



Highlights of [GAO-10-467T](#), a testimony before the Committee on Oversight and Government Reform, House of Representatives

## Why GAO Did This Study

The American Recovery and Reinvestment Act of 2009 (Recovery Act) specifies several roles for GAO, including conducting bimonthly reviews of selected states' and localities' use of funds made available under the act. This testimony is based on GAO's bimonthly work in California, where the Recovery Act provided more than \$85 billion—or about 10 percent of the funds available nationally—for program funding and tax relief. This testimony provides a general overview of: (1) California's use of Recovery Act funds for selected programs, (2) the approaches taken by California agencies to ensure accountability for Recovery Act funds, and (3) the impacts of these funds.

This testimony focuses on selected programs that GAO has covered in previous work including the use of Recovery Act funds by the state and two localities'—City of Los Angeles and County of Sacramento, Highway Infrastructure Investment, and the Weatherization Assistance Program. GAO also updated information on three education programs with significant Recovery Act funds being disbursed—the State Fiscal Stabilization Fund (SFSF), and Recovery Act funds for Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA), as amended, and Part B of the Individuals with Disabilities Education Act (IDEA). GAO provided a draft of this statement to California state and local officials and incorporated their comments where appropriate.

View [GAO-10-467T](#) or [key components](#). For more information, contact Linda Calbom at (206) 287-4809 or [calboml@gao.gov](mailto:calboml@gao.gov).

## RECOVERY ACT

### California's Use of Funds and Efforts to Ensure Accountability

#### What GAO Found

##### State and Local Budgets

Despite the influx of Recovery Act funds, California continues to face severe budgetary pressures and estimates a current shortfall of as much as \$21 billion—roughly one-quarter of the state's annual budget expenditures. California's cities and counties are also struggling with budget problems. According to officials from the City of Los Angeles and County of Sacramento, Recovery Act funds are helping to preserve essential services and repair infrastructure but have generally not helped stabilize their base budgets.

##### Transportation Infrastructure

According to California officials, 100 percent of California's \$2.570 billion highway infrastructure Recovery Act apportionment has been obligated. The state has dedicated most of these funds for pavement improvements—including resurfacing and rehabilitating roadways.

##### Weatherization Assistance

As of January 25, 2010, California had awarded about \$66 million to 35 local service providers throughout the state for weatherization activities. State and federal requirements, such as prevailing wage rates, as well as the implementation of these requirements, have delayed weatherization and, as of February 26, 2010, the state had weatherized only 849 homes—less than 2 percent of the 43,000 homes that are estimated to be weatherized with Recovery Act funds.

##### Education

As of February 19, 2010, California had distributed approximately \$4.7 billion for three education programs, including the SFSF. Local education agencies plan to use more than half of these funds to retain jobs; however, a majority reported that they still expect job losses. Also, cash management issues, related to federal cash balances and the calculation and remittance of interest, remain, but the California Department of Education has taken preliminary steps to resolve them.

##### Accountability

California oversight entities and state agencies have taken various actions to oversee Recovery Act funds, including training, risk assessments, on-site monitoring, and audits. The Governor established the Recovery Task Force to ensure funds are spent efficiently and effectively, and the State Auditor and Inspector General also have key oversight roles.

##### Jobs Reporting

Recipients reported that 70,745 jobs were funded in California during the last quarter of 2009. However, about 70 percent of these jobs were in education and were not reported using the Office of Management and Budget's (OMB) latest guidance, and therefore were not calculated consistently with other jobs reported.