



A New Way of Doing Business:
HOW THE RECOVERY ACT
IS LEADING THE WAY TO
21st CENTURY GOVERNMENT

FEBRUARY 2011





Dear Mr. President,

Nearly two years ago, the nation faced the most severe economic downturn since the Great Depression. With your leadership, Congress passed the American Recovery and Reinvestment Act (Recovery Act) less than a month after you took office. While rescuing the nation's economy and building a foundation for future economic growth, we have learned a great deal about how government can work better.

When you asked me to lead this effort, we agreed that it could not be done in traditional ways. We needed to move fast, immediately engage the Cabinet and every level of government, be more transparent in our execution than ever before, and deliver jobs and real results for the American people where they work, live, and raise their kids. I am proud of what our Administration has done to meet that high standard.

To speed economic recovery, we met every major spending deadline—whether in the law or imposed by us—on time or ahead of schedule. Many agencies put funds into the hands of business, governments, and citizens faster than they typically had been able to. We kept programs free of politics, and to date, we have seen low levels of fraud, waste, and abuse. We have worked to make Federal dollars go further by enlisting the private sector and others to invest with us in these efforts. To do this we broke through traditional barriers in government to speed economic recovery and deliver results for the American people.

As we achieved these results, we learned valuable lessons about how to improve government to make it leaner, more transparent, and ready for the 21st century. We learned that unprecedented transparency of government spending increases accountability and is one of the best deterrents of fraud, waste and abuse. We learned that cutting red tape to encourage collaboration across agencies can not only save taxpayer dollars, but lead to better results for the American people. And we learned that competition-based programs like “Race to the Top” can provide some of the biggest bang for the buck when it comes to spurring innovation and reform.

Today, as we concentrate our focus on winning the future by out-innovating, out-educating and out-building the rest of the world, we are already beginning to see the impact of these lessons learned under the Recovery Act. For example, the “Race to the Top” model, which is already yielding big results through just a fraction of education spending, is now being applied to new

competition-based initiatives in not only education, but also infrastructure, energy and others that reward innovation and reform.

There is no doubt that the economy is better today than it was two years ago because of the Recovery Act – but, as you and I know, there is still more work to do. This report details the central lessons we learned with the swift, responsible, and effective implementation of the Recovery Act and how we can use them to build a 21st century government that can help America win the future.

Cordially,

A handwritten signature in blue ink, appearing to read "Bill Clinton". The signature is written in a cursive style with a large, sweeping initial "B" and a long, diagonal stroke extending from the end of the name.

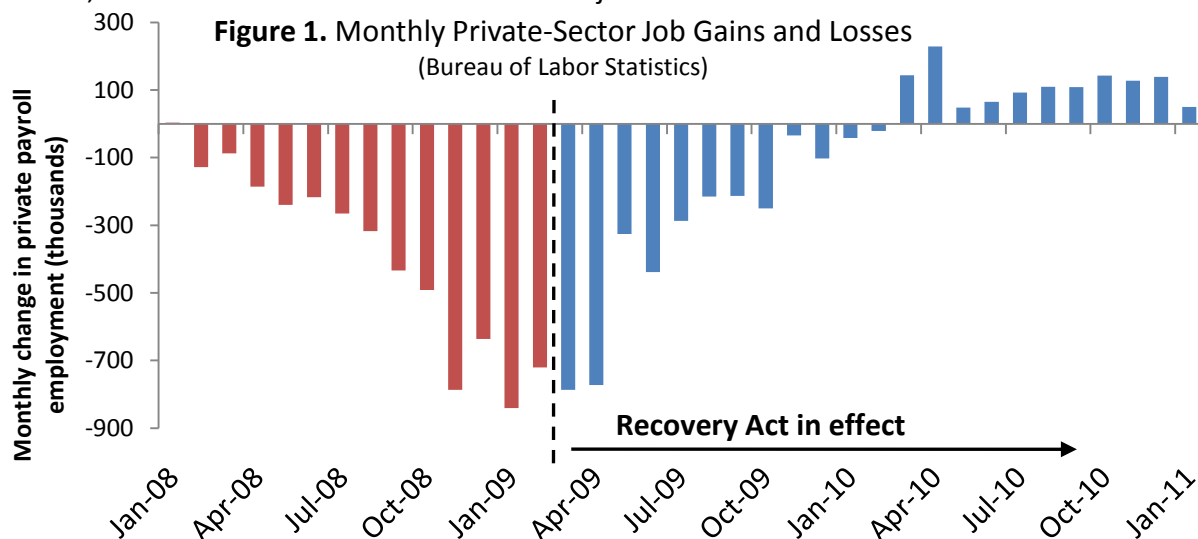
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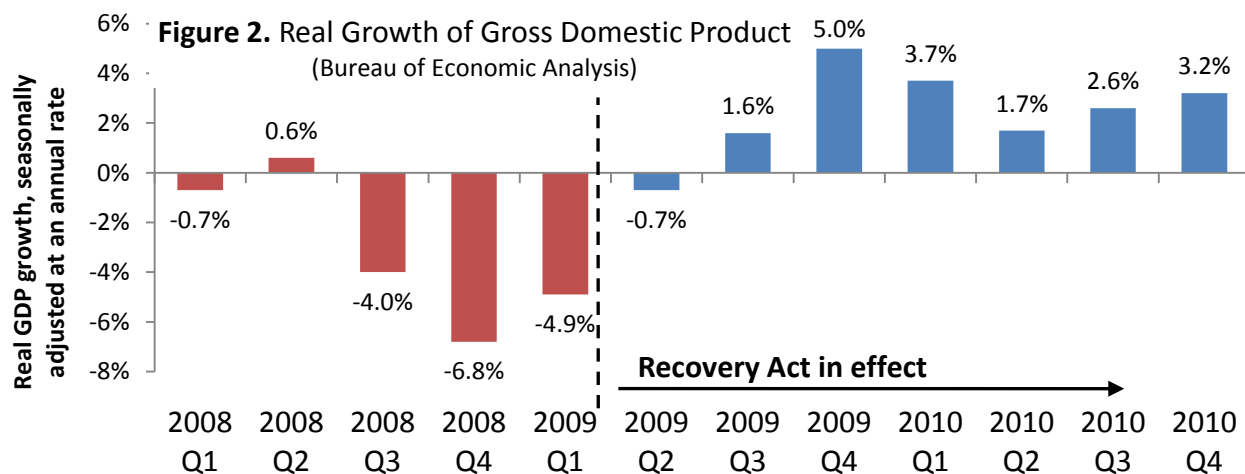
Foreword: How the Recovery Act Has Helped Turn the Economy Around

Enacted February 17, 2009, the Recovery Act was designed to put Americans back to work and combat the largest downturn in the economy since the Great Depression. When the Recovery Act passed, the economy was in freefall. In the fourth quarter of 2008, real gross domestic product plummeted by an annual rate of 6.8 percent. In the first quarter of 2009, the economy lost more than 2 million jobs. The ranks of the unemployed were increasing and the speed of job loss was accelerating.

Since the passage of the Recovery Act, this trend has turned around. **Figure 1** shows monthly private-sector job gains or losses since the start of the recession. Two years ago, the country was losing 780,000 jobs per month; now, the private sector has added jobs for 11 straight months, for a total of more than a million new jobs in 2010.

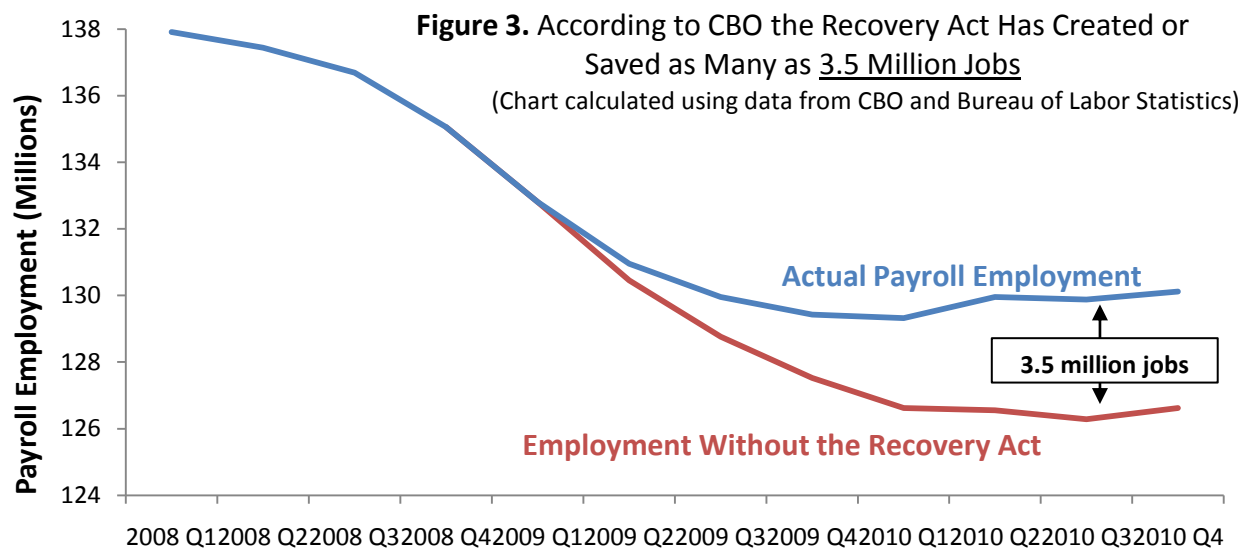


The trend in GDP growth shows a similar reversal after the passage of the Recovery Act. **Figure 2** shows the real quarterly growth of GDP at an annual rate since the beginning of 2008. GDP was contracting at a rapid pace in late 2008—its fastest rate in decades—but it experienced a sharp turnaround following the passage of Recovery Act, leading to six quarters of growth.



Non-partisan economic analysis confirms the crucial role of the Recovery Act. **Figure 3** shows the Congressional Budget Office's estimates of the Recovery Act's impact on employment since the start of the recession. As the figure shows, the Act has played an increasingly important role in bolstering employment since its passage nearly two years ago. In the most recent quarter, CBO estimates the Recovery Act raised payroll employment by as many as 3.5 million jobs.¹

The assessment that the Recovery Act has played a key role in supporting employment and output has also received support from the President's Council of Economic Advisers and from prominent private-sector macroeconomists.²



¹ <http://cbo.gov/ftpdocs/119xx/doc11975/11-24-ARRA.pdf>

² For example, the Council of Economic Advisers' most recent quarterly report on the Recovery Act concludes that the Recovery Act raised employment by as many as 3.7 million jobs and increased GDP by 2.7 percent. Similarly, an analysis performed by Mark Zandi, Chief Economist for Moody's Analytics, and Alan Blinder, former Vice Chairman of the Federal Reserve, found that as of July 2010 the Recovery Act had raised employment by 2.9 million jobs and raised GDP by 3.6 percent.

Introduction

The Challenge

From the moment President Obama took office, the Administration understood that the Great Recession had cut deep into the economy and that people needed help. Through the Recovery Act, the President helped deliver that boost in three ways. The single largest part of the Act — more than one-third of it — was tax cuts. Ninety-five percent of working Americans have seen their taxes go down as a result of the Act. The second-largest part — just under a third — was direct relief to state governments and individuals. This funding helped state governments avoid laying off teachers, firefighters and police officers and prevented states' budget gaps from growing wider. On an individual level, the Act ensured those hardest hit by the recession got extended unemployment insurance, health coverage, and food assistance.

The remaining third of the Recovery Act financed the largest investment in roads since the creation of the Interstate Highway system; construction projects at military bases, ports, bridges and tunnels; long overdue Superfund cleanups; clean energy projects; improvements in outdated rural water systems; upgrades to overburdened mass transit and rail systems; and much more.

To implement the Recovery Act, the federal government had to expand existing programs and start up new ones. Beyond this challenge, agencies also had to carry out the Recovery Act with unprecedented transparency and accountability. Within seven months of enactment, the federal government had to create one of the largest, fastest public data reporting systems in the world, and publish what it collected on an entirely new website so the American people could see what was being done with their money.

The Administration met this challenge, getting money flowing into the economy at faster rates than normal and meeting deadlines on-time or ahead of schedule. At the same time, despite this increased pace, the Recovery Act has been responsibly implemented with so far low levels of fraud, waste, and abuse. In the process, the government learned important new ways of doing business that will allow it to better serve the American people in the years to come.

Swift Implementation

To speed economic recovery and create jobs, every major target of the Recovery Act imposed by Congress and the President was reached on time or ahead of schedule. The President's goal of paying out 70 percent of all Recovery Act funds by September 30, 2010 was a particularly important milestone. In reaching this goal, the Recovery Act put \$551 billion into people's hands and injected much needed funds into the economy in less than two years.

Along the way, individual agencies and programs sharply accelerated the pace of their work to start up new or expanded programs. For example, the Recovery Act expanded the Small Business Administration's (SBA) existing programs for small businesses facing decreased availability of funding from weakened banks. While it has previously taken 6 to 8 months to change SBA's loan programs, SBA carried out changes to its largest loan programs within one month of the signing of the Recovery Act in order to quickly promote economic growth.

Through the Recovery Act, SBA supported more than \$30.4 billion in lending to more than 63,000 small businesses.

To spur economic growth, the Federal Government started up new programs rapidly. For example, the Department of Labor put in place a new COBRA subsidy review process for people who were denied benefits. Through the Recovery Act, people who lost their jobs were eligible to receive a 65 percent subsidy for COBRA health insurance premiums.³ Within three months of enactment, DOL instituted a new process to resolve employers' denials of the Recovery Act's COBRA subsidy program, processing more than 23,000 appeals, with over 99 percent of decisions provided within 15 days.⁴

Responsible Implementation

The Administration also had to ensure funding was spent responsibly. Despite the speed with which such a large amount of additional funding was put to work across 250 expanded and new programs, the Administration has implemented the Recovery Act with low levels of fraud, waste and abuse.

*Through 2010 the less than \$3 million
in question represents 0.001 percent
of the Recovery Act*

Through 2010 there were 987 potential cases of Recovery Act fraud under investigation—less than 0.4 percent of the awards.⁵ In the same time period, the Department of Justice has filed charges related to less than \$3 million in Recovery Act funding that is not related to taxes. This demonstrates far better performance than some expected. The Association of Certified Fraud Examiners in their 2008 annual report stated that, “U.S. organizations lose 7 percent of their annual revenues to fraud.”⁶ While we remain vigilant to prevent fraud, the less than \$3 million in question represents 0.001 percent of the Recovery Act.⁷

Effective Implementation

Effective implementation of the Recovery Act depended on working to fund the projects that would put every dollar to good use. The Recovery Act did not include earmarks. Instead of letting politics dictate which projects were picked, the Recovery Act often used a competitive, merit-based approach that rewarded innovation and effectiveness.

For example, through the Recovery Act, the Department of Education’s Race to the Top program created a new way of rewarding the best projects to improve the way we educate our children. Supported by thousands of independent expert merit reviews, the Energy Department pursued innovation through private sector competition and funded different types of potentially revolutionary technologies that that promise to benefit America’s energy independence and economic strength.

In addition, many Recovery Act programs attracted additional funding from outside the federal government in order to promote economic growth. Overall, about \$100 billion in Recovery Act

³ The Recovery Act provided the subsidy for 9 months, and subsequent legislation extended the time period to 15 months.

⁴ As of 2/1/2011

⁵ “Awards” refers 253,608 total awards subject to section 1512 of the Recovery Act (Prime Recipient awards = 101,136, Sub Recipient awards = 152,472)

⁶ <http://www.acfe.com/documents/2008-rttn.pdf>

⁷ Does not include Recovery Act tax provisions

funding will ultimately be matched by more than \$280 billion in additional investment from outside the federal government, much of it from the private sector.⁸ This provided desperately needed money to projects and businesses that otherwise might not have been funded.

Lessons Learned

Through the swift, responsible, and effective implementation of the Recovery Act, the federal government changed the way it did business, laying a foundation that will benefit the American people for years to come. This report outlines the key lessons learned along the way:

- Constant Vigilance Makes a Difference
- Transparency Drives Accountability
- Collaboration Breaks Through Bureaucratic Barriers
- Competition Brings Results

These lessons are already making their mark throughout the federal government and are central to building a 21st century government to help America win the future.

⁸ <http://www.whitehouse.gov/the-press-office/vice-president-biden-cea-chair-romer-release-new-analysis-job-and-economic-impact-r>

Lesson #1: Constant Vigilance Makes a Difference

Vigilant management played a critical role in the Recovery Act's success. From the White House and members of the Cabinet to civil servants and the independent Recovery Board, the Administration's attention to detail drove implementation of the Recovery Act.

The Recovery Cabinet and Senior Accountable Officials

The President and the Vice President set the tone early, making clear to the entire Administration that effective Recovery Act implementation was a high priority. To do this, the Administration held more than 15 Recovery Cabinet meetings where the Vice President held agency officials accountable to Recovery Act goals. As a result, Cabinet Secretaries became deeply involved in their agency's Recovery Act implementation efforts. For example, Secretary of Veterans Affairs Eric Shinseki, while overseeing the Government's second largest agency, personally reviewed every Recovery Act project his agency funded.

Between Cabinet meetings, the Vice President's Recovery Implementation Office held weekly conference calls⁹ with each agency's designated Senior Accountable Official (SAO)—a designation that had never been used to drive a government-wide program of this scale. SAOs were essential to this effort as they worked across their Departments with a clear mandate from their Cabinet Secretary to make sure problems were solved and money got out to help the American people.

Recipients of Recovery Act Funding

A significant portion of Recovery Act funding was distributed through states, counties, and cities. By working closely with state and local elected officials across the country, the Vice President worked to ensure that they focused on successfully implementing the Recovery Act.

The Vice President conducted 57 implementation conference calls with state and local officials, talking to the governors of all 50 states, representatives from five U.S. territories, 119 mayors, and 37 county executives.

Moreover, the Vice President instituted a "24-Hour Rapid Response Rule" for his staff to follow up on any item. This

simple step underscored the Administration's commitment to helping solve problems and accelerate the economic recovery.

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Throughout the implementation of the Recovery Act, the Administration was on the lookout to crack down on any questionable projects. In fact, over and above standard agency oversight

efforts, over 170 projects were either halted or modified. In one example, a planned DOT road resurfacing project was halted when it was discovered that an EPA remediation project was planned for the same area. The EPA project would have meant multiple heavy trucks hauling waste across the new road, most likely damaging it in the process. The DOT project was rescheduled until after the EPA project's completion. Other examples include stopping the development and renovation of basketball courts, swimming pools, and tennis courts.

Independent Recovery Accountability and Transparency Board

Vigilant management was central to combating fraud, waste, and abuse. The President chose Earl E. Devaney, Inspector General for the U.S. Department of the Interior, as Chairman of the Recovery Accountability and Transparency Board (Recovery Board). The Recovery Board was created by the Recovery Act and consists of Devaney and 12 other Federal Inspectors General. At the Department of Interior, Devaney had exposed major scandals, including corruption at the Minerals Management Service. Never before had a President appointed and so empowered a government-wide watchdog. With Devaney leading the Recovery Board, the Administration sent a clear signal that fraud, waste, and abuse would not be tolerated.

Under Devaney's leadership, the Recovery Board employed computer technology to detect fraud, waste, and abuse. Using the technologies of the Department of Defense, other intelligence agencies, and the private sector, the Recovery Board created the Recovery Operations Center. The Recovery Operations Center is designed to identify potential risk areas related to Recovery Act funds. The system uses advanced computer models and a diverse team of economists, engineers, mathematicians, and investigators to analyze data to help identify potential high-risk recipients. To identify troubling trends, more than 15 data sources—some publicly available, others not—and risk factors are examined including: past suspension and debarment from Federal programs, criminal history, recent bankruptcies, and judgments and lawsuits.

Through their leadership, the independent Recovery Board changed the focus from merely detecting fraud and abuse to working to prevent it. Through the Recovery Operations Center, Inspectors General can make use of sophisticated tools to help prevent fraud and abuse from happening.



Recovery Operations Center

Lesson #2: Transparency Drives Accountability

Unprecedented transparency was critical to the implementation of the Recovery Act. Leaders throughout the government were able to monitor progress toward goals in ways not possible before the Recovery Act. As part of the President's commitment to open government and the requirements of the Act, the Administration developed new ways to track Recovery Act funding.

Weekly Financial Reporting Across the Government

Through the Recovery Act, for the first time ever, agencies had to provide detailed weekly spending updates that were then posted online. This data was used to hold agencies accountable to their goals. The data could also be compared against the goals and commitments agencies had made public in their performance plans on Recovery.gov.¹⁰ Making sure agencies were held to account for their progress towards their goals in a public way helped ensure the swift action necessary to promote economic growth.

Sophisticated Data Management Tools

Several agencies created new transparency and data management tools to help track Recovery Act funding. These tools tracked and disseminated more detailed information than had previously been possible, helping agencies swiftly and responsibly implement the Recovery Act.

HUD leaders could identify and neutralize spending delays across the agency's 80 field and regional offices.

The Department of Energy (DOE) had roughly twice as much funding as its normal annual budget¹¹ spread across 144 separate programs. To ensure that the Department met its deadlines, DOE developed a new way to track its Recovery Act progress at a detailed level. DOE's leadership used this detailed data to identify programs and projects where spending was slow and solve for any challenges. Furthermore, as part of DOE's effort to speed Recovery Act spending, it accelerated grant processes by refocusing resources and overcoming bureaucratic delays. Prior to the Recovery Act, DOE did not centrally track the process of grants contracting. This lack of accountability could have delayed contracts being signed and projects from getting underway.

The Department of Housing and Urban Development (HUD) also piloted a new approach to data management and accountability called HUDStat. In much the same way as at DOE, HUD's Recovery Act team pulled relevant data about the status of projects and progress towards financial goals. Armed with this information, HUD leaders could identify and neutralize spending delays across the agency's 80 field and regional offices. In some cases, a senior HUD official would make a phone call to a mayor or a governor to stress the need to spend funds quickly. In other cases, staff would refocus on regions where progress was slow and would work with grantees to move more quickly to promote economic growth. As a result of this

¹⁰ Agency performance plans can be found online, at http://www.recovery.gov/Transparency/agency/reporting/agency_reporting5.aspx

¹¹ Not including the National Nuclear Security Administration, which was not involved with the Recovery Act

focus on accountability, HUD Recovery Act programs got funds under contract¹² faster than their non-Recovery equivalents, allowing projects to start sooner, and promoting economic growth. For example the Public Housing Capital Formula Fund was 4.8 times faster; Native American Housing Block Grants¹³ was 2.4 times faster; and Healthy Homes and Lead Hazard Control was 1.5 times faster.¹⁴

Cost Savings Led to More Projects

Declining costs for goods and labor amid the recession led to lower prices and cost savings on projects across the government. Because of detailed tracking of Recovery Act projects and a better understanding of overall expected cost savings, agencies were able to quickly identify other projects and rapidly start work with the saved funds. These additional projects put more people back to work and further contributed to economic growth.

For example, the General Services Administration (GSA) developed a new project tracking system that had more up-to-date and detailed information than GSA managers previously could access. This proved especially beneficial in the spring and summer of 2009, when the first round of large GSA Recovery Act contracts were awarded at 8-10 percent below GSA estimates.

The new project tracking system allowed GSA officials to quickly recognize they could fund additional projects. GSA was able to use \$376 million in cost savings to fund more than 100 projects.

By tracking progress and keeping costs down, agencies were able to fund more than 3,000 additional projects.

Overall across the Administration, Recovery Act contracts have come in anywhere from 6 to 20 percent below expected costs. Through strong management, agencies were able to fund more than 3,000 additional projects.¹⁵

Fraud, Waste, and Abuse Prevention

Transparency not only helped meet ambitious spending goals and promote rapid economic growth, but also helped deter fraud, waste and abuse. The Recovery Act required the majority of people who received Recovery Act contract, grant, and loan dollars to submit quarterly reports with up to 99 pieces of information updating the federal government and the American people on a project's status. This requirement has led to the filing of more than 1 million recipient reports,¹⁶ which has helped ensure that those receiving Recovery Act money are not wasting or stealing it.

This reporting system is working: the vast majority of people and organizations who received Recovery Act funding are submitting reports. For the most recent reporting period, reports were submitted accounting for 99.94 percent of Recovery Act funds. Moreover, most of the

¹² Under contract here means obligated

¹³ Formula grants only

¹⁴ Was calculated by comparing agency provided obligations over time for Recovery and base funding for same or equivalent programs. Time to obligate nearly close to 100% was rounded to nearest month for base and Recovery comparison

¹⁵ Some agencies returned bid savings to the Treasury when statutory deadlines required.

¹⁶ This includes cumulative number of distinct prime and sub reports filed each quarter. One recipient reporting in 6 quarters would be 6 times as part of the 1,084,734.

people and organizations who have not reported have only failed to do so one time.¹⁷ There are only 61 cases of repeat offenders who together received only 0.004 percent of Recovery Act spending. Under the President's direction, the Administration is pursuing the strongest possible actions against these persistent non-compliers – including taking away their funds and barring them from receiving federal funds in the future. As stated earlier in the report, through 2010 there were 987 potential cases of Recovery Act fraud under investigation—less than 0.4 percent of the awards¹⁸—and so far the Department of Justice has filed charges related to less than \$3 million in Recovery Act funding that is not related to taxes.

¹⁷ First time non-filers typically represent recipients with a lack of awareness on the process, not registered in the system in time, or experience technical difficulties.

¹⁸ "Awards" refers 253,608 total awards subject to section 1512 of the Recovery Act (Prime Recipient awards = 101,136, Sub Recipient awards = 152,472)

Lesson #3: Collaboration Breaks Through Bureaucratic Barriers

The Administration could not have implemented the Recovery Act without strong collaboration that broke down the bureaucratic barriers that existed in government. To make the Recovery Act work, the Administration cut through red tape within and between agencies and compelled every level of government to cooperate more closely with the communities it was trying to help.

Working Together to Maximize Impact

Through the Recovery Act, the Administration made a comprehensive investment in preparing America to compete in the 21st century. These investments in infrastructure, economic opportunity, health, energy, and the environment will play a vital role in helping the country win the future.

The Department of Agriculture (USDA) and the Department of Housing and Urban Development (HUD) will detail the impact of those investments in upcoming reports. The new ways in which HUD and USDA realized that impact—the new models of confronting challenges they both embraced—offer lessons for future efforts.

The implementation of the Recovery Act illustrated that collaboration helps address problems in smarter and more effective ways. Federal agencies collaborated with each other while also collaborating with state and local partners.

Many examples in rural America demonstrate how agencies worked with state and local partners to develop targeted, effective solutions to pressing rural needs. USDA, for example, recognized that local government, businesses, and non-profits know the unique needs of their communities.

When the community is a partner in an investment, the project becomes theirs.

For example, USDA provided Recovery dollars to help replace a hospital in Hillsboro, Kansas—a town of fewer than 3,000 people located an hour's drive outside Wichita. The agency did not build the hospital alone. According to the head of the hospital, the city of Hillsboro, the community, and hospital administration “were essential for this construction project to move forward.” The top USDA rural development official in Kansas reported she was impressed by the “strong community support for the replacement facility. Local lenders, county and state government officials, school board members, businessmen, doctors, medical staff and economic development professionals all spoke regarding on how important ‘their’ hospital was to ‘their’ community.”¹⁹ When the community is a partner in an investment, the project becomes theirs.

Finally, this collaboration with non-federal governments, businesses, and non-profits also contributes to taxpayers getting the most value for their tax dollars. Many projects used federal money to attract private investments, leveraging limited federal resources and allowing the private sector to drive the work of the recovery. Many of USDA's broadband projects to

¹⁹ <http://blogs.usda.gov/2010/12/17/a-kansas-community-replaces-an-outdated-hospital-with-help-from-usda-and-the-recovery-act/>

bring the Internet to rural individuals and businesses, for example, leveraged outside capital, stretching the impact of federal contributions farther.

An example in urban America shows how federal agencies worked together to make more efficient and effective investments that confront long-standing problems and lay a foundation for growth. A HUD-funded pilot in 15 communities, the Green and Healthy Homes Initiative (GHHI), brings together programs from DOE, HUD, and HHS to tackle the related problems of home efficiency and family health.

The initiative recognizes that homes with lead paint, allergens, and drafty walls and windows are often a cause of illness. Previously, programs attacked this problem in an uncoordinated way. One program would perform a home assessment for health; another would perform an entirely separate assessment for energy efficiency. As a result, solutions were inefficient: taxpayers would help cover health care costs for a child with asthma, but would not simultaneously help root out the cause of the asthma.

Rather than solve these problems piecemeal, the GHHI aims to confront them in a holistic way—at once creating more efficient, healthier homes, and lowering energy and medical bills alike. The pilot is working with local communities to pull together relevant funding from DOE, HUD, and HHS as well as partner with state and local government, philanthropy, and the private sector, to conduct a single home assessment of low-income homes. As a result, the agencies can comprehensively solve problems: a house can undergo lead paint abatement, insulation, reduction in carbon monoxide, mold, and dust in just a few days of work.

This work cuts energy costs. So far, the program has improved more than 650 homes with an average energy savings of \$900 per home. Equally impressive is its impact on health. Children living in GHHI homes have so far required far fewer trips to the hospital. As a result, these children miss fewer school days to illness and their parents lose fewer wages by having to staying

How GHHI Can Help

Lekquan Young and her 8-year-old son DaWayne live in a Baltimore house that was moldy, had poor insulation, and leaked in the kitchen. Her son had asthma—a disease she says was made worse by the mold and aging carpet.

So Lekquan applied to the Baltimore GHHI coalition. After a full assessment of the home, workers took a few days to make comprehensive improvements. They installed a new hot water tank and furnace, added insulation, put in better ventilation, removed the carpet, and sealed the kitchen leaks.

It's making a difference: Lekquan expects that her energy bill will decrease by up to 40 percent. She says she feels like she has "a whole new house." And most importantly, she reports that thanks to the work of GHHI, DaWayne is feeling healthier already and is an honor roll student.



Lekquan Young with DaWayne Photo courtesy CECLP

To learn more, see:

<http://www.energyempowers.gov/post/Baltimore-boys-asthma-improved-through-retrofit.aspx>

home to take care of them.

Integrating DOE, HUD and HHS programs has eliminated duplicative costs to taxpayers. The single inspection in 650 cases, for example, saves approximately 20 percent of costs; the decreased chance of illness can be expected to reduce public health care costs as well.

Other programs followed a similar model of interagency collaboration. Through the Recovery Act, HUD and DOE worked together to rapidly and efficiently weatherize low-income households. The Weatherization program was created by Congress in 1976 to reduce energy costs for low-income families through increased home energy efficiency. The program has served more than 6 million households, saving them \$350 to \$435 a year on energy costs.

One major hurdle to weatherizing a home is verifying that the owners meet the low-income standards. For years DOE did one set of verifications while HUD did its own. In an effort to get Recovery Act projects underway as quickly as possible, DOE and HUD worked together to eliminate the need for separate income verifications for people whose incomes have already been verified by HUD. This simple collaboration has helped projects move faster, saved the government the costs of duplicative verifications, and helped DOE weatherize more than 300,000 homes under the Recovery Act so far.

HHS Recovery Act funds helped galvanize Federal agency collaboration around the use of technology to promote health and improve the quality, safety, and cost of healthcare in the nation. This collaboration can be seen in the implementation of the President's directive to the Departments of Defense (DOD) and Veterans Affairs (VA) to create a Virtual Lifetime Electronic Record (VLER) for men and women who are serving or have served their country.

Historically, the separate DOD and VA healthcare systems have made it hard on the war fighter when he or she left the armed forces and transitioned to civilian life. Often, new veterans must have their entire medical condition reassessed by doctors at VA hospitals because medical record transfer from the military can be inefficient. Thus, even prior to this Administration, the VA and DOD have been working towards a better transfer of medical data between the two agencies.

However, most VA and DOD beneficiaries receive care in both the federal system and the private sector. To bring information from wherever it is and send it in an authorized way to wherever it is needed requires more than a point-to-point exchange between the Departments. It requires the use of a true information grid. In a sense, this is comparable to moving from communicating through two cans on a string to using a telephone system. To do this, the DOD and VA have collaborated with HHS initiatives that are supported by Recovery Act funds such as the Nationwide Health Information Network (NwHIN). This effort will allow the DOD and VA to exchange information not only with each other, but also with all the other hospitals that use the network.

Moreover, the Recovery Act is providing incentives for the private sector to connect through programs such as Meaningful Use and Beacon Communities. The first electronic record pilot using NwHIN began in January 2010 in San Diego. The VA, DOD, and a private sector provider, Kaiser-Permanente, actually started exchanging patient information and participating patients,

the men and women who have served so valiantly in the military, can be expected to benefit from more coordinated care. As the use of electronic records continues to expand, so will the benefits to our nation's heroes and all Americans thanks to the investments in health information made possible through HHS' Recovery Act funds.

These examples show that when government collaborates—both internally and with outside partners—the whole impact can be greater than the sum of the parts. By working together as they did under the Recovery Act, programs can better confront challenges in America, solve previously intractable problems, and, achieve better results while saving taxpayer money.

Collaboration Within Agencies

Collaboration within agencies began out of necessity after many realized their agency would be called upon to do more work with limited administrative resources. Recovery Act working groups emerged in nearly every department. These working groups included members from many offices across a department or agency to ensure that each element of the Recovery Act was carried out. They set out to ensure rapid implementation and overcome the bureaucratic hurdles that can slow a program down.

At the Department of Commerce (DOC), a group of managers from across the agency broke down bureaucratic barriers and ensured the department would work together. This effort proved especially helpful in implementing the Recovery Act Broadband program. The Broadband program was a new initiative to give individuals and businesses better access to the Internet so that America can stay competitive in the 21st Century. This new program strained the limited staff resources of the National Telecommunications and Information Administration (NTIA) in charge of implementing this program. However, with the direct involvement from senior management, DOC re-designed their internal processes to allow NTIA to award all its funds and meet deadlines on time, laying the groundwork for bringing broadband access to underserved communities. To do this, DOC routed NTIA grants through the processing offices of the National Institute of Standards and Technology (NIST) and the National Oceanographic and Atmospheric Administration (NOAA), which had never happened before in the agency at such a large scale.

Resources were similarly shared at the Department of Interior (DOI) to help bureaus that had received a large increase in funding through the Recovery Act. The Fish and Wildlife Service (FWS) took on additional work to help other bureaus by doing administrative work to complete contracts. In addition to \$34 million in contracts for its own projects, Fish and Wildlife awarded nearly \$117 million in contracts for four other bureaus, putting the resources to work more quickly than it could have done on its own. Across the federal government, these efforts to break down bureaucratic barriers succeeded in getting projects off the ground more quickly.

Recipient Collaboration

Reporting requirements drove agencies to work closely with people and organizations receiving Recovery Act funding. In turn, these recipients worked together within their organizations and with sub recipients to track where the

The very concept of reporting job numbers in such detail had never been done before by the federal government.

funds went and how they were being spent and with what result. For example, states had to work closely with Local Education Agencies (LEA), in order to report how many teaching positions and other education jobs were being created. The very concept of reporting job numbers in such detail had never been done before by the federal government. The additional degree of data collection and performance measurement required by the Recovery Act has allowed taxpayers to hold states accountable for how tax dollars are being spent.

A report by the Government Accountability Office (GAO) stated that this interaction has been a critical component of Recovery Act operations:

According to many of the state officials we interviewed, the Recovery Act's reporting requirements also promoted more interaction between state and federal agencies, state agencies, and within departments of these state agencies. For example, Ohio officials stated that the governor's stimulus office had established contacts with OMB, administration officials, and other federal agency contacts through work on Recovery Act implementation and monitoring. Officials from Illinois noted that recipient reporting was one of the few efforts that brought their otherwise very independent state agencies together. Colorado state officials reported that the program and accounting staffs within each state agency are working together closely to help ensure the accuracy and quality of the Recovery Act data. ... Michigan officials reported that state agencies are working with each other in a way they have not before. They said the Recovery Act has facilitated collaboration, citing that the act removed some barriers to interaction between state agencies because the timeline for complying with Recovery Act requirements has been so short that agencies must work together to meet requirements, which has yielded many positive effects.²⁰

A Strengthened Relationship with IGs

While maintaining appropriate independence, collaboration between each agency and its Office of Inspector General (IG) helped the Administration implement the Recovery Act responsibly. The Office of Inspector General is an independent watchdog that tracks the progress of an agency's programs and looks for fraud, waste, and abuse. Traditionally, IGs review data after funding is distributed and while they may find evidence of fraud that has already occurred, they rarely have been able to prevent its occurrence. By breaking down the bureaucratic barriers between the IG and the rest of the agency—while maintaining the IG's independence—the agencies were able to shift more focus on preventing fraud, waste and abuse. This shift has

²⁰ <http://www.gao.gov/mobile/content?path=htext/d10999.html>

been critical to the low levels of fraud, waste, and abuse in the implementation of the Recovery Act.

For example, HUD's Homelessness Prevention and Rapid Re-Housing Program worked with the IG to have recipients sign an affidavit affirming their knowledge of Recovery Act program rules and the serious consequences, including prosecution that would result from program abuse.

In addition, the IGs across the government have held more than 1,500 training sessions, educating more than 120,000 men and women from federal, state, and local government and the private sector on fraud prevention techniques. This had the dual effect of providing valuable training, while also putting project officers on notice that IGs will be looking at what programs are doing with Recovery Act funding.

Empowering the Public

Through the Recovery Act, the Federal Government has been able to work hand in hand with the American public to detect fraud waste and abuse. The Recovery.gov site posts detailed information about every Recovery Act contract, grant, and loan. The site has unleashed thousands of "citizen

IGs" in the form of ordinary Americans who can now help oversee what the government does

The site unleashed thousands of "citizen IGs" in the form of ordinary Americans who can now help oversee what the government does with their tax dollars in their neighborhood.

with their tax dollars in their neighborhood. The public can more easily monitor local projects, corroborating data reported online with progress on the ground. On every page of the Recovery.gov site, people can click a button and report suspected fraud, waste and abuse. Empowering these citizens further, the Recovery Board established a fraud hotline in September 2009 for the public to report concerns directly to the Board. The Recovery Board analyzes the information obtained through the hotline and refers potential cases of fraud, waste, and abuse to the relevant IG or law enforcement agencies.

For example, in one case, a citizen reported a company was fraudulently failing HVAC systems upon weatherization inspection so that it could increase its profits. Recovery Board analysts discovered the recipient had a history of bankruptcy, tax liens, and criminal convictions. The appropriate IG has opened an investigation which is ongoing.

Lesson #4: Competition Brings Results

The Recovery Act did not include earmarks and instead utilized merit-based competitions for many Recovery Act grant programs. These competitions encouraged state and local governments, non-profits, and private companies to put forward new ideas that more effectively achieve a program's goals. With such programs, the federal government outlined objectives and distributed funding to organizations that best met those objectives. Importantly, competitive programs also inspired even non-winners to adopt positive reforms and attracted matching private capital to maximize the impact of each federal dollar.

Race to the Top

The Department of Education's Race to the Top program outlined broad strokes for reform and allowed states to develop unique plans to improve education for students. The Department spelled out a set of strategic goals, including turning around the worst schools and developing ways to track and measure student and teacher performance. These principles guided applications but allowed each state to develop a plan that addressed its local problems and priorities. By supporting a variety of approaches, Race to the Top created laboratories across the country to test different solutions so that what works best to improve education would become evident.

The collaboration encouraged by the Race to the Top competition has had an impact beyond the 12 winners. Over the course of the competition, more than 40 states and the District of Columbia adopted various changes to their education policies that will improve education for students.

Race to the Top also encouraged collaboration and cooperation among teachers, principals, unions, teacher associations, elected officials, parent organizations and others by factoring it into the scoring of applications. In Delaware, union leaders and state officials are collaborating to create a new teacher evaluation system that will incorporate student achievement for the first time. The president of the Delaware public education union praises the effort and says it "offers an opportunity to change the culture in its schools and classrooms. Linking student growth to evaluation is the lynchpin to this reform."

Moreover, the collaboration encouraged by the Race to the Top competition has had impact beyond the 12 winners. Over the course of the competition, more than 40 states and the District of Columbia adopted various changes to their education policies that will improve education for students. For example, multiple states have enacted legislation or shifted policies to create or expand the number of charter schools; to remove the firewall between student achievement and teacher evaluations; and to turn around the persistently lowest achieving schools.

Through a competitive process, limited federal resources amounting to less than one percent of overall education spending were able to have an important impact by promoting change beyond the narrow set of applicants that actually win funds.

Funding the Most Promising Technologies

With \$35.2 billion in Recovery Act funding,²¹ DOE supported more than \$80 billion²² in projects, the largest investment in energy ever made by the U.S. government, designed to fundamentally transform the American energy sector and the American economy.

To do this, Secretary of Energy Steven Chu sent a note to major colleges, universities and professional societies in the country seeking expert reviewers. All told, nearly 3,000 independent expert reviewers completed over 25,000 reviews of DOE Recovery Act applications. Unlike earmarks, DOE projects were funded based on their merits.

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Furthermore, DOE's Recovery Act investments pursued innovation through private sector competition, funding multiple different technologies that will rely on the market to ultimately choose the winners.

DOE did not invest in just one type of fuel-efficient technology for cars. Instead, the agency invested in a portfolio of different approaches: advanced-combustion engines, electrification, sustainable biofuels, natural gas, hydrogen fuel cells and vehicle "light-weighting." Within each area, DOE is funding several of the most promising approaches. While some approaches will fail, those that succeed will deliver needed improvements in fuel economy and will also lead to new companies that will contribute to America's economic growth.

The Department of Energy expects that the benefits of these investments will include: the doubling of U.S. renewable energy generation and dramatic increase domestic clean energy manufacturing by 2012; and the cost of a 100-mile range electric vehicle battery could drop from \$33,000 to \$10,000 by the end of 2015.

Attracting Private Investment

A key success of the Recovery Act was its ability to bring in outside funds from the private sector, non-profits, universities, and state and local governments. Non-federal investment yields two crucial benefits. First, it increases the overall sum of money pumped into the economy to promote economic growth. Second, when the recipients of federal funds have to put up significant funds of their own, they are more likely to use the federal funding effectively.

The Recovery Act had many programs that attracted outside investment—from health research and clean energy manufacturing to infrastructure investment and broadband. Overall, about \$100 billion in Recovery Act funding will ultimately be matched by more than \$280 billion in additional investment. For every dollar the federal government invested in these projects, other entities are investing about another \$3, with the majority coming from the private sector.²³

²¹ Approximately \$7.9 billion was awarded in non-competitive contracts for cold war legacy nuclear clean up and U.S. national labs

²² Includes cost share at varying levels.

²³ http://www.whitehouse.gov/files/documents/cea_4th_arra_report.pdf

Prizes

Another example of a competitive approach is the Automotive X Prize. The Automotive X Prize used DOE Recovery Act funding²⁴ to award a cash prize to the developer of the best 100 miles-per-gallon car. The contest attracted diverse applicants with new ideas: 111 teams competed for the prize, including established and start-up automakers, universities, and even a high school team. Three winners in different categories used different technologies—two developed all-electric vehicles, while the third developed a car powered by ethanol. Other contestants explored different technologies that have the potential to lead to other innovations in the future. The broad goal, without a mandated path of achieving that goal, encouraged and enabled creative, wide-ranging approaches to quickly address a difficult problem.

²⁴ ARRA funding represented only 50 percent of the Automotive X Prize funding.

Putting These Lessons to Work

The Administration is working to ensure the lessons learned through the implementation of the Recovery Act are applied to non-Recovery Act programs. Vigilance, transparency, collaboration, and competition are essential for a swift, responsible, and effective federal government in the 21st century.

Perhaps the most important lesson of the Recovery Act is that leaders across the federal government can improve upon business as usual in order to achieve goals vital to America's competitiveness in the 21st century. While prompting economic growth through the Recovery Act, the government learned new ways to work rapidly, responsibly and effectively.

Now President Obama has once again set a broad, ambitious goal: reforming government so that it is more effective, efficient, and open for the American people. As the President put it in his 2011 State of Union address, "We cannot win the future with a government of the past." Already, through lessons learned from the Recovery Act the Administration has begun to make good on the President's commitment.

The federal government must continue to embrace competition to fund the projects that achieve the best results for the American people.

The President's FY 2012 Budget includes several initiatives that use the Race to the Top model pioneered by the Recovery Act and the Department of Education. The competition that helped make big changes in education can have an impact for other national priorities. As such, the President's budget includes new initiatives that apply this model for infrastructure and energy, as well as additional Race to the Top initiatives in education.

The President's budget includes new competitive initiatives for infrastructure and energy, as well as additional Race to the Top initiatives in education.

For education, the Administration aims to use Race to the Top models to equip American workers to compete and win in the global economy. The President's budget would establish a Competitive Early Learning Challenge Fund to encourage states to take dramatic steps to improve the quality of their child care programs. It would also improve elementary and secondary education by expanding Race to the Top to school districts, and creating new "pay for success" bonds that invest in proven innovative approaches to student learning. The President's budget would launch the "First in the World" competition, a new \$150 million initiative to increase college access and completion and improve educational productivity through an evidence-based grant program.

For energy, the President's budget would promote electric vehicle infrastructure through a \$200 million program – modeled after Race to the Top – that would provide an incentive for communities to invest in electric vehicle infrastructure and electric vehicle purchases. This and other programs would help us meet the President's goal of having 1 million electric vehicles on the road by 2015—the first nation in the world to do so.

The budget would also provide for Transportation Leadership Awards to drive state infrastructure reform. The Department of Transportation would work with States and localities to set ambitious goals in different areas – for example, passing measures to prevent distracted driving or modifying transportation plans to include public transportation, bike, and pedestrian options. The Administration’s six-year plan would dedicate nearly \$32 billion for competitive grant programs designed to create incentives for State and local partners to adopt critical reforms that make transportation safer and more convenient. Federally-inspired safety reforms such as seat belt and drunk-driving laws have saved thousands of American lives and avoided billions in property losses and this initiative would seek to repeat the successes of the past.

In an effort to promote competition and innovation, Challenge.gov has created a home for prizes across the government. Challenge.gov is an online challenge platform that empowers people to bring the best ideas and top talent to bear on our nation’s most pressing challenges at a lower cost with diverse input. Public engagement can range from simple suggestions (logos, videos, digital games and mobile applications, and other ideas) to proofs of concept, designs, or finished products that solve the challenges of the 21st century.

Launched prior to the Recovery Act, USASpending.gov collects information from federal grant and contract recipients. Using lessons learned from Recovery.gov, USASpending.gov was upgraded in October to collect the sub-award information across the federal government. As with Recovery.gov, the public can more accurately see how the money is flowing and who is doing the work. So far, USASpending.gov has phased in more than \$2 billion in grants and more than \$500 million in contracts at the prime and sub-recipient level. New grants and contracts will be phased in as they are awarded. Following the success of Recovery.gov, USASpending.gov has begun to display summary views – for example, the top recipients of federal financial assistance – to provide the public this information in an easily accessible, understandable way.

Transparency, data, and technology will continue to help combat fraud, waste and abuse as the Recovery Board works with federal agencies to spread its technology. OMB and the Recovery Board have already worked with the Centers for Medicare and Medicaid Services to pilot the Recovery Operations Center’s innovative technology. The Centers for Medicare and Medicaid Services subsequently identified new patterns of fraud that had not previously been detected. Now OMB is working with the Recovery Board and the Department of Veterans Affairs to explore how to apply similar technologies to identify fraud or waste of government resources in existing VA awards. OMB also plans to engage in pilots with at least three more agencies by the end of the year.

The Administration will keep working to knock down bureaucratic walls. After its pilot through the Recovery Act, HUD will continue to use HUDStat to share data and resources across the agency. The Green and Healthy Homes Initiative will expand its work to more communities across America. Both these efforts indicate for what other agencies will strive to deliver in the years to come. The swift, responsible, and effective implementation of the Recovery Act proves that government can get the job done for the American people.