

December 2009

RECOVERY ACT

Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability (Florida)



GAO

Accountability * Integrity * Reliability

Appendix V: Florida

Overview

This appendix summarizes GAO's work on the fourth of its bimonthly reviews of American Recovery and Reinvestment Act of 2009 (Recovery Act) spending in Florida.¹ The full report on our work in 16 states and the District of Columbia is available at www.gao.gov/recovery.

What We Did

Our work in Florida focused on specific programs funded under the Recovery Act: the Highway Infrastructure Investment Program; the State Fiscal Stabilization Fund (SFSF); Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA), as amended; and the Individuals with Disabilities Education Act (IDEA), as amended. We looked at the status of program funding, how funds are being used, and other issues specific to each program.

For our review of highway investment, we selected two Florida Department of Transportation (FDOT) districts—one in northeast Florida (District 2) and another in central Florida (District 5)—to understand the pace of contract awards for local highway projects. We selected these districts because they varied in terms of having projects administered mainly either by FDOT or local agencies. To gain an understanding of the state's experience in meeting Recovery Act recipient reporting requirements, we examined documents prepared by, and held discussions with, officials in FDOT, the Florida Office of Economic Recovery, and the office of Florida's Chief Inspector General. We specifically focused our work on FDOT's methodology for collecting data on job creation and retention, and on FDOT's experience in preparing the first quarterly report due to federalreporting.gov and submitted by October 10, 2009. We also examined recipient reporting, use of Recovery Act funds in local government budget stabilization in southwest Florida, and contract management practices. We visited one city, Fort Myers (population 65,394), and one county, Lee (population 593,136), to determine the amount of Recovery Act funds each is receiving and how those funds are being used. We selected these local governments because they have high unemployment and foreclosure rates relative to the state average. In September 2009, unemployment in Fort Myers and Lee County was 12.1

¹Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009).

percent and 13.9 percent, respectively—higher than Florida’s average rate of 11.2 percent and the United States’ rate of 9.8 percent for that period.²

To review education programs, we gathered information on Florida’s plan to monitor the use of SFSF allocations by local educational agencies (LEAs) and to seek waivers on ESEA Title I, Part A funds, which are made available for programs for disadvantaged students. In addition, we briefed state officials and obtained their comments on the results of GAO’s nationwide survey of LEAs and on the Florida results specifically. We also talked to the Inspectors General of several Florida agencies about their oversight role for Recovery Act funds. For descriptions and requirements of the programs we covered, see appendix XVIII of [GAO-10-232SP](#).

What We Found

- **Highway Infrastructure Investment.** The pace of awarding contracts is generally lower in FDOT districts with large numbers of projects suballocated for metropolitan and local use in conjunction with projects administered by local agencies rather than by the state, according to FDOT officials. FDOT officials said projects managed by local agencies may face delays because additional time is required to educate local agencies on federal requirements and for project coordination and required reviews and approvals by FDOT. In addition, statewide, FDOT has identified excess funds of about \$202 million as the result of construction contracts awarded for less than the official project estimate, according to FDOT officials. The excess funds can be used to fund other highway projects. FDOT officials said they plan to seek Federal Highway Administration (FHWA) approval for obligating the funds by December 31, 2009.
- **Contract management and oversight.** According to FDOT officials, FDOT uses its standard procedures and processes to award and manage Recovery Act-funded highway construction projects. FDOT’s Inspector General said the office’s recent audits related to contract management and oversight, such as single source³ and limited

²U.S. Census Bureau and U.S. Department of Labor. Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

³According to FDOT’s Office of Inspector General, single source contracts occur when a contract can only be satisfied with commodities or services from one vendor and there are no known able competitors.

competition contracts,⁴ incentive payment analysis, and contract estimating, have not identified weaknesses that would affect FDOT's ability to award and manage contracts.

- **Recipient reporting.** According to state officials, Florida state agencies experienced no significant issues collecting and reporting recipient information for the first required quarterly report due October 10, 2009. At FDOT—the one agency at which we examined reporting in greater detail—officials said there were no significant problems. Florida has a centralized system into which all 17 pertinent state agencies report Recovery Act data. The state developed and tested the system well in advance of reporting deadlines. Agencies took steps to validate data, such as recipient name, address, number of subrecipients/vendors, and Recovery Act funds received and expended. However, for one agency we looked at, FDOT, subrecipients and vendors were not required to submit verification of their job data, but were advised to maintain documentation, according to FDOT officials. For two subrecipients we visited, both kept documentation of tabulated hours and wages associated with Recovery Act projects for regular employees, but only one did so for management employees. The Florida state Recovery Czar expressed concerns that the federal Office of Management and Budget (OMB) methodology for calculating jobs created and retained will underestimate the numbers, and that guidance provided to state agencies by various federal agencies may differ with that of OMB.
- **Local governments' use of Recovery Act funds.** Officials from Lee County and, to a lesser extent, the City of Fort Myers, said they anticipate using available Recovery Act funds primarily to expand existing services or fund new initiatives on a nonrecurring basis. Recovery Act funding contributed only a small amount to the county's and city's budgets. As of November 18, 2009, the county had been awarded \$16.3 million and the city \$4.5 million for use over multiple years, a small amount of a single fiscal year (2010) operating budget of about \$1 billion county and \$241 million city. Lee County and Fort Myers have largely used their own financial reserves rather than Recovery Act funds to stabilize their annual budgets because, according to local officials, the type of funding available to fill budget gaps does not meet their greatest needs and certain grants require

⁴According to FDOT's Office of Inspector General, limited competition contracts are contracts for construction projects that receive only one bid.

local governments to use their own funds when the grant period expires.

- **Education funding and monitoring.** Florida LEAs largely used Recovery Act funding to retain teachers and staff. An estimated 86 percent of Florida LEAs are planning to use over half of their SFSF funding to retain staff compared with an estimated 63 percent of LEAs nationally. A senior Florida official reported that the state successfully implemented a three-part monitoring plan for the largest portion of Recovery Act education funding, the SFSF; however, officials said the monitoring requirements doubled staff workload. State education officials also said they applied for ESEA Title I, Part A waivers to provide more flexibility for LEAs on how they spend Recovery Act funds to improve education.
- **Florida Inspector General oversight.** The Inspectors General (IG) community in Florida continues to play a prominent role in providing oversight for Recovery Act expenditures and reporting, and guidance. The community has targeted specific areas of emphasis for different groups of IGs, including fraud deterrence and data quality.

Volume of Projects and Local Administration May Affect Pace of Local Highway Contract Awards; Overall, Officials Plan to Use Excess Funds from Contracts Coming in Under Estimate

As we reported in September 2009, \$1.35 billion in Recovery Act funds were apportioned to Florida for highway infrastructure and other eligible projects. Of this amount, \$404 million—or 30 percent—was suballocated for metropolitan and local use while approximately \$943 million remained available for use in any area of the state (statewide projects). As of October 31, 2009, 77 percent (or about \$1 billion) has been obligated for highway projects. Specifically, \$707.3 million has been obligated for statewide projects and \$12.7 million has been reimbursed by FHWA.⁵ The remaining \$330.9 million has been obligated for local projects; \$4.5 million has been reimbursed by FHWA. Compared to the national average of 18.4 percent, the overall rate of reimbursement in Florida (1.7 percent) is among the lowest in the nation.⁶ The state has until March 2, 2010 to obligate all apportioned highway funds.

Project Volume and Administration May Affect Pace of Contract Awards

The \$330.9 million obligated for projects in metropolitan and local areas in Florida represents 82 percent of the \$404 million suballocated for this purpose. Also, the number of contracts awarded using Recovery Act funds obligated for this purpose has increased since September 1, 2009. As of October 28, 2009, 149 of 395 planned projects were awarded construction contracts compared to 5 contracts when we last reported in September, according to officials.

According to FDOT officials, the award of contracts is generally lower in FDOT districts with large numbers of local projects in conjunction with projects administered by local agencies.⁷ The state had the option of administering Recovery Act projects with funds suballocated for metropolitan and local use or giving that authority to local qualified

⁵This figure does not include obligations associated with \$0.7 million of apportioned funds that were transferred from FHWA to the Federal Transit Administration (FTA) for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA.

⁶As we reported in September 2009, Florida is using Recovery Act funds for more complex projects, such as constructing new roads and bridges and adding lanes to existing highways that require more time before bids can be requested and contracts can be awarded, according to Florida officials.

⁷According to the FDOT local agency program manual, a local agency is defined as a governmental body related to transportation that is responsible for planning, design, right-of-way acquisition, and construction.

agencies, such as towns, cities, and counties, through the local agency program (LAP) according to these officials.

To better understand the pace of contract awards for local projects, we reviewed two FDOT districts, which varied in their approach to administering projects: District 2 in northeast Florida and District 5 in central Florida (see table 1).

Table 1: Number of Suballocated Projects and Type of Administration for Districts 2 and 5

	Number of projects	Percent administered by locality	Percent administered by FDOT
District 2	40	40	60
District 5	81	99	1

Source: FDOT data.

Note: According to FDOT, the total amount obligated by the FHWA for the 40 projects in District 2 is \$39,165,034 and \$77,884,817 for the 81 projects in District 5.

The relationship between volume of contracts, administering party, and pace of contracting in these two districts reflects the pattern observed by FDOT officials in Florida overall. As of October 27, 2009, District 2 had awarded about 78 percent of its Recovery Act-funded contracts and District 5 had awarded about 15 percent (see table 2).

Table 2: Status of Construction Contracts for Local Highway Projects in FDOT Districts 2 and 5 as of October 27, 2009

FDOT Districts	District 2		District 5	
	Local	State	Local	State
Administering party				
Total number of projects	16	24	80	1
Construction contracts awarded	8	23	12	0
	Total awarded: 31 (78%)		Total awarded: 12 (15%)	
Status of work performance				
Completed	0	3	0	0
Begun but not completed	7	7	0	0
Not begun	1	13	12	0
Status of planned contracts				
Construction contracts out for bid	4	1	33	1
Construction contract solicitation waiting on bids	4	0	35	0

Source: GAO analysis of FDOT data through October 27, 2009.

Note: According to FDOT officials, multiple contracts may be associated with a project; however, each project in District 2 and 5 has only one contract associated with it.

Other districts with high numbers of locally administered projects as in District 5 are experiencing delays in awarding contracts, according to FDOT officials.⁸ FDOT officials offered the following reasons for why locally administered projects take more time to award contracts: (1) when local agencies administer a project, the agencies must coordinate with FDOT and obtain state-level reviews and approval; (2) some local agencies may have little experience with federally funded projects; and (3) Recovery Act funding comes with multiple requirements, and some localities are more prepared than others to meet the requirements and manage a local project because they have previous experience with federally funded projects. FDOT certifies a local agency to administer a project—designing Recovery Act-funded projects, advertising bid solicitations, and administering contract awards—when the agency can demonstrate it has sufficient staff and resources to meet all applicable state and federal requirements, according to the FDOT LAP manual. According to an official in District 2, local agencies with previous LAP experience were utilized to administer local projects. In District 5, the approach was to distribute Recovery Act funds throughout the district, according to officials. Some FDOT officials said the time involved in the certification process may affect the pace of projects. For example, in District 5, nine localities were certified for the first time and several others had to be re-certified, according to officials. Each district has been working with local agencies, providing training and workshops on LAP certification and federal requirements, according to FDOT officials. Officials at local agencies we spoke with said the FDOT guidance and technical assistance were useful.

Florida Plans to Request FHWA to Obligate Excess Funds Resulting from Contracts Being Awarded for Less than Project Estimates

FDOT has identified excess funds of about \$202 million as the result of construction contracts being awarded for less than the official project estimate, which could be used to fund other highway projects, according to FDOT officials. Overall, as of October 28, 2009, FDOT awarded a total of 194 highway construction contracts with a total value of \$676 million, which was 32 percent less than project estimates. FDOT officials stated that FHWA has been asked to deobligate \$2 million of that amount and obligate it for five new local projects meeting Recovery Act criteria. For the remaining \$200 million, an FDOT official said FDOT is seeking state and federal approval to deobligate and then obligate the funding for 12

⁸According to FDOT officials, within each district, projects are distributed to localities based, in part, on population. District 5 has almost twice as many residents as District 2.

new state projects. Moreover, 11 of the 12 projects will be obligated by November 30, 2009, and the remaining project by December 31, 2009, according to the same official.

Florida Uses Existing Procedures and Processes for Awarding and Managing Recovery Act-Funded Highway Projects

FDOT uses its existing standard procedures and processes to award and manage Recovery Act-funded highway construction projects. Specifically, FDOT officials said that FDOT has processes for requiring that contracts be linked to Recovery Act objectives, using prequalified contractors and awarding fixed-price contracts on a competitive basis.⁹ State officials said:

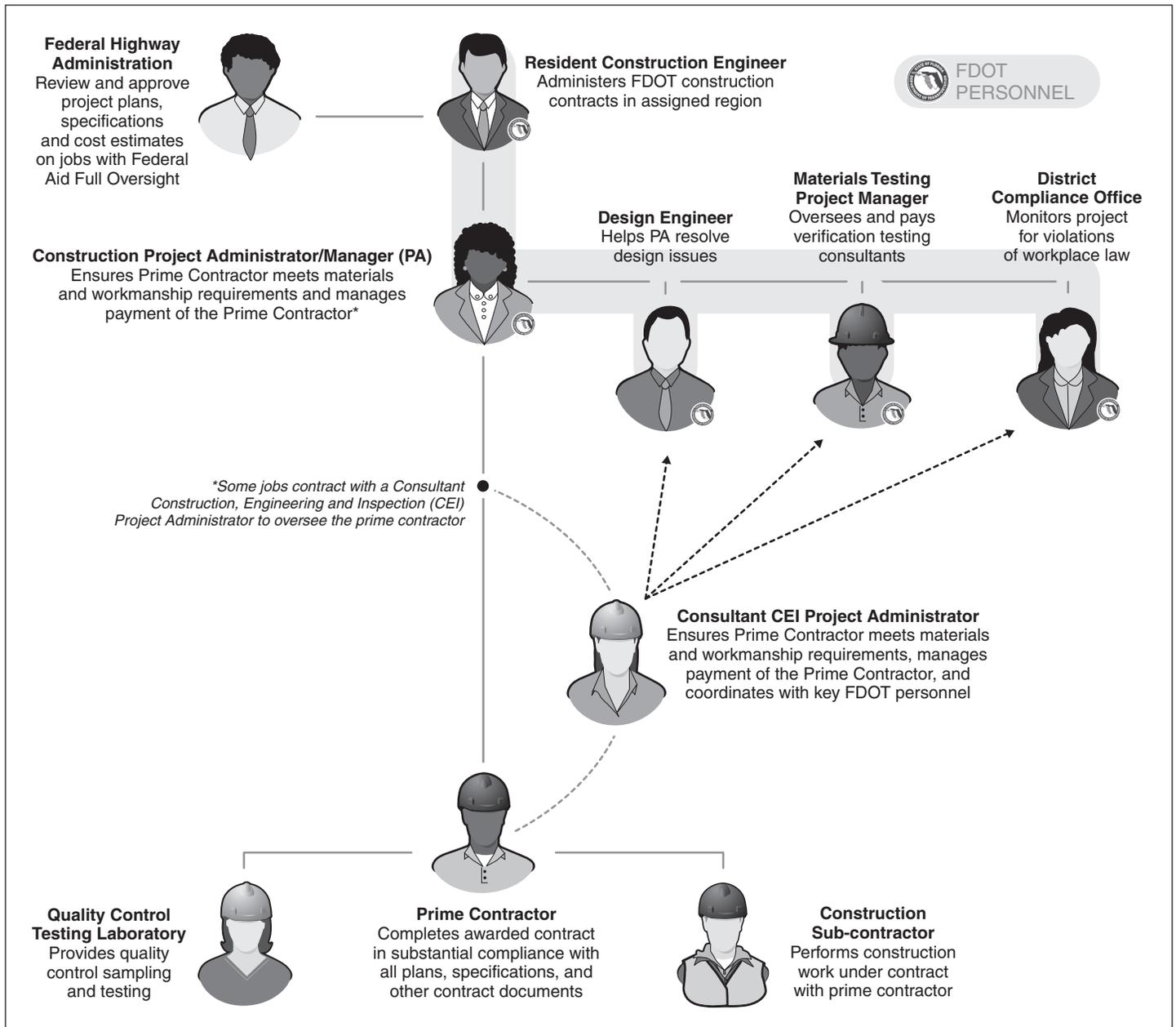
- projects were selected with transportation partners at the local level, including cities, counties, and metropolitan planning organizations with Recovery Act objectives in mind, and that these objectives were communicated to prospective bidders;
- prospective bidders were prequalified based on factors such as experience, performance records, and debarment or suspension by FHWA, State of Florida, or FDOT from receiving contract awards; and
- some projects were awarded to the lowest technically responsive prequalified bidder and some were awarded based on an adjusted score method, although the winning bid may not necessarily have been the lowest bid, according to FDOT officials.¹⁰

Figure 1 shows the multiple highway construction management positions and functions that are assigned to oversee and ensure project quality and performance.

⁹According to FDOT officials, fixed-price contracting is FDOT's standard contracting method and all construction workers on federally funded projects must be compensated according to prevailing wage rates determined by the United States Department of Labor.

¹⁰Under FDOT's guidelines, adjusted score means the contract award is based on the lowest adjusted score, which is determined by dividing the price proposal by the technical proposal score.

Figure 1: Oversight of Florida’s Highway Construction Contracts



Source: FDOT.

Note: FDOT officials said that FHWA full oversight contracts receive the same level of FDOT scrutiny and oversight as other projects performed by FDOT staff, but the FHWA Division Office personnel will review and approve project designs; approve plans, specifications, and estimates; concur on award selection; approve contracts; and conduct project inspections.

FDOT's Inspector General said that his office's recent audits related to contract management, such as single source and limited competition contracts, incentive payment analysis, and contract estimating, have not identified weaknesses that would affect FDOT's ability to award and manage contracts.

Florida Met Recipient Reporting Deadlines without Significant Problems, but Expressed Concerns about Federal Methodologies Understating Jobs Created and Retained

According to Florida officials there were no significant issues collecting and reporting the information required under section 1512 of the Recovery Act¹¹ by the October 10, 2009 reporting deadline, although it required great effort and diligence.¹² Florida has a centralized system into which all 17 state agencies report, then the information is uploaded to the federal system, FederalReporting.gov. Florida developed and tested its centralized system well in advance of the reporting deadline. In addition, to ensure the accuracy and completeness of the data, state officials developed a checklist for use by the state agencies.

Agencies took a range of steps to review data quality.¹³ According to state officials, most of the validation for such data as recipient name, address, and DUNS number¹⁴ was done using source material, for example, original grant agreements or Internet sources. Most of the 17 agencies were able to perform 100 percent validation of recipient names and addresses. For verifying jobs created and retained as reported by subrecipients, the methodologies used by the agencies' inspectors general covered a broad spectrum, from tracing the information reported back to source documents, to performing reasonableness checks of the reported numbers, to simply tracing the numbers from subrecipients' reports to the state's centralized reporting system. In addition to the reviews conducted by the agencies, content experts from the Governor's Office of Policy and Budget (OPB) reviewed agencies' submissions to the state, according to

¹¹The Recovery Act contains multiple reporting requirements. We refer to the reports required by section 1512 as recipient reports.

¹²According to the Florida state Recovery Czar, the majority of Recovery Act funds received by Florida fall under division B of the Recovery Act and, thus, are not subject to section 1512 reporting requirements. Division B includes tax provisions, unemployment compensation, and certain other provisions.

¹³Inspectors general and others involved in the data quality reviews attended training and technical advisory meetings to explore in detail data quality issues prior to uploading the data into the Federal Recovery system, according to Florida's Chief Inspector General.

¹⁴An identifier assigned applications and proposals for federal money.

Florida's Recovery Czar. The choices made at both the agencies and OPB about how to conduct reviews were based on the number of staff and amount of time available in relation to the amount of data required to be reported. Florida's Chief Inspector General released a report providing a synopsis of steps taken by agencies to help ensure data quality. In addition, the Recovery Czar's office, along with the state's IG community, plans to meet to discuss lessons learned from the first round of reporting, officials said.

To better understand how reporting worked we focused on FDOT, which has a large volume of Recovery Act awards, according to Florida officials.¹⁵ FDOT has reporting requirements under both sections 1512 (recipient reporting) and 1201(c) of the Recovery Act.¹⁶ According to Florida officials, although the state had a system in place for section 1201(c) reporting, officials decided to develop two additional systems for recipient reporting. One system was created to assist state agencies in reporting information to the Florida state Recovery Czar, and a second system to allow subrecipients and vendors to enter total number of employees, employee hours, and payroll for Recovery Act-funded FDOT projects.¹⁷ FDOT officials said they provided training and guidance to subrecipients, and conducted town hall meetings on reporting requirements and processes. Subrecipients we spoke with told us the employment reporting system was user-friendly and they did not experience any significant challenges with collecting and reporting required Recovery Act information.

FDOT officials said they took steps to ensure the quality of data in recipient reports, such as comparing data to previously submitted

¹⁵According to the FDOT Office of Inspector General, FDOT IG has been given responsibility by the state for Recovery Act recipient reporting. According to the Florida state Recovery Czar, content experts from the Governor's Office of Policy and Budget were assigned to each Recovery Act award and no award was uploaded to FederalReporting.gov without sign-off by the OPB reviewer.

¹⁶For section 1201(c), the first periodic report was due no later than 90 days after the date of enactment of the act, with updated reports due no later than 180 days, 1 year, 2 years, and 3 years after enactment. Section 1201(c) requires periodic reports, which include information on the pace at which funds are spent and the status of FDOT projects.

¹⁷According to Florida officials, the first system was developed by the Florida Office of Economic Recovery and titled "FlaReporting System" and the second system was developed by FDOT titled "FDOT ARRA Employment Reporting System" for employment reporting. Although FDOT utilized the FHWA Recovery Act Data System for 1201(c) reporting, it did not utilize it for 1512 reporting.

information to find anomalies, omissions, or variances. However, according to FDOT, subrecipients and vendors were not required to submit verification of their job data. Instead, according to FDOT officials, they advised subrecipients and vendors to maintain documentation in the event that auditors or other officials asked to view job data, but said they did not specify the nature of the documentation to be maintained. We found the extent of such documentation varied for the two subrecipients we visited. For example, both subrecipients kept documentation of tabulated hours and wages associated with Recovery Act projects for regular employees, but only one did so for management employees.¹⁸

Although Florida met recipient reporting deadlines, the Florida state Recovery Czar expressed concerns that OMB's methodology for using full-time equivalents (FTE) to calculate jobs created or retained will understate the actual number of jobs created.¹⁹ In addition, the Florida state Recovery Czar told us that individual federal agencies distributed guidance with their own interpretation of OMB's calculation of jobs created or retained to their Florida counterparts and believes state agencies may have used different variations of the calculation to report jobs.²⁰ Furthermore, the Florida state Recovery Czar raised concerns that the federal recovery Web site will make it appear as if the majority of Recovery Act funds coming to Florida is being allocated to projects in Tallahassee because there is no mechanism for recognizing their dispersal through Tallahassee. The Florida state Recovery Czar said the federal Recovery Accountability and Transparency Board is aware of this concern.

¹⁸At the second subrecipient, of the eight employees associated with Recovery Act projects, four were management employees. Although documentation such as time sheets was available for regular employee hours and wages, no supporting documentation was kept for management employees.

¹⁹For example, if a full-time job was created in mid-September—meaning that it existed for only 2 weeks of the reporting period—federal instructions require taking those 80 hours and dividing by 520 hours, or the entire quarter. This calculation equals 0.15 of an FTE, even though one full-time job was created.

²⁰According to the Florida state Recovery Czar, some agencies indicated the hours in the denominator should reflect hours from the date of the award, some from the beginning of the quarter, and some from the start of the project.

Lee County and Fort Myers Are Primarily Using Available Recovery Act Funding for Nonrecurring Expenses

Officials from Lee County and, to a lesser extent, the City of Fort Myers, said they anticipate using available Recovery Act funds primarily to expand existing services or fund new initiatives on a nonrecurring basis. Recovery Act funding contributed only a small amount to the county's and city's overall budgets: As of November 18, 2009, the county had been awarded \$16.3 million and the city \$4.5 million in Recovery Act funds for use over multiple years, a fraction of even a single fiscal year (2010) operating budget of about \$1 billion county and \$241 million city. (See table 3.)

Table 3: Recovery Act Funding Reported by Lee County and Fort Myers Government Officials

Program area	Lee County project or federal award	Fort Myers project or federal award
Highways ^a	Five road improvement projects, including turn lanes and paved shoulders Total: \$2.5 million in fiscal year 2010	Two road improvement projects to install culverts Total: \$0.8 million in fiscal year 2010 ^b
Human services and housing	Community Development Block Grant (\$0.6 million), Homeless Prevention (\$0.9 million), Community Service Block Grant (\$0.5 million) Total: \$2 million over 3 years	Community Development Block Grant Total: \$0.2 million over 3.6 years
Transit	Buses and bus shelters Total: \$7.5 million over 3 to 5 years	Not applicable
Energy efficiency	Energy Efficiency and Conservation Block Grant, including a biodiesel plant (\$3 million over 3 years) Weatherization Assistance (\$1.3 million) Total: \$4.3 million over 3 years	Energy Efficiency and Conservation Block Grant, including installation of a solar power generator, among other projects Total: \$0.75 million
Public safety	Not applicable	Community Oriented Policing Services (COPS) Hiring Recovery Program grant providing salaries for 9 officers over 3 years (\$2.3 million); and Justice Assistance Grant (JAG) funding (\$0.4 million)—added staff, overtime pay, and equipment for a total of \$2.7 million over 4 years
Total Recovery Act funding	\$16.3 million over multiple years	\$4.5 million over multiple years

Source: Lee County and Fort Myers governments.

^aAs required by the Recovery Act, the state of Florida suballocated transportation funds for local use. The local projects cited in the table are being administered by the county and city, according to FDOT officials.

^bAlthough Fort Myers was awarded \$800,000 for local highway projects, city officials said that contracts for the projects are being awarded for less than the estimated costs and, as a result, excess funding will be applied to projects that may not be within the city.

In general, these Recovery Act funds were awarded to the city and county between April and August 2009. However, county officials said they have

not received the majority of these funds, which will be reimbursed upon service delivery or project completion; city officials said they have not expended most funds. Fort Myers, which has some older substandard housing in low-income neighborhoods, reported using about \$8,000 of an approximately \$200,000 Community Development Block Grant awarded under the Recovery Act to install solar water heaters and energy-efficient windows in owner-occupied buildings.

Officials of Lee County and Fort Myers reported largely using their own financial reserves rather than Recovery Act funds to stabilize annual budgets because the type of funding available is limited and certain grants require local funds when the grant period expires (see table 4).²¹ The city is using Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) funding to avoid the layoff of six police officers, according to city officials. This use of funds accounts for about 2 percent of the city’s police budget in fiscal year 2010.

Table 4: Actions Taken to Close Lee County and Fort Myers General Fund Shortfalls in Fiscal Year 2010

Dollars in millions

Budget actions	Lee County		Fort Myers	
	Amount	Percent of total budget actions	Amount	Percent of total budget actions
Recovery Act funds	\$0	0	\$0.5 ^a	2.5
Budget cuts	10	13	8.7	43
Deferring expenses	9.5	12	0	0
Funds shifted	0	0	1.0	5
Reserves used	60.3	76	8.8	44
Tax increases	0	0	1.2	6
Total^b	\$79.8	100	\$20.2	100

Source: Lee County and Fort Myers governments.

^aA city official said the city used Recovery Act funds to address a budget gap in the General Fund. The official explained that the city classified the grant under its Special Revenue Fund, but the grant funds were for expenses usually paid for out of the General Fund.

^bTotals may not add due to rounding.

²¹Lee County and Fort Myers are experiencing gaps remaining between revenues and expenditures. County officials explained that their budget gaps are a result of declining revenue sources, such as a 24 percent decline in property taxes in fiscal year 2010. In fiscal years 2008 through 2010 the city reported increasing property taxes to offset expenditure pressures that include pension and benefit obligations for city employees, revenue losses from falling property values, and declining funds from state revenue-sharing programs.

In the fiscal year 2010 budget, Fort Myers officials said the city exhausted its available reserves. Lee County officials anticipate having sufficient reserves for the next 2 to 3 fiscal years. According to officials we interviewed at the Florida League of Cities and the Florida Association of Counties, if additional revenue is unavailable and reserves can no longer be tapped, the county and city will face major cuts to programs and services.

County and city officials cited various reasons for not applying for competitive grants or using other available Recovery Act grants more widely to address budget shortfalls. County officials said they did not want to use Recovery Act funds that might require county funds for programs in the future. For example, even though public safety is one of its largest expenditures, Lee County officials said they did not apply for a COPS CHRP grant, which could have funded 21 officers over 3 years, because a requirement to maintain those positions with state and/or local funds for a fourth year would cost their taxpayers about \$2 million. Fort Myers officials said available Recovery Act money generally funds programs that are not part of the city budget, such as education and health programs, rather than key city responsibilities, such as replacing aging water and sewer systems and other infrastructure.²² Of the Recovery Act funding available for infrastructure—primarily transportation—Fort Myers officials said that \$0.8 million went to the city because state highway projects are a priority for Recovery Act funds, with 30 percent of highway funds suballocated for metropolitan and local use.

²²The city's largest expenses involve infrastructure—such as water and sewer projects funded through its Utility Fund—as well as public safety, which is funded through the General Fund. The county's largest expenses are for public safety, such as the sheriff's office, funded through the General Fund.

School Districts Primarily Used Recovery Act Funds to Retain Teachers and Staff, and the State Implemented Systems to Track Funds, and Sought Spending Flexibility

Florida LEAs largely used Recovery Act funds to retain teachers and staff, and the State Department of Education developed systems to track how funds are spent as well as sought a federal waiver to provide greater flexibility in how some funds are allocated. We surveyed a representative sample of LEAs—generally school districts—nationally and in Florida about their plans for Recovery Act funds. An estimated 86 percent of Florida LEAs are planning to use over half of their SFSF funding to retain staff compared with an estimated 63 percent of LEAs nationally, according to our survey (see table 5). A senior Florida official said the higher percentage may reflect, in part, the collapse of the Florida housing market: 50 percent of Florida’s LEAs’ operating funds come from local property taxes and property values have fallen significantly. The official also said that LEAs have greater discretion with SFSF funds than with ESEA Title I, Part A or IDEA funds, which target programs for disadvantaged youth and children with disabilities, respectively.

Despite Recovery Act SFSF funds, an estimated 56 percent of Florida LEAs reported that their schools will lose staff compared to an estimated 32 percent of LEAs nationwide. A Florida official attributed staff reductions at least partially to an overall decline in student enrollment, requiring fewer teachers in the 2009-2010 school year. The official added that Recovery Act funding has been critical to supporting existing teachers, given significant declines in state and local revenues.

Table 5: Selected Results from GAO Survey of LEAs

Responses from GAO survey		Estimated percentages of LEAs	
		Florida	Nation
Plan to use more than 50 percent of Recovery Act funds to retain staff	IDEA funds	86	63
	Title I funds	34	25
	SFSF funds	34	19
Anticipate job losses, even with SFSF funds		56	32
Reported total funding decrease of 5 percent or more since school year 2008-2009		11	17

Source: GAO survey of LEAs.

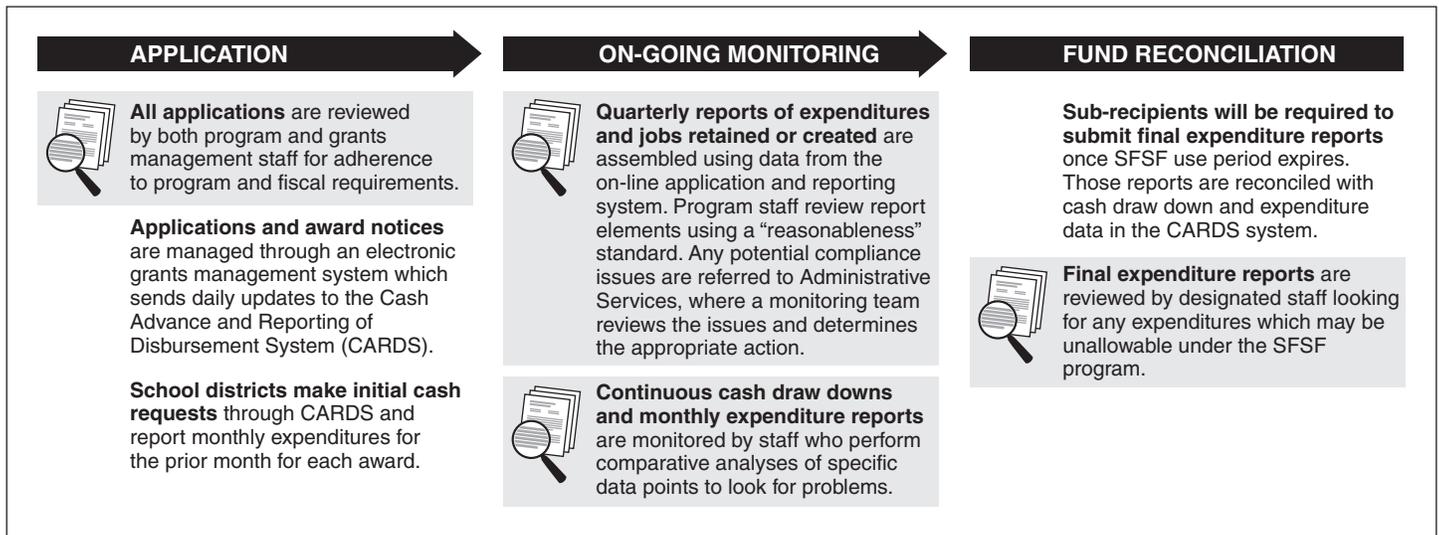
Note: Percentage estimates for Florida have margins of error, at the 95 percent confidence level, of plus or minus 15 percentage points or less. The nation-wide percentage estimates have a margin of error of plus or minus 5 percentage points.

A senior Florida official also reported the state’s successful implementation of a three-part monitoring plan for SFSF, the largest portion of the state’s Recovery Act education funding. (See figure 2.) However, the official said the monitoring requirements doubled staff workloads with no increases in resources. The official said staff has been particularly challenged to meet the Recovery Act’s section 1512 quarterly recipient reporting requirements with respect to SFSF, but has applied the monitoring plan as written. State education officials have identified several issues with the first quarterly report submitted by LEAs on expenditures and jobs retained or created due to the federal government by October 10, 2009. Florida officials told us the U.S. Department of Education guidance on converting jobs retained or created to FTEs, as required, was not issued until September 2009, shortly before the quarterly report was due, and LEAs did not have sufficient time to absorb the subtleties of it.²³ As a result, the officials told us the state Education Inspector General’s office has begun a survey of selected LEAs to identify issues so technical assistance can be developed for the next quarterly report. In addition, when state education staff reconciled LEAs’ monthly expenditure reports with their first quarterly reports they found some discrepancies in a small number, and state education staff are in the

²³OMB issued reporting guidance on June 22, 2009; however, the U.S. Department of Education guidance contained additional clarifications on how to calculate and report jobs created or retained. For example, Education specifically addressed how a recipient should calculate the full-time equivalent for a teacher on a contract less than 12 months.

process of contacting those LEAs to identify the cause of those divergences.

Figure 2: Selected Key Steps from Florida’s SFSF Subrecipient Monitoring Plan



Source: GAO analysis of Florida Department of Education monitoring plan.

State education officials told us they applied for authority to grant ESEA Title I, Part A waivers to LEAs for more flexibility in spending Recovery Act funds to improve education through innovative strategies.²⁴ For example, a waiver of the inclusion of Recovery Act funds in the calculation of the requirement to spend an amount equal to 20 percent of ESEA Title I, Part A funds would allow LEAs to free up those funds to address specific student needs identified through data analysis, according to state education officials. Florida officials told us they completed their online waiver application form for LEAs at the end of October 2009. Some of the

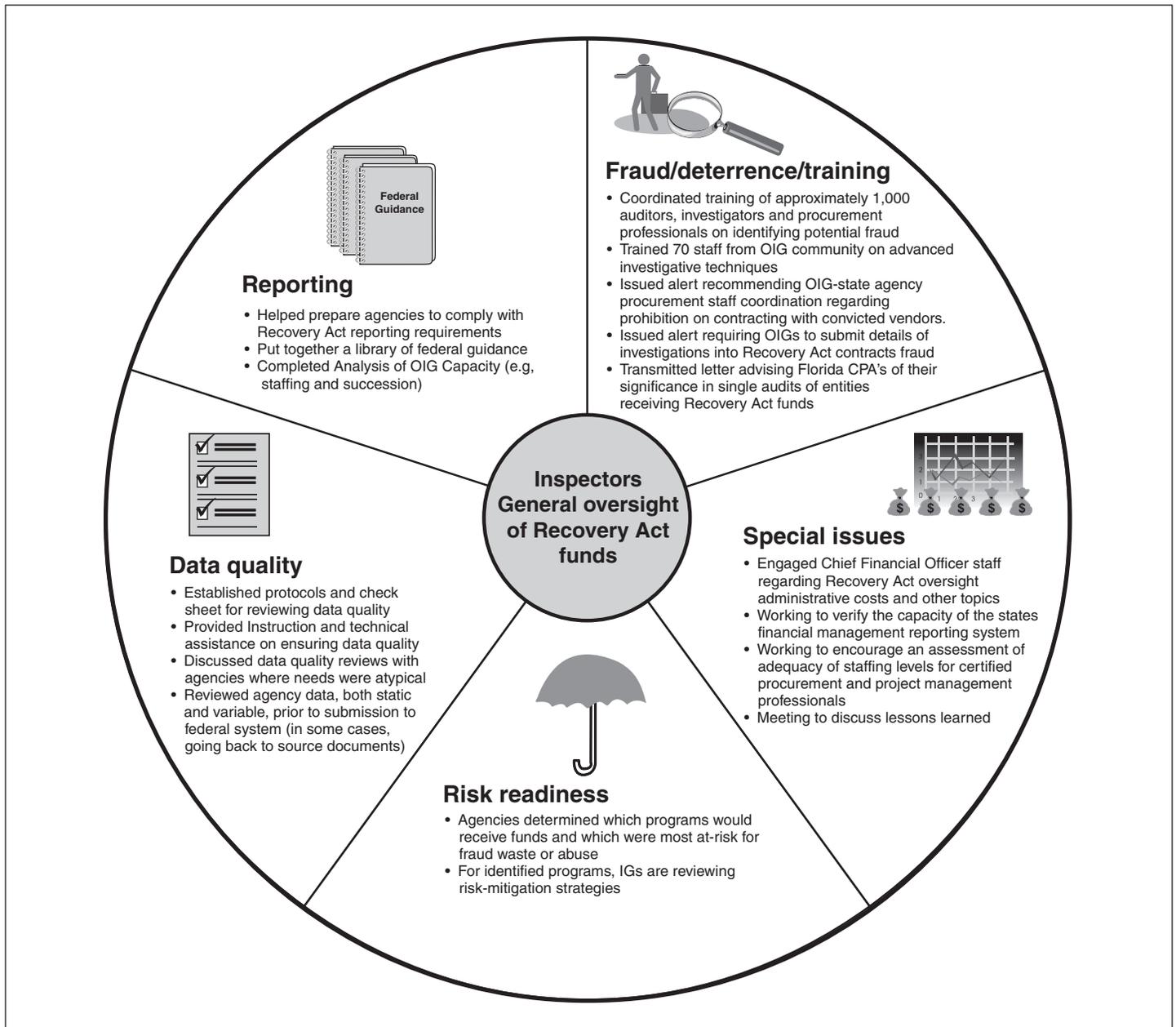
²⁴The Department of Education accepts applications from state educational agencies to apply, on behalf of their LEAs, for waivers of one or more “set-aside” requirements that are affected by the availability of ESEA Title I, Part A Recovery Act funds. For example, LEAs are obligated to spend an amount equal to at least 20 percent of their ESEA Title I, Part A, Subpart 2 allocation on transportation for public school choice and supplemental educational services (SES). These services include tutoring, remediation and other supplemental academic enrichment services designed to increase the academic achievement of students. LEAs must offer students in schools that have missed academic targets for two consecutive years an opportunity to transfer to a high-performing school in the district (public school choice) and in addition, must offer SES students from schools that have missed academic targets for three consecutive years.

requested waivers have been approved by the U.S. Department of Education, and LEAs are submitting applications to the state for those waivers. The state's remaining waiver requests are under consideration by the U.S. Department of Education.

Florida Inspectors General Community Is Coordinating Oversight Activities

Florida's Inspectors General (IG) community continues to play a prominent role in providing oversight of Florida's Recovery Act funds. The Florida IG community has chosen to coordinate across all state agencies and communicate regularly. To that end, they formed five committees to work on Recovery Act issues. (See figure 3.)

Figure 3: Steps Reported by IG Community to Provide Statewide Oversight



Source: GAO analysis of Inspectors General documents.

State Comments on This Summary

We provided the Special Advisor to Governor Charlie Crist, Florida Office of Economic Recovery, with a draft of this appendix on November 18, 2009. The Florida official concurred with the information in the appendix and provided technical suggestions that were incorporated, as appropriate. In addition, we provided relevant excerpts to officials of the state agencies as well as the city and county we visited. They agreed with our draft and provided some clarifying information, which we incorporated, as appropriate.

GAO Contacts

Andrew Sherrill, (202) 512-7252 or sherrilla@gao.gov

Zina Merritt, (202) 512-5257 or merrittz@gao.gov

Staff Acknowledgments

In addition to the contacts named above, Patrick di Battista, Lisa Galvan-Trevino, Sabur Ibrahim, Kevin Kumanga, Frank Minore, Brenda Ross, Margaret Weber, and James Whitcomb made major contributions to this report. Susan Aschoff assisted with writing, and Barbara Steel-Lowney assisted with quality assurance.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.