



Keeping an Eye on Vermont’s Stimulus Funds

By Reenie De Geus

The American Recovery and Reinvestment Act (ARRA)—the federal stimulus plan—is intended to kick-start job growth in the short term while building the foundation for future economic prosperity. Since the plan involves a large sum of federal money distributed in a short period of time—Vermont will receive more than \$1.2 billion over the next two years—it will be a test of democracy, transparency, and accountability.

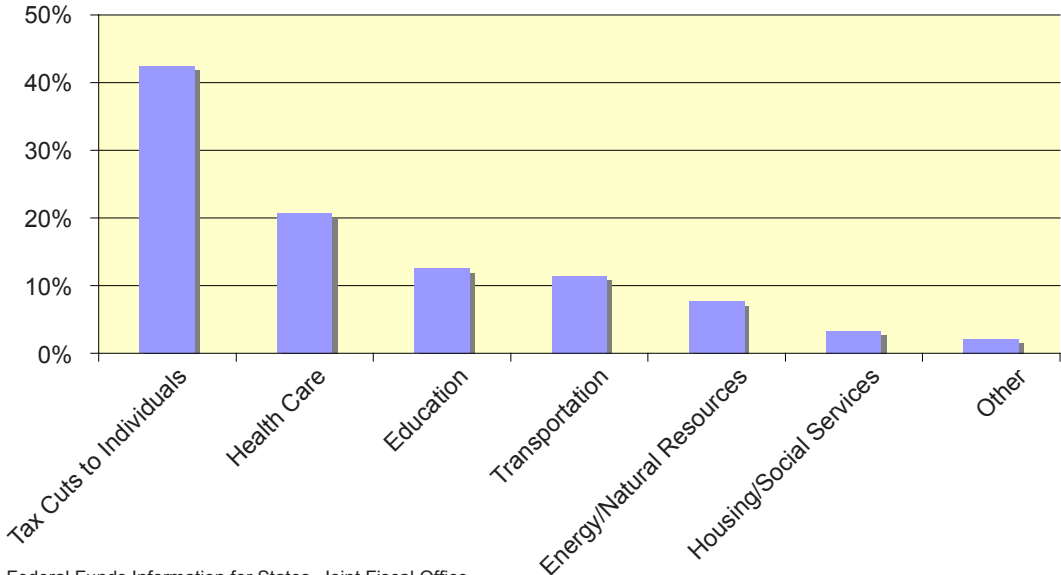
The ARRA is meant to stimulate the economy in several ways. Tax cuts and unemployment benefits provided through the law are directed to people who are likely to spend it immediately and thereby increase demand for goods and services. The major public infrastructure projects the plan is funding, such as transportation, health care, broadband, and energy, not only provide jobs directly to the designers and construction employees who work on the projects but also will help support economic growth once they are completed.

The plan also is providing massive aid to state governments, allowing them to continue to provide essential services and avoid budget cuts and layoffs of public employees that would increase unemployment and worsen the downturn. The chart below contains a breakdown of how the funds that Vermont is slated to receive will be allocated.

Keeping track of all this money is a major undertaking. At the federal level, a website is in place with details about programs, timelines, state efforts, and accountability standards.¹ Federal agencies are expected to provide weekly updates with new rules, progress reports, and detailed accounting of how and where money is spent.

In Vermont, that oversight will be the job of the newly created Office of Economic Stimulus and Recovery (ESR). Governor Douglas has appointed

Allocation of Vermont ARRA Funds



Data source: Federal Funds Information for States, Joint Fiscal Office

high-tech entrepreneur Tom Evslin to head a staff of seven—all borrowed from other departments—who will coordinate the distribution, expenditure, and accounting of the stimulus funds the state will receive directly or manage. Evslin expects the office—located on the fifth floor of the Pavilion Office Building in Montpelier, next to the governor—to be open for the three years it will take to expend and account for the stimulus dollars.

Like every other state, Vermont has a website where citizens can keep up on how it is handling the stimulus funds. Vermont's site—at <http://recovery.vermont.gov>—eventually will contain information on the more than 300 programs included in the ARRA. One of ESR's early tasks will be to provide descriptions, contacts, deadlines, and eligibility criteria for the federal grants available through the ARRA so that Vermonters can access these opportunities. As the state's allocated funds are spent, the site will contain information on where and how that was done, including who received contracts, how much was awarded, and how many jobs were created.

Federal stimulus funds fall into three general categories that can be directly tracked to each state:

- Fiscal Relief: replacement money to allow the state to continue to provide existing services despite revenue shortfalls
- Supplemental Funding: increased funding for existing federal programs such as special education or highway construction
- Direct Benefits: funds in the form of tax cuts or increased unemployment benefits that go directly to citizens

Additionally, the ARRA includes competitive federal grants to encourage states, individuals, businesses, and other organizations to develop new ideas to expand the economy, particularly in areas of energy, telecommunications, and health care. It is unknown how much of this money might come to Vermont, since these grants are not allocated by state. Instead, the money is distributed in response to grant applications.

The Vermont Agency of Transportation is one of the first state agencies to begin reporting on the use of stimulus funds. The agency has identified and prioritized road and bridge projects and has begun obtaining permits. Details about projects and the contracts already awarded are available on the agency's website.²

As for fiscal relief, the stimulus money comes at a time when the Douglas administration has been eliminating state positions and laying off state employees. The influx of federal funds over the next two years may mean that agencies and departments will need to hire temporary personnel to manage the programs funded with stimulus dollars.

The federal government has yet to spell out many of the rules controlling the use of stimulus funds. For example, job creation is one of the fundamental goals of the stimulus plan, but there is no consensus among federal agencies on how a job should be defined. Will they count individuals or positions? How will a part-time job be counted? Those details will determine how Vermont will account for the use of its funds in compliance with federal transparency requirements and how the success of the stimulus plan will ultimately be judged.

Vermont's own budget process will determine how the directly allocated federal money is spent. Although the governor officially applies for the federal funds, the Legislature ultimately appropriates the money. If the state is awarded any competitive grants while the Legislature is not in session, there is a special committee, the Joint Fiscal Committee, with authority to accept the funds and approve their use.

Many states had taken steps to bring transparency to government finances before the stimulus. Others are doing so now that the plan has become law.³ In the state of Washington, for instance, the governor has issued an executive order directing that the process for stimulus funds be streamlined, transparent, and efficient.⁴ Pennsylvania has a 14-member Stimulus Oversight Commission including the governor, his accountability officer appointed from the private sector, an administration implementation officer, state and federal legislators, and representatives of the AFL-CIO, United Way, and the Pennsylvania Chamber of Business and Industry.⁵

Establishment of an oversight office and a website is a good start, but Vermont should do more to make the ARRA expenditure process publicly accessible and accountable. While the ESR is coordinating formally with the State Auditor's Office, only informal links have been established between the new office and the Legislature. The Legislature should formalize its relationship with the ESR by establishing a House/Senate

ARRA Oversight Committee that regularly hears from ESR Chief Evslin. Most important, the Legislature's committee should provide the opportunity for broader public input in the decisions about the use, management, and accounting of ARRA funds.

ENDNOTES

- ¹ <http://www.recovery.gov/>
- ² <http://www.aot.state.vt.us/stimulus/>
- ³ <http://www.recovery.gov/?q=content/state-recovery-page>
- ⁴ http://www.governor.wa.gov/execorders/eo_09-03.pdf
- ⁵ http://www.recovery.pa.gov/portal/server.pt/community/about/6015/oversight_commission

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PO Box 942, Montpelier, Vermont 05601
802-223-6677
www.publicassets.org

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