACM also identifies potentially significant technical and public policy issues and brings them to the attention of ACM and the community.

For more information about USACM, please contact the ACM Office of Public Policy at (202) 659-9711 or see <http://www.acm.org/usacm/>.

Chairman TOWNS. Thank you very much, Mr. Robinson.

We are joined by the comptroller of the city of New York. We swear all of our witnesses in. If you would stand and raise your right hand.

[Witness sworn.]

Chairman TOWNS. Let the record show the comptroller has been sworn.

Be seated.

Mr. Comptroller, you are allowed 5 minutes to give a statement; and then, of course, your entire statement will be included in the record. And then we'll have questions to ask.

You may begin.

STATEMENT OF WILLIAM C. THOMPSON, COMPTROLLER, CITY OF NEW YORK

Mr. THOMPSON. Thank you, Mr. Chairman. It is a pleasure seeing you this afternoon.

Ranking Member Issa, members of the committee, observers, again, good afternoon.

I'd like to thank you for holding this hearing and inviting me to discuss implementation of the economic stimulus package, the American Recovery and Reinvestment Act of 2009.

As many of you know, New York City is set to receive more than \$4.5 billion under President Obama's economic stimulus package, and these funds could not be more necessary.

Our city today is facing an economic crisis unlike any we've seen since the Second World War. And people need help. We've lost over 100,000 jobs since August. Millions of New Yorkers are worried about skyrocketing transit and water rates, and families across our city are struggling just to make ends meet.

Yet while the stimulus package should certainly be seen as a tremendous opportunity to create jobs both for our struggling economy and provide relief to our city's many forgotten New Yorkers, we should also look at the distribution of these funds as another kind of opportunity as well, the opportunity to put in place a blueprint for much-needed transparency and accountability reforms in city government.

These reforms are long overdue. In fact, in the almost 8 years now during my tenure as city comptroller, I repeatedly called on city agencies to improve the all-too-often opaque process by which taxpayer funds are disbursed. In January 2008, for example, I called on the administration to immediately implement transparency reforms at the City Industrial Development Agency, an agency that promotes economic development through disbursement of taxpayer funds to small businesses.

As an IDA board member, I saw firsthand the need to shine a bright light on the selection process of IDA beneficiaries. I sent a letter to Deputy Mayor Lieber. I made 10 detailed recommendations toward that goal. Two months ago—let's skip over that.

We must avoid these pitfalls for the stimulus moneys, and ensure that job creation and salary criteria are clearly laid out before funds are disbursed. We also sought to infuse good-governance principles like openness, transparency and accountability through all my work as city comptroller.

Last year my office introduced a new online application that for the first time allows vendors to track online the real-time payments or real time status of their payments from the city.

When I took office in 2002, I insisted that every audit conducted be posted on my Web site. And to date, we've saved over \$248 million in savings.

In keeping with the principles of good governance, I believe that before a single stimulus dollar is disbursed, we must first and foremost ensure that these funds are actively accounted for and that outcomes are carefully measured and monitored. This is a job that will, in part, be undertaken by the authority of my office. The charter-mandated role of the Comptroller's Office is to ensure that all funds are tracked accurately and transparently. And this is a responsibility I take seriously.

As many of you know, I also am responsible for approving all contracts and agreements between the city and its many vendors. As a comptroller, a close inspection of these contracts is a priority. This focus has saved our city millions.

Rest assured, I'll bring this same vigilance and attention to detail to my work overseeing the contracts and contract amendments that result from stimulus spending. Through your registration process, my office will continue to ensure the integrity of vendors and the bidding process. We're already moving forward on many fronts to ensure the smooth transition of stimulus money to job-creating, shovel-ready projects in our city.

Two weeks ago my staff and the mayor met with the Government Accountability Office to discuss its needs, as we work to design a system that will track and display stimulus funds in real time. One potential difficulty in monitoring stimulus funds would likely be the need to differentiate stimulus moneys spent under preexisting contracts.

For example, before stimulus funds are used to add jobs or benefits to existing contracts, we must first put in place a system that allows for the separate tracking and outcome monitoring of stimulus funds and funds spent under that preexisting contract. This will surely be a challenge. Fortunately, however, the city already has in place strict contractor integrity reviews and detailed procurement rules.

In the end, we have to move quickly. New Yorkers deserve, above all, a transparent system that will by its very nature help ensure the taxpayer moneys are spent responsibly. Under my watch, New Yorkers will be afforded this right, will be able to see exactly how, why, when and where their hard-earned tax dollars are being spent.

Thank you, Mr. Chairman.

Chairman TOWNS. Thank you very much for your testimony.

I thank all of you for your testimony.

We move to the question and answer period. Let me begin with you, Mr. Robinson.

In a recent article, you suggested that regulatory monitoring rules and regulations impedes modernization of government Web sites.

What regulations will need to be changed to eliminate this problem? How should we change those regulations?

Mr. ROBINSON. That is an excellent question, Mr. Chairman. And as I'm sure you can imagine, the answer would call for a great deal of detail about particular ones. But I think the bird's eye view—which I would be pleased to provide and to consult with, and I'm sure my colleagues would as well—the bird's eye view is that many laws that were passed before the Internet have unintended implications that are impeding the use of the Web by government.

So, for example, if a group of citizens collaborated on a Web site, are they identical to an advisory committee? Or if people are filling out an online poll, does that raise paperwork-reduction issues?

So, I would say there are probably two levels on which this can be addressed. One is the administration doing what it can through executive action or intends to do what it can. But I think that Congress should look at the list—the long list of more than 20 different regimes that current Federal Web masters have to comply with; and think about laws that would sweep those, maybe in the case of the Web, aside, in favor of clear guidance of designs for the Internet.

Chairman TOWNS. Thank you very much. I really hope that you would submit some additional information in terms of the specifics. We'll keep talking about this for quite some time.

Mr. ROBINSON. Yes, sir.

Chairman TOWNS. Mr. Grannum, based on your experience, do you think that community organizations in general currently have the ability to track and audit stimulus funds for the city?

Mr. GRANNUM. I think it depends. I think with respect to existing programs—for example, weatherization is an existing program where community-based organizations have been involved, in some cases, more than two decades, sometimes almost three. And the prophecies are longstanding and well monitored by the State.

I think in some additional areas, it may be questionable. And I think one of the concerns is whether and how much administrative burden you put on not-for-profits in this process as well. Obviously, it's a balance. We need to be able to account for the funds, but at the same time, some of the administrative burdens that are imposed by the government make it very difficult for organizations to participate, not just not-for-profits, but small businesses.

Chairman TOWNS. Let me ask you, Mr. Thompson. Based on the fact that this has never happened before, not in my lifetime, that \$787 billion is given as an opportunity for the country; and then they are called upon to monitor this. Do you have the staff to make that possible, to do it within the present structure?

Mr. THOMPSON. I believe that we have the staff in this current environment to be able to monitor and oversee this; yes, I do. I think that the changes that have been made over the last 7 or 8 years, the growth of use of technology, some of these are the foundation that we have established already, as well as new data bases will allow us to be able to do that. Again, obviously, it will take not just my office but working in conjunction with the mayor's office and others, the ability to get that done.

I believe that we should be able to track this money, follow it, and make sure that we can account for every dollar. And that is the mandate. I think that is something that we should be able to do. Obviously, if this were 10 years ago, I wouldn't be able to make

that representation. But I think that now, given the use of technology and other things, we should be able to do that.

Chairman TOWNS. The reason I raised that question with you is that Mr. Delaney, who is the superstar inspector general, has indicated to us that even if we are aggressive, out of the \$787 billion, \$55 billion would go to waste, fraud and abuse.

So that's the reason why I raise the question. To me that's a shocking number. I think that's a lot of money that can be used to really turn things around in a positive way. And it will end up in somebody's pocket in the wrong way.

Mr. THOMPSON. Mr. Chairman, I couldn't agree with you more. I think in this current economic environment that we are in, every dollar needs to be well spent; and to go over the purposes of the vendors that the Houses, as well as the President, has determined what it should be used for.

So I think it is important that government be pushed on to its limit to be able to oversee, make sure every dollar is well spent and that there is no waste. And given that, I think it is an excellent opportunity for government in the future to make sure there is less waste as we move forward, not just in these dollars, but all other dollars being spent.

Chairman TOWNS. The gentleman from California.

Mr. ISSA. Thank you, Mr. Chairman. That question leads right into my question.

You believe that you can oversee the stimulus funds in order to minimize waste, fraud, abuse; right?

Mr. THOMPSON. Yes.

Mr. ISSA. Do you surf the Net using Google or Yahoo or any of the other search engines?

Mr. THOMPSON. Sure.

Mr. ISSA. Can I search your data the same way by going in, clicking on it and finding relevant information so that I can look over your shoulder?

Mr. THOMPSON. Absolutely.

By the time we put in place, along with the mayor's office, certain data bases, yes, you should be able to surf the Web to be able to visit specific Web sites, whether it's mine or others.

Mr. ISSA. No, that wasn't my question.

I want to be able to second-guess your oversight for waste, fraud and abuse, contract pricing, who is the sub and the sub of a sub, and whether qualified as a minority, woman-owned or business. I want to know how much they would disburse or what on a given day.

Will I be able to do that?

Mr. THOMPSON. You should be. I'm not sure how many levels down, but you should be able to do so.

Mr. ISSA. Do you have that? Is that technically public data would be available under normal freedom of information?

Mr. THOMPSON. Yes, it is.

Mr. ISSA. OK.

Mr. THOMPSON. It is available under freedom of information.

Mr. ISSA. And I'm playing devil's advocate for a reason: Because the chairman and I have, on a very public joint agenda, to try to make that possible.

Today the Federal Government is not giving you any money for that; is that correct?

Mr. THOMPSON. Correct.

Mr. ISSA. And according to Mr. Robinson's testimony, today we are not giving you standards so that searchability engines could search more easily by having common data base rules and terms; right?

So, that leads me to the question, and I'll go to Mr. Robinson in just a second; and this is from your response.

Do you believe that either with existing funds it can be redeployed or with new funds, that the Federal Government should be tasked to nominally set those standards but then facilitate that on an ongoing basis so that the public can in fact search any use of Federal funds, whether directly by the Federal Government or all the way down to this spending of it for the sub of a sub, if that information is technically public information?

Mr. Robinson.

Mr. ROBINSON. I think that, yes, absolutely.

Mr. ISSA. And is that technology, as I used the example, technically available, but not implemented?

Mr. ROBINSON. There is a question here about how much of the presentation of the data should be the government's task. And I think we would all agree that it would be ideal for Recovery.gov that we would go out and perhaps cover the local areas to be user-friendly and to be able to be used.

But at the same time, it would ideal if the data itself that underlies such a site were published, so that there could be many different ways to search. So if you like to Google and have a copy, and Yahoo can have a copy, probably it might, as well. And compete to show us the data most clearly. These are technically possible things, but I think they do require a considered commitment to implement.

Mr. ISSA. This committee, under the chairman's leadership, has been quoted by Mr. Devane and rightfully so, that the expectation is that if the government does a good a job and there is no more waste than other comparable programs, that we will waste or lose or misallocate at least \$55 billion.

I'm going to ask each of you whether, no matter where the funds come from, if we find a way to make available, both in Federal implementation and particularly at your levels, 2 percent—that would be about \$15 billion—to help in that implementation standard setting, modernization of equipment, so that either through your own engines or, as Mr. Robinson said, through competition within the search engine community, this information that you pore through every day could also be pored through by the public who pays their taxes; would that be a fair investment?

Mr. THOMPSON. It would be both a fair and a good investment, yes.

Mr. ISSA. Mr. Robinson, would it be fair and good and is it enough?

Mr. ROBINSON. It would be fair and good. Let me stop at that. In addition to helping government, I would hope some fraction of it could be used to incentivise the third parties who also would go

to the work of oversight. And I think that would also be highly effective.

Chairman TOWNS. Mr. Grannum.

Mr. GRANNUM. I think that's right. I think that there are lots of stakeholders who are interested in the information, even from the perspective of whether people are receiving fair treatment with respect to the allocation of funds.

Mr. ISSA. And I would assume that data base was effective and competition was there so that searches became better and easier; as most of us would use Google or Yahoo or MSN Search, that your organization would then have an easier time doing its task, because that would be the resource for you.

Mr. GRANNUM. That's correct.

Mr. ISSA. Thank you.

Mr. GRANNUM. Thank you, Mr. Chairman.

Chairman TOWNS. Thank you very much. And now we yield to the gentleman from Ohio, Mr. Kucinich.

Mr. KUCINICH. Thank you very much, Mr. Chairman. I voted for the stimulus in the hopes that the money is going to get to help the people for whom it is intended. After witnessing many years of trickle-down economics, I understood that the trickle seldom gets down. [Laughter.]

Now, I want to find out about, does the torrent of money that is going through this, and that's a trickle of more than \$787 billion, how does it get down? Now, Mr. Grannum, in your work, your Bedford Stuyvesant restoration, are you concerned that this great amount of money that you see coming is not going to get to the people who really need it?

Mr. GRANNUM. I think I have to make a distinction right there. There are two categories. So, the social safety net money, I think I have little concern, will get there; I believe it will.

I think that the money that could stimulate business in communities like Bedford-Stuyvesant, I have greater concern, because unless there is some intentional mechanism to open up avenues that have been previously been closed, the money is going to flow as it has in the past.

And so, that is a major concern. I think one of the things is that we want to break away from having the proportion of funds that go to communities like this be funds that are subsistence, and have a greater amount of those funds be funds that generate enterprise and work.

Mr. ISSA. Mr. Thompson, do you agree with that?

Mr. THOMPSON. I would say that is one of the challenges, in making sure these funds don't necessarily just go to the same old places.

Mr. KUCINICH. That's the point I'm asking all around the country, because it's like not only do we often have two classes of society in terms of where the income goes, but structure of businesses in any community, the fact that some people are getting the money all these years, they tend to just keep getting it; instead of the new entrepreneurs who are in the minority and miss the opportunities. So, what should we be doing to make sure?

Mr. GRANNUM. Well, transparency has a lot to do with it.

Mr. KUCINICH. I will address that and I know that Mr. Robinson, you're from Princeton, you're involved in information technology and that's very good. Now, but according to the CIA's Factbook, it has all kinds of information that is sometimes useful. And one of the bits of information they say is that in America, there's approximately 223 million users of the Internet.

Now, for those who are aware of the population statistics, the population right now is over 300 million. So it's quite possible that some poor people in this country do not use the Internet.

Now, we're talking about the trickle getting down, it is most likely—and I'm just guessing at this—but it's most likely that people who don't use the Internet happen to be in neighborhoods where there's a lot of poverty, social disorganization and such things. They can't afford either the Internet connection, or they can't afford the terminal, whatever.

How do we make sure that people still know about these programs? If you have to go to the Web site to apply, how do you get the information?

Mr. ROBINSON. Not only is it a good question but it is an absolutely salient question and one, in fact, that we have studied. I would say that—the analogy I might use is the computers in the classroom. There are some kinds of some programs for Washington, Maryland public schools, one computer in every classroom; and it's just for the teacher, we thought at the time. So it will just be one, you can't help all the students, you think 30 students using one computer, and that was true.

But what turned out to happen was that the teacher would use the computer to get in the new lesson plans and other new information.

Mr. KUCINICH. How will he get the information through?

Mr. ROBINSON. And that's a question for the rest of us. And so what I would say about the Internet is, if the information about what is available to disadvantaged communities is itself public instead of being buried in some file somewhere, that means that people who are engaged in the work of trying to lift up those communities, people like Mr. Grannum and his colleagues and others around the country, are better able to assist their communities in need, even if the people they are helping are not online, it is still the case that the Internet could help them.

Mr. KUCINICH. Thank you.

Here is what I'm getting at. As it is apparent, I just want to conclude with this. With all this money being available, it seems to me we should be able to hire people to knock on doors to tell people what programs are available.

[Applause.]

Mr. KUCINICH. And that's all I have to say.

Thanks.

Chairman TOWNS. Thank you very much. We'll continue with the gentleman from Pennsylvania, Mr. Platts.

Mr. PLATTS. Thank you, Mr. Chairman, and my thanks to all three of the witnesses for your participation here today.

Mr. Grannum, I've more of a comment and then a thanks and a question. And that is, just your concluding in your testimony the

comments about the prevailing wage and the impact on job creation and who will be able to participate.

I'm one of those who believes that, unfortunately, the prevailing wage, which was well-intended when it was initially created, has resulted today in negative consequences. I say that as a former Teamsters Union member. I know there are union colleagues who will support the minimum wage.

But you well lay out in your testimony that the prevailing wage requirements in this bill will likely lead to fewer jobs being created because of the inflated costs associated with the minimum wage, as well as making it harder for small business owners and minority-owned business owners to participate in them because of the regulations that go with prevailing wage.

And so, I want to thank you for including that, as well that we need to be aware of the fact that while that may be well-intended, at the end of the day it may be hurting more people than helping with their prevailing wage.

If you want to comment?

Mr. GRANNUM. I would say that it is certainly uncomfortable for me to criticize the prevailing wage. I'm from a union family, as well. But on the other hand, there are many projects that are getting done in communities like Bedford-Stuyvesant that would not get done if the prevailing wage were required in all of them. It would just not be feasible to do the projects.

Mr. PLATTS. And I think that's the issue here, as we know. We recognize perhaps some of the merits of that law but know that there should be limitations in store in how we impose that law. So, I appreciate you including that in your testimony.

Mr. Robinson, this next question is for you. What would you identify in your written testimony to address the concerns about the administration's guidance thus far? I sought to raise that with State and existing local officials in previous panels.

What do you see as the most glaring shortcomings of the administration's guidance to State and local governments and other recipients of these funds thus far?

Mr. ROBINSON. I understood, at the earlier panel in response to your question, Mr. Skyler had indicated that they haven't received contradictory guidance from these variety of sources from different agencies of the Federal Government, the OMB and so on.

And I suppose that is a cause for comfort; but at the same time, I think part of the reason that there haven't been any contradictory things is that they had just been so vague in some respects that there hasn't really been the kind of guidelines that really could make things absolutely clear.

So, the guidance that was issued April 3rd says that the OMB intends to give States the option of either reporting directly into a Federal Web site, or else compiling reports at the State level and submitting those. I'm not sure that having a diversity of approaches among States—I'm not sure what that would do necessarily for uniformity.

But in any case, the question of how data is submitted is only half of the puzzle. The other half is, what data do they have to submit?

And on that, I would submit that the guidelines that were released on April 3rd is less than totally clear. It's clear that they intend to require some additional information besides what is presently required in the future.

They talk about expanding the reporting model. But the question is how far it will be extended and whether or not when they're done extending it, it will still be the case that we need extra information that has to come from the States because the ultimate OMB requirements don't include the guidelines. That remains to be seen.

Mr. PLATTS. And the possible negative result of that is that States may spend a lot of money on information technology in designing these reporting systems; and then months from now, 2 years from now, they will actually want it in this initial form or initial information, not that information. And then we have a new expenditure.

And so, that is the concern, that we need to get it right, the sooner the better, for a complete and better uniform bill.

Mr. ROBINSON. Absolutely. One concern is obsolescence. The other is a wait-and-see attitude, where they're saying is, "I don't know what the OMB is going to do so I'll wait." Meanwhile, the money isn't being spent.

Mr. PLATTS. Either way, there's a risk that OMB has to make a decision, and hopefully it's a decision that is uniform for all agencies that are involved in disbursing the funds; rather than in a hodgepodge approach.

Mr. Chairman, thank you; and again, my thanks to the witness.

Chairman TOWNS. Thank you. Thank you for everything that you've said. And I know that talk about prevailing wages, I think if we get rid of the waste and abuse, there will be no problem. [Laughter.]

Let me thank all the witnesses today and the Members who attended this hearing today. Before we adjourn, let me say that America demands that all stakeholders under the Recovery Act work in good faith to protect the public and safeguard our unprecedented investment in America's future.

I want to be clear, and be crystal clear, that this committee will be watching and working furiously to ensure accountability and transparency over the funds.

Let me also thank the ranking member, Mr. Issa, for his leadership in standing up with me to demand the strictest oversight.

Finally, please let the record demonstrate my position of abiding with documents relating to this hearing.

And of course, I want to conclude by saying to all of you, I appreciate your coming out. You can see that we have a lot to do.

And without objection, the committee stands adjourned.

[Whereupon, at 12:39 p.m., the committee was adjourned.]

[The prepared statement of Hon. Diane E. Watson follows:]

Opening Statement

Congresswoman Diane E. Watson

*"The American Recovery and Reinvestment Act of 2009: The Role of State
and Local Governments"*

Oversight and Government Reform Committee

Tuesday, April 21, 2009

Brooklyn, New York

10:00 AM

Mr. Chairman, thank you for holding the first in a series of field hearings on oversight of the American Reinvestment and Recovery Act today in Brooklyn, New York. Since the passage of the Recovery Act on February 17, 2009, President Obama and Congress have rightly demanded strong oversight and transparency to ensure that appropriated funds are spent both swiftly and wisely. This field hearing is critical to seeing how Recovery Act funds are administered as they reach the state, county, and city level.

The purpose of the Recovery Act is to revitalize the American economy while assisting those most affected by the recession. In pursuit of these goals this landmark legislation intends to create or save 3.5 million jobs while investing in the transformation of our economy and infrastructure for the 21st century.

Much of the responsibility for ensuring Recovery Act funds are used is born by the oversight personnel of the various state and local governments. Some of the critical players who conduct this oversight for the state and city of New York are before us today, providing this committee a unique opportunity to gain first-hand insight into the concerns and obstacles they have faced in executing their responsibilities.

Some of these concerns were raised in our previous hearing on this topic on March 19th, and should be addressed today. For example, has the Federal government provided proper guidelines and communication to state and local governments as to how the money should be spent, and how that spending is reported? Furthermore, how are state and local governments supposed to properly oversee Recovery Act funds when they may not have the adequate monetary and personnel resources to do so?

It is my hope that this field hearing will provide us with some answers to these and other questions, and provide applicable recommendations for the road ahead. Mr. Chairman, thank you, and I yield back the balance of my time.