



Highlights of [GAO-10-383](#), a report to the Republican Leader

## Why GAO Did This Study

The American Recovery and Reinvestment Act of 2009 (Recovery Act) aims to stimulate the economy. It provided \$787 billion in spending and tax provisions; more than a third of the money was slated for projects and activities, including construction and certain research projects. To implement a project using federal funds, agencies and funding recipients must comply with federal laws and regulations.

GAO was asked to identify key federal requirements that apply to Recovery Act projects and to assess the extent to which (1) selected agencies have obligated and spent funds for Recovery Act projects and (2) federal requirements and other factors have affected, or are expected to affect, project selection and start dates. GAO requested data from 27 agencies that received appropriations under the act. We also spoke with officials responsible for implementing Recovery Act projects in 16 states and the District of Columbia, which together are estimated to receive about two-thirds of the intergovernmental federal assistance available under the act. We also spoke with organizations representing state and local officials and the private sector, as well as private sector contractors.

Although GAO is not making recommendations in this report, these findings may be helpful in considering and designing legislation with similar objectives.

View [GAO-10-383](#) or [key components](#). For more information, contact Patricia A. Dalton at (202) 512-3841 or [daltonp@gao.gov](mailto:daltonp@gao.gov).

## RECOVERY ACT

### Project Selection and Starts Are Influenced by Certain Federal Requirements and Other Factors

#### What GAO Found

As of December 31, 2009, the 27 federal agencies GAO reviewed had obligated a total of \$194 billion (63 percent) of the approximately \$309 billion that was appropriated by the Recovery Act for projects and activities, according to data provided by agency officials. By this date, the percentage of funds obligated ranged from nearly 100 percent for the National Endowment for the Arts (\$50 million) to 18 percent for the Social Security Administration (\$183 million). As of that same date, the agencies reported they had spent 20 percent (\$61 billion) of their appropriated funds. However, according to agency officials, the amount reported as spent may not accurately reflect the amount of work done on a given project because payment for federal projects generally occurs after work is completed, and the recipient may not yet have submitted an invoice for payment.

Some federal agency officials reported that certain federal requirements and other factors affected their ability to select and start Recovery Act projects. These include the following:

- Davis-Bacon requirements.* Four federal agencies—the Departments of Commerce, Energy, and Housing and Urban Development, and the Environmental Protection Agency—told us that Davis-Bacon requirements affected the timing of some of their Recovery Act projects. For example, the Department of Energy’s Weatherization Assistance Program became subject to the Davis-Bacon requirements for the first time after having been previously exempt from those requirements. Thus, the Department of Labor had to determine the prevailing wages for weatherization workers in each county in the United States, a task it completed on September 3, 2009. Seven out of 16 states and the District of Columbia that GAO has been reviewing said that they had waited to begin weatherizing homes until the Department of Labor had determined county-by-county prevailing wage rates for their state. States used only a small percentage of their available funds in 2009, mostly because state and local agencies needed time to develop the infrastructures required for managing the significant increase in weatherization funding and for ensuring compliance with Recovery Act requirements, including Davis-Bacon requirements. As of December 31, 2009, according to data available to the Department of Energy, about 9,100 homes had been weatherized out of a planned 593,000. In addition, officials from the Department of Housing and Urban Development told us that until passage of the Recovery Act, one of its grant programs had never been subject to Davis-Bacon requirements. Therefore, agency staff, grantees, and contractors needed to establish and implement new administrative procedures, which delayed the start of construction projects. Officials from 10 states and 3 local agencies said Davis-Bacon requirements had similarly caused delays in implementing Recovery Act projects.

- *Buy American requirements.* Five federal agencies—the Departments of Commerce, Education, Homeland Security, and Housing and Urban Development, as well as the Environmental Protection Agency—told us that Buy American provisions had affected their ability, or their grantees’ ability, to select or start some Recovery Act projects. For example, a project within Homeland Security’s Electronic Baggage Screening Program was slowed as officials awaited a Buy American waiver, which became necessary when the contractor learned that U.S.-made components would have hindered the integration of an airport’s security systems. At the local level, officials from the Chicago Housing Authority (CHA) reported that the only security cameras that are compatible with the existing CHA system and City of Chicago police systems are not made in the United States. CHA worked with Housing and Urban Development officials to determine how to seek a waiver for this particular project. Officials from 2 states and 1 local entity also said that Buy American requirements affected their ability to select and start projects.
  - *The National Historic Preservation Act.* Two federal agencies—the Departments of Commerce and Transportation—told us that this act affected the selection and start of projects. For example, Department of Transportation officials said that projects to improve the security of train stations, bridges, and tunnels were delayed because Amtrak had to obtain clearances for its projects through the various state historic preservation offices before starting work. Likewise, 7 states identified this act as a factor that did or could impact the timing of their Recovery Act projects. For example, officials from the Michigan Department of Human Services stated that an estimated 90 percent of the homes slated for weatherization in their state would need a historic preservation review. As of late fall 2009, the state historic preservation office had only two employees, so state officials were concerned that the review process could cause significant delays, according to Michigan officials. To avoid further delays, Michigan officials told us that they have since signed an agreement with the state historic preservation office, which they believe will expedite the review process.
- challenges associated with starting entirely new programs,
  - states’ budgeting issues, such as difficulties in providing matching funds,
  - higher staff workloads because of the act,
  - seasonal issues or weather, and
  - lack of clarity on the meaning of “shovel-ready.”

Officials from some federal agencies told us that federal requirements did not affect the timing of certain projects. These officials cited two main reasons why they were able to implement some Recovery Act projects quickly. First, in certain cases, federal officials said the award processes for Recovery Act projects were not substantially different from the processes they follow for non-Recovery Act projects. Second, to expedite the use of Recovery Act funds, some federal officials told GAO that they had either (1) intentionally selected projects that had already satisfied key federal requirements, such as environmental reviews, or (2) modified existing contracts or awarded funding to projects that had already undergone peer review during an earlier review process.

Federal agency officials also stated that factors other than federal requirements affected their ability to quickly select or start projects. These include