

MMB Implementation Efforts of the American Recovery and Reinvestment Act 2009

Executive Summary

In response to the economic crisis, the American Recovery and Reinvestment Act (ARRA) had three goals:

1. create new jobs and save existing ones
2. spur economic activity and invest in long-term growth
3. foster unprecedented levels of accountability and transparency in government spending

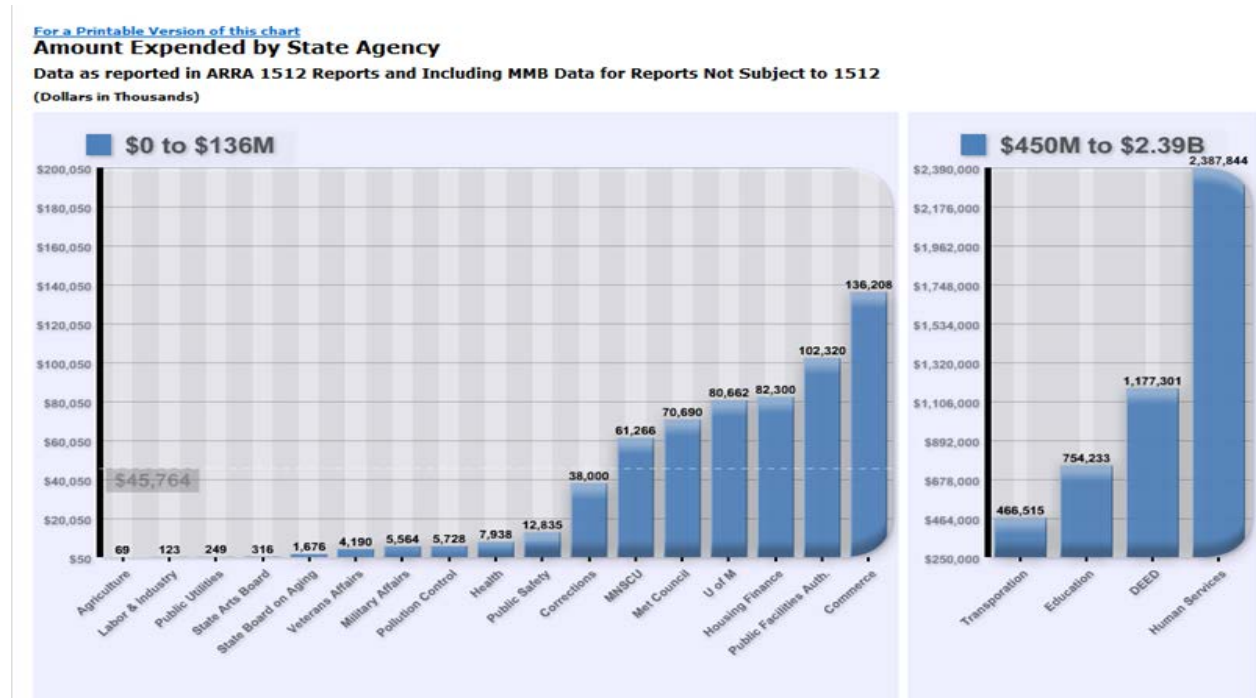
ARRA presented both unique challenges and great opportunities for the State of Minnesota. ARRA provided tax cuts and benefits, as well as significant federal funding for infrastructure projects, technological upgrades, education, workforce development, and other projects and programs. ARRA also mandated unprecedented transparency requirements for federal spending and changed the way state agencies administer federal funds and report data.

Upon passage of the Act on February 17, 2009, Governor Pawlenty was charged with ensuring that funds were administered responsibly - complying with all federal requirements. Governor Pawlenty delegated this responsibility for administration, oversight and reporting to Tom Hanson, the commissioner of Minnesota Management and Budget (MMB), who was designated the “stimulus czar” and carried custodial responsibility of the funds.

As of April 1, 2011, Minnesota’s state agencies had received nearly \$6 billion and expended approximately \$5.4 billion in ARRA funds. In addition to spending by state agencies, other ARRA spending occurred directly through local governments and federal contracts. Much of the state funding was dedicated to entitlement programs such as Medicaid and Unemployment Insurance; however, a

**Minnesota
state agencies
administered
nearly \$6
billion in ARRA
funds.**

significant portion was also used on infrastructure programs which contributed to increasing and maintaining employment. Below is an overview of the total funding administered by state agencies.



Additionally, funds were made available to help ease shortfalls in the state budget created by a decrease in revenue due to the economic crisis. This counter-cyclical funding was used in the areas of education, public safety, human services, and government services. A higher federal matching rate for Medical Assistance (known as FMAP) and the State Fiscal Stabilization Fund (SFSF) were utilized in Minnesota to reduce state general fund spending. The enhanced FMAP temporarily increased the federal share of the state’s Medicaid program, Medical Assistance (MA), which decreased the state’s cost of the program by approximately \$2 billion for FY 2009-11. SFSF funding totaled approximately \$816 million was used to supplant general fund spending in K-12 education, higher education, human services, and corrections.

Nearly \$3 billion in ARRA funding for health care and education directly reduced state spending in these areas.

ARRA was passed swiftly through Congress, signed into law and disbursed to states, local governments, and other recipients without a great deal of deliberation about implementation at the federal level. The federal Office of Management and Budget (OMB) issued initial guidance

relating to reporting and implementation requirements upon passage of the Act. These guidelines were not comprehensive and administrative procedures for implementation were developed in reaction to deficiencies identified by recipients. Because of this, a great deal of collaboration between recipients, the federal government, and among states was required.

A primary component of ARRA required an unprecedented level of transparency related to the expenditure of funds. The purpose of this was to limit fraud, waste, and abuse, as well as make government accountable for the expenditure of ARRA funds. Due to the scope of ARRA and political implications, transparency of ARRA gained a great deal of public attention. MMB worked diligently to uphold transparency requirements, make data available in order to help reduce fraud, waste, and abuse of funds and make government accountable to public expectations. Recovery.mn was recognized as an exceptional model of transparency. The use of interactive tables and maps made it easy for people to explore ARRA spending in Minnesota.

**Minnesota's
transparency
efforts on ARRA
moved from a
ranking of 34th to
4th in the nation.**

MMB was responsible for ensuring that all state agencies met reporting responsibilities. MMB also took on an oversight and outreach function, acting as the central office for ARRA implementation and reporting. Additionally, a number of steps were taken to ensure that adequate internal controls were in place over programs receiving ARRA funds. Internal control procedures were developed for the report review process at MMB to ensure compliance with federal requirements. MMB's Internal Controls and Accountability Unit (ICAU) consulted with state agencies on internal control procedure development for reporting and compliance.

Working through the implementation of ARRA has brought successes, challenges and lessons learned. Through collaborative efforts among state and federal agencies, along with creative thinking and the flexibility to develop new systems to ensure oversight of reporting and transparency, Minnesota was able to meet its objectives related to the administration of ARRA funds and moved up in national rankings on ARRA transparency from 34th to 4th in the nation. However, due to the lack of a federal funding mechanism for these efforts, MMB shouldered much of this responsibility with limited resources and discontinued much of its central work in July 2012, prior to ARRA funds being fully spent out by state agencies in Minnesota.

ARRA transformed the role of the state with respect to federal funding and statewide reporting. As a result, the State of Minnesota will look to the lessons learned from ARRA implementation regarding issues of federal funds accountability and transparency efforts in the future.