Interim Report
To the
82nd Texas Legislature
House Committee on
Federal Economic Stabilization Funding
December 2010
HOUSE COMMITTEE ON FEDERAL ECONOMIC STABILIZATION FUNDING
TEXAS HOUSE OF REPRESENTATIVES
INTERIM REPORT 2010

A REPORT TO THE
HOUSE OF REPRESENTATIVES
82ND TEXAS LEGISLATURE

STATE REPRESENTATIVE JIM DUNNAM
CHAIRMAN

COMMITTEE CLERK
MARGARET WEIR
State Representative Jim Dunnam
Chairman

The Honorable Joe Straus
Speaker, Texas House of Representatives
Members of the Texas House of Representatives
Texas State Capitol, Rm. 2W.13
Austin, Texas 78701

Dear Mr. Speaker and Fellow Members:

The Chair of the Committee on Federal Economic Stabilization Funding of the Eighty-first Legislature hereby submits the interim report including recommendations for consideration by the Eighty-second Legislature.

Respectfully submitted,

State Representative Jim Dunnam
# HOUSE COMMITTEE ON FEDERAL ECONOMIC STABILIZATION FUNDING

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HOUSE COMMITTEE ON FEDERAL ECONOMIC STABILIZATION FUNDING

INTRODUCTION

On Feb. 13, 2009, Congress passed the American Recovery and Reinvestment Act of 2009 ("ARRA") at the urging of President Obama. ARRA was a direct response to the federal economic crisis. ARRA had three immediate goals: Create new jobs as well as save existing ones; spur economic activity and invest in long-term economic growth and foster unprecedented levels of accountability and transparency in government spending.

The House Select Committee on Federal Economic Stabilization ("the Committee") was created February 12, 2009 to provide transparency and accountability for the funds flowing into Texas from the ARRA. Texas has received more than sixteen ($16) billion dollars under the programs to date. The Texas Legislature anticipated approximately this amount would be administered by and flow through state government. Texas stands to receive significantly more dollars under ARRA in the coming year, as many programs operate on a reimbursement basis or have benchmark assessments to access additional program funds that have future dates. Many ARRA funds will expire as late as September 2012, with reporting under the ARRA necessary until then.

The recommendations that follow were culled from many hours of hearings and reports from recipient agencies provided on a regular basis to the Committee. It is the Committee's intent that this report provide helpful information to the Legislature.

COMMITTEE CREATION, JURISDICTION, AUTHORITY, DUTIES AND MEMBERSHIP

The Committee is a "Select" Committee pursuant to Rule 1 § 16 of the Texas House of Representative Rules. Under this rule, the Speaker of the House may create a select committee by defining the jurisdiction, authority and duties for such in a proclamation. During the interim, the Speaker has the authority to direct committees to make interim studies per an interim charge. This committee was the only "select" committee of the House during the 81st Legislature and interim prior to January 12, 2010 when four additional select committees were formed by Speaker Straus.

On February 12, 2009, Speaker Straus (R-San Antonio) created the Committee by proclamation which outlined the aforementioned jurisdiction, authorities and duties of the Committee as well as leadership and membership:

The committee shall monitor actions of the federal government, including legislation and regulations, related to efforts to promote economic recovery by providing federal funds to the states. Specifically, the committee shall examine federal funding made available to the state in areas of transportation, health care, and education and communicate with federal officials to determine appropriate state legislation needed to maximize the state's receipt of federal funds. Further, the committee shall investigate the efforts undertaken by other states to obtain federal funding in these areas.
Consistent with the jurisdiction of the House Committee on Appropriations in Rule 3, Section 2, of the House Rules, the select committee shall make recommendations to any standing committee of the house regarding legislation necessary for the state to receive federal funds for economic recovery.

The committee shall have nine members. The following members are hereby appointed to the Select Committee on Federal Economic Stabilization Funding:

The Honorable Jim Dunnam, Chair (D - Chilton)

The Honorable Myra Crownover, Vice Chair (R - Denton)

The Honorable Garnet Coleman (D - Houston)

The Honorable Drew Darby (R - San Angelo)

The Honorable Craig Eiland (D - Galveston)

The Honorable Carol Kent (D - Dallas)

The Honorable Solomon Ortiz, Jr. (D - Corpus Christi)

The Honorable Jim Pitts (R - Waxahachie)

The Honorable Vicki Truitt (R - Keller)

**SUBCOMMITTEES**

Pursuant to House Rule 4, Sections 43 and 44, and Committee Rule 3, Chairman Dunnam appointed three subcommittees on March 18, 2010. Each subcommittee offered closer oversight and monitoring of the use and effectiveness of all ARRA funds related to their individual focus areas, which constitute the bulk of Stimulus dollars.

**Education**

**Chair:** Representative Carol Kent (Dallas)

**Members:** Representatives Garnet Coleman (Houston) 
Vicki Truitt (Keller)

As of March 10, 2010 more than $5.5 billion was awarded to Texas for education through the ARRA. Programs addressed four key areas of reform including progress toward rigorous college and career ready standards, equitable distribution of well-qualified teachers for all students, improvement of data systems and improvement in Texas' underperforming schools. The Subcommittee monitored the use and effectiveness of all ARRA funds related to education,
adherence to state and federal reporting requirements and any possible increases in funding through the ARRA. Included within the subcommittee's jurisdiction were issues related to state fiscal stabilization funds, education technology grants, low-income school support and ongoing applications for programs such as "Race to the Top."

**HEARING:**

The Education subcommittee conducted one hearing in Richardson, Texas on May 19, 2010. The Committee sent letters to all school district superintendents requesting their attendance and input.

Tony Harkleroad of the Richardson Independent School District raised concerns regarding the type of funding provided by the ARRA, where the funds injected would not always be available to continue programs increased during the ARRA cycles. He felt stimulus funds were not necessarily the answer and stressed the need for local discretionary funds. However, ARRA funds did give a much needed "shot in the arm" for technology that can be used for a longer period than program funds.

TEA's Dr. Nora Hancock related that accounting for ARRA does not always accurately reflect progress due to differences among draw-down procedures among districts. TEA explained that a desk review occurs for funds not drawn down timely. Where this occurs, schools have been notified. If the funds are not expended timely, they are redistributed. TEA also noted that funds are monitored closely since, unlike non-ARRA funding, ARRA funding has a "drop dead" date for expenditure. Non-ARRA funds are generally on the FIFO principle. (First In - First Out). Finally, the point was made that school districts would likely see greater usage of ARRA funds later in the ARRA funding cycles since much of the money allocated came after the planning for the school years, and thus budgets, etc. - were complete. Being able to forecast the funds into planning allows schools to utilize the benefits more efficiently.

Ms. Sandy Maddux of Region X reiterated that the dollars came late into school districts to be able to utilize until the 2010 - 2011 school year and beyond. She also discussed in detail the additional training requirements in the Region for compliance and monitoring.

**ENERGY**

**Chair:** Representative Solomon Ortiz, Jr. (Corpus Christi)

**Members:** Jim Pitts (Waxahachie)  
Craig Eiland (Galveston)

Texas plays a critical role in America’s domestic energy production, as it is the largest refiner of petroleum in the U.S., and produces more than three times as much natural gas as any other state. Additionally, Texas has the second largest number of alternative fuel vehicles and is the top producer of renewable energy in the nation. The Department of Energy Awarded 1,311,699,940 to Texas under the ARRA as of March 5, 2010. The Subcommittee monitored the use and effectiveness of these funds, adherence to state and federal reporting requirements and any
possible increases in funding from ARRA. Included within the subcommittee's jurisdiction were issues related to the Weatherization Assistance Program, Smart Grid Investment grants, Clean Cities grant programs, the Conservation Block Grant Program and Biorefinery programs.

Assistant Corpus Christi City Manager, Oscar Martinez testified at the Subcommittee's September 1, 2010 meeting in Corpus Christi along with Mr. Rudy Garza, Director of the City's Intergovernmental Relations team. They discussed innovations utilized in Corpus to reduce energy costs and improve efficiency. Of the most interesting and notable, changing out toilets to reduce the flow saved more energy than anything else attempted. This is because of the energy used to treat wastewater.

CenterPoint Energy also spoke about their efforts, mostly in the Houston area, to implement SmartGrid technologies. They further elaborated on techniques available to consumers to reduce their energy costs by using technologies available now. Technologies such as heating and cooling at off times can result in lower costs. Online tools are available now for those with a smart meter.

Summit Power also testified about their plans for coal gasification with 90% carbon capture and sequestration. Summit was granted funds through the U.S. DOE ($211MM in Recovery funds) through a competitive grant process (FutureGen) - to be located atop the Permian Basin, 15 miles west of Odessa.

Reed Armstrong of Iberdrola Renewables discussed wind technology being utilized for energy origination in Texas. and the Texas Department of Housing and Community Affairs, along with local agencies, discussed progress with the Weatherization Assistance Program.

**TRANSPORTATION**

**Chair:** Representative Drew Darby (San Angelo)

**Members:** Representative Carol Kent (Dallas)  
Representative Myra Crownover (Denton)

Texas received more than $2.7 billion under the ARRA for transportation related projects as of March, 2010. This represents approximately 13% of all funds received by the state under the Act. Transportation funding is designed to enable economic growth to deliver jobs and literally deliver people to their jobs. Without strong transportation arteries, economies stagnate. Included within the subcommittee's jurisdiction were issues related to highway and bridge formula grants, transit, general aviation projects, transportation enhancements and other upcoming grant programs.

The Transportation sub-committee conducted one hearing in Austin, Texas on May 5, 2010. Mr. John Barton, Assistant Executive Director for Engineering Operations at TxDOT, testified that all funds were obligated timely, and that Texas intentionally moved forward large projects that would take a long time to complete through the end of the 2012 ARRA cycle in hopes of maximizing the potential impact of the ARRA dollars on local economies. Mr. Barton also
spoke of significant runs that resulted in funds to be reallocated to other projects. When asked why Texas did not follow other states in erecting ARRA signs for roadwork using ARRA dollars, Mr. Barton explained that each sign costs $500 - $10,000 each; money that the Department felt was better used on actual projects.

Director of Governmental Relations at TCEQ, Jim Harrison, spoke about the Clean School Bus Program, which is further detailed later in this report. He identified in May problems that have persisted with sourcing parts for the program and also problems with the Texas Emissions Reduction Program, where monitoring proper disposal of replaced vehicles has remained a difficulty. This is also discussed in further detail below.

**STATE IMPLEMENTATION SUBCOMMITTEE**

A subcommittee also existed during the 81st Legislative Session, chaired by Representative Carol Kent, to examine other state's implementation of the ARRA and presented a report to the Committee on their findings.

**INTERIM CHARGES**

Speaker Joe Straus designated the following Interim Charges in November, 2009:

- Monitor the use of funds, adherence to state and federal reporting requirements, and ongoing development of federal rules and regulations provided under the American Recovery and Reinvestment Act (ARRA). Evaluate the impact of those funds on the state's economy. Joint Interim Charge with House Committee on Appropriations.

- Review the Texas Department of Housing and Community Affairs' Weatherization Assistance Program and increased funding from ARRA. Examine the methodology used to distribute funds and the program's effectiveness at reducing residential energy costs. Joint Interim Charge with House Committee on Urban Affairs.

- Monitor the agencies and programs under the committee's jurisdiction.

The House Appropriations Committee was Chaired by Committee Member Jim Pitts.

The Stimulus Subcommittee of the House Appropriations Committee was Chaired by Committee Vice Chairwoman Myra Crownover.

The House Committee on Urban Affairs was chaired by Yvonne Davis (D- Dallas).
The Committee was tasked specifically with reviewing dollars allocated under Article XII of the General Appropriations Act of 2009 - available at:

http://www.lbb.state.tx.us/Bill_81/6_FSU/Bill-81-6_FSU_0909.pdf

**COMMITTEE HEARINGS**

The Committee held 26 hearings in Austin, and around the state of Texas:

1. February 19, 2009 (Austin, Texas)
   Legislative Budget Board
   Office of State Federal Relations

2. February 23, 2009 (Austin, Texas)
   Texas Department of Housing and Community Affairs
   Office of the Comptroller for Public Accounts
   State Auditor's Office
   Texas Department of Transportation

3. February 24, 2009 (Austin, Texas)
   Health and Human Services Commission

4. February 25, 2009 (Austin, Texas)
   Office of the Governor
   Texas Workforce Commission

5. February 26, 2009 (Austin, Texas)
   Comptroller's Office
   State Energy Conservation Office
   Public Utility Commission
   Office of Rural and Community Affairs
   Texas Water Development Board
   Texas Commission on Environmental Quality

6. March 2, 2009 (Austin, Texas)
   Texas Department of Transportation
   Texas Education Agency
   Texas Higher Education Coordinating Board

7. March 4, 2009 (Austin, Texas)
   Legislative Budget Board
   Texas Department of Housing and Community Affairs
   Public Utility Commission
   Electric Reliability Council of Texas
   Texas Workforce Commission
8. March 5, 2009 (Austin, Texas)
   Legislative Budget Board

9. March 9, 2009 (Austin, Texas)
   Energy, Environment
   Broadband Telecommunications
   Other related issues

10. March 10, 2009 (Austin, Texas)
    Unemployment
    Housing
    Rural Affairs

11. March 12, 2009 (Austin, Texas)
    Health and Human Services

12. March 14, 2009 (Arlington, Texas)
    Public Testimony

13. March 17, 2009 (Austin, Texas)
    Public Testimony - Public Education

14. March 18, 2009 (Austin, Texas)
    Public Testimony - Higher Education

15. March 19, 2009 (Austin, Texas)
    Public Testimony - Transportation and Criminal Justice

16. March 21, 2009 (San Antonio, Texas)
    Public Testimony - ARRA Generally

17. March 25, 2009 (Austin, Texas)
    Local Governmental Entities
    COGS
    Counties
    Cities
    Hospital Districts

18. April 6, 2009 (Austin, Texas)
    Texas Education Agency
    State Energy Conservation Office
    Office of Rural and Community Affairs
    Texas Workforce Commission
    Texas Department of Housing and Community Affairs
    Texas Department of Transportation
19. April 8, 2009 (Austin, Texas)
   Texas Education Agency
   Texas Higher Education Coordinating Board
   The Office of the Governor
   Health and Human Services Commission

20. August 12, 2009 (Austin, Texas)
   Legislative Budget Board
   Office of the Comptroller
   Health and Human Services Commission
   Office of the Governor
   Texas Workforce Commission
   Texas Education Agency
   Texas Department of Housing and Community Affairs
   Texas Department of Transportation

21. February 10, 2010 (Austin, Texas)
   Texas Department of Transportation
   Texas Department of Housing and Community Affairs
   Legislative Budget Board
   Comptroller's Office
   Office of the Governor
   Texas Education Agency
   Texas Department of Health and Human Services
   Texas Workforce Commission

22. March 30, 2010 (Dallas, Texas) (Joint, Urban Affairs Committee)
   Texas Department of Housing and Community Affairs
   Dallas County Department of Health and Human Services
   City of Dallas Housing and Community Services Department
   City of Houston Residential Energy Efficiency Program
   City of Arlington Community Services
   State Energy Conservation Office
   Public Testimony

23. May 5, 2010 (Austin, Texas) (Subcommittee on Transportation)
   Texas Department of Transportation
   Texas Commission on Environmental Quality

24. May 19, 2010 (Richardson, Texas) (Subcommittee on Education)
   Texas Education Agency
   Texas Higher Education Coordinating Board
   Office of the Governor
   Public Testimony
The Committee prepared and published a total of sixty (60) "Chairman's Updates" on at least a bi-weekly basis to the House of Representatives detailing recent ARRA related news and data. 28 were published in 2009 and 31 in 2010 as of December 3rd with the intention to publish several more prior to year end. All updates are available on the Committee's public website: www.txstimulusfund.com.

The Committee also prepared several reports during the regular session and interim including synopsis of data collected from agencies and a report discussing the unemployment decision. These are also available on the website. Outlays represent payments made by the government. Those funds represent spending that has already occurred. Obligations represent funds that have been made available but not necessarily outlayed, such as for a highway project where the builder must complete the work properly to be fully reimbursed by the Federal government. In many instances, obligations can generate economic activity even before outlays occur because recipients may begin spending as soon as they are certain funds will be forthcoming.

Data on the overall budgetary impact of the Recovery Act are available on the Recovery.gov website. The data are broken down into outlays, obligations, and tax reductions. The outlays and obligations by agency are available weekly and the tax reduction data are available quarterly.

For complete, up-to-date, reporting on all ARRA activity in Texas, whether flowing through state government or to individual entities, please see the recovery website at:

http://www.recovery.gov/Transparency/RecipientReportedData/Pages/statesummary.aspx?StateCode=TX
ARTICLE XII - ARRA RECIPIENT SUMMARIES OF TESTIMONY AND REPORTING

What follows is a summary of all testimony and final reporting received by the Committee. All testimony is available through the Committee official site, as long as the site remains active at:

http://www.house.state.tx.us/committees/committee/?committee=272&session=81

All documents prepared for hearings are available at the Committee's external site as long as it remains active:

http://txstimulusfund.com/CommitteeHearings.aspx

All reports prepared by the Committee and referenced within the document are also available at the Committee's external site, for the duration of the site, at:

http://txstimulusfund.com/TransAcc.aspx

TEXAS DEPARTMENT OF AGRICULTURE

TESTIMONY:

In 2009, Commissioner Staples testified regarding the federal stimulus funds the Texas Department of Agriculture expected to receive. The Commissioner expected approximately $11.5 million available for grants to public schools for the equipment under the National School Lunch Program. The agency expected $8.2 million from the Commodity Assistance Program for emergency food assistance to food pantries, soup kitchens, senior centers, etc. They anticipated an additional $2.1 million in 2010 to cover administrative costs. The ARRA allocated $50 million nationally for assistance to aquaculture producers who experienced high feed costs in 2008.

Commissioner Staples also mentioned that the State should ensure that Texas businesses and agencies maximize the use of the Federal dollars that are available for rural broadband. There was $2.5 billion available nationally on a competitive basis for grants, loans and loan guarantees for distance learning, telemedicine and rural broadband. There was also $4.7 billion available nationally through the Commerce Department for extending broadband services. Commissioner Staples said Texas could benefit tremendously from these programs. He also mentioned that our participation in the $1.4 billion in rural water loans and grants and the $515 million for wildfire management would be an excellent stimulant for the economy.

The Department submitted regular reports to the Committee during 2010, but did not appear for testimony. Details of programs under the purview of the Department follow.
**EMERGENCY FOOD ASSISTANCE PROGRAM**

The ARRA appropriated an additional $8.2 million for food and $4.1 million for administration of the Texas Emergency Food Assistance Program (TEFAP) ($2.1 million in 2009 and $2 million in 2010). The funding was administered by TDA through the Texas Commodity Assistance Program (TEXCAP). The program coordinated the distribution of USDA-donated commodities to emergency feeding organizations such as food pantries, soup kitchens, and housing authorities. These organizations supply the commodities to participants through prepared meals that are served on-site and food packages that may be used for home consumption.

The funding increased the amount of food purchased by USDA for distribution to food banks throughout the state. Each food bank contractor's share of funds for commodities and share of funds for administration was determined on a 60/40 formula (i.e. 60 percent on poverty and 40 percent unemployment). TDA has reimbursed food banks the $4.1 million allocated for administration of the ARRA TEFAP. All 4.1 million for administration has been expended.

**NATIONAL SCHOOL LUNCH EQUIPMENT**

Under the ARRA, Texas was allocated $11.5 million for equipment assistance to school food authorities (SFAs) participating in the National School Lunch Program (NSLP). Equipment is defined as articles of nonexpendable, tangible personal property with a useful life of more than one year and a per unit acquisition cost of $5,000 or more. Equipment had to be reasonable, necessary, allocable and allowable in order to be a permissible cost.

TDA was charged with the distribution of the grants and more than 3,000 schools applied. The applications included requests for nearly 10,000 separate pieces of equipment totaling over $135 million. A review panel scored applications, with consideration given to how the purchase would do the following:

- Improve the quality of the school foodservice meals that meet dietary guidelines,
- Improve the safety of food served in the school meals programs,
- Improve the overall energy efficiency of the school foodservice operations and/or
- Allow the SFAs to support expanded participation in the school meals programs.

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**PROGRESS:**

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<tr>
<th>Program</th>
<th>Award Amount</th>
<th>Amount Obligated</th>
<th>Amount Received/Reimbursed</th>
<th>Amount Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Food Assistance Program</td>
<td>$8,200,000.00</td>
<td></td>
<td></td>
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<tr>
<td>Food</td>
<td>$4,100,100.00</td>
<td>$4,100,100.00</td>
<td>$4,100,100.00</td>
<td>$0.00</td>
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<tr>
<td>Administration</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>National School Lunch Program</td>
<td>$11,500,000.00</td>
<td>$11,500,000.00</td>
<td></td>
<td>$18,000.00</td>
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<tr>
<td>Aquaculture Assistance Grant Program</td>
<td>$1,732,244.00</td>
<td>$1,692,943.56</td>
<td>$1,692,943.56</td>
<td>$39,300.44</td>
</tr>
<tr>
<td>Broadband</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(See Broadband Section Below)
TDA awarded grants to 381 Texas schools in June 2009 for the purchase of 939 pieces of new kitchen equipment including ovens, freezers, steam tables, and food processors. Over $1.3 million of the original grants were not utilized by the awarded schools due to cost savings realized during the bidding process. TDA re-allocated these funds for over 80 additional pieces of equipment to 41 new schools. A complete list of recipients and equipment can be found at www.SquareMeals.org/ARRA. All funds were distributed to the Texas schools by Sept 30, 2010 – less approximately $18,000.

AQUACULTURE ASSISTANCE GRANT PROGRAM
The program is intended to assist aquaculture producers with losses associated with high feed input costs during the 2008 calendar year. Grant amounts are determined by subtracting the producer’s average price/ feed unit from the state's 2003-2007 five-year average price per unit, multiplied by the number of feed units the producer purchased during 2008.

TDA administered the program through a feed credit system. Credits could only be used for the purchase of feed at cooperating feed suppliers. Any feed supplier could participate by entering into an agreement with TDA. Credits could not be traded, sold, or redeemed for cash. Texas was appropriated $1,732,244 in federal funds including an additional $45,043 received in October 2009.

As of the end of September 2010, TDA paid out $1,692,943.56 to feed mills on behalf of qualified producers. The 2008 AGP grant term has expired. Funds not spent by producers are to be reallocated to others who expended all their feed credits. Producers only received 45% of what they qualified for. Producers were able to use these reallocated credits for feed purchased during the grant term. 97% of funds were expended as of September 30, 2010.

BROADBAND TECHNOLOGY OPPORTUNITY PROGRAM
Funds under the program support the deployment of broadband infrastructure in underserved areas, enhance the capacity at public computer centers and encourage sustainable adoption of broadband service. TDA was the lead agency working with others under the program. Round One - identified "Connect Nation" through an RFP process, as a non-profit partner to measure and map the availability and use of broadband across Texas, which is ongoing as of this report.

The State Broadband Data and Development Program (SBDD) is administered by the National Telecommunications and Information Administration (NTIA). This fall NTIA extending program funding. To date, Connected Nation has received $8,026,000 total to conduct a broadband mapping and planning project for NTIA in Texas.

The Texas Department of Agriculture also deployed grants and loans funded by ARRA and administered by NTIA and the U.S. Department of Agriculture. The spreadsheet below was developed by the agency to show funding awarded in the two rounds administered through the Broadband Technology Opportunities Program and the Broadband Incentives Program.
## ROUND 1

<table>
<thead>
<tr>
<th>Company</th>
<th>Loan</th>
<th>Grant</th>
<th>Total</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NTIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allegiance Communications</td>
<td>$</td>
<td>$28,619,485</td>
<td>$28,619,485</td>
<td>Infrastructure project to deploy broadband technology to an estimated 12,700 households and 230 businesses in the region. It will be the first time wireline broadband service faster than dial-up is offered in most of the communities; includes upgrade of communications for public safety.</td>
</tr>
<tr>
<td>Deaf Action League of Louisiana</td>
<td>1,381,252</td>
<td>1,380,513</td>
<td>2,761,765</td>
<td>Public Computer Center Project to install 81 new videoconferencing stations, and upgrade 19 existing stations that serve individuals who are deaf or hard-of-hearing in parts of four states, including Texas.</td>
</tr>
<tr>
<td>ENMR Telephone Cooperative</td>
<td></td>
<td>11,252,066</td>
<td>11,252,066</td>
<td>Infrastructure project to enhance broadband capabilities for anchor institutions through 1,600-mile ring of fiber and 74 miles of new fiber in five communities, connecting more than 200 education, public safety, health care, and government agencies, at up to 1 Gbps, and offering wholesale service to 20 communities.</td>
</tr>
<tr>
<td>Level3 EON</td>
<td>5,194,691</td>
<td>4,677,788</td>
<td>9,872,479</td>
<td>Middle mile project to build 17 new access points on existing broadband network to enable last mile providers to offer affordable high-speed services to underserved areas, with speeds between 50 Mbps and 10 Gbps. The project could reach as many as 400,000 households, 21,000 businesses, and 214 anchor institutions, including schools, government agencies, and healthcare providers.</td>
</tr>
<tr>
<td>Mission Economic Development Agency</td>
<td></td>
<td>3,724,128</td>
<td>3,724,128</td>
<td>Public Computer Center Project to create 12 new public computer centers and expand five existing centers in ten states, including in San Antonio and Laredo.</td>
</tr>
<tr>
<td>One Economy</td>
<td></td>
<td>28,519,482</td>
<td>28,519,482</td>
<td>Sustainable Broadband Adoption grant for a comprehensive program of computer training, wireless Internet access, broadband awareness marketing, and online content and applications to residents of 159 affordable and public housing developments and low-income communities in 50 cities.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,575,943</td>
<td>78,173,462</td>
<td>84,749,405</td>
<td></td>
</tr>
<tr>
<td><strong>Texas only</strong></td>
<td>5,194,691</td>
<td>4,677,788</td>
<td>9,872,479</td>
<td></td>
</tr>
<tr>
<td><strong>Multi-state</strong></td>
<td>1,381,252</td>
<td>73,495,674</td>
<td>74,876,926</td>
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## RUS

<table>
<thead>
<tr>
<th>Company</th>
<th>Loan</th>
<th>Grant</th>
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</tr>
</thead>
<tbody>
<tr>
<td>PRIDE Network</td>
<td>$22,720,551</td>
<td>$21,829,549</td>
<td>$44,550,100</td>
<td>Provide a FTTP telecommunications infrastructure, with a WiMAX service-extension overlay that will bring advanced broadband services to rural communities.</td>
</tr>
<tr>
<td>PRIDE Network</td>
<td>12,811,071</td>
<td>6,309,931</td>
<td>19,121,002</td>
<td>Provide a FTTP telecommunications infrastructure, with a WiMAX service-extension overlay to bring advanced broadband services to two rural Texas communities.</td>
</tr>
<tr>
<td>Company</td>
<td>Loan</td>
<td>Grant</td>
<td>Total</td>
<td>Description</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>--------</td>
<td>-----------</td>
<td>----------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Panhandle Tel. Coop</td>
<td>3,336,188</td>
<td>10,098,562</td>
<td>13,434,750</td>
<td>Extend and improve broadband service in small towns in the Panhandles of OK and Texas.</td>
</tr>
<tr>
<td>XIT Rural Telephone Cooperative</td>
<td></td>
<td>3,065,440</td>
<td>3,065,440</td>
<td>Provide a FTTP and Fiber-to-the-Node (FTTN) advanced DSL technology within two separate service areas in and around the communities of Dalhart and Stratford.</td>
</tr>
<tr>
<td>Valley Telephone Cooperative</td>
<td>40,093,153</td>
<td>38,520,868</td>
<td>78,614,021</td>
<td>Develop broadband infrastructure in South Texas.</td>
</tr>
<tr>
<td>Wes-Tex Telephone Cooperative</td>
<td>16,891,875</td>
<td>16,891,875</td>
<td>33,783,750</td>
<td>Provide a broadband infrastructure to increase Internet availability and access speeds in rural areas of W Texas.</td>
</tr>
<tr>
<td>Total</td>
<td>95,852,838</td>
<td>96,716,225</td>
<td>192,569,063</td>
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<tr>
<td>Texas only</td>
<td>79,705,579</td>
<td>80,307,732</td>
<td>160,013,311</td>
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<tr>
<td>Multi-state</td>
<td>16,147,259</td>
<td>16,408,493</td>
<td>32,555,752</td>
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</tr>
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<td>Grand Total (NTIA + RUS)</td>
<td>102,428,781</td>
<td>174,889,687</td>
<td>277,318,468</td>
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</tr>
<tr>
<td>Texas only</td>
<td>84,900,270</td>
<td>84,985,520</td>
<td>169,885,790</td>
<td></td>
</tr>
<tr>
<td>Multi-state</td>
<td>17,528,511</td>
<td>89,904,167</td>
<td>107,432,678</td>
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</table>

**ROUND 2**

<table>
<thead>
<tr>
<th>Company</th>
<th>Loan</th>
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<tbody>
<tr>
<td>NTIA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University Corp. for Advanced Internet</td>
<td>$</td>
<td>$62,540,162</td>
<td>$62,540,162</td>
<td>Comprehensive Community Infrastructure project would create US Unified Community Anchor Network (U.S. UCAN), a national-scale network of middle mile facilities, connecting all community anchor projects funded by BTOP with each other, and with more than 66,000 other anchors, to ensure a seamless national high-performance, open networks.</td>
</tr>
<tr>
<td>Valley Telephone Cooperative</td>
<td>15,697,856</td>
<td>15,697,856</td>
<td></td>
<td>A CCI project, the Rio Grande Valley Fiber Network will serve the towns of Harlingen, Brownsville, Edinburg, Weslaco and McAllen, providing 330 miles of fiber routes, resulting in a broadband infrastructure that is needed to spur economic development, promote growth, connect community anchor institutions, and provide employment within the region. The network would provide services to 35 community anchor institutions, including a community college and a public safety entity.</td>
</tr>
<tr>
<td>Communication Service for the Deaf, Inc.</td>
<td>14,988,657</td>
<td>14,988,657</td>
<td></td>
<td>Promote broadband adoption and educate 200,000 deaf/hard of hearing consumers about benefits of having broadband through an awareness and outreach campaign; sign up 16,000 broadband users, offer discounted mini-notebooks and broadband connections to income-eligible consumers; employ 20 tiered support staff in specialized CSD contact center.</td>
</tr>
<tr>
<td>E.N.M.R. Telephone Cooperative</td>
<td>16,460,815</td>
<td></td>
<td></td>
<td>$7 mm in matching contribution, will allow ENMR-Plateau to offer affordable middle-mile broadband service in New Mexico and Texas. The project plans to directly connect 287 community institutions to broadband. As many as 115,000 people stand to benefit as do 3,800 businesses. In addition to the</td>
</tr>
<tr>
<td><strong>Entities</strong></td>
<td><strong>Quote</strong></td>
<td><strong>Award Amount</strong></td>
<td><strong>Total</strong></td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
<td>------------------</td>
<td>-----------</td>
<td></td>
</tr>
<tr>
<td>Peoples Telephone Cooperative</td>
<td>This approximately $28.8 mm award will allow the Peoples Telephone Cooperative (PTC) to offer affordable middle-mile broadband service in eastern Texas. The project plans to directly connect as many as 190 community institutions to broadband. As many as 241,000 people stand to benefit as do 10,300 businesses. In addition to the approximately 100 jobs PTC estimates the project will create, it will provide a foundation for economic growth and job creation for decades to come.</td>
<td>28,825,356</td>
<td>$93,226,675</td>
<td></td>
</tr>
<tr>
<td>Texas A&amp;M University</td>
<td>This approximately $6.6mm award, with nearly $3mm in matching contributions, will allow TAMU System to offer affordable middle-mile broadband service in areas of Texas. The project plans to connect almost 50 community anchor institutions, including more than 12 institutions of higher education serving more than 110,000 students and 27,000 faculty and staff. As many as 231,000 people stand to benefit as do 4,200 businesses. In addition to the jobs this project will create, it will provide a foundation for economic growth and job creation for decades to come.</td>
<td>6,550,775</td>
<td>$15,697,856</td>
<td></td>
</tr>
<tr>
<td>City of Brownsville</td>
<td>The approx. $865,000 award, matched by more than $270,000 in matching contributions, will allow the City of Brownsville to foster economic growth by increasing public computer access and awareness of the benefits of broadband. The project will enhance existing public computer workstations, deploy 176 new workstations, and engage new users through teacher-led training. In addition to the jobs this project will create, it will provide a foundation for economic growth and job creation for decades to come.</td>
<td>865,920</td>
<td>$77,528,819</td>
<td></td>
</tr>
<tr>
<td>Texas State Library &amp; Archives Commission</td>
<td>The approx. $8mm award, with nearly $3.7 mm in matching contributions, will allow the Texas State Library &amp; Archives Commission to deploy Technology, Expertise, Access and Learning for All Texans (TEAL) project which will provide greater broadband computer access at faster speeds by upgrading 125 public computer centers and establishing approximately 30 new centers equipped with 2,200 new workstations. In addition to the more than 125 jobs TEAL estimates the project will create, it will provide a foundation for economic growth and job creation for decades to come.</td>
<td>7,955,941</td>
<td>$77,528,819</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$93,226,675</td>
<td>$93,226,675</td>
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</tr>
<tr>
<td><strong>Texas only</strong></td>
<td></td>
<td>$15,697,856</td>
<td>$15,697,856</td>
<td></td>
</tr>
<tr>
<td><strong>Multi-state</strong></td>
<td></td>
<td>$77,528,819</td>
<td>$77,528,819</td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td>Loan</td>
<td>Grant</td>
<td>Total</td>
<td>Description</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>--------</td>
<td>-----------</td>
<td>------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Blossom Telephone Company; Red River Broadband Expansion Project</td>
<td>$833,303</td>
<td>$1,944,373</td>
<td>The funding will provide middle-mile connection to last-mile networks to provide affordable high-speed broadband services to an area otherwise constrained by the high costs of services. *This is the first time a grant award has also referenced &quot;private investment.&quot; Private investment of $814,000</td>
<td></td>
</tr>
<tr>
<td>Mid-Plains Rural Telephone Cooperative, Inc.</td>
<td></td>
<td>2,809,000</td>
<td>This $2.8 million award will allow Mid-Plains Rural Telephone Cooperative to provide fiber-to-the-home to customers located in six rural areas in the Texas Panhandle. Mid-Plains Rural Telephone's project stands to benefit over 670 people and over 14 businesses. Not only will this project create jobs upfront, but it will also help drive economic development in the community that will help create jobs for years to come.</td>
<td></td>
</tr>
<tr>
<td>XIT Rural Telephone Cooperative, Inc.</td>
<td></td>
<td>2,112,950</td>
<td>This $2.1 million grant to XIT Rural Telephone Cooperative with an additional $3.9 million in outside capital will deploy Fiber-to-the-Premise to multiple PFSAs within their existing service area in the Northwest Texas panhandle. XIT will build fiber to homes and businesses in these areas and will connect these customers to XIT's existing broadband and voice network. XIT Rural Telephone Cooperative's project stands to benefit more than 500 people and 50 businesses. In addition to the jobs this project will create upfront, it will help drive economic development and create jobs for decades to come.</td>
<td></td>
</tr>
<tr>
<td>Electronic Corporate Pages Inc</td>
<td>1,893,298</td>
<td></td>
<td>This $1.8 million award to Electronic Corporate Pages, Inc. will offer over 3 megabytes per second in aggregate (upstream and downstream) to an area in Central Texas with an average household density of 10 per square mile. Electronic Corporate Pages' project stands to benefit approximately 30,000 people, 6,000 businesses, and 10 other community institutions. In addition to the jobs this project will create upfront, it will help drive economic development and create jobs for decades to come.</td>
<td></td>
</tr>
<tr>
<td>Windstream Corporation</td>
<td>1,613,509</td>
<td></td>
<td>This $1.6 million grant to Windstream Corporation with an additional $537,836 of outside capital will allow Windstream to extend its broadband network to provide broadband to many currently un-served homes and businesses. Windstream will use high-speed DSL, which will allow customers to get speeds of up to 12 Mpbs. Windstream's project stands to benefit approximately 3,000 people, 140 businesses, and 4 other community institutions. In addition to the jobs this project will create upfront, it will help drive economic development and create jobs for decades to come.</td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td>Amount</td>
<td>Details</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>---------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATSI Communications</td>
<td>833,176</td>
<td>This approximately $833,000 award, matched by $475,000 in private contribution, will allow ATSI to build out a wireline broadband network infrastructure to provide last-mile service speeds of up to 6 Mbps in the underserved area of Progreso. The company will install a point-to-point microwave solution with a capacity of 250 Mbps connecting its Internet Point of Presence (POP) to its cable network head-end in Progreso. Approximately, 2,525 people stand to benefit, as do roughly 852 businesses and 14 community institutions. In addition to the more than 24 jobs the company estimates this project will create upfront, it will provide a foundation for economic growth and job creation for decades to come.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Five Area Telephone Cooperative, Inc.</td>
<td>2,454,223</td>
<td>This approximately $2.4 million award, matched by $1mm in private contribution will allow Five Area Telephone Cooperative to implement the West Texas Broadband Infrastructure Development to Support Internet Adoption project. The company will offer high-speed broadband service to the towns of Bledsoe, Bula, Clays Corner, Lazbuddie, Maple and Needmore in rural west Texas via an FTTP network. Approximately 498 people stand to benefit, as do 235 businesses and 1 community institution. In addition to the jobs this project will support upfront, it will provide a foundation for economic growth and job creation for decades to come.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hill Country Telephone Cooperative, Inc.</td>
<td>12,234,217</td>
<td>This approximately $12.2 mm award will allow Hill County Telephone Cooperative, Inc. to offer broadband service speeds of up to 20 Mbps over copper and up to 100 Mbps over fiber. The project will deploy 560 miles of fiber-optic cable, 280 digital loop carriers and state-of-the-art soft switches throughout a substantial portion of its service area. Approximately 4,200 people stand to benefit. In addition to the 448 jobs Hill Country Telephone Cooperative estimates this project will create upfront, it will provide a foundation for economic growth and job creation for decades to come.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecom Cable, LLC</td>
<td>634,050</td>
<td>This $634,050 award will allow Telecom Cable to offer high-speed broadband access via two-way hybrid fiber/coaxial wireline transmission in the rural areas of Corrigan, Fulshear and Weston Lakes. This project will provide broadband service speeds of at least 5 Mbps. Approximately, 4,635 people stand to benefit, as do roughly 59 businesses and 22 community institutions. In addition to the more than 20 jobs the company estimates this project will create upfront, it will provide a foundation for economic growth and job creation for decades to come.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
This approximately $2.6 mm award will allow Medicine Park Telephone Company to offer broadband service using an FTTP network between Sterling, Oklahoma & Scotland, Texas with backbone service speeds between 155 Mbps and 10 Gbps. Approximately 4,233 people stand to benefit, as do roughly 24 community institutions. In addition to the more than 33 jobs the company estimates this project will create upfront, it will provide a foundation for economic growth and job creation for decades to come.

<table>
<thead>
<tr>
<th>Medicine Park Telephone Co.</th>
<th>2,658,210</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$29,187,006</td>
</tr>
<tr>
<td>Round 2 Total</td>
<td>$122,413,681</td>
</tr>
<tr>
<td>Grand Total (Round 1 &amp; Round 2)</td>
<td>$297,303,368</td>
</tr>
</tbody>
</table>

For updates on the program as it continues, visit the U. S. Department of Agriculture - Broadband Initiatives Program and National Telecommunications and Data Administration

HTTP://WWW.AGR.STATE.TX.US/AGR/PROGRAM_RENDER/0,1987,1848_6061_0 0,00.HTML?CHANNELID=6061

FAIR PARK AGRICULTURE BUILDINGS
TDA was appropriated $1 million in the 81st Legislative GAA for the purpose of contracting with the City of Dallas for structural building improvements to the Fair Park Agriculture Buildings, in Dallas, Texas. Upon review of the implementation guidelines and requirements associated with ARRA funds for construction, the Texas Higher Education Coordinating Board (THECB), TDA and the City of Dallas determined the administrative requirements associated with construction expenditures, though achievable, are time consuming and would unnecessarily delay the implementation of this project, and would consequently fail to contribute to an immediate economic stimulus.

TDA requested approval from LBB and Governor's Office to repurpose these ARRA funds to be used for security and utility expenditures associated with the Fair Park. Approval was granted on February 24, 2010 by the Governor’s Office. On April 12, 2010, the LBB approved TDA to allow, on behalf of the City of Dallas as its grantee, to apply to the Texas Higher Education Coordinating Board for $1 million to pay for utility and security costs incurred in connection with operation of the Fair Park facility in Dallas, Texas. The award between THECB and TDA was executed in May 2010.

TDA has entered into an agreement to sub-grant funds for the proposed expenditures with the City of Dallas. As a condition of the sub-agreement, the City of Dallas will be required to complete rehabilitation and modernization work of the Pan American Arena in Fair Park. The rehabilitation work should focus on life-safety and electrical issues within the Pan American Arena, as originally planned. Although no payments have been made at the time of this report, TDA anticipates the City of Dallas will expend the full $1 million by the end of 2010.
RURAL DEVELOPMENT LOANS
The USDA reported in October, 2010 the following loans and grants applied to Texas under the ARRA.

Texas has received the following loans and grants under USDA Recovery Act Rural programs:

<table>
<thead>
<tr>
<th>Program</th>
<th>Total Loan Amount</th>
<th>Total Grant Amount</th>
<th>Total Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadband Loan &amp; Grant Program</td>
<td>$117,906,145</td>
<td>$123,611,115</td>
<td>$241,517,260</td>
</tr>
<tr>
<td>Business &amp; Industry Guaranteed Loan Program</td>
<td>$70,015,470</td>
<td></td>
<td>$70,015,470</td>
</tr>
<tr>
<td>Community Facility Loan &amp; Grant Program</td>
<td>$30,565,350</td>
<td>$4,594,983</td>
<td>$35,160,333</td>
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<tr>
<td>Rural Business Enterprise Grant Program</td>
<td>$1,200,000</td>
<td></td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Single Family Housing Direct Loan Program</td>
<td>$35,391,575</td>
<td>$35,391,575</td>
<td>$35,391,575</td>
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<tr>
<td>Single Family Housing Guaranteed Loan Program</td>
<td>$444,443,779</td>
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<td>$444,443,779</td>
</tr>
<tr>
<td>Water &amp; Waste Disposal Loan &amp; Grant Program</td>
<td>$68,480,830</td>
<td>$24,936,630</td>
<td>$93,417,460</td>
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<tr>
<td>Totals</td>
<td>$766,803,149</td>
<td>$154,342,728</td>
<td>$921,145,877</td>
</tr>
</tbody>
</table>

The entire rural development report can be read at:


Over $1.7 billion have been allocated to Texas through the U.S. Department of Agriculture to date, through various entities and agencies. Complete reporting for all ARRA allocations is available through the www.recovery.gov website.

TEXAS COMMISSION ON THE ARTS

The Texas Commission on the Arts did not testify during 2010.

The Texas Commission on the Arts ("TCA") is the recipient of funds from the ARRA from two sources. The National Endowment ("NEA") for the Arts and the U.S. Department of Education (passed through the Texas Higher Education Coordinating Board.)

The NEA, under ARRA, granted TCA $427,300 to distribute to organizations that will help preserve jobs in the creative industries. These grant funds were used exclusively for existing jobs and employee fringe benefits that were in jeopardy. TCA hoped to make one award in each Texas Senate district for a total of 31 grants with funds evenly distributed among the Texas Senate districts. Out of the 320 eligible organizations, the Commission sent 150 application forms to 30 of the 31 Texas Senate districts, achieving equitable distribution of information regarding the grant opportunity. TCA received and processed 98 applications for the ARRA dollars from 37 Texas cities in 26 Texas Senate districts. Five panels of expert evaluators scored and commented on the applications through an online process. The panels recommended 26 applications for funding. Twenty-six individual grants of $16,435 were approved by the Commission at their regular quarterly meeting on September 3, 2009. The period of support for
each of these one-time non-matching grants began September 1, 2009 and ended August 31, 2010.

The following organizations received NEA ARRA grants through TCA:
1. Abilene Philharmonic Association
2. Amarillo Symphony
3. Theatre Arlington
4. Mexic-Arte Museum (Austin)
5. Tapestry Dance Company (Austin)
6. Art Museum of Southeast Texas (Beaumont)
7. Brownsville Society for the Performing Arts
8. Arts Council of Brazos Valley (College Station)
9. Art Museum of South Texas (Corpus Christi)
10. Dallas Black Dance Theatre
11. USA Film Festival (Dallas)
12. UTEP/Art Galleries (El Paso)*
13. Art’s for Everyone/Hecho en Encinal (Encinal)
14. Amon Carter Museum (Ft. Worth)
15. Artes de la Rosa (Ft. Worth)
16. The Grand 1894 Opera House (Galveston)
17. Express Children’s Theatre (Houston)
18. Talento Bilingue de Houston
19. Writers in the Schools (Houston)
20. Katy Visual and Performing Arts Center
21. Ballroom Marfa
22. Mesquite Arts Council
23. Plano Symphony Orchestra
24. San Angelo Museum of Fine Arts
25. Jump-Start Performance Company (San Antonio)
26. Young Audiences of Northeast Texas (Tyler)

The 81st Texas Legislature also appropriated TCA $1 million as a pass-through grant to the Texas Cultural Trust Council (TCTC), a non-profit arts organization, as part of Article XII, Section 25. TCA successfully submitted a proposal to the Texas Higher Education Coordinating Board (THECB) in January 2010 and received official notification of grant award for use of these funds.

TCTC has used the grant to cover salary expenses, develop arts education curriculum for digital media, expand its work in the area of economic development and the arts, and provide technical assistance to cultural districts throughout the state. TCA sought and received instruction from the LBB on distribution of the funds. In February of 2010, TCA “fronted” $200,000 to the TCTC from agency’s Arts Operating Account #334. Each month, TCA reports to THECB on the activities of TCTC and submits reimbursement requests along with documented for ARRA funds expended. TCA has submitted and received reimbursement of ARRA funds from the THECB in the amount of $400,000 as of September 30, 2010. TCTC has five projects moving forward,
TCA staff perform desk audits on the TCTC receipts prior to submitting them to the THECB. All funds must be expended by August, 2011.

**Texas Office of the Attorney General**

**Testimony:**

The Attorney General’s Office ("OAG") estimated it would receive federal stimulus funds through ARRA for the Child Support Enforcement Program, the Crime Victims Compensation Program, and the Internet Crimes Against Children Task Force.

With respect to funding for child support enforcement, the ARRA reversed a previous change in federal law that required the 80th Texas Legislature to appropriate an additional $25 million and $28.6 million in General Revenue for FY 2008 and FY 2009 respectively to draw down federal funds. The reversal enabled Texas to use federal incentive funds as a match to draw down federal child support funds and free-up approximately $54.6 million in general revenue. The agency reported Texas’ share of stimulus funding for Child Support could be as much as $161 million.

The OAG and the Governor’s Office each received a portion of the $100 million in Victims of Crime Act funding available nationally. The OAG estimated the office could receive approximately $7.8 million for compensation payments to victims based on previous federal grant data.

The AG also reported the possibility to an additional $2.3 million in Internet Crimes Against Children funds. Two tasks forces were eligible for the funds - the Dallas Police Department and the OAG.

**Progress:**

The OAG received two formula grants for Child Support Enforcement: $88,229,520 and $205,353,543. Of the first, all dollars were expended. Of the second, $48.9 million remain for expenditure.

The AG received approximately $7.8 million for crime victim compensation. The OAG allocated and expended all funds prior to the end of the first quarter 2010.

The OAG received almost $1.5 million for Internet Crimes Against Children enforcement; almost $1 million remains for allocation as of September 30, 2010.
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

TESTIMONY:

In testimony before the Committee, officials from the Texas Comptroller of Public Accounts ("Comptroller") presented detailed analysis of efforts attempting to identify all of the funds in the ARRA that would potentially benefit Texas. In further testimony, the agency reviewed transparency efforts, including the agency's website - "Windows on Texas."

PROGRESS:

The Comptroller requires weekly reporting of all ARRA funds allocated or requested by Texas state agencies and institutions of higher education. The Comptroller works with agencies to verify reported information. This includes all GAA, Article XII funds, increased awards of the GAA, Article XII amount and competitive awards applied for, awarded, withdrawn and declined. The Comptroller also accesses quarterly federal Section 1512 reports for quality assurance, auditing for accuracy, completeness and timeliness. The audit scope and methodology includes verification of the receipts of federal funds, a review of the system of internal controls and procedures and examination of evidence that supports the amount expended.

AUDITS PERFORMED:
- 30 Completed
  - Angelo State University
  - Attorney General's Office
  - Commission on the Arts
  - Comptroller - State Energy Conservation Office
  - Department of Agriculture
  - Employees Retirement System
  - Governor - Fiscal
  - Lamar State College - Orange
  - Office of Rural Community Affairs
  - Railroad Commission
  - Sul Ross State University
  - Texas A&M International University
  - Texas A&M University (Main University)
  - Texas Department of Housing and Community Affairs
  - Texas Department of Transportation
  - Texas Education Agency
  - Texas School for the Blind and Visually Impaired
  - Texas School for the Deaf
  - Texas State Technical College - Waco
  - Texas State University - San Marcos
  - Texas Workforce Commission
  - Texas Youth Commission
  - University of Houston
  - University of Texas at Brownsville
TRAINING:
The Fiscal Management Division of the Comptroller's Office maintains policies, reference materials, frequently asked questions and a calendar to assist state fiscal officers in complying with state and federal ARRA requirements. During the most recent quarter, several updates were published at fmx.cpa.state.tx.us/fmx/recovery/index.php relating to ARRA requirements. A webinar was held on June 24th to review changes to the required weekly reporting process and to provide reminders for the July 2010 Section 1512 reporting.

WEEKLY STATE AGENCY REPORTED ARRA DATA:
The following information is based on the ARRA Weekly Activity Reporting data submitted by Texas state agencies and institutions of higher education as of July 25, 2010. The reports are to include all ARRA funding requested or received and no reporting thresholds are applied.

- **Amount Awarded to Date**: $22.063 billion; 84 Agencies
  - Change from July 25, 2010: $2.343 billion
- **Amount Received**: $14.945 billion
  - Change from July 25, 2010: $2.897 billion
- **Amount Expended**: $14.817 billion
  - Change from July 25, 2010: $2.848 billion
- **Awarded Amount Remaining to be Spent**: $7.246 billion
  - Change from July 25, 2010: ($504.9 million) (decrease)
- **Competitive Grants Applied For (Outstanding)**: 1.161 billion, 30 Agencies
  - Change from July 25, 2010: $(797.1 million) (decrease)
- **Competitive Grants Awarded**: $691.1 million; 52 Agencies
  - Change from July 25, 2010: $19.9 million
- **Competitive Grants Declined or Withdrawn**: $1.424 billion; 33 Agencies
  - Change from July 25, 2010: $783.1 million

RECOVERY ACT SECTION 1512 REPORTED DATA:
Prime recipients of ARRA funding are required to report to the federal government on a quarterly basis detailed information on the projects and activities supported by the Recovery Act. These reports are mandated by Section 1512 of the Recovery Act. Only certain federal programs, as determined by the Office of Management and Budget, are subject to having a report submitted. Generally, entitlements or other mandatory programs, certain loan guarantees and awards to individuals do not require Section 1512 reports. All awards greater than $25,000 must be reported.
When all ARRA funds are expended and reports are marked final by agencies and institutions, quarterly Section 1512 reporting is no longer required for that award. The data below includes the final reports and the current quarter's data to provide an overall cumulative view of ARRA activity for state agencies and public institutions of higher education. No jobs information is included, as that information is quarterly based and information for this overall perspective would not provide meaningful data since it may cover multiple reporting periods.

The following information is preliminary data cumulative through the September fiscal 2010 Q3 reporting:

- **Number of Agencies/Institutions Reporting:** 69
  - Change from FY 2010 Q2 cumulative data: 2
- **Number of Reports Submitted:** 1,577
  - Change from FY 2010 Q2 cumulative data: 134
- **Amount Awarded:** $11.109 billion
  - Change from FY 2010 Q2 cumulative data: $1.274 billion
- **Amount Received:** $5.074 billion
  - Change from FY 2010 Q2 cumulative data: $1.608 billion
- **Amount Expended:** $4.990 billion
  - Change from FY 2010 Q2 cumulative data: $1.568 billion

**Comptroller FTEs for ARRA Tracking:** 9
- Section Manager (1), Financial Analyst (2), Systems Analyst (1), Web Administrator (1), Auditors (4)

**CPA Recovery Website**
The Comptroller maintains the State’s official recovery website, which is attached to the Window on State Government website at [www.windows.state.tx.us/recovery](http://www.windows.state.tx.us/recovery) and includes the following:

- Interactive County Map of Funding.
- Summary of funding flowing into State Government.
- Breakdown of American Recovery and Reinvestment Act (ARRA) awards by Category.
- Online column on Texas Recovery Activities.
- Detailed tables of the estimated impact on Texas.
- Information on ARRA funds appropriated by the state legislature to state agencies and institutions by program.
- Contracting opportunities.
- Links to numerous other resources related to ARRA information, including state agencies’ detailed ARRA websites.
- Money awarded by category.
- Weekly report of federal stimulus money that state agencies and public colleges received.
- Weekly report of federal stimulus money that state agencies and public colleges show as allocated or requested, awarded, received, obligated and disbursed.
- Weekly report of federal stimulus money allocated or requested and amounts awarded from federal agencies to state agencies and public colleges.
THE TEXAS EDUCATION AGENCY

TESTIMONY:

Public Education – Direct to Local Schools (over $2.6 billion)

Before final funding tabulations, TEA estimated local school districts in Texas could receive $944 million in Title I funds (formula funding for the economically disadvantaged). Districts could also receive $285 million in Title I funds for School Improvement Grants (early childhood, middle through high school focus).

Testimony also suggested Texas schools could receive $970 million in direct funding under IDEA (formula funding for Individuals with Disabilities Education Act); $59 million in Title II, D (Education Technology Grants), and $3.4 million in Title VII (Homeless Assistance funds).

During the first hearing in 2010, members of the Committee were especially interested in "Race to the Top" ("RTTT") funding opportunities, as it was understood an application was completed for the program. This became a topic for most exchanges between the Committee and TEA for this and subsequent hearings. There was much discussion about whether or not the application was available, or not. It was subsequently available, however was never submitted for consideration under the program. Similarly, Texas did not apply for "round 2" RTTT - the argument being Texas did not want to agree to funds that would have "strings" attached - and the argument on the other side being Texas could have applied without agreeing to anything until a full analysis of the "strings" was accomplished at the time of closing.

HIGHER EDUCATION

Witnesses suggested additional Pell Grants of approximately $523 million; over a 50% increase from FY 2008 – and additional college work study at a 20% increase of $10.7 million. Further, competitive grants were anticipated for teacher quality enhancement and improvement of statewide data systems.

Additionally, $4.973 billion in “State Fiscal Stabilization Funds” were anticipated to flow into public and higher education in Texas – with $700 million of the total amount available for "public safety and other governmental services," including public and higher education.

Officials reported the remaining $3.273 billion would be available for education only, where the ARRA required any shortfalls in current fund levels for public education be addressed first. Next, shortfalls in higher education must be addressed. Remaining funds should flow through Title I formulas for public education. Later directives from federal and state sources have
clarified most of these issues since this testimony.

During the session, the core question seemed whether a shortfall exists in the general formulas for public and higher education. Arguments were advanced in many directions. Since the Rainy Day Fund was anticipated to and sufficient to cover all shortfalls in the LBB budgets, it was argued that no shortfalls existed, and therefore required all funds to flow through Title I formulas to public schools. Likewise, it can be argued that the filed budgets had $4 billion shortfalls, and that a portion of that shortfall logically was in existence in the education formulas. Since this testimony, the state has seen much movement on these issues, including federal legislation in the form of the "Doggett Amendment."

On April 7, 2009, the Texas Education Agency (TEA) released additional information on how No Child Left Behind (NCLB), Title I and Individuals with Disabilities Education Act (IDEA) money will be allocated to Texas school districts. They also published guidance on the use of those funds. Details on this information are available to the public at http://www.tea.state.tx.us/arrastimulus/.

TEA testified that Federal officials provided guidance that allows the State use some of the stimulus education funds for new school construction. Previously, there was some question over whether that was even an option. He also said that Texas schools will qualify for approximately $535 million in low- to no-interest loans for school building construction.

**PROGRESS:**

- **Number FTE's Created**: 27,161.42 (includes 14.78 internal TEA positions)

**GENERAL REVENUE FUND OFFSET/LEVEL OF STATE SUPPORT – REDUCE GR**

$3,250,200,000

**EDUCATION FOR HOMELESS CHILDREN & YOUTH**

ARRA awarded $5,547,622 to the program, 50% or $2,801,353 has been expended as of September 30, 2010 with $2,746,269 remaining. Title VII, Subtitle B - McKinney-Vento (MV) Homeless Assistance Project funds are distributed through a formula-based sub grant program. Applications are not scored on a competitive basis. Only local educational agencies (LEAs) and charter schools that have received an ARRA MV planning amount were eligible to apply. Grantees must serve "vulnerable populations," increase academic success, and save/create jobs. The grant has been administered through Region 10 Education Service Center (ESC).

**EDUCATIONAL TECHNOLOGY STATE GRANTS**

$59,515,765 was granted under this program. Of that amount, 54% or $31,944,582 has been Education Technology State Grant funds three grant programs. 1) Title II, Part D (Discretionary) – Target Tech in Texas: Funds have been expended with $27,571,183 remaining. The funds are used to assist schools in providing “21st-century classrooms.” 2) Title II, Part D (Discretionary) – ESC Tech Center: Funds have been provided to the Region 10 ESC Tech Center to plan two leadership conferences for all Target Tech in Texas ARRA grant recipients in the 2009-2010 and 2010-2011 school years. 3) Title II, Part D (Formula) funds are awarded to eligible LEAs. The
majority of LEAs in the state were eligible and receive the Title II, Part D Formula grant funds.

**IDEA, SPECIAL EDUCATION GRANTS TO STATES**
Special Education IDEA Grants were awarded at $945,636,328. Forty-seven (47%) have been expended ($444,842,158) with $500,794,170 remaining. ARRA IDEA-B funds, including ARRA IDEA-B Grants to States formula funds, are to be used for the excess costs of providing special education and related services to students with disabilities. They must be used in a manner consistent with the current IDEA-B statutory and regulatory requirements. The only exception is that ARRA IDEA-B funds may be used for construction that will not result in a more restrictive environment for students with disabilities.

**TITLE I, GRANTS TO LOCAL EDUCATIONAL AGENCIES**
Of the $948,737,780 granted, 53% have been expended ($445,170,111) leaving $117,017,916 remaining. Title I funds are to be used in accordance with the authorizing program statute for Title I, Part A, to provide concentrations of students from low-income families with high-quality education that will enable all children to meet the state student performance standards. Title I, Part A, supports campuses in implementing either a school-wide program or a targeted assistance program. Grantees must comply with all corresponding program requirements, conditions for grant award, and provisions and assurances for the Title I, Part A, programs.

**IDEA, PRESCHOOL GRANTS TO STATES**
ARRA IDEA-B funds, including ARRA IDEA-B Preschool, are to be used for the excess costs of providing special education and related services to students with disabilities. Of the $24,328,422 received, $8,962,325 (37%) have been expended with $15,366,097 remaining. They must be used in a manner consistent with the current IDEA-B statutory and regulatory requirements. The only exception is that ARRA IDEA-B funds may be used for construction that will not result in a more restrictive environment for students with disabilities.

**EDUCATION STABILIZATION FUNDS FOR FSP FUNDING AND ASF SHORTFALL (SFSF)**
State Fiscal Stabilization Fund, Education State Grants
$2,177,682,329 in Phase I and $1,072,589,804 in Phase II were awarded – the total of which is $3,250,272,133. Of that amount, $1,757,825,454 have been expended/received. The ARRA, Title XIV, State Fiscal Stabilization Fund (SFSF) is for the purpose of restoring education funding for the support of elementary, secondary, and post-secondary education; for early childhood education programs, as applicable; and for services to improve student achievement. Funds may be used for activities authorized under one or more of the following Acts: Elementary and Secondary Education Act of 1965 (ESEA), the Individuals with Disabilities Education Act (IDEA), the Adult and Family Literacy Act, or Carl D. Perkin’s Career and Technical Education Act of 2006. Funds may also be used for modernization, renovation, or repair of public school facilities. The grants project period runs from September 1, 2010 to September 30, 2011. TEA received 1,221 grant applications, as of September 30, 2010.

**STATE FISCAL STABILIZATION FUND, GOVERNMENT SERVICES (SFSF-GS)**
TEA is a subrecipient of SFSF-GS funds, which are awarded by USDE to Texas Higher Education Coordinating Board (THECB). THECB submits the ARRA Section 1512 Quarterly Report for this grant. $363,692,500 were awarded per Article XII, with $352,786,452 (97%)
expended as of September 30, 2010.

**COMPETITIVE GRANTS AWARDED TO TEA**

**STATE LONGITUDINAL DATA SYSTEM (SLDS) II GRANT**
$18,195,078 was awarded with $36,947 expended as of September 30, 2010 – shortly after the program period began. The majority, $18,158,131 remains. SLDS is a discretionary grant program that helps states design, develop, and implement or expand P-20 statewide longitudinal data systems to capture, analyze, and use student data. These funds will be used to re-architect the PEIMS school district data collection, expand the data sources in the TPEIR data warehouse, develop additional reports for education stakeholders, and collect and publish aggregate information on teacher and principal performance as required for the State Fiscal Stabilization Fund Phase II grant. The program period is from July 1, 2010 to June 30, 2013. TEA received approval of the final project timelines by the Institute for Education Sciences (IES) at the USDE.

**TITLE I SCHOOL IMPROVEMENT GRANT (SIG)**
The TEA was awarded $285,896,287, with the grant period beginning August 1, 2010 – ending June 30, 2013. All funds remain for expenditure. School Improvement Grants, authorized under section 1003(g) of Title I of the Elementary and Secondary Education Act of 1965 (Title I or ESEA), are grants to LEAs for use in Title I schools identified for improvement, corrective action, or restructuring and other Title I eligible schools that meet the federal eligibility criteria and that demonstrate the greatest need for the funds and the strongest commitment to use the funds to provide adequate resources in order to raise substantially the achievement of their students so as to enable the schools to make adequate yearly progress and exit improvement status.

TEA published the LEA grant application on April 16, 2010, along with lists of LEAs eligible for grant funding. LEA applications were submitted to TEA by June 3, 2010. TEA announced grant awards to 71 LEAs on July 23, 2010.

**TEACHER INCENTIVE FUND (TIF)**
TEA requested $50,169,741 of the available $200,000,000 available through the USDE. The award was received September 30, 2010 in the amount $19,236,765. The grant period is from October 1, 2010 through September 30, 2013. The grants are received by TEA on a reimbursement basis during the grant period.

TIF supports efforts to develop and implement performance-based teacher and principal compensation systems in high-need schools. LEAs, including charter schools that are LEAs in their state, SEAs, or partnerships of (1) an LEA, an SEA, or both, and (2) at least one nonprofit organization may apply.

The Texas Education Agency submitted an application for the Texas TIF Project which was designed utilizing the Texas Teacher Advancement Program (TAP) System as the primary model in partnership with the National Institute for Excellence in Teaching (NIET). The Texas TIF Project partners the Texas Education Agency, Texas TAP, the New Teacher Project, Teach for America, and the following districts: Athens ISD, Boys Ranch ISD, Bryan ISD, Ector County
ISD, Hearne ISD, Lancaster ISD, Monte Alto ISD, Pflugerville ISD, Richardson ISD, Somerset ISD, and Southside ISD.

**COMPETITIVE GRANTS TEA APPLIED FOR**

**EDUCATION JOBS FUND (NOT RECEIVED)**
The Education Jobs Fund (Ed Jobs) program was a new Federal program initiated by Public Law No. 111-226 on August 10, 2010. Ed Jobs provides $10 billion in assistance to States to save or create education jobs for the 2010-2011 school year. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education. $830,820,460 was allocated for Texas. TEA submitted their application to the USDE September 3, 2010. On September 8, 2010, USDE notified TEA that Education Jobs funds would not be awarded with the application as it was submitted by TEA.

**COMPETITIVE GRANTS TEA DID NOT APPLY FOR**

**RACE TO THE TOP**
The Race to the Top Fund is a competitive grant program that encourages and rewards States that are creating the conditions for education innovation and reform; achieving significant improvement in student outcomes, including making substantial gains in student achievement, closing achievement gaps, improving high school graduation rates, and ensuring student preparation for success in college and careers; and implementing ambitious plans in four core education reform areas. The State of Texas did not submit an application for Race to the Top.

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (TCEQ)**

**TESTIMONY:**
The Texas Commission on Environmental Quality (TCEQ) identified six potential sources of funding in the economic stimulus package early in the ARRA cycle.

TCEQ expected to receive $1.7 million in a non-competitive, formula allocation for state grants under the Diesel Emissions Reduction program. The agency mentioned that these funds could be used for the clean school bus program for public schools. Another $300 million was available nationally for diesel emissions reduction with $90 million specifically designated for additional non-competitive state grants and the remaining $210 million to be distributed among the states on a competitive basis. Texas received approximately $13.2 million.

$200 million was available nationally for the Leaking Underground Storage Tank program (LUST). There is no state match required. Around 200 sites in Texas meet the criteria for the program. Texas received $10.78 million.

TCEQ also anticipated the receipt of $1.8 million in additional funds for allocation to local planning groups under the Water Quality Management Program. There was no match required. Under the Drinking Water State Revolving Fund (which is managed by the Texas Water
Development Board), TCEQ received a percentage allocation to provide technical assistance. The agency did not specify what amount they expect to receive.

$100 million was available nationally on a competitive basis under the “Brownfields” program. The program is intended to assess, cleanup and reclaim previously unusable property. The agency did not provide subsequent information on this program or the Hazardous Substance Superfund ARRA allocation of $600 million nationally. For Superfund access, the funding must be allocated to sites that are on the “National Priority List” or (NPL). Although Texas has 47 sites that are “shovel ready,” they are not on the national list and will not qualify for the funding.

**PROGRESS:**

**LEAKING UNDERGROUND STORAGE TANK**
The funds support site assessments and remediation of Leaking Underground Storage Tanks sites performed by contractors throughout the state. $10,779,000 was awarded and is paid on a reimbursement basis with $4,848,839 reimbursed as of September 30, 2010. $5,930,161 remains for reimbursement.

The project has faced some challenges. The agency must have work completed and approved before payment of an invoice for work performed. The projects will, in many cases, have only two to four reports submitted in a given fiscal year which poses invoicing challenges. TCEQ encourages early invoicing when work is completed and approved.

As of April 10, 2010 15% of the grant must have been expended. As of June 30, 2010 93% of the funds were obligated. All funds must be expended by September 30, 2011.

**CLEAN DIESEL - CLEAN SCHOOL BUS PROGRAM**
The funds support part of an ongoing effort to improve air quality throughout the state, and in conjunction with efforts focused specifically on reducing emissions from school buses by retrofitting school buses with exhaust controls to reduce emissions of particular matter.

$1,730,000 was awarded. As of September 30, 2010 only $38,850 was reimbursed with the majority - $1,691,150 remaining.

TCEQ extended the Request for Grant Application deadline to June 30, 2010 to ensure that all ARRA funds would obligated.

The de-certification of one of the retrofit technologies impacted ARRA contracts and applications. One of the certified retrofit technologies was on backorder due to an industry-wide supply issue. As of the agency’s September 30, 2010 report, the manufacturer has started shipping this technology to vendors. However, the agency was informed in the same period that another retrofit technology, the closed crankcase filtration system (CCF), is not being shipped by one of the manufacturers as of the reporting date. Thus, some school districts switched to another CCF manufacturer so their projects can be completed by the end of the year. The majority of the projects are scheduled to be completed in November and December.
All funds were obligated by the September 30, 2010 deadline. The obligation would retrofit 634 buses. All funds must be expended by June 30, 2011.

604(b) WATER QUALITY MANAGEMENT PLANNING
The funds support water quality management planning activities, including watershed monitoring for the Rio Grande and Pecos Rivers and watershed planning for Highland Bayou and Double Bayou. In addition to these projects, 40% of the funds are passed through five regional planning organizations for monitoring, groundwater/drinking water protection, and watershed planning activities.

$1,809,700 were awarded and are paid on a reimbursement basis. The agency has received $699,113 in reimbursements with $1,110,587 remaining.

The agency cited significant up-front work to develop a quality assurance plant. This limited the time available for sampling. Sampling events depend upon weather and stream flows; both creating vulnerability to delays. As of the agency’s report September 30, 2010 – the agency was in process of requesting approval from the EPA for a Quality Assurance Project Plan (“QAPP”). All funds must be expended by November 19, 2011.

In July, TCEQ Internal Audit completed an audit of the ARRA contracts. The audit found the Houston-Galveston Area Council (HGAC) was using the incorrect indirect cost rate of 11.6%. In addition, a discrepancy was found between the hours the HGAC worked and was compensated for during December 2009, and the hours actually reported on the December job report. The TCEQ program area has satisfactorily addressed all the issues identified in the audit.

TEXAS EMISSION REDUCTION PROGRAM ("TERP")
The funds support the TERP Rebate Program, which awards incentive grants to reduce NOX emissions. Persons who operate on-road, heavy-duty vehicles or non-road equipment in the TERP-eligible countries are eligible to apply for grants.

TERP was awarded $13,165,683, $7,740,268 of which has been expended with $7,025,952 reimbursed as of September 30, 2010. $6,139,731 remains.

TCEQ completed an amendment to the award with THECB to authorize monitoring of all equipment being disposed or destroyed and to verify that the disposition is completed in accordance with the contract requirements. If it is found that disposition of equipment was not completed in accordance with the program requirements, and the situation cannot be remedied, the grantees will be invoiced for the return of grant funds.

The agency reports that one challenge occurs If the grantee purchases less expensive equipment than the contract agreement or declines the grant. At that point, funds are available for reallocation. TCEQ has additional applications "in-house" to utilize such funds as they become available, providing there is enough time for the grantees to make the grant purchase within the current contract termination dates. All funds must be under contract by December 31, 2011.
TEXAS GENERAL LAND OFFICE

TESTIMONY:

Commissioner Jerry Patterson appeared before the Select Committee, focusing primarily on coastal restoration projects that the General Land Office (GLO) identified as being of immediate importance. Commissioner Patterson indicated that the need for several of the projects originated with the damage caused by Hurricane Ike. Outlines for those projects indicated that they were all "shovel ready" and work could begin almost immediately once funded.

While the Recovery Act does make certain provisions regarding Hurricanes Katrina and Rita, there is no specific language that refers to Hurricanes Ike or Dolly, which both impacted the Texas coastal region in 2008.

PROGRESS:

TEXAS STATE VETERAN'S HOME - TYLER, TEXAS
The GLO was “awarded” $11,546,795 to build a 100 bed, skilled nursing home in Tyler, Texas. This amount will cover 65% of the cost with a 35% match from the GLO. Funding will be in accordance with final grant approval. The project is currently in the construction phase and the construction projected start was May 11, 2010. Estimated construction time is 12 to 14 months. $1,634,941.14 has been spent as of the September 30, 2010 report to the Committee.

WETLAND HABITAT PROJECT - WEST, GALVESTON BAY
This project restores 328 acres of wetland habitat in West Galveston Bay using dredging and placement of sediment material. Funds expended so far have paid for the engineering design, bidding, and construction. The construction bid was awarded in January and construction began on February 1st. The total budget for the project is $5,148,369. $3,214,017.19 has been spent as of the last report to the Committee. The grant expires May 31, 2011.

THE GOVERNOR'S OFFICE

TESTIMONY:

GOVERNOR’S CRIMINAL JUSTICE DIVISION
The Criminal Justice Division of the Governor’s Office (CJD) is designated as the administering agency in Texas for several federal criminal justice grant programs. The Recovery Act increased funding for at least three of these federal funding streams: 1) Byrne Justice Assistance Grants (JAG); 2) Victims of Crime Act Grants (VOCA); and 3) S.T.O.P. Violence Against Women Act Grants (VAWA).

Testimony revealed that Texas should receive an additional $147.5 million in Byrne Justice Assistance Grants 40 percent or $57 million directly to local entities and 60 percent or $90.3 million received by the state and distributed through the Governor’s Criminal Justice Division. The Governor’s office must distribute 60 percent of the $90.3 million in grants to local law
enforcement and the remaining 40 percent can be used for other local or state level law enforcement purposes. According to the Director of the CJD, the 40 percent may be awarded through grants at the Governor’s discretion.

Funds must have been obligated by September 30, 2010, and no matching funds are required. Byrne grants could be used for a broad range of criminal justice activities such as prevention and education; community corrections; drug treatment and enforcement; planning, evaluation and technology; and crime victim and witness programs (other than compensation).

The CJD Director stated that the department may add temporary personnel. He also stated that he believed the CJD has an extremely strong auditing and contracting section. There was $4.2 million in the Recovery Act for non-monetary services to Texas crime victims. The Governor’s office provided grants to local law enforcement programs, and those funds require a 20% match.

The State also thought they would receive an additional $16.1 million in Violence Against Women Act (VAWA) funds; $9 million allocated by formula to the Governor’s office to provide grants to local law enforcement and $7 million allocated to the Attorney General’s office for crime victim’s compensation. The CJD must distribute the $9 million according to specific percentages set aside for specific crime victims services.

**PROGRESS:**

**BYRNE JUSTICE ASSISTANCE GRANTS (JAG)**
The U.S. Department of Justice Programs, Bureau of Justice Assistance awarded $90,295,773 to the Criminal Justice Division (“CJD”) of which $90,445,505.47 have been obligated (including funds obligated from interest earned) as of September 30, 2010. $58,723,813.84 has been expended as of September 30, 2010. Funds are used to support programs that reduce crime and its affect on communities, including law enforcement, courts, victim services, juvenile services and substance abuse treatment.

CJD Continues to review and process awards for the remaining $1.2 million in interest earned on JAG Recovery Act funds.

**CRIME VICTIM'S ASSISTANCE (VICTIMS OF CRIME ACT (VOCA))**
Funds are used to provide direct services to crime victims. Services under this grant program are defined as those efforts that (1) respond to the emotional and physical needs of crime victims; (2) assist primary and secondary victims of crime to stabilize their lives after a victimization; (3) assist victims to understand and participate in the criminal justice system; and (4) provide victims of crime with a measure of safety and security such as boarding-up broken windows and replacing and repairing locks.
The U.S Department of Justice, Office of Justice Programs, Office for Victims of Crime awarded CJD $2,109,000.00, which is received on a reimbursement basis. As of September 30, 2010 $2,001,742.18 had been obligated with $1,877,733.43 received thus far, with $107,257.82 remaining for obligation.

**VIOLENCE AGAINST WOMEN**
The U.S. Department of Justice, Office on Violence Against Women awarded CJD $9,042,754 to be reimbursed. As of September 30, 2010 $8,799,796.45 was obligated with $242,957 remaining for obligation. $1,085,271 has been received as of the reporting date.

**MONITORING ACTIVITY**
All grantee organizations are subject to grant programmatic and financial review. Grant monitors perform reviews based on federal and state rules and regulations and CJD policies and procedures. CJD uses a comprehensive approach to provide oversight and monitoring of the grants awarded. This approach includes Site Reviews, Desk Reviews, Grantee Contact Visits, and Checklist/Phone Form Analyses. Site reviews are performed at the grantee’s offices. Desk reviews are conducted in-house and involve an examination of grant documentation submitted by the grantees. Grants monitors also perform Grantee Contact Visits, which are informal visits to grantees’ offices. CJD also contracts with the 24 Regional Councils of Governments (COGs) to provide on-site technical assistance visits or phone calls to grantees. After completing a visit or call, the COG planners must submit their Checklists/Phone Forms indicating the grantee’s overall compliance with requirements. The information from the Checklists/Phone Forms is then analyzed by CJD to examine compliance.

**RISK ASSESSMENT PROCESS**
CJD prepares a risk assessment of grantees every January. The risk assessment is used to develop the Annual Monitoring Plan. The risk assessment model is used to rank the risk of each of the grantee organizations. Risk assessment is undertaken to focus attention on significant areas, to allocate scarce audit resources to the most important areas, and to help with audit prioritizing decisions such as audit frequency, intensity, and timing.

The objective of the process of risk assessment is to identify and prioritize grantees which pose the greatest risk related to grant funds. Each grantee is ranked from highest to lowest based on their individual risk score (risk rank). The risk factors included in the CJD risk assessment include factors related to: a grantee’s financial magnitude, a grantee’s history in properly managing the grants, and a grantee’s programmatic performance.

In the 2010 risk assessment, CJD also identified the number of American Recovery and Reinvestment Act (ARRA) grants a grantee had received. In addition, a Monitoring History database is used to examine the past monitoring activity each grantee had received and the dates of those activities. This monitoring activity history as well as the risk assessment results is used in creating the Annual Monitoring Plan. In the 2010 Monitoring Plan, CJD has placed a top priority on monitoring ARRA grants.
The tables below summarize monitoring activities performed by CJD staff on Recovery Act subgrants.

### Monitoring Reviews Closed Through 6/30/10

<table>
<thead>
<tr>
<th>Type of Review</th>
<th>Number of Grants Reviewed</th>
<th>Dollar Value of Grants Reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Desk Review</td>
<td>9</td>
<td>$796,000</td>
</tr>
<tr>
<td>On-Site Financial Review</td>
<td>12</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>On-Site Programmatic Review</td>
<td>15</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>On-Site Contact Visits</td>
<td>32</td>
<td>$2,323,279</td>
</tr>
<tr>
<td>COG Technical Assistance Review</td>
<td>280</td>
<td>$23,412,113</td>
</tr>
</tbody>
</table>

### Monitoring Reviews In Progress Through 6/30/10

<table>
<thead>
<tr>
<th>Type of Review</th>
<th>Number of Grants Reviewed</th>
<th>Dollar Value of Grants Reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Desk Review</td>
<td>16</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>On-Site Financial Review</td>
<td>13</td>
<td>$12,200,000</td>
</tr>
<tr>
<td>On-Site Programmatic Review</td>
<td>4</td>
<td>$567,000</td>
</tr>
</tbody>
</table>

### COMPLIANCE ISSUES

The table below summarizes common compliance issues and how those issues are being resolved. These issues are similar to routine issues identified in non-ARRA grants and are typically easily resolved once brought to the grantee’s attention.

<table>
<thead>
<tr>
<th>Common Compliance Issues</th>
<th>Actions Taken by Grantees to Resolve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate identification of ARRA expenditures in general ledger</td>
<td>Coded expenditures as ARRA expenditures in general ledger and submitted copies of ledger to CJD for review.</td>
</tr>
<tr>
<td>Vehicle purchase not reflected on balance sheet</td>
<td>Updated balance sheet and developed procedure to assure timely posting. Submitted copies.</td>
</tr>
<tr>
<td>Failure to identify ARRA purchased items/equipment as ARRA on Inventory Sheet</td>
<td>Identified all ARRA items/equipment as ARRA on the inventory sheet and submitted corrected copies.</td>
</tr>
<tr>
<td>Misclassified expenditures</td>
<td>Submitted a budget adjustment to CJD to correctly classify expenditures into budget categories.</td>
</tr>
<tr>
<td>Late filing of Financial Status Reports</td>
<td>Developed procedures to ensure timely filing of Financial Status Reports to CJD and submitted a copy of the procedure.</td>
</tr>
<tr>
<td>Insufficient timekeeping processes (time and activity reports)</td>
<td>Developed adequate timekeeping processes. Implemented new (or revised) procedures. Submitted copies of the procedures and copies of the most recent timesheets to CJD.</td>
</tr>
<tr>
<td>Irreconcilable tracking of ARRA hours worked</td>
<td>Reconciled and submitted corrected copies of ARRA hours worked to CJD.</td>
</tr>
<tr>
<td>Irreconcilable expenditures</td>
<td>Reconciled the Financial Status Reports to the General Ledger and submitted copies to CJD.</td>
</tr>
<tr>
<td>Expenditures not in approved budget</td>
<td>Submitted a budget adjustment to CJD for approval.</td>
</tr>
</tbody>
</table>
The Texas Health and Human Services Commission (HHSC) estimated that it would receive an additional $4.7 billion in stimulus money as a result of the temporary change in the Federal contribution or "match" rate known as the Federal Medical Assistance Percentage (FMAP) for Medicaid-related programs.

The Legislative Budget Board's estimated approximately $600 million less than the agency. The primary reason for the difference is the HHSC believed that Texas will qualify for an even higher Federal match rate under the provision in the Recovery Act that provides additional relief for states that are experiencing higher unemployment rates. To date, Texas has received $4.97MM.

Prior to passage of the Recovery Act, for every dollar Texas spent on Medicaid, the Federal government paid almost 60 cents (a 59.44 percent FMAP for FY 2009). Under the Recovery Act, the FMAP for Texas increase by 6.2 percentage points, retroactive to October 2008. At that rate, Texas should have received a total of $1.66 billion in stimulus funds in FY 2009 and another $2.5 billion in 2010-2011.

In order to receive the FMAP increase, the Act specifies that states may not enact more stringent eligibility standards, methodologies or procedures than those in effect as of July 1, 2008.

The Recovery Act contained a specific provision that the increased FMAP cannot be received "if any amounts attributed (directly or indirectly) to such increase are deposited or credited into any reserve or rainy day fund of the State." In short, the $4.1 to $4.7 billion in general revenue expected to be freed-up from the FMAP increase cannot be used to increase the Texas Economic Stabilization (Rainy Day) Fund or otherwise be reserved.

Approximately 180 Disproportionate Share Hospitals (DSH) that serve significant populations of indigent patients were believed to be eligible for an additional $23 million in FY 2009 and $47 million in FY 2010.

The Supplemental Nutrition Assistance Program (SNAP), formerly known as “Food Stamps,” the monthly benefit that helps low-income families purchase food, was increased by 13.6 percent. SNAP benefits are 100 percent Federally-funded, and the cost of administering the program is shared 50/50 by the state and Federal government. In January 2009, there were 1,130,535 SNAP cases in Texas.

The Recovery Act also provides an additional $52.7 million in Temporary Assistance for Needy Families (TANF) funding. TANF provides cash benefits to very low income families with children. However, Texas uses the majority of this block grant to pay for a wide range of other services, such as Communities in Schools, early childhood programs, employment and training and child care. These grants were set to expire at the end of FY 2009; the Recovery Act extended them through FY 2010.
Texas could draw down $200 million more in Federal TANF funds by spending approximately $60 million more in Federal TANF funds on non-recurring grants of assistance such as increasing the $30/child back-to-school payments or the stipend for grandparents taking care of TANF grandchildren.

There was $20 billion available nationally for Health Information Technology.

In response to the Select Committee's specific questions, HHSC answered that the amount of General Revenue for health and human services agencies in the Committee Substitute for Senate Bill 1 as adopted by the House Appropriations Committee is $1.98 Billion less than the amount of General Revenue in House Bill 1 as introduced. Although most of the General Revenue reduction was made possible by the enhanced FMAP for Medicaid-related programs, the proposed state budget also used other funds in the Recovery Act to free-up General Revenue, including the Child Care Development Block, TANF, and IDEA Part C.

**PROGRESS:**

HHSC reports on many programs. Under Article XII, HHSC reports on the following programs:

**HEALTH AND HUMAN SERVICES COMMISSION - GENERALLY**

Article XII
- Food Stamps
- Temporary Assistance for Needy Families
- Medicaid Enhanced FMAP - Offset GR
- Prevention and Wellness Fund

Non Article XII
- Medical Disproportionate Share Hospital Program
- Supplement Nutrition Assistance Program
- ARRA Medical Assistance Program – Qualified Individuals
- State Health Information Exchange
- Health Information Technology for Economic and Clinical Health Act
- TANF – Emergency Contingency Funds

**Competitive Grants - Applied:**
- Source: U.S. Department of Health and Human Services – Centers for Disease Control and Prevention
  - ARRA Enhancing Cancer Registry Data for Comparative Effectiveness Research grant: Application submitted 06/11/2010. Pending award from CDC Contractor, ICF Macro, in the amount of $1,524,469. 34 months (Dec 2010-Sept 2013).
  - Stroke and Heart Disease, federal agency withdrew stimulus funds portion of grant application, applied for $2,072,022.
  - Nutrition, Physical Activity and Obesity Program, federal agency withdrew stimulus funds portion of grant application, applied for $961,578.

Source: U.S. Department of Health and Human Services – Health Resources and Services Administration
o ARRA Preventive Medicine Residency Program, submitted competitive application for $1,306,224. Pending notification of award or non-award.

Source: U.S. Department of Health and Human Services – National Institutes of Health
• NIH Challenge Grants in Health and Science Research, not funded, applied for $266,100.

Source: U.S. Department of Agriculture – pass-through Texas Dept of Agriculture
• ARRA 2009 Equipment Assistance Grant for School Food Authorities, not funded, applied for six DSHS facilities.

**Competitive Grants - Awarded:**
Source: U.S. Department of Health and Human Services – Centers for Disease Control and Prevention
• ARRA Immunization, ARRA Supplemental Funding for Reaching More Children and Adults, CDC-RFA-IP08-803 - $6,495,738 (Formula & Competitive)
• Epidemiology and Laboratory Capacity - Rotavirus Vaccine Effectiveness - $493,255 (Competitive)
• Epidemiology and Laboratory Capacity - Building and Sustaining State Programs to Prevent Healthcare Associated Infections - $1,233,977 (Competitive)
• ARRA Prevention and Wellness Fund - Communities Putting Prevention to Work (CPPW) State Supplemental Component I (obesity and tobacco prevention) - $2,200,000 (Formula & Competitive)
• ARRA Prevention and Wellness Fund - Communities Putting Prevention to Work (CPPW) State Supplemental Component II (obesity prevention mother-friendly workplace) - $2,797,930
• ARRA Prevention and Wellness Fund - Communities Putting Prevention to Work (CPPW) State Supplemental Component III (tobacco cessation and media) - $2,194,059 (Formula & Competitive)
• ARRA Prevention and Wellness Fund - Communities Putting Prevention to Work (CPPW) Component IV (Behavioral Risk Factor Surveillance System), - $796,704 (Formula & Competitive)
• ARRA Enhancing the Interoperability of Electronic Health Records and Immunization Information Systems-ImmTrac - $1,039,279 (Competitive)

Source: U.S. Department of Agriculture
• WIC EBT Expansion - $950,000
• WIC Technology Grants - Miscellaneous Projects - $9,827,925
Competitive Grants - Declined or Withdrawn

Source: U.S. Department of Health and Human Services – Centers for Disease Control and Prevention

- Immunization – Develop Best Practices for Monitoring School Vaccination Coverage and Exemption Rates. Did Not Apply. Funding was limited and required that the state have data reporting elements more extensive than we have. Funding intended for a small number of states and it was not likely that Texas would have been one of the chosen grantees.

- Immunization – Improve Reimbursement in Public Health Department Clinics. Did Not Apply. Funding was limited and required data reporting elements more extensive than we have. Funding was intended for a small number of states and it was not likely that Texas would have been one of the chosen grantees.

- Immunization – Improving Data Quality and Enhancing Assessment at Sentinel Sites. Did Not Apply. Funding was limited and required data reporting elements more extensive than we have. Funding was intended for a small number of states and it was not likely that Texas would have been one of the chosen grantees.

- Epidemiology and Laboratory Capacity - Evaluation of Meningococcal Conjugate Vaccine. Did Not Apply. DSHS participated in the evaluation of the meningococcal conjugate vaccine funded by CDC. Participation ended in 2008 due to a lack of cases in Texas. Funding up to $111,260 was insufficient for funding an epidemiologist position required.

- Epidemiology and Laboratory Capacity - Measure Effectiveness of a New 13-Valent Pneumococcal Conjugate Vac. Did Not Apply. Funding of up to $121,500 was insufficient for 28 month period for an epidemiologist position required for the evaluation. Only 5 states expected to be funded and Texas was not likely to receive funds.

- Epidemiology and Laboratory Capacity - Assess Varicella Vaccine Effectiveness in School settings. Did Not Apply. Funding of up to $167,667 was insufficient for 28 month period for an epidemiologist position required for the assessment. Funding subject to availability. Only 3 states expected to be funded and Texas was not likely to receive funds.

- Public Health Reporting by Hospital Laboratories. Did Not Apply. The funding intended to support hospital laboratories and public health laboratories encouraged not to apply.

Source: U.S. Department of Agriculture

- WIC State Agency Model (SAM) Transfer Grants. Did Not Apply. Directed by federal agency to include all requests in the WIC Technology Grants-Misc Project.

Source: U.S. Department of Health and Human Services – Health Resources and Services Administration

- ARRA State Loan Repayment Program (SLRP). Did Not Apply. Not within scope of DSHS program. SLRP Funds historically go to Texas Higher Education Coordinating Board.
Source: U.S. Dept of Commerce

- Broadband Technology Opportunities program. Did Not Apply - Governor's Office designated Texas Dept of Agriculture as lead. DSHS working with HHSC team and TDA.
- State Broadband Data and Development Grant Program. Did Not Apply - Governor's Office designated Texas Dept of Agriculture as lead.

**DEPARTMENT OF AGING AND DISABILITY SERVICES**

Article XII
- Senior Nutrition Program - Congregate Nutrition
- Senior Nutrition Program - Home Delivered Meals

Non Article XII
- Chronic Disease Self-Management Program

DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICES

Article XII
- IDEA, Part C, Special Education Grant for Infants and Families
- Independent Living Services - State Grants
- Independent Living Services - Elderly/Blind
- Vocational Rehabilitation Services

Non Article XII
- None

DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES

Article XII
- Child Care and Development Block Grant (CCDBG)
- Temporary Assistance for Needy Families (TANF)

Non Article XII
- None

DEPARTMENT OF STATE HEALTH SERVICES

Article XII
- Section 317 Immunizations (Prevention and Wellness)
- Prevention and Wellness Fund
- Infection Reduction Activities
- Title XX Temporary Assistance to Needy Families (offset)

Non Article XII
- State Primary Care Offices
- Section 317 Immunizations (Prevention and Wellness)
- Preventative Healthcare – Associated Infections (HAI)
- Survey & Certification Ambulatory Surgical Centers
**PROGRESS:**

Detailed analysis of each agency and program are available in the **August Committee Report**, available on the Committee website – www.txstimulusfund.org. For purposes of clarity and brevity, a synopsis appears herein:

Total amount ARRA dollars spent as of September 30, 2010, by agency:

<table>
<thead>
<tr>
<th>ARRA FMAP:</th>
<th>Allocated</th>
<th>Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>HHSC Medicaid</td>
<td>$4,294,156,947</td>
<td>$3,049,456,890</td>
</tr>
<tr>
<td>DADS Medicaid</td>
<td>$1,109,797,321</td>
<td></td>
</tr>
<tr>
<td>DSHS Medicaid</td>
<td>$25,575,394</td>
<td></td>
</tr>
<tr>
<td>DARS Medicaid</td>
<td>$11,106,647</td>
<td></td>
</tr>
<tr>
<td>DFPS Adopt. Assist. IV-E</td>
<td>$15,696,508</td>
<td>$15,022,634</td>
</tr>
<tr>
<td>DFPS Foster Care IV-E</td>
<td>$27,782,390</td>
<td>$23,013,377</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$4,967,635,845</strong></td>
<td><strong>$4,233,972,263</strong></td>
</tr>
</tbody>
</table>

**HHSC:**

- Sec. 1512: $984,674
- Non-Section 1512: $3,706,449,775
- **Total:** $3,707,434,449

**DADS:**

- Sec. 1512: $5,907,675
- Non-Section 1512: $1,297,330,054
- **Total:** $1,303,237,729

**DSHS:**

- Sec. 1512: $2,914,836
- Non-Section 1512: $33,278,638
- **Total:** $36,193,474

**DFPS:**

- Sec. 1512: *(reported by TWC)*
- Non-Section 1512: $95,076,918
- **Total:** $95,076,918
DARS:
Sec. 1512: $ 59,259,223
Non-Section 1512: $ 13,795,593
Total: $ 73,054,816

AUDITS PERFORMED:

HHSC:
- Federal OIG Reviewed ARRA Medicaid Eligibility Requirements in Texas. The June 30, 2010 report made no recommendations and had no findings.
- HHSC Internal Audit completed an audit of ARRA Accountability Processes. The scope of this audit included an evaluation of HHSC processes and controls associated with ARRA requirements. The April 26, 2010 report concluded that HHSC has complied with ARRA recording, tracking, reporting, and program-specific ARRA requirements, with the exception of a few issues which have subsequently been addressed.

DADS: KPMG Statewide Single Audit.

DSHS: KPMG Audit is in progress.

DFPS: DFPS Internal Audit is finalizing its review of policies and procedures for tracking and reporting of ARRA funds in the agency.

DARS: No ARRA audits have been completed as of the latest report. KPMG has begun an audit and DARS has been notified the Texas Comptroller of Public Accounts that they will audit ARRA.

IMPORTANT DATES & DEADLINES:

HHSC:
12/01/2010 Expected date for beginning of implementation phase for HIE.
12/31/2010 Medicaid ARRA Enhanced FMAP and Medicaid ARRA Program for Qualified Individuals funding scheduled to end.
1/31/2011 Draft State Medicaid HIT Plan due to CMS.
4/01/2011 Expected date to begin HIT incentives project implementation.
7/01/2011 Expected first payment of provider HIT incentives
9/30/2016 Last date providers may apply for HIT incentives.
9/30/2021 Last payment of HIT incentives.

DFPS: All ARRA Child Care and Development Block Grant funds were obligated by September 30, 2010, as required. The agency has until July 31, 2011 to liquidate the obligations.

DSHS: 03/31/2011: ARRA Ambulatory Surgical Centers/Healthcare Associated Infections Grant ends.

DARS: All funds must be obligated by September 30, 2011 and spent by December 31, 2011.

TEXAS HIGHER EDUCATION COORDINATING BOARD

TESTIMONY:

See above.

PROGRESS:

The THECB has been delegate administrative responsibility by the Office of the Governor (OOG) to manage the GSF which totals $723,165,683. These federal funds were appropriated by the Texas legislature in Article XII of Senate Bill 1, General Appropriations Act for the 2010-2011 biennium effective September 1, 2009. Article XII appropriates all ARRA funding that is a part of the state budget, including the GSF, as detailed in the report submitted by the agency.

PROJECTS

INCENTIVE FUNDING $80,000,000
PROCLAMATION 2010 TEXTBOOKS (TEXAS EDUCATION AGENCY) $361,592,500
GENERAL ACADEMIC INSTITUTIONS $81,000,000
HEALTH RELATED INSTITUTIONS $51,000,000
PUBLIC COMMUNITY COLLEGES $15,000,000
HIGHER EDUCATION STIMULUS FUNDING $111,407,500
GOVERNOR'S OFFICE COMPLIANCE $10,000,000
TCEQ - TX EMISSIONS REDUCTION PLAN $13,165,683
TOTAL: $723,165,683

$578,108,028.28 has been expended as of September 30, 2010 with THECB receiving reimbursement to that date of $574,688,846.52. THECB is ahead of target to expend 80% of total GSF funds by the end of the calendar year 2010. Reimbursement activities will level off. Monitoring and project management will become the primary focus of ARRA activities after the funding has been reimbursed in full.

A KPMG Audit will be completed in November 2010 on site. A USDE on-site monitoring will
occur in early 2011.

All program details are available on the agency's website at http://www.thecb.state.tx.us/arra

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

TESTIMONY:

The Texas Department of Housing and Community Affairs (TDHCA) testified they expected to receive $565 million in stimulus money under the Recovery Act. The funds were to be directed almost entirely to existing programs within the agency, such as homelessness prevention ($42M), weatherization ($327 million), community services grants ($48 million) and the HOME Investment Partnerships Program ($148 million).

The homelessness prevention program has been designed to assist people who are homeless, or at risk of becoming homeless (whether due to foreclosure or other reasons), and assists those people in locating housing. The service also provides rent assistance, credit repair counseling, security and/or utility deposits and help with moving costs. Funding for this program should were expected to increase approximately 10-fold (from $4.85 million annually to $41 million in supplemental funding) under the Recovery Act.

Another large portion of TDHCA funding was anticipated for weatherization funding. The program anticipated a 25-fold increase in funding (from $13 million annually to $327 million in supplemental funding). Texans under 200 percent of poverty level have been eligible to receive on average up to $6,500 (up from $5,000) for weatherization improvements on their homes. (For 2009, the Federal poverty level for a family of four is $22,050.)

The DOE allows states and sub-recipients to use up to 5 percent of the their share of weatherization money for administration. DOE also allows states to set aside 17 percent for Training and Technical Assistance (T&TA). TDHCA testified that they will reserve only 10 percent for T&TA. (After receiving clarification, TDHCA said the agency will likely not have the flexibility to use these funds for such things as grants or scholarships for people who wish to receive technical training in order to obtain certification in fields related to environmental construction and maintenance.) After all training and administrative set asides, TDHCA anticipated distribution of $280 million for direct weatherization services. $140 million directly to cities that currently have weatherization programs of their own. The other $140 million allocated through existing contracts with regional non-profits, known in some areas as community action agencies. Community action agencies exist in many areas where a municipality does not provide weatherization services, and they are responsible for letting contracts to local contractors who will actually perform the weatherization improvements. Where both a city and a community action agency exist - the City generally operates on project within the incorporated limit and the action agency in unincorporated county areas.

TDHCA reported that they received hundreds of calls from companies wanting to participate in the program, and slowdowns in new construction in 2008/2009 mean that local contractors
should be able to meet the demand for qualified people to conduct weatherization work.

The Community Services Section awards Federal funds to assist local agencies that provide services to needy Texas residents. During FY 2008, Community Services programs assisted 539,436 poor and/or homeless individuals. New funding for the program was anticipated to be $48.2 million on top of the current $31 million annual allocation. The community grants portion of ARRA funding is available to Texans at or below 200 percent of poverty level.

The HOME Investment Partnerships Program (HOME) provides grants and loans to help local governments, nonprofit agencies, for-profit entities, and public housing agencies provide safe, decent, affordable housing to extremely low-, very low- and low-income families. HOME allocates funds through four basic activities: Homebuyer Assistance, Rental Housing Development, Owner-Occupied Housing Assistance, and Tenant-Based Rental Assistance. Under ARRA, new funding for HOME is $148 million above the previous $42 million. Seventy-five percent of that $150 million had to be committed to recipients by February 2010; recipients must expend 75 percent of funds within two years (2011) and 100 percent in three years (2012).

TDHCA officials made clear there exists more than enough need and demand, and the increases the agency is receiving in all areas will not actually satisfy all need and demand in the state for services.

**PROGRESS:**

The Texas Department of Housing and Community Affairs (the Department) administers several programs funded through the American Recovery and Reinvestment Act of 2009 (Recovery Act). Nationally, the Recovery Act will provide more than $150 billion in assistance to low-income and vulnerable households. The Department is administering approximately $1.16 billion in Recovery Act funds.

The Recovery Act programs administered by the Department include the Homelessness Prevention and Rapid Re-Housing Program, the Weatherization Assistance Program, the Community Services Block Grant program, the Tax Credit Assistance Program, the Housing Tax Credit Exchange Program, and Homebuyer Assistance. The following table provides summary information about each of the Department’s Recovery Act programs and updated expenditure status.

The total number of executed contracts made by the Department with subrecipients increased from 175 to 236 between December 31st, 2009 and September 30th, 2010 with no change in the total federal award amount. The total amount of federal funds invoiced/received increased from $13.2 million to $187.5 million over the same time period. The amount expended experienced a similar increase, from $12.8 million to $186.8 million.

**WEATHERIZATION ASSISTANCE PROGRAM**

Review of the Weatherization Assistance Program (WAP) was a joint charge with the Urban Affairs Committee. Committee staff have coordinated with the Urban Affairs staff, and join Urban Affairs in their interim report of the program.
The WAP allocates funding to help households control energy cost through the installation of weatherization measures and providing energy conservation education. Under the pre-existing program, the Department administered funds through a network of 34 sub-recipients. Targeted households were those with income at or below 125% of the federal poverty level, with priorities for those at greater risk. The assistance available was approximately $4,000 per household served. The current program allows the increase of the income level to 200% of the federal poverty level, and the cap was raised to $6,500 per household served, with priorities again to several high-risk groups. Sub-recipients were expanded to a list of 45 for these funds.

**COMMUNITY SERVICES BLOCK GRANT (CSBG)**

Department provides administrative support funding to Community Action Agencies (CAAs) and other human service delivery organizations that offer emergency and poverty-related programs to lower-income persons. (ex.: head start; meals-on-wheels…) 99% of funding must be available to the CSGB eligible entities and 1% used to help clients enroll in deferral, state and local benefit programs. The ARRA expands the servable population to 200% federal poverty guideline from 125%.

**HOME PROGRAM (TAX CREDIT ASSISTANCE PROGRAM)**

Provides funding through the HOME Program to compensate for the lack of current availability of investors in the Housing Tax Credits (HTC) market. Eligible recipients are those previously-awarded 2007 and 2008 HTC applicants as well as recipients for the 2009 HTC awards. HTC Program funds may only apply toward new construction or rehabilitation of rental properties affordable to households earning up to 60% of the Area Median Family Income as determined by HUD. Funds released through a competitive process open to eligible entities.

**HOMELESSNESS PREVENTION**

To transition participants to stability during homeless or potential homeless episodes, with eligibility for those households with incomes at or below 50 percent (50%) of area median income.

**HOUSING TAX CREDIT EXCHANGE PROGRAM (HTX EX)**

Allows developments allocated housing tax credits through 2007, 2008 and 2009 to return their tax credits. The Department can exchange these with the U.S. Treasury for the cash rate $0.85/dollar returned.

**HOMEBUYER ASSISTANCE**

Department offered two down-payment assistance programs to assist households in taking advantage of the Homebuyer Tax Credit under ARRA. The Department offered 90-day loans for down-payment and/or closing costs assistance to first-time homebuyers prior to receiving the funds from the Homebuyer Tax Credit. A Mortgage Advantage Program was also available to homebuyers utilizing the Department's Texas First Time Homebuyer or Texas Mortgage Credit programs.
## Recovery Act Program Funding as of November 5, 2010

<table>
<thead>
<tr>
<th>Program</th>
<th>Activities</th>
<th>Total Funding</th>
<th>Expended to Date</th>
<th>Percent Expended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homelessness Prevention and Rapid Re-Housing Program</td>
<td>Rental assistance, housing search, credit repair, deposits, moving cost assistance, and case management. Income limit: persons at or below 50% AMI.</td>
<td>$41,472,772</td>
<td>$20,946,204.69</td>
<td>50.51%</td>
</tr>
<tr>
<td>Weatherization Assistance Program</td>
<td>Minor home repair to increase energy efficiency, maximum $6,500 per household. Income limit: households at or below 200% of poverty.</td>
<td>$326,975,732</td>
<td>$97,533,683.71</td>
<td>29.83%</td>
</tr>
<tr>
<td>Community Services Block Grant Program</td>
<td>Assists existing CSBG network of Community Action Agencies with essential services including child care, job training, and other poverty-related programs. Income limit: persons at or below 200% of poverty.</td>
<td>$48,148,071</td>
<td>$47,103,147.14</td>
<td>97.83%</td>
</tr>
<tr>
<td>Tax Credit Assistance Program</td>
<td>Provides assistance for 2007, 2008 or 2009 Housing Tax Credit awarded developments. Income limit: households at or below 60% AMI.</td>
<td>$148,354,769</td>
<td>$46,127,582.16</td>
<td>31.09%</td>
</tr>
<tr>
<td>Housing Tax Credit Exchange Program**</td>
<td>Provides assistance to 2007, 2008 or 2009 Housing Tax Credit awarded developments. Income limit: households at or below 60% AMI.</td>
<td>$594,091,929</td>
<td>$179,707,368.43</td>
<td>30.25%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$1,159,043,273</strong></td>
<td><strong>$391,417,986.13</strong></td>
<td><strong>33.77%</strong></td>
</tr>
</tbody>
</table>
## PROGRAM STATUS AND TIMELINE

<table>
<thead>
<tr>
<th>Program Status</th>
<th>Timeline / Contract Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>All contracts executed and subrecipients currently drawing funds. 58 subrecipients 27,906 persons served as of 9/30/10</td>
<td>HUD requires 60% of funds expended in 2 years; 100% in 3 years. Subrecipients required to expend all funds within a two year contract period (August 31, 2011).</td>
</tr>
</tbody>
</table>

### Weatherization Assistance Program (WAP)

<table>
<thead>
<tr>
<th>Program Status</th>
<th>Timeline / Contract Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Department submitted an Amended WAP Plan to DOE on March 5th. The plan amendment was accepted by DOE on June 7, 2010. Second 50% of funds made available to TDHCA on September 9, 2010. Contracts executed for 98% of funds; subrecipients drawing funds. Training Academy courses ongoing. 42 subrecipients 20,059 units completed as of 11/3/10</td>
<td>Obligation required by September 30, 2010. All funds currently obligated. Subrecipients required to expend all funds within a two year contract period (August 31, 2011). Federal funding expiration date is March 31, 2012.</td>
</tr>
</tbody>
</table>

### Community Services Block Grant (CSBG)

<table>
<thead>
<tr>
<th>Program Status</th>
<th>Timeline / Contract Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>All contracts expired on September 30. Subrecipients are completing final billings and close out and residual expenditures will be drawn over the next 60 days. 48 subrecipients 98,871 persons served as of 9/30/10</td>
<td>Obligation required by September 30, 2010. (Achieved) Recipients required to expend funds within a one year contract period, by Sept 30, 2010. (Awaiting final contract close out.)</td>
</tr>
</tbody>
</table>

### Tax Credit Assistance Program (TCAP)

<table>
<thead>
<tr>
<th>Program Status</th>
<th>Timeline / Contract Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written agreements executed for 52 awards Forty-one loans have closed as of 11/3/10; will serve a total of 5,779 households</td>
<td>Commitment of 75% of funds required by February 17, 2010. State must expend 75% of funds by Feb 17, 2011. Owners must expend 100% of funds by February 17, 2012.</td>
</tr>
</tbody>
</table>

### Housing Tax Credit Exchange

<table>
<thead>
<tr>
<th>Program Status</th>
<th>Timeline / Contract Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closings have taken place for 84 out of 84 awards as of 11/3/10; the 84 developments will serve a total of 7,795 households</td>
<td>State must award all funds by December 31, 2010 Owners must incur 30% of costs by December 31, 2010. Unused funds to be returned by December 2011.</td>
</tr>
</tbody>
</table>

## OVERSIGHT GENERALLY:
The Office has established the "Office of Recovery Act Accountability and Oversight" to provide agency-wide support for state and federal reporting, interpretation of federal guidance, overall performance, risk assessment and monitoring and to serve as a resource and information clearinghouse.

## TRAINING:
The office has provided extensive training and technical assistance, including a "Weatherization Training Academy" to train sub-recipients. The Department also hired additional temporary training staff to train and coordinate training opportunities.
**REPORTING GENERALLY:**
The department works closely with the Government Accountability Office (GAO) to prepare bi-monthly reports re: the Weatherization Assistance Program. The department also responds to inquiry from the following entities: U.S. Treasury Office of Inspector General; U.S. Department of Energy Office of Inspector General, the Texas Comptroller of Public Accounts, the Legislative Budget Board and state oversight and legislative committees.

**COMPLIANCE IN GENERAL:**

The following provides summaries of recent compliance and/or monitoring visits made to the Department from the federal or state oversight agencies with regards to Recovery Act funds or programs.

The Comptroller of Public Accounts audited the Department’s Recovery Act payroll, purchase, procurement, travel, grant, revenue and indirect cost transactions. The audit period was March 1, 2009 through December 31, 2009. The Comptroller’s audit did not result in a formal opinion due to its limited scope, however the resulting letter dated April 22, 2010 indicated that the Department has adequate controls and has demonstrated due diligence over ARRA fund expenditures. Two non-monetary findings included comments on employee training processes and transaction coding.

The first finding pertained to training costs. A staff member attended training but did not pass the certification test. The Comptroller indicated that the Department may consider having employees pay for training and be reimbursed upon proof of successful completion. The Department continues to evaluate its internal policies regarding a modified training policy. In the meantime, all purchase requisitions are being reviewed on a case-by-case basis. Management is aware that timely completion of courses/classes and follow-up is required.

The second finding was three miscoded transactions and one interagency transaction was made via warrant instead of using the Interagency Transaction Voucher (ITV). The Department has conducted follow-up training to ensure clarity when coding transactions and the appropriate use of ITVs. Supervisors also diligently review daily transactions to ensure that all requirements and procedures meet compliance standards.

The Government Accountability Office (GAO) is producing a series of reports on the uses of and accountability for Recovery Act funds in 16 selected states, including Texas, and in the District of Columbia. Health care, transportation, education, and the Department’s Weatherization program are all addressed in the GAO reports. The most recent site visits by the GAO occurred during May of 2010. The Texas Appendix (Appendix XVII) summarized the findings for the Weatherization Assistance Program. Some data used was however outdated at the time of the review. It identified the delay in production at the beginning of the program and relayed the Department’s position that a number of DOE actions can be identified as the primary source of those delays. The report also conveyed that while the program is accelerating in production, some hurdles remain.

While the report critiqued the method by which weatherization measures are determined, most comments related to issues affecting the timeliness of production which have been largely resolved as of the September 30, 2010 report to the Committee. In April 2010, the Department implemented a rule which required the submission of a “Production Schedule” which required subrecipients to
reevaluate their production forecasts and expenditure forecasts on a monthly basis in order to provide an accurate picture of remaining work to be performed under the ARRA grant. The Production Schedule has focused the agencies on the real numbers of units to be completed and for most subrecipients has resulted in increased production through the addition of contractors and/or subrecipient-level staff assigned to the Weatherization Assistance Program.

The Department of Energy (DOE), the federal agency administering the Weatherization Assistance Program, has increased the number of monitoring site visits to four per year in response to the Recovery Act. The TDHCA monitoring visit from March 9th to the 12th resulted in no findings for the Department. The DOE made five recommendations regarding the program:

- There were concerns regarding deobligation. The Production Schedule mentioned above as well as the associated triggers for deobligation have created a sense of urgency among the WAP subrecipients that has resulted in increased production and expenditure;

- DOE raised the issue of vacant positions at the time of the visit. The Department filled the vacant positions and DOE now considers this concern adequately addressed;

- There were concerns about Lead Safety training. These were addressed and the report praised the creation and management of the Weatherization Training Academy and recommended that TDHCA continue implementing Lead Safe Worker Training at the Academy. The Academy continues to offer Lead Safe Worker courses and has added a companion Lead Safe Renovator course;

- Where succession is concerned, the Department is reviewing succession planning and implementing cross-training at each level to lower the risk of staff losses;

- Finally, DOE identified a weakness in monitoring. The Department has enhanced monitoring review documentation and has creating a monitoring guide for monitors and inspectors to ensure consistency.

The DOE also conducted an audit of the Department’s Weatherization Assistance Program on the week of June 21, 2010. The audit included a trip to Houston to visit subrecipients and subcontractors, as well as a thorough inspection of multifamily units and processes, unit sampling assessment, monitoring instruments, historical preservation, inventory control, complaints, and production. The DOE final report was sent to TDHCA on August 24, 2010. There were no major findings resulting from the visit. DOE made 8 recommendations to the programs:

- The report recommended TDHCA fill the vacant positions. The positions were filled by September 7, 2010 and DOE now considers this concern adequately addressed.

- The report recommended TDHCA improve communication between Program Officers and fiscal personnel. The Department bolstered communication between the Program Officers in the field and fiscal personnel in the office to ensure that management and fiscal personnel can make decisions about withholding payments where Program Officers observe poor performance.
The report recommended TDHCA deobligate funds from a failing agency and find replacement providers for the service area. TDHCA has deobligated funds from that agency and contracted with a replacement.

The report recommended TDHCA schedule more comprehensive energy audit training. TDHCA has increased the frequency and thoroughness of audit training and has provided audit training to 216 persons through the Academy.

The report recommended TDHCA outsource multifamily energy audits. The Department identified a list of engineering firms procured through the Texas Comptroller of Public Accounts Centralized Master Bidders List and made that list available to subrecipient network.

The report recommended TDHCA enforce the chronology of the priority list or energy audit. In November 2010, the Department instituted a rule requiring performance of a whole house assessment for each unit weatherized. This assessment, along with the ability to disallow cost for skipped or omitted measures, allows the Department to enforce the chronology of the priority list and audit.

The report recommended TDHCA communicate to subrecipients that $6,500 is not a per-unit maximum cost, but rather but is the maximum average per-unit cost over the entirety of the grant. TDHCA has communicated such to its subrecipients. The Department has reiterated the preapproval process for units exceeding $6,500.

The report recommended TDHCA ensure the completeness of all documentation in client files. The Department provided further guidance and technical assistance to subrecipients to ensure full awareness of program documentation requirements.

From June 21, 2010 through June 25, 2010, DOE conducted a financial desk review of the ARRA weatherization program. Specific areas of review include accounting systems, State audits, payroll, personnel, equipment and vehicles, procurement, materials and supplies, and record retention. TDHCA received the final report on October 25, 2010; there were no findings as a result of the financial review.

DOE conducted an additional quarterly monitoring review from September 27, 2010 to October 1, 2010. Program officers reviewed programmatic and financial records at TDHCA as well as conducting unit inspections in the field. They spent multiple days at CSI, Inc. in Corsicana. At the Exit Conference DOE suggested improvements but did not anticipate findings in the final report. DOE recognized TDHCA has made significant steps in addressing the finding from the June monitoring visit. No report had been received as of the agency’s report September 30, 2010.

Beginning in November 2009, the Department’s Internal Audit Division conducted an audit of the Weatherization Assistance Program’s subrecipient monitoring process. The internal monitoring audit resulted in four recommendations concerning program operations. These recommendations centered on staff training, compliance monitoring and production reporting.
Staff has implemented, or is in the process of implementing, program changes to mitigate the noted concerns as of the report to the Committee. Some of the changes include:

- The division of staff that monitor a subrecipient and staff that provide technical assistance in order to remove the appearance of a conflict of interest;
- The development of a timeline for the timely issuance of monitoring reports;
- The ongoing development of a curriculum for the training of monitoring staff;
- The ongoing development of a monitoring guide;
- The development of a monitoring tracking database to improve Department processes.

The Department of Housing and Urban Development (HUD) conducted an audit of the Department’s Davis-Bacon Act responsibilities on May 17, 2010. The Department’s Recovery Act Tax Credit Assistance Program was included. The audit examined agency systems and controls used to administer and enforce Federal Labor Standards requirements, staffing, communication, information services, technical assistance, wage decisions, monitoring and complaints. The final report was sent to TDHCA on August 13, 2010. HUD had two findings.

The first finding had to do with incomplete documentation within project files. The Department revised monitoring procedures and tools to allow staff to more clearly document and analyze evidence to support any resulting written findings or concerns. Deadlines are strictly enforced, with staff tracking follow-up. Failure to submit corrective action by set deadlines results in sanctions.

The second finding concerned the Department delegating certain enforcement duties to subrecipients. The Department implemented the following measures as requested by HUD:

- Identify which for-profit grantees have a construction arm and indicate that they are higher risk on the monitoring scope/criteria for additional monitoring by Portfolio Management and Compliance staff;
- Update training material, including pre-con packets, to further educate developers and emphasize the importance of the Labor Standards Officer responsibilities and the separation of duties.
- The Department sent a letter to Labor Standards Officers, reaffirming the need to act independently and the importance of their responsibilities and separation of duties. Any Labor Standard Officer that feels as if they are being asked to do something that is a violation of has been provided the information for dedicated hotlines for reporting the activity anonymously including the Department’s “Fraud, Waste and Abuse” hotline, the Department of Labor hotline and relevant TDHCA staff numbers.
- The Department developed a waiver for the use of the Labor Standards Officer when conducting employee interviews to comply with Davis Bacon standards. Since information being asked about and obtained during employee interviews is
confidential, a release or waiver must be signed by the employee prior to undergoing the interview to gather the required information.

The Department of the Treasury recently performed a separate audit of the Tax Credit Exchange Program on September 16 and 17. Treasury staff conducted a desk review of the Exchange program at TDHCA. Treasury staff had comments related to the collection of fees, but no findings.

Specifically, the Department collected a fee of $2,500 for subrecipients wishing to extend their closing date. Department of the Treasury staff requested reimbursement of fees for subrecipients who have closed or will close. As of this report, the Department is reconciling all fees paid to date so appropriate subrecipient reimbursement may occur.

The Office of Inspector General within the Department of the Treasury has recently begun a review of the States’ management accountability, control, and oversight of Recovery Act funds. As of the September 30, 2010 reporting date, it was unclear when the review would be available.

The CSBG-ARRA program was subject to the Statewide Single Audit conducted by the State Auditor’s Office. Beginning in early August, the audit examined both CSBG-ARRA as well as ARRA-WAP. KPMG conducted the audit and focused on items such as allowability of expenditures, fiscal controls, timely expenditure of funds, subrecipient monitoring and the 1512 reporting process. KPMG has indicated that they will return to TDHCA in mid-November to continue the audit process.

**CURRENT CHALLENGES:**

The Department is constantly monitoring the production of the Recovery Act Weatherization Assistance Program subrecipients to ensure full and timely expenditure of funds. In order to provide the Department the ability to deobligate and reobligate underutilized funds and provide subrecipients clear guidance on production and expenditure expectations, the Department recently adopted a rule in 10 TAC §§5.900 - 5.905, *Deobligation and Reobligation of Funds for Department of Energy Weatherization Assistance Program under the American Recovery and Reinvestment Act*. The provisions of this rule became effective beginning June 6, 2010.

Federal regulations stipulate that the maximum allowed expense is $6,500 per household. A portion of Texas subrecipients’ per household expenditures are averaging below $6,500 per household. These lower expenditures contribute to the challenge of fully expending ARRA-WAP funds by the contract deadline.

The Department instituted a new rule requiring a “whole house assessment” in order to give each dwelling unit the maximum expenditure during the Weatherization process. The rule goes into effect in November 2010. Thus, no performance metrics were available at the time of reporting to the Committee. The Department noted anecdotal evidence that subrecipients who have made an effort to comply with the rule since its drafting have seen an increase in per unit costs. This, coupled with the additional training on use of the energy audit provided by the Academy seems to assist subrecipients in identifying more measures per household.

The Tax Credit Assistance Program (TCAP) and Housing Tax Credit Exchange Program (HTC Exchange) both provide assistance to Housing Tax Credit developments negatively impacted by
the recent financial crisis. Although federal funds have been made available to support troubled developments, complex financial transactions continue to feel the effects of the industry’s adjustment to the crisis. Challenges take the form of more conservative underwriting from banks willing to lend funds to limited investors willing to invest in affordable rental developments. Department staff responds to TCAP and HTC Exchange subrecipients and provide flexibility in timelines and procedures where possible and re-negotiate contract documents if required.

One issue that affects all Department Recovery Act programs is the challenge of “ramp down.” As the Recovery Act contracts end, recipients of Recovery Act funds at all levels will be forced to lay off the temporary ARRA employees as budgets constrict with the normalization of program funds. Unemployment insurance, and how subrecipients will be able to afford to pay for those contributions, is only one of a number of issues that are of concern. Though all organizations will undoubtedly be impacted, the impact will be especially severe for small organizations that may have seen a significant percentage increase in staff during the Recovery Act and are on limited budgets with most funds restricted to specific uses. The Department has raised this issue with the Governor’s Office and the Texas Recovery Act Workgroup coordinated by the Governor’s Office. The issue has also been raised with federal agencies to determine what possible solutions exist.

When asked how the Department will assist subrecipients with their noted concerns, the Department responded that they have collected information through meetings with the Texas Workforce Commission executives that they believe will prove useful in helping subrecipients plan for the challenges related to unemployment. Specific information related to the rules and regulations related to unemployment in Texas is being provided to subrecipients and the Department has encouraged subrecipients to work with the Texas Workforce Commission to develop a strategy that best fits their agency and the specific situation they face. The Department also has begun work with Federal agencies to determine how they might use program funds to offset the burden of unemployment costs. Consulting Federal agencies also enables the Department to benchmark best practices that may have already seen implementation in other states. They anticipate any further assistance they could offer will be based on the specific responses received from the Federal agencies.

THE LEGISLATIVE BUDGET BOARD

PROGRESS:

The Legislative Budget Board prepares reports for all ARRA data submitted.

Article XII, Section 5(b) Reporting Requirements, states in pertinent part:

> Each of the agencies and institutions receiving appropriations under this Article shall submit quarterly reports on expenditure of funds appropriated from the American Recovery and Reinvestment Act Fund. The report shall be in the format prescribed by the Legislative Budget Board, including the following:

> (1) the estimated number of jobs to be created or retained; and
(2) the number of full-time equivalents positions.

Reports shall be submitted no later than the following dates each year: December 31, March 31, June 30, and September 30. The reports shall be submitted to the Governor, Legislative Budget Board, State Auditor's Office, and Comptroller of Public Accounts.

The Legislative Budget Board publishes comprehensive reports as soon as possible after the end of each quarter. For all published reports, please visit their site at:

http://www.lbb.state.tx.us/ARRA/ARRA_Other_Reports.htm

**TEXAS PUBLIC UTILITY COMMISSION**

**TESTIMONY:**

The Public Utility Commission testified before the committee in regard to broadband and energy provisions in the Recovery Act. The agency representative indicated that they would not receive any funds directly. The U.S. Assistant Secretary of Commerce for Communications & Information administers competitive grants intended for various aspects of broadband build-out. Several other grants are available that will help expand computer center capacity in public libraries, for example, and telemedicine and distance learning for rural areas. Another grant will help develop and maintain a comprehensive broadband inventory map.

Under energy programs, Texas will be eligible to receive a portion of the grants designed to improve energy efficiency in buildings and transportation; weatherization assistance; development and implementation of the state energy conservation plan; manufacturing of advanced batteries and components; and, research on advanced and innovative energy technologies that reduce fossil fuel emissions.

The agency assured they have proper personnel and systems in place to assure rapid distribution of funds while not sacrificing transparency and accountability.

**PROGRESS:**

**STATE ELECTRICITY REGULATORS ASSISTANCE**

The U.S. Department of Energy awarded $1,370,056M to increase the capacity of the PUC to manage an anticipated significant increase in regulatory dockets and other regulatory actions in ARRA electricity-rated topical areas; facilitate timely consideration by the PUC of regulatory actions pertaining to ARRA electricity-related topical areas; and create jobs. So far, the PUC has expended and received $150,899.00 with $1,219,156M remaining (only 12% expended.) The PUC plans to use the grant to enhance capabilities in the following electricity-related areas:

- Energy Efficiency
The grant period will end December 31, 2012.

**ENHANCING STATE GOVT. ENERGY ASSURANCE CAPABILITIES & PLANNING FOR SMART GRID (SUB-RECIPIENT)**

The Public Utility Commission of Texas (PUC) is a sub-recipient of a grant that has been awarded to the State Energy Conservation Office by the US Department of Energy. $2,432,068 million was awarded, with $1,697,458 million allocated to the PUC. As of September 30, 2010 only $261,043.00 (15%) had been expended.

The purpose of the grant is to permit the PUC to update its Energy Assurance Plan, contained in Annex L of the State of Texas Emergency Management Plan. The Railroad Commission of Texas is also a sub-recipient of the grant.

As of the September 30, 2010 report, the PUC was working collaboratively to update Annex L and existing rules and policies as they relate to electric reliability in Texas. The grant period will end December 31, 2012. Updated plans and newly implemented policies are to address the following:

- The Smart Grid’s impact on energy assurance and the restoration process following natural and/or man-made disasters;
- Investigation of mitigation techniques, such as improved vegetation management and hardening of electric transmission and distribution facilities, to increase reliability and minimize outages following natural disasters;
- Cyber security for protection of Smart Grid facilities and the electric grid in general;
- Critical infrastructure interdependencies, energy supply systems, energy data analysis, and communications;
An update to Annex L to include the Smart Grid, bio-fuels, solar power, wind energy, distributed generation, and renewable energy sources; and

- Improved response to local, regional, or national energy emergencies.

TEXAS DEPARTMENT OF RURAL COMMUNITY AFFAIRS

TESTIMONY:

The Recovery Act included an increase of $19.5 million in Community Development Block Grant (CDBG) funds allocated to the Office of Rural and Community Affairs under an existing formula. These funds were distributed to small cities or “non-entitlement” communities in Texas. A non-entitlement area under this program is defined as a city under 50,000 or a county under 200,000. This $19.5 million is on top of the prior allocation of approximately $70 million.

The agency informed the committee that the timing of the new Federal funds coincided with their annual application process for CDBG funds and the agency was prepared to distribute the funds to local communities very quickly. The agency received between $120-$140 million in applications, so even with the supplemental Federal funding, the new Recovery Act funding did not meet the actual need. The funds are very flexible but generally were to be used for affordable housing, job creation and retention, and to address a serious and immediate threat to the health and safety of a community for which there are no other funds available. All other cities and counties in Texas received their CDBG funding directly from the Federal government.

The agency assured that they have proper personnel and systems in place to assure rapid distribution of funds while not sacrificing transparency and accountability.

PROGRESS:

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

Every year, the US Department of Housing and Urban Development provides federal Community Development Block Grant funds directly to states, which, in turn, provide the funds to small, rural cities with populations less than 50,000, and to counties that have a non-metropolitan population under 200,000 and are not eligible for direct funding from HUD. These small communities are called "non-entitlement" areas because they must apply for CDBG dollars through TDRA.

ARRA provided $19,473,698 million under the program. $6,673,789 million has been received as of the September 30, 2010 reporting (34%) with all funds allocated to units of local government.

The Texas CDBG program made its selection of activities with an emphasis on projects that fulfill the intent of the Recovery Act through:

- Preserving and creating jobs and promoting economic recovery;
Providing investment needed to increase economic efficiency; and

Investing in transportation, environmental protection, or other infrastructure that will provide long-term economic benefits.

The other intended purposes of the Recovery Act was fulfilled through many of the activities that were selected. The activities funded create jobs with salaries at the federal prevailing wage level during the design and construction phases. This outcome leads to an economic job creation multiplier effect within the local economy that further increases or sustain local employment.

The purchase of construction materials and new equipment supports an increase in economic output and job creation nationwide. Additionally, local investment increases economic efficiency within the community. Finally, the investment in infrastructure is anticipated to provide long-term economic benefits within the community.

A full report from TDRA of local governments participating is available on the Committee website - www.txstimulusfund.com.

**STATE ENERGY CONSERVATION OFFICE**

**TESTIMONY:**

Texas usually receives between $1.8 million to $2.5 million per year in Federal funding for the State Energy Plan (SEP) which may be used for energy efficiency and renewable energy projects. Under the Recovery Act, Texas anticipated receiving an additional $218.8 million in funding for the SEP. To receive the SEP money, SECO submitted a comprehensive application to DOE by May 12, 2009.

Another program area of SECO is Local Government Energy Efficiency Block Grants (EEBG). DOE allocated $163 million directly to large Texas cities and counties, however, each city must have applied in order to actually receive their respective allocations. SECO anticipated $45 million, of which 60 percent ($27 million) had to be used to help small, non-HUD entitlement local governments reduce energy use and fossil fuel emissions, and improve energy efficiency. Small was defined as cities with populations less than 35,000 and counties with less than 200,000; in Texas, there are about 233 counties and 1130 cities that were eligible. SECO had discretion under the ARRA to use the remaining 40 percent ($18 million) for other energy efficiency and conservation projects. In order to receive EEBG money, states had to submit their applications to DOE by May 26, 2009. Direct allocation city and county's applications were due June 25, 2009.

**PROGRESS:**

**IMPORTANT DATES & DEADLINES:**

- February 2012 - deadline to spend all State Energy Efficient Appliance Rebate Program
- April 2012 - deadline to spend all State Energy Program funds
- August 2012 - deadline to spend all Energy Assurance program funds
- September 2012 - deadline to spend all Energy Efficiency & Conservation Block Grant funds

**STATE ENERGY PROGRAM (SEP)**
The State Energy Program (SEP) provides federal grants to states and directs funding to state energy offices from technology programs in the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy (EERE). States use the grants to promote energy conservation and efficiency to reduce energy demand. Activities may include technical assistance, training, education and project implementation to support field validation of commercially-available energy efficiency and renewable energy technologies. Funding may not be used for research activities or construction. All SEP funds must be expended by April 2012. In total, $218,782,000 were awarded, with $140,199,018 obligated, $73,291,918 received through reimbursement and $213,193,608 remaining (97%).

There are five program areas that SEP funds are being used for. The funding has been awarded through a competitive process. The program areas are outlined below. At the end of the 3rd quarter, 105 contracts were fully executed and projects were moving forward.
- Building Efficiency and Retrofit Program – $134.8 million
- Transportation Efficiency Program – $17 million
- Distributed Renewable Energy Technology Program – $53 million
- Energy Sector Training Centers – $6 million
- Public Education and Outreach – $5 million

**ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT**
The Energy Efficiency and Conservation Block Grant (EECBG) Program, funded for the first time by the ARRA, awarded $45,638,100 through the Department of Energy to assist U.S. cities, counties, states, territories and Indian tribes to develop, promote, implement and manage energy efficiency and conservation projects and programs designed to:
- Reduce fossil fuel emissions;
- Reduce the total energy use of the eligible entities;
- Improve energy efficiency in the transportation, building, and other appropriate sectors; and,
- Create and retain jobs.

As of September 30, 2010 - $30,570,328 was obligated with $1,709,944 received from reimbursement. Thus, $43,996,853 or 96% remains for reimbursement where 69% has been obligated.

SECO was awarded $45 million under the EECBG Program to administer to cities and counties not receiving direct EECBG allocations from the U.S. Department of Energy (DOE). SECO has 1,052 cities and counties participating in the program, and the contracting phase of the program was near completion at the end of the third quarter. 700 contracts were fully executed as of
September 30, 2010. SECO reports receiving signed contracts from participating cities and counties daily. Projects had begun at the time of their last Committee report.

**PROGRAM SPECIFIC CHALLENGES:**
The volume of cities and counties participating in SECO's program creates challenges from a resource standpoint. With over 1,000 entities participating, it is especially important to have adequate resources to handle monitoring and the day to day contract activities, including invoicing. In addition to the internal SECO Stimulus staff, technical and monitoring services have been or will be obtained to assist in these efforts. Further, the amount of cumulative reporting has created further resource issues. For EECBG, DOE has established additional reporting requirements. This diminishes the agency's ability to work with sub-recipients to ensure funds are being spent quickly and correctly.

All EECBG funds must be spent by September 2012.

**ENERGY STAR APPLIANCE REBATE PROGRAM**
Congress appropriated $300 million nationwide to support state rebate programs for residential ENERGY STAR® appliance products. $23,341,000 was awarded to Texas for The Texas Trade Up Appliance Rebate Program. The program launched on April 7, 2010, and all funds were obligated at that time, however some of the funds obligated were not utilized by the recipients and remained available for an additional round. Over $12 million was issued in rebates. Just over $10.3M remains.

SECO plans to launch a Winter rebate program in the December or January timeframe with the unclaimed funds from the April program. SECO experienced significant vendor problems during the initial offering and was reviewing new vendors through an RFP process at the time of their September 30, 2010 report to the Committee. All funds must be spent by February 2012.

**ENERGY ASSURANCE PROGRAM**
SECO was awarded $2,432,068 in program funds and has received $214,027 with 91% or $2,217,040 remaining. All funds must be spent by August, 2012.

The Energy Assurance (EA) Program provides funding to update the Energy and Utilities portion, Annex L, of the state of Texas Emergency Management Plan (EMP). SECO serves as the lead on the EA Program and is working in partnership, through sub-awards, with the Public Utility Commission of Texas (PUC) and the Railroad Commission of Texas (RRC). Annex L of the EMP will be updated as it relates to energy reliability in Texas. The updated EMP and newly implemented policies will: Strengthen and expand state and local government energy assurance planning and resiliency efforts by incorporating response actions for new energy portfolios and Smart Grid applications and Build in-house State and local government energy assurance expertise.
TRANSPORTATION EFFICIENCY PROGRAM

Alternative Fuels Project: Recipients of a grant program used stimulus funds for public vehicle fleets. Funds could be used for the incremental cost of buying alternative fuel vehicles. They also could use funds to convert vehicles to use alternative fuels and buy equipment for refueling stations. $10.9 million was awarded and expended through competitive grants by December 31, 2009. Grants went to the following entities:

- Railroad Commission of Texas ($3.1 million)
- North Central Texas Council of Governments ($2.5 million)
- Mansfield Independent School District ($1.8 million)
- City of Laredo ($924,000)
- City of Austin ($607,209)
- City of Houston ($500,000)
- City of Corpus Christi Gas Department ($400,000)
- City of El Paso/Sun Metro ($396,180)
- University of Texas at Austin ($200,000)
- City of Dumas ($107,800)
- City of San Antonio ($90,000)
- Texas Parks and Wildlife Department ($56,000)
- Port of Corpus Christi Authority ($15,237)

Project Description:

Traffic Signal Project: Recipient cities, counties and states utilized grants for synchronization of traffic signals through the installation, updating and/or maintenance of traffic synchronization technology or replacement of traffic signals with LEDs. $6 million was awarded and expended through a competitive grant process to the following entities:

- City of Bedford ($1,856,000)
- City of Fort Worth ($750,000)
- City of Grand Prairie ($419,900)
- City of Allen ($392,500)
- City of Bryan ($373,866)
- City of North Richland Hills ($362,500)
- City of Cedar Hill ($308,688)
- City of Grapevine ($308,000)
- City of Killeen ($270,080)
- City of Beaumont ($251,590)
- Montgomery County ($191,195)
- City of Missouri City ($166,880)
- City of Frisco ($134,400)
- City of Brownsville ($100,000)
- City of Cedar Park ($86,400)
- City of Waco ($28,000)
CHALLENGES:

At the time of the agency's September 30, 2010 report, the biggest challenge was obligating returned funds. The Building Efficiency and Retrofit Program (revolving loan) funds that were awarded and that went through technical review, were ultimately withdrawn by the applicant. Four awarded Distributed Renewable Energy Technology Program projects were also withdrawn by applicants. This reduced the obligation rate of the agency, and required re-obligating the funds. DOE was notified and approved plans to re-obligate - which was done primarily through reissuing a Request for Application (RFA) for each program area. Another challenge has been the amount of cumulative reporting being required on all levels, but particularly by DOE. For SEP, DOE has established weekly and monthly reporting in addition to the normal required reporting (in addition to 1512 reporting). The agency reported that meeting those reporting requirements diminished the agency's ability to obligate funds and work with sub-recipients to ensure funds are being spent correctly and as quickly as possible per DOE request.

TEXAS DEPARTMENT OF TRANSPORTATION

TESTIMONY:

The Texas Department of Transportation (TxDOT) estimated they would receive $2.25 billion in stimulus funding. Of that $2.25 billion, $1.68 billion to TxDOT, $500 million to metropolitan planning organizations (MPOs), $175 million to rural areas and $67.5 million to transportation enhancement projects.

TxDOT began anticipating stimulus funds prior to December 2008 and assembled a list of approximately $6 billion in projects. This list was later updated in late January 2009 to over $13 billion in projects, using input from local MPOs. TxDOT narrowed the $13 billion list to a $2.25 billion list on February 23, 2009, and narrowed it again a few days later to $1.2 billion in new construction and $500 million in maintenance projects.

The ARRA required states to “obligate” 50 percent of the funds within 120 days or by June 17, 2009. The remaining 50 percent must have been obligated by February 17, 2010. TxDOT approved the $500 million in maintenance projects on February 26, 2009, and approved 100% of all remaining highway funds on March 5, 2009.

Seventy percent ($841 million) of the final $1.2 billion in new construction is for tollway-related projects. Only 27 percent of new construction funds are in "economically distressed" areas. In a letter from U.S. House Transportation Chairman Oberstar, TxDOT and the Select Committee were advised that the Federal Highway Administration will ensure that TxDOT has complied with the Recovery Act requirement that "economically distressed" areas being given priority for projects prior to approving projects.

PROGRESS:

OVERALL ARRA FUNDING

Amount Awarded: $2,639,961,347 (as of September 30, 2010)
Number FTE's Created: 15,000 (approx.)
HIGHWAYS, BRIDGES AND TRANSIT FORMULA FUNDS
TxDOT received formula grants for Highways, Bridges and Transit. $2,250,015,000 were awarded for Highways and Bridges with all funding obligated. Cost under-runs resulted from some projects and were all re-obligated by September 30, 2010. $1,296,221,438 remains to be expended on a reimbursement basis. $371,806,104 were awarded for large and small urban and rural transit providers. Large urban transit received $321,218,702 with the remaining $50,587,402 flowing through to the smaller and rural transit providers. The transit provider reports on the progress of individual funds.

AVIATION
Texas also received and obligated $17,526,834 for 6 general aviation projects in a competitive grant process. $10,448,889 has been expended as of September 30, 2010.

HIGH SPEED INTERCITY PASSENGER RAIL OVERVIEW
TxDOT received about $4 million in HSIPR ARRA funds to adjust signal timing for several at-grade crossings for Amtrak’s Heartland Flyer over 63 miles of the BNSF Rail. Changing the signal timing will increase speeds for the Heartland Flyer from 49 MPH to 79 MPH in Texas. The Heartland Flyer already operates at speeds of 79 MPH in Oklahoma. Once complete, this project will reduce travel time on the Texas leg of the Heartland Flyer by over 15 minutes and should increase on-time performance and service reliability. As of the September 30, 2010 report the contract is still being worked out between the rail providers, TxDOT and FRA.

FERRY BOATS
TxDOT received $7.2 million in funding for the construction of a new 28 new car ferry vessel for TxDOT’s Port Aransas Ferry System in Nueces County. All funds were obligated with $3,422,156 expended as of September 30, 2010.

TEXAS WATER DEVELOPMENT BOARD
TESTIMONY:
The Texas Water Development Board (TWDB) provided the committee with a complete list of $4.9 billion in potential economic recovery “Clean Water” projects and another $4.9 billion in “Drinking Water” projects. Most of these projects were shovel-ready, illustrating that the need far exceeds the available funding levels.

The state’s allocation from the $4 billion appropriated for the Clean Water State Revolving Fund (CWSRF) was $181 million. The fund provides grants to states to capitalize their revolving loan funds for wastewater infrastructure improvements. The allocation from the $2 billion appropriated for the Drinking Water State Revolving Fund (DWSRF) is approximately $160.5 million. The fund provides grants to states to capitalize their revolving loan funds for drinking water infrastructure. The agency suggested that the demand in Texas for funding from these two programs has been heightened by the difficulty in getting good rates in a troubled bond market.
The ARRA directs states to allocate 20 percent of CWSRF and DWSRF recovery funds to projects that improve water use efficiency and reduce water consumption, known as the "Green Project Reserve". Guidance was issued by the Environmental Protection Agency (EPA) on aspects to consider when evaluating whether a project qualifies for the Green Project Reserve designation. TWDB testified that they were in the process of rating and ranking projects on its approved Intended Use Plan (IUP) lists for consideration under the Green Project Reserve, and that they expected to have those evaluations complete early in 2009. TWDB held public hearings on its final rankings and IUPs in May 2009, and adopted final IUPs in the same month.

**PROGRESS:**

**CLEAN WATER STATE REVOLVING FUND (CWSRF)**

$179,121,900 was awarded to fund infrastructure projects like wastewater treatment plant replace, maintain, expand, rehab lines, etc. As of September 30, 2010, $59,027,971 was received on a reimbursement basis with $120,093,928 remaining.

**Number FTEs Created/Retained:** 544.86

**DRINKING WATER STATE REVOLVING FUND (DWSRF)**

$160,656,000 was awarded for infrastructure projects like water line replacements, pump stations, water system improvements, and etc. As of September 30, 2010 the agency received and expended $59,915,889 on a reimbursement basis. $100,740,110 remains.

**Number FTEs Created/Retained:** 438.33

**AUDITS PERFORMED:**

- March 22-24 DWSRF 69 RRAS FY 09 annual performance audit have responded to draft comments. Have not received final letter. Audit reviewed 4 projects: Mission, Amarillo, Honey Grove, Lohn WSC.
- March 24-26 CWSRF 69RRAS FY 09 annual performance audit have received draft comments and TWDB response will be provided by 8/6/10. Audit looked at 4 projects: Sabinal, Austin, Bonham, McAllen.
- March-April: completed questionnaire and follow up questions from GAO. In May GAO completed National Summary of Recovery Act (GAO 10 604).
- April 5-8 – EPA Office of Inspector General (Chicago office) reviewed ARRA program. Audit remains open.
- August 30 - September 3, 2010 - EPA Region 6 performed the second Performance Evaluation Review (to be conducted every 6 months). As of September 30, 2010 TWDV had not received the review report.
- September/October 2010 - Texas State Auditor's Office was collecting/reviewing data for TEDB's A-133 annual audit.
- Ongoing audits do not have completion dates due to the continuous audit requirements in the ARRA legislation.
COMPLIANCE ISSUES:
Davis Bacon Compliance Issues Identified
- Contractors under paying workers by utilizing incorrect occupation codes or utilizing non-specific job functions (i.e. “laborers” vs “back-hoe operator”) to determine appropriate wage rates.
- Wage related posters missing or otherwise unavailable in a readable condition.

BUY AMERICAN COMPLIANCE ISSUES IDENTIFIED
- TWDB Inspectors identified a product delivered to the job site bearing double labeling. On further inspection, the manufacturer had attempted to place an identical label with “Made in USA” over the original label which stated “Made in Mexico”. Both labels had been affixed to the cartons after the product was packed and the shipping cartons sealed.
- TWDB Inspectors identified pipe that bore a stamp of “Made in China”.
- Adequate documentation is not available in the files to support compliance
- Incidental items that could be eligible for the de minimis waiver did not have adequate documentation for Buy American compliance in the procurement file, and had not been documented on the de minimis log.

ACTION TAKEN TO ADDRESS COMPLIANCE ISSUES:
Davis Bacon Compliance Issue Resolutions
- Occupations/Job duties are randomly checked on each payroll by entities and monthly by TWDB inspectors. Further verification has been done to determine that the appropriate rates are being applied for the ARRA projects.
- Inspectors have counseled contractors and recipients concerning this requirement and continue to verify compliance during monthly (or more frequent) site inspections.

Buy American Compliance Issue Resolutions
- Contractor was apprised of the questionable nature of the labeling and TWDB notified EPA/OIG.
- Contractor and City were notified and pipe was removed from the materials yard and replaced with American made materials.
- Contractor/Recipients have been counseled on the documentation requirements and the files will be rechecked on each inspection.
- Recipient was instructed on what items are appropriate for inclusion on the de minimis waiver log, provided samples of the logs currently in use, and instructed in the need to add items to the log in a timely manner.

TEXAS WORKFORCE COMMISSION
TESTIMONY:
The Texas Workforce Commission identified around $437 million in potential economic stimulus funding that Texas was eligible to receive for unemployment insurance, child care services and job training programs.

TWC received approximately $437 million in additional federal funds under the American Recovery and Reinvestment Act (ARRA). These additional federal dollars supported existing
employment and child care programs. Another $39 million was received to support the increase in demand on the unemployment insurance system. No changes in state law were required to receive the funds and no increase in state match was required.

Child care services received the largest increase - $214 million, which is almost 50 percent more than the prior Federal allocation of $470 million. Of the $214 million, the Legislature appropriated $16 million to the Department of Family Services with the remaining $198 million appropriated to TWC for the subsidized child care program. Agency administrators testified that the additional funds were used to meet the increase demand for child care services but there would remain unmet need, even with the significant increase. TWC also approximated that $214 million would provide child care services to about 25,000 additional children.

Youth employment services received $82 million, a 100 percent increase; Workforce Investment Act adult and dislocated worker programs combined received approximately $88 million. Under the Wagner-Peyser Employment Grant which provides various services to help match employers and job seekers with the current demands of the labor market received $27 million, around a 40 percent increase. The smallest increase, but not an insignificant one, was a $1.3 million or 20 percent increase for the Community Service for Older Americans program which provides employment opportunities for seniors in community settings such as public libraries.

Texas was also eligible to receive approximately $555 million in funds to pay for unemployment benefits, but only if certain changes to state statute were made by the 81st Legislature, which were not made. The Legislature would have needed to change the existing base period for calculating benefits and meet two of four other unemployment insurance modernization incentives.

If Texas had changed its existing base period for calculating benefits to consider the most recent quarter of wages before becoming unemployed, termed an Alternative Base Period (ABP), the state would have received $185 million in additional federal unemployment funds.

Under the Recovery Act, Texas could have delayed implementation of the changes for up to a year and still received the incentive money ($555 million) immediately. Furthermore, although states are not allowed to automatically “sunset” the modernization provisions, the Department of Labor issued an advisory letter on March 25, 2009, which stated unequivocally that future legislatures could repeal the modernization changes without having to pay back any of the incentive funds. If Texas had enacted the necessary changes, the Unemployment Trust Fund could have received $555 million at a cost of approximately $75 million over FY 2010-2011 (a net gain of around $480 million to the Trust Fund).

TWC reported an 8.1 percent unemployment rate for October and September - down from 8.3 in August and 8.2 in July. When Texas unemployment rate reached 6.8 percent for three consecutive months, the state could have received an estimated $600 million in additional fiscal relief through the Federal Medical Assistance Percentages (FMAP) reimbursement program. Consistent with rising unemployment rates, TWC reported large increases in weekly unemployment insurance payments since the passage of ARRA.
In January 2010, TWC reported it estimated the Unemployment Trust Fund would have a balance of $0 with an outstanding Title XII Advance balance of $1.9 billion on October 1, 2010, which would be $2.7 billion below the statutory “floor”. On October 1, 2010 the Unemployment Trust Fund had a balance of $0 with an outstanding Title XII Advance balance of $1.5 billion, which was $2.3 billion below the statutory “floor”.

On December 7, 2010, TWC reported that the Unemployment Trust Fund will have an estimated balance of approximately $829.5 million on October 1, 2011, which would be $2.6 million above the statutory “floor.” This projection assumes that $2.1 billion in proceeds from the sale of bonds will be deposited into the UI Trust Fund before December 31, 2010.

For FY 2010, Employment and Training Investment Assessment collections totaling $104.8 million were transferred to the Unemployment Trust Fund in September of 2009. For FY 2011, $82.6 million in Employment and Training Investment Assessment collections were transferred to the Unemployment Trust fund in September 2010. These transfers to the Unemployment Trust Fund were made based on a projections showing the October 1, 2009 and October 1, 2010 Unemployment Trust fund balances would be below the statutory “floor”. If the Unemployment Trust Fund is projected to be below the statutory “floor” on October 1, of that year; per statute, transfers to the Texas Enterprise Fund and Skills Development Fund are not made and the Employment and Training Investment Assessment collections are deposited into the Unemployment Trust Fund.

**PROGRESS:**

<table>
<thead>
<tr>
<th>Federal Program</th>
<th>Amount Awarded</th>
<th>Expenditure Amount as of 9/30/10</th>
<th>% Expended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Service - Stimulus</td>
<td>$ 27,188,088</td>
<td>$ 25,134,926</td>
<td>92.4%</td>
</tr>
<tr>
<td>Senior Community Services</td>
<td>1,316,701</td>
<td>1,316,701</td>
<td>100.0%</td>
</tr>
<tr>
<td>Workforce Investment Act (WIA)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WIA - Adult</td>
<td>34,344,771</td>
<td>27,081,071</td>
<td>78.9%</td>
</tr>
<tr>
<td>WIA - Youth</td>
<td>82,000,708</td>
<td>73,357,714</td>
<td>89.5%</td>
</tr>
<tr>
<td>WIA - Dislocated Worker</td>
<td>53,768,305</td>
<td>40,089,156</td>
<td>74.6%</td>
</tr>
<tr>
<td>Total WIA - Stimulus</td>
<td>170,113,784</td>
<td>140,527,941</td>
<td>82.6%</td>
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<tr>
<td>WIA - ARRA National Emergency Grant - Dislocated Worker - Central TX</td>
<td>2,201,214</td>
<td>857,335</td>
<td>38.9%</td>
</tr>
<tr>
<td>WIA - ARRA National Emergency Grant - Dislocated Worker - OJT</td>
<td>3,524,688</td>
<td>4,852</td>
<td>.1%</td>
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<td>WIA - ARRA National Emergency Grant - Dislocated Worker - TAT</td>
<td>600,000</td>
<td>25,480</td>
<td>4.2%</td>
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<tr>
<td>Child Care Development Fund - CCDF - Block Grant</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CCDF ARRA Appropriated to</td>
<td>198,463,366</td>
<td>90,879,741</td>
<td></td>
</tr>
</tbody>
</table>
WAGNER-PYYSER EMPLOYMENT SERVICES (ES)
These funds are provided for states to address the increasing claimants and other job seekers, and to enhance the availability of intensive, staff-assisted services. States are required to use 62.5 percent of their funds on reemployment services for UI claimants. Job seekers may receive a variety of services, including referral to job openings, assessment, employment counseling, access to resource areas in Texas Workforce Centers, labor market information, and seminars on topics such as résumé writing, interviewing skills, and job hunting techniques. Specifically, these may include:

- In-person, staff-assisted services;
- Initial UI claimant reemployment assessments;
- Career guidance and group and individual counseling, including provision of materials, suggestions, or advice intended to assist the job seeker in making occupation or career decisions;
- Provision of labor market, occupational, and skills transferability information that clarifies claimants’ reemployment opportunities and skills used in related or other industries;
- Referral to job banks, job portals, and job openings;
- Referral to employers and registered apprenticeship sponsors; • assessment, including interviews, testing, individual and group counseling, and employability planning; • referral to WIA-funded training; and
- Outreach to special populations, such as migrant seasonal farm workers.

SENIOR COMMUNITY SERVICES EMPLOYMENT PROGRAM (SCSEP)
Funds are available to enhance services to eligible individuals age 55 or older by providing community service opportunities to assist them in gaining competitive job skills, leading to unsubsidized employment, through temporary subsidized employment in governmental and nonprofit entities.

For performance, DOL requires that community service assignments focus on the growth industries emphasized (e.g., health care, child care, education, green jobs, energy efficiency, and environmental services) and on expanded public service activities that use ARRA funds.

ARRA required that SCSEP funds be allocated based on current grantees’ share of the Program Year 2008–2009 grant. Grantees must have expended all ARRA SCSEP funds by June 30, 2010. TWC fully expended all available funds.

Of the ARRA SCSEP funds, 73 percent was spent on participant wages and fringe benefits.
Primary emphasis was on recruiting participants and host agencies in the first phase of the program. Two percent of the funds were spent on additional targeted training and support services that assisted participants with continuing and succeeding in their community service assignments or unsubsidized jobs secured after exiting the program.

TWC enrolled 325 in community service positions. The Entered Employment rate for exited participants was 71.67.

WIA ADULT
Funds are available to provide core, intensive, and training services, with priority given to low-income individuals and individuals receiving public assistance. The Commission established performance expectations for Boards and will continue to meet all federal and state performance measures. Boards must expend no less than 67% of their funds training services, support services and NRPs. Training services may include the following:

- Occupational skills training
- On-the-job training programs that combine workplace training and related instruction, including registered apprenticeship
- Private sector training programs
- Skills upgrade and retraining
- Entrepreneurship training
- Job readiness training
- Adult education and literacy training
- Customized training

States have the authority to enter into contracts with institutions of higher education, such as community colleges, or with other eligible training providers to facilitate the training of multiple individuals in high-demand occupations, as long as the contract does not limit customer choice.

Performance as of September 30, 2010
- Adult customers served: 10,139
- Number of Adult customers in Training: 6,467
- Number of direct contracts with institutions of higher education*
- 9 Boards contracting directly with institutions of higher education
- 219 Training programs ranging from healthcare and energy conservation to education and trades (e.g., Solar Installation, Weatherization, HVAC, Production Inventory and Management, Well Control, Vocational Nursing, Plumbing/Pipefitting, Welding, Drafting, Industrial Electrical Maintenance, Alternative Teacher Certification).

WIA YOUTH
Funds available to support enhanced youth services, with an emphasis on creating summer employment opportunities for youth.

The Commission set a state-wide enrollment target of 14,420 to be served in Summer Youth Employment programs for the period May 1, 2009 through September 30, 2009. A total of 23,966 youth were enrolled from 5/1/09 to 9/30/10. 83.7% of the participants completed the SYEP and attained work readiness skills as measured and reported by the worksite employers.
WA DISLOCATED WORKER
Funds were available to workers who were laid off. The commission established performance expectations for Boards who must expend no less than 67% of their funds on training services, support services and NRPs. Training services may include the following:
- Occupational skills training
- On-the-job training
- Programs that combine workplace training and related instruction, including registered apprenticeship
- Private sector training programs
- Skills upgrade and retraining
- Entrepreneurship training
- Job readiness training
- Adult education and literacy training
- Customized training

States have the authority to enter into contracts with institutions of higher education, such as community colleges, or with other eligible training providers to facilitate the training of multiple individuals in high-demand occupations, as long as the contract does not limit customer choice.

As of September 30, 2010 - 9,948 dislocated worker customers were served with 6,325 in training. 9 Boards contracted directly with institutions of higher education with 219 Training programs ranging from healthcare and energy conservation to education and trades (e.g., Solar Installation, Weatherization, HVAC, Production Inventory and Management, Well Control, Vocational Nursing, Plumbing/Pipefitting, Welding, Drafting, Industrial Electrical Maintenance, Alternative Teacher Certification).

WIA NEG FOR DISLOCATED WORKERS
These funds are to provide dislocated workers with training and other workforce services needed to regain employment. The funds address dislocations resulting from plant closures and layoff in the following companies: Alcoa, and several of its contractors including Luminant, Bechtel/Becon, and Texas Hydraulics. The NEG funds will ensure that the Central Texas Workforce Development Board (Board) provides, subject to NEG allowable uses, workforce development services to 500 dislocated workers, including the following:
- Core and intensive services, such as skills and educational assessments, leading to an Individual Employment Plan, job search assistance, or referrals, as appropriate, to other workforce services;
- Occupational and vocational training services; and
- Support services, such as uniforms and tools, as well as transportation or other support to address barriers to participation, as determined by a needs assessment.

The Department of Labor approved a grant of $2,201,214 with an initial award of $1,021,902. Through July, 2010, 139 participants were enrolled with 68% beginning training services.
Incremental award amounts are currently at 68.8%. TWC anticipated submitting the next round of incremental funding at the end of the third quarter, 2010. TWC also anticipated modifying the grant to include additional employers covered by the Alcoa Trade petition.

The ARRA On-the-Job Training NEG funds provide re-employment assistance for dislocated workers experiencing prolonged unemployment by enabling employers to create training and job opportunities for these individuals. Participating employers provide On-the-Job training and receive partial reimbursement — on a sliding scale ranging from 50 to 90% of the participant’s wage — to offset the extraordinary cost of training workers. The grant was awarded June 24, 2010.

TWC is awaiting approval at the time of their last report to the Committee, of the state's implementation plan. TWC will issue grant awards to place 564 dislocated workers in on-the-job training opportunities in 5 workforce areas: Dallas County, North east Texas, Upper Rio Grande, Middle Rio Grande and Gulf Coast.

**Child Care and Development**
Provided additional subsidized child-care for low-income families. Designed to enhance the quality of child-care services. ARRA requires that Texas set aside approximately $36.6 million to support quality improvement, as follows:
- Required set-aside of at least 4 percent ($8.6 million) for quality

Additionally, ARRA established additional set-asides to support quality improvement activities as follows:
- $17.7 million for quality expansion
- $10.2 million for infant/toddler care quality improvement

On June 9, 2009, the Commission approved
- The allocation of $151,202,053 in CCDF ARRA funds to Boards for direct child care services  [http://www.twc.state.tx.us/boards/wdletters/letters/27-09.pdf](http://www.twc.state.tx.us/boards/wdletters/letters/27-09.pdf)
- The allocation of $32.3 million in CCDF ARRA funds to Boards to be expended on child care quality improvement activities  [http://www.twc.state.tx.us/boards/wdletters/letters/22-09.pdf](http://www.twc.state.tx.us/boards/wdletters/letters/22-09.pdf)

TWC estimates serving an average of 15,746 children per day over a 24 month period. Because of the ramp-up period involved in expanding services, they have thus far served an average of 15,147 children per day from 7/1/09 to 9/30/10.

**Temporary Assistance for Needy Families/Emergency Contingency Fund (TANF/ECF)**
Provides subsidized employment opportunities for low-income unemployment insurance (UI) claimants and provides subsidized summer employment opportunities for low-income youth. The Department of Health and Human Services’ Administration for Children and Families has approved funding totaling $46,521,453 through June 2010.
UI claimants are served through the Texas Back to Work Initiative (TBTW) with the goal of timely reattachment to the workforce. TBTW is jointly funded with State general revenue funds and TANF ECF. Youth participating in the Subsidized Summer Youth Employment Program (SSYEP) are provided meaningful workplace experiences over the course of the summer months of 2010.

Through September 30, 2010, 3,068 UI claimants have been served through TBTW, funded with TANF ECF, and 23,054 low-income youth have been served through SSYEP.

**AUDITS:**

No new audits occurred between the second and third-quarter reports submitted by the agency. All findings of prior audits were mostly technical in nature and were resolved quickly.

**EFFECTS OF ARRA ON THE STRUCTURAL DEFICIT**

In testimony before the Select Committee, the Legislative Budget Board Director warned that the State has a "structural deficit" and that it should be considered when evaluating the Recovery Act and the Texas budget gap. The Chairman of the House Committee on Appropriations informed the members of the House of Representatives about the structural deficit in remarks on the House Floor and in subsequent documents and releases.

A "structural deficit" differs from a "cyclical deficit" in that it exists even when the economy is operating at its full potential. No matter how good the economy gets, the deficit cannot be cured.

A true structural deficit can only be addressed by explicit and direct changes in government policies: reducing spending (including entitlements), increasing the tax base, and/or increasing tax rates. It can be described as more "chronic" or long-term in nature hence needing government action to remove it. For example, the U.S. Social Security system is sometimes declared to be creating a structural deficit in the federal budget, as many argue that changes in the structure of the social security system are needed to avoid bankruptcy of that system in 2042.

The LBB budget for FY 2010-2011 (The General Appropriations Act) appropriated $80.6 billion in recurring spending from general revenue-related funds, with an estimated additional $2.6 billion in fiscal year 2010 and $2.8 billion in fiscal year 2011 from the Property Tax Relief Fund.

Thus, there is at least an $8 billion structural deficit facing the State of Texas for FY 2010-2011 if you look only at ongoing expenditures and revenues.

However, the 80th Legislature reserved $3 billion in general revenue balances from the FY 2008-2009 biennium to be used in the future to help pay for the property tax cut authorized in 2006.

The components of the overall numbers reveal that a sizeable portion of the problem is that tax revenues anticipated from the 2006 Property Tax Relief initiative are lower than projected at the time. For FY 2010-2011, the Comptroller estimated that $9.1 billion in revenue would be
collected, and that estimate has now been lowered to the $5.5 billion mentioned above. However, the original cost estimates of the 2006 Property Tax Relief initiative by LBB have been shown to be prophetic - $14.2 billion for FY 2010-2011.

This difference  -  $14.2 billion in cost  
- $5.5 billion in revenue  
<$8.7 billion deficit>

In summary, had the 2006 Property Tax Relief Initiative been revenue neutral or not enacted, assuming no other changes in spending, Texas would today have a $700 million surplus in its recurring budget, rather than an $8 billion shortfall.

**EFFECTS OF ARRA ON THE ECONOMIC STABILIZATION ("RAINY DAY") FUND**

The Comptroller estimated that the Economic Stabilization (or “Rainy Day”) Fund will reach $9.1 billion by the end of the 2010-2011 biennium. The Texas Constitution places a limit on the amount of funds that can be held in the Rainy Day Fund. This amount is 10% of the previous biennium’s general revenue receipts, less investment and interest income. According to the Comptroller’s Revenue Estimate issued in January 2009, the amount of general revenue collected during the 2008-2009 biennium, less interest and investment income, is around $79 billion, which would lead one to conclude that the cap on the Rainy Day Fund is $7.9 billion for FY 2010-2011. The Comptroller’s Office, however, has indicated that they included some federal funds in their calculation to arrive at a cap of $11 billion.

Once the Rainy Day Fund reaches the cap, no additional transfers may be made to the fund from general revenue.

The Recovery Act also contains one specific provision that applies to the Rainy Day Fund or any other reserve account. “A State is not eligible for an increase in its FMAP…if any amounts attributable (directly or indirectly) to such increase are deposited or credited into any reserve or rainy day fund of the State.”

That said, additional deposits into the Rainy Day Fund that would be required by the Texas Constitution are permitted since the source of funds in the Texas Constitution is arguably not directly or indirectly related to the increased FMAP, provided the total remains below the cap.

**EFFECT OF THE STIMULUS (ARRA) OVERALL TO DATE**

In 2009 and 2010, the Making Work Pay provision of the American Recovery and Reinvestment Act provided a refundable tax credit of up to $400 for working individuals and up to $800 for married taxpayers filing joint returns. This tax credit is calculated at a rate of 6.2 percent of earned income and will phase out for taxpayers with modified adjusted gross income in excess of $75,000, or $150,000 for married couples filing jointly.

For people who receive a paycheck and are subject to withholding, the credit is typically handled
by their employers through automated withholding changes. The changes have resulted in a slight increase in take-home pay. The amount of the credit was computed on the employee's 2009 income tax return filed in 2010 and the will be computed also on the employee's 2010 tax return filed in 2011. Taxpayers who do not have taxes withheld by an employer during the year are also able to claim the credit on their 2009 and 2010 tax returns.

Under the ARRA, small businesses received incentives to purchase assets for their business needs by increasing depreciation and equipment expense tax deductions. First, the ARRA extended the depreciation bonus created by the 2008 Economic Stimulus Act. Companies that bought new equipment in 2009 were able to depreciate an additional 50 percent of the purchase cost. Second, small businesses were able to double their tax write-off on purchases of new or used equipment made in 2009, increasing the expensing limit from $125,000 to $250,000. Additionally, the ARRA increased the phase out level from $500,000 to $800,000, thus companies could spend an additional $300,000 on their business needs and still reap the full benefits of the write-off. Third, the ARRA allowed businesses with gross receipts of $15 million or less, which encompasses the vast majority of small businesses, to elect to offset net operating losses incurred in 2008 against income earned in up to five prior years. Therefore, businesses could carry losses back an additional 3 years as opposed to the normal two-year carry back. Finally, most small businesses owners received a reduction in their estimated tax payments. The ARRA allowed small business owners to base their 2009 quarterly tax payments on 90 percent of their 2008 taxes, rather than 110 percent as previously required. The majority of small business owners were eligible for the reduction in estimated tax payments, as qualified employers must have had less than 500 workers, reported an adjusted gross income of less than $500,000 and certified that more than 50 percent of their prior-year gross income was from a small business.

One important component of American Recovery and Reinvestment Act (ARRA) is state fiscal relief. Through August 28, 2009 $38.4 billion had gone to states in the form of fiscal relief, with most of that total ($28.1 billion) coming through a higher Federal share of Medicaid spending. State fiscal relief constituted a crucial portion of the early part of the stimulus – nearly two-thirds of the spending and a quarter of total ARRA stimulus (that is outlays plus tax cuts) through the second quarter of 2009 came in the form of state fiscal relief. The ARRA funds were used in part in Texas to assist with passage of the constitutionally required balanced budget, with Texas receiving at least $6.3 billion in state fiscal relief ARRA funds. These funds were appropriated by ARRA for the specific purpose of assisting states with budget shortfalls.

In August of 2010, testimony before the House Select Committee on Fiscal Stability estimated Texas' budget shortfall between $15 - $18 billion for 2011. General revenue appropriations for the introduced version of the 2010-2011 appropriations bill exceeded the amount of available revenue projected by the Comptroller in her January 2009 Biennial Revenue Estimate (BRE) by approximately $2.3 billion. Additionally, $1.4 billion in appropriations for public schools in the introduced version were contingent on a transfer from the Permanent School Fund to the Available School Fund which did not occur. The prior Texas Budget in BY2008-09 included state government operations that totaled $167.8 billion in All Funds. This included estimated appropriations of $80 billion from General Revenue Funds, $51 billion from Federal Funds and

1 Calculation derived from all General Revenue Offset of Article XII General Appropriations Act of 2009, including Sec. 30 Reduction of Appropriations.
$30.6 billion from Other Funds. This was without any ARRA dollars. The BY2010-11 Texas budget with the ARRA funds was $182.2 billion in All Funds, which included estimated appropriations of $80.6 billion from General Revenue Funds, $6.4 billion from General Revenue-Dedicated Funds, $65.5 billion from Federal Funds and $29.7 billion from Other Funds. State fiscal stabilization funds from ARRA delayed Texas need to address it’s structural deficit. ARRA fiscal relief will continue into FY 2012.

Changes to the Unemployment Insurance (UI) System made by the ARRA extended interest free borrowing of Title XII Advances from the federal UI Trust Fund until December 31, 2010. Under normal circumstances these advances are only interest free for 9 months. Texas will utilize bond proceeds to retire its outstanding Title XII Advance balance of $1.736 billion by December 16, 2010. Had the ARRA not extended the interest free period for Title XII Advances, Texas and other states would have had to find other means to cash flow their Unemployment Insurance systems by either selling bonds, allowing Unemployment Insurance Taxes to rise as prescribed in statute or some combination of the two. Had the ARRA not extended the interest free borrowing period for Title XII Advances, TWC would likely have had to issue bonds in the fall of 2009. It is not possible to accurately predict what the effect would have been on UI taxes in this scenario because it is not known what the interest rate would have been on a bond sale at that time.

On top of individual and small business tax cuts, and on top of state fiscal relief, the ARRA appropriated $16,361,048,225 nationally for competitive grants, contracts, loans, and projects designed for job creation. To date, Texas has received $6,659,683,034 of these funds.

Nationwide, as of the end of September 2010, 70 percent of the original $787 billion included in ARRA has been outlaid or has gone to American households and businesses in the form of tax reductions. As in the first quarter of 2010, much of the higher level of stimulus in the second quarter was due to a surge in tax refunds and reduced final liabilities. However, public investment spending, which now totals $119 billion, also increased significantly (this spending supports projects such as grid modernization, transportation infrastructure construction, and health care delivery). In the third quarter, ARRA related public investment spending ($33 billion) was larger than in any other quarter thus far. In addition, there was continued tax relief and aid to states and individuals.
RECOMMENDATIONS / ISSUES FOR FURTHER STUDY

The Texas House should continue to monitor the use by state agencies of ARRA funds. Problems were recognized throughout the tenure of the Select Committee, and Select Committee continual monitoring appears to have maintained a higher level of diligence by State Agencies in their accountability.

Since the ARRA continues through 2012, either a Standing House Committee or a Select Committee should continue to monitor ARRA spending in Texas until those funds are fully utilized in order to assure transparency and accountability of these tax dollars.

State Representative Jim Dunnam

Rep. Myra Crownover, Vice Chair
Rep. Drew Darby
Rep. Carol Kent
Rep. Jim Pitts

Rep. Myra Crownover
Rep. Drew Darby
Rep. Carol Kent
Rep. Jim Pitts

Rep. Garnet Coleman
Rep. Craig Eiland
Rep. Solomon Ortiz, Jr.
Rep. Vicki Truitt
CONCLUSION

Evaluating the impact of countercyclical macroeconomic policy is inherently difficult because we cannot observe what would have happened to the economy in the absence of policy. Many of the methodologies necessary to analyze ARRA data are unavailable until the funding period ends. Thus, the Committee has sought to include reports from all agencies receiving funds under Article XII and any other data that might be useful in analyzing the impact of ARRA on the state.

Because of the challenges in the analysis, reporting must estimate the impact of the ARRA using multiple, independent approaches and supplements those estimates with those of numerous outside analysts. The Council of Economic Advisors ("CEA") attempts to accomplish this quarterly - as does the Office of Management and Budget ("OMB"), for the country as a whole. It is nearly impossible to discern similar analysis for the state of Texas separately without increased economist input and resources. As aforementioned, the LBB also prepares reports quarterly that summarize ARRA dollars spent.

In the most recent study published November 18, 2010 - the CEA found the following key findings for the U.S.:

- Following implementation of the ARRA, the trajectory of the economy changed significantly. Real GDP began to grow steadily starting in the third quarter of 2009 and private payroll employment increased on net by nearly 1 million from the start of 2010 to the end of the third quarter.

- The two established CEA methods of estimating the impact of the fiscal stimulus suggest that the ARRA has raised the level of GDP as of the third quarter of 2010, relative to what it otherwise would have been, by 2.7 percent. These estimates are very similar to those of a wide range of other analysts, including the non-partisan Congressional Budget Office.

- The CEA estimates that as of the third quarter of 2010, the ARRA has raised employment relative to what it otherwise would have been by between 2.7 and 3.7 million, consistent with the initial estimate that the ARRA would save or create 3.5 million jobs as of 2010:Q4.

- The Recovery Act was designed to be temporary. In the quarters following its peak impact, the amount of stimulus outlays and tax reductions will decline and the impact on the level of GDP and employment will begin to lessen as it does so.

This full report is available at:

http://www.whitehouse.gov/sites/default/files/cea_5th_arra_report.pdf

For further inquiry, please visit www.recovery.gov or call the Committee office at 512-463-0240.