



COLORADO FISCAL
POLICY INSTITUTE

Continuing transparency and improving equity in Colorado after the Recovery Act

ISSUE BRIEF
Fall 2010

Alec Harris
Policy analyst
789 Sherman St.
Suite 300
Denver, CO 80203
www.cclponline.org
303-573-5669 ext. 316
aharris@cclponline.org

The Colorado Fiscal Policy Institute is a project of the Colorado Center on Law and Policy, a nonprofit, nonpartisan research and advocacy organization seeking justice and economic security for all Coloradans.

The American Recovery and Reinvestment Act is currently bringing billions of dollars to Colorado, and continues to be a huge windfall for the state in the wake of deep recession. Without this large investment, the effects of the recession in Colorado would have been disastrous. Yet even beyond its financial investment, the Recovery Act brings prominent improvements to state government in the form of accountability measures. These measures help ensure government is transparent, and provide the tools and information to ensure equity in government provision.

The Recovery Act is a temporary program meant to provide a one-time boost to the faltering economy. When the Act expires, two challenges emerge. First, Colorado must be sure that its progress toward more transparent government under the Recovery Act is not lost. Second, it must improve reporting and accountability to make further gains toward protecting equity in government. Both steps are crucial, as today more than ever voters demand transparency, accountability, and efficiency in government. Continuing and improving the Recovery Act transparency measures in Colorado will give the state the tools to restore trust in the public sector and measurably strive for the best policy outcomes.

Turning the tide

Today trust in government stands near all-time lows.¹ Pain from the recent economic downturn continues, ideological battles about government rage, and all the while voter dissatisfaction with perceived inefficiency and waste in government grows. Yet the tools to restore trust in government are at hand. Modern information systems allow for unprecedented reporting, oversight, and transparency in government. Funding can be tracked, projects can be monitored, hiring details can be reported, and much more, all in a manner accessible to government officials and the public alike. These steps allow voters to see for themselves how their tax dollars are being spent and if they are being spent efficiently. As such, transparency measures hold the key for not only better, more responsive policies, but also improved trust in government. The Recovery Act has brought the first major wave of these changes to Colorado.

Transparency in the Recovery Act

Signed in February 2009, the American Recovery and Reinvestment Act brings some \$7.1 billion to Colorado, most all to be distributed between February 2009 and December 2011. These funds are divided roughly equally between tax benefits and direct assistance for Coloradans, funding for

The Recovery Act brings more than \$7 billion to Colorado in 2009 and 2010.

The Recovery Act utilizes a two-tiered approach to track spending. All funds are tracked “top-down” by overseeing agencies, and these streams of information are consolidated by CERAB to paint an overall picture of the Recovery Act in the state. Grants, loans, and contracts are subject to an additional layer of “bottom-up” tracking based on detailed recipient reporting.

programs and projects in the state, and state fiscal stabilization.² The Act combines its sizeable investment in Colorado’s programs, contracts, residents, and General Fund with unprecedented transparency and reporting requirements. These measures ensure Recovery funds are spent responsibly and effectively, and that spending information is available to the public in a timely and accessible manner.

In establishing its transparency measures, the Recovery Act addresses contractors, receiving agencies, overseeing agencies, and the public. To do so, the Act creates a federal Internet portal for information to be submitted and retrieved, establishes rigorous reporting requirements for Recovery Act fund recipients, and applies federal and state oversight to support and enforce reporting.³ The State of Colorado has similarly created a Colorado Recovery Act internet portal and implemented oversight mechanisms to ensure accurate reporting and improved transparency to examine how the Recovery Act is impacting Colorado.

Detailed reporting

Recovery Act funds are tracked closely at the state and federal level. Because the Act funds so many different areas of government, different standards of reporting apply depending upon the nature of the work. Two-thirds of all Recovery Act funds fall under a general set of top-down reporting requirements. These funds support recessionary programs such as tax breaks for individuals and businesses, food and medical aid for families in need, unemployment insurance for laid-off workers, health insurance subsidies for the uninsured, and assistance for the elderly.⁴ Information about each funding stream within Colorado is collected from the appropriate government agency and published by the Colorado Economic Recovery Accountability Board (CERAB), as required under the Recovery Act. In this way the Board seeks to understand the broad impact of the Recovery Act in Colorado.

The remaining one-third of funding goes to Recovery Act grants, loans, and contracts.⁵ These funds are subject to a rigorous additional level of bottom-up recipient reporting under the Act (called “1512” reporting after the section of the Recovery Act in which it is described). Under this system recipients must submit a wide range of information on how they are using their Recovery Act funding each quarter.

Recipient reporting is broad and deep, spanning many categories of funding and carrying through multiple layers of distribution. Requirements apply to “primary” and “sub-recipients.” For example, an agency and the contractor it hires for a project would both need to report, as would a contractor receiving Recovery Act funds directly and the sub-contractor it hires for a part of the project. Information collected under recipient reporting includes:⁶

Identifying information

- Name, address, and telephone number⁷
- Highly compensated officers
- Federal funding ID number

Grant/loan/contract information

- Award amounts

- Award dates
- Sub-contractor award
- Awarding agency
- Vendor agreements and payments

Project description

- Project location
- Industry activity codes
- Project status
- Quarterly project activity
- Funding to-date
- Jobs created

With its two-tiered approach, the Recovery Act creates unprecedented levels of transparency in government. All funds are tracked and reported on from the top down, and grant, loan, and contract funding is tracked from the recipient end as well. This framework of reporting forms the foundation for inquiries about the nature of government spending; from questions of efficiency and effectiveness, to concerns regarding equity.

Recovery Act websites

There are a number of Recovery Act websites. These are employed at the federal and state levels to support spending data and provide other information on Recovery spending. Websites include a federal site for submission of data by agencies and contractors (www.federalreporting.gov), a federal site for the retrieval of data (www.recovery.gov), and a state website for information regarding Recovery Act activities (www.colorado.gov/recovery for Colorado). Information on the Colorado website includes:

- Charts and tables of Recovery Act funding
- County-level funding and project reports
- Detailed information on individual Recovery Act-funded contracts
- Interactive maps of funds distributed
- Video interviews and written stories about Recovery Act investments

The Colorado recovery website provides a valuable platform for transparency in state Recovery Act activities. It is a point of contact which provides accessible and highly-detailed information for public consumption of all kinds. As such it serves as the go-to source for information on the Recovery Act in Colorado.

Accountability, oversight, & access

A number of federal and state structures exist to enforce reporting requirements and support transparency in Recovery Act activities. Federally, the Recovery Accountability and Transparency Board, the Office of Budget and Management, and the Government Accountability Office all work in various capacities to oversee the Recovery Act’s transparency provisions. These agencies issue guidance on issues of compliance and enforcement via quarterly memos, publish Frequently Asked Questions and distribute template spreadsheets for those required to report, and broadly oversee reporting.

Go to www.colorado.gov/recovery for the Colorado Recovery Act website. Also, see www.recovery.gov for information nationally.

As the source of ongoing, imbedded audits, in-house information gathering, and a detailed website about state Recovery Act efforts, the Colorado Economic Recovery Accountability Board is a huge asset to transparency and accountability in Colorado.

At the state level, Colorado's Governor's Office works with other state agencies to ensure that Recovery Act funds are spent in an appropriate manner and are reported according to federal requirements. Within the Governor's Office, the Colorado Economic Recovery Accountability Board (CERAB) has been at the fore of Colorado's reporting efforts. The Accountability Board hosts the Colorado recovery website (www.colorado.gov/recovery) and helps manage the state's collection of data from state agencies and contractors. The Board has gone above and beyond federal requirements in many respects, creating a variety of tools and resources to make Colorado Recovery Act reporting more useful and accessible.

One of the most powerful oversight practices at the state level is an imbedded audit of state Recovery Act activities by the U.S. Government Accountability Office where the Colorado Economic Recovery Accountability Board acts as the state's primary contact. Colorado is one of 16 states to host an ongoing and imbedded effort to ensure funds are spent appropriately and that reporting complies with federal standards.⁸

Combined, the Recovery Act's reporting, oversight, and accountability measures create a robust atmosphere of disclosure in government. For the first time, a centralized state body is charged with ensuring information about government projects and expenditures is collected and made available to the public in a highly-accessible manner. And for the first time Coloradans may access this information via a centralized website. Furthermore, the presence of a dedicated data collection and reporting agency brings a new culture of transparency as agencies and contract recipients are now accountable to an internal, peer agency seeking information on behalf of the public.

Equity and the Recovery Act

While the Recovery Act does not put forth any specific equity guidelines, it does stipulate that funds should be distributed in a manner consistent with existing federal equal opportunity law.⁹ In overseeing Recovery Act funds, the state of Colorado also does not put forth equity requirements specific to the Act. However, the state does put forth goals for contract funding to minority or women-owned businesses. These goals are for specific areas of state funding, and pre-date the Recovery Act. A prominent area for such goals is transportation funding. For instance, the Colorado Department of Transportation aims to have 12.8 percent of all its highway construction contracts to go to firms owned by minorities.¹⁰

The Colorado Economic Recovery and Accountability Board also employs a director of minority and small business outreach. This position is responsible for outreach and education from minority businesses, designed to promote funding available under the Recovery Act. These efforts are intended to bolster the share of minority contracts in Recovery Act funding.¹¹

Continuing and improving the Recovery Act

The Recovery Act has brought unprecedented transparency to state government and programs. Yet improvements could still be made. First, the state could enhance distribution and accessibility of information. Second, it could bolster its equity reporting. Both categories of improvement would

Colorado needs to continue to improve its reporting by examining job quality, equity, and environmental practices in government-funded projects and hiring.

mean material progress toward a more accountable government.

Technological improvements

The Colorado Economic Recovery Accountability Board's state recovery website is a valuable resource for information and represents a notable improvement in state transparency. To further improve its Recovery website and materials, Colorado could:

- Include comprehensive search engines for the state website, allowing users quick and targeted access to information.
- Provide downloadable data rather than simply PDF reports.

Equity reporting

As government strives for equity in its funding, employment, and contracts, it needs to improve its reporting. To do so, Colorado should collect and report information about minority funding in contracts, and hiring. This might include:

- Gender, race, education level, and job-hours of new hires
- Gender, race, education level, and job hours of all employees, for context
- Funding to minority communities
- Funding to low-income communities.

A truly sophisticated Colorado might even combine this equity reporting with other desirable features, such as mapping—perhaps mapping needy communities and funding streams jointly.

Job quality

The state should also report information about the quality of jobs created using public funds. This would permit an examination of the kind of investment government is making in job-creation efforts. Relevant information would include:

- The full- or part-time status of jobs created
- Median wage of jobs created
- Benefits offered in jobs created

Environmental reporting

Finally, the state has an interest in promoting environmentally sound projects and practices. To do so, the state will first need to collect information about the “green” aspects of funded projects. Some potential areas of interest include:

- Compliance with environmental building standards such as the LEEDS certification
- Use of renewable energy in projects
- Application of energy-efficient practices such as use of building insulation and energy-efficient appliances in projects
- Funding for “green” projects in low-income and minority communities

The government of tomorrow

The future of government lies in transparent, accountable structures which

provide clear guidelines and reporting measures. These practices provide accessible public information, keep agencies and contractors focused on equitable practices, and build public trust in government.

The Recovery Act has brought the first wave of the future to Colorado, and our state has excelled under the capable leadership of the Governor's Office and the Colorado Economic Recovery Accountability Board. We must ensure that the progress made in under the Recovery Act is not lost, but rather built upon. These, and even more sophisticated reporting practices must become a permanent fixture in state government. If successful, Colorado will have a powerful tool to promote transparency and equity in public investment. Thus equipped, Colorado will be on the path toward a more efficient, responsible, and accountable state government, and toward well-earned public trust in government.

Contact Alec Harris, policy analyst, at 303-573-5669 ext. 316 or
aharris@cclponline.org.

¹ "Pew Poll: Trust in Government Hits Near Historic Low," *National Public Radio*, April 18, 2010.
<http://www.npr.org/templates/story/story.php?storyId=126047343>

² "The American Recovery and Reinvestment Act: The Colorado Story." *Colorado Governor's Economic Recovery Team*. April 30, 2010. www.colorado.gov/recovery

³ Smith, Chris. "American Recovery and Reinvestment Act 2009 in Colorado" *Presentation: Governor's Economic Recovery Team*, July 13, 2010.

⁴ Smith, Chris, "American Recovery and Reinvestment Act 2009 in Colorado" *Presentation: Governor's Economic Recovery Team*, July 13, 2010.

⁵ Note that at the end of June 2010 this number actually stood at 22 percent nationally. However, once all funds are expended the 1512 funds will amount to one-third of all funds. (Table 7. ARRA Spending Covered by Recipient Reporting. "The Economic Impact of the American Recovery and Reinvestment Act of 2009 – Fourth Quarterly Report." *Executive Office of the President: Council of Economic Advisors*, July 14, 2010.)

⁶ "ISSUE BRIEF 10-16 Federal Government Implements Transparency Requirements," *Federal Funds Information for States*, April 22, 2010.

⁷ Telephone numbers are only required for infrastructure grants or contracts.

⁸ Smith, Chris. "American Recovery and Reinvestment Act 2009 in Colorado" *Presentation: Governor's Economic Recovery Team*, July 13, 2010.

⁹ Orzag, Peter. "Memorandum for the Heads of Departments and Agencies: Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009," *Office of Management and Budget*, April 3, 2009.

¹⁰ "Government Contracts Boon for Minority Business," *Denver Business Journal*, September 17, 2010.

¹¹ Pleau, Maranda. "Helping Small Businesses and Minority Communities with the American Recovery and Reinvestment Act," *Colorado Governor's Economic Recovery Team*, May 26, 2010.
http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-15.pdf