

Testimony of Robert Nabors
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Senate Homeland Security and Governmental Affairs Committee
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Chairman Lieberman, Ranking Member Collins, distinguished Members of the Committee, thank you for inviting me to testify before you today about the implementation of the American Recovery and Reinvestment Act, signed into law just a few short weeks ago.

As you know, the Recovery Act was an urgent and necessary response to the dire crisis that our economy faces.

We are in a deep recession, which threatens to be more severe than any since the Great Depression. More than three and a half million jobs were lost over the past 13 months, more than at any time since World War II. And GDP declined at an annual rate of 6.2 percent in the fourth quarter of the last year – the highest rate in over 25 years.

Every community and sector of our economy has been affected by this recession. Manufacturing employment has hit a 60-year low. Capital markets are virtually frozen, making it difficult for businesses to grow and for families to borrow money to afford a home, car, or college education for their kids. Trillions of dollars of wealth have been wiped out, leaving many workers with little or nothing as they approach retirement.

In essence, we face a widening gap between what our economy is capable of producing and what it is actually producing. Equal to about \$1 trillion in 2009, this output gap is equivalent to roughly 7 percent of the estimated potential output of our economy. Restoring the demand for goods and services that our economy could produce with its existing capacity is the key to returning the nation to a path of economic growth.

That's why the President signed the Recovery Act, which is intended to provide relief to millions of struggling families, jumpstart our economy, create or save more than 3.5 million jobs over the next two years, and steer our nation out of this recession and towards a path of long-term prosperity. The investments the Act makes now in infrastructure, health care, education, and clean energy will create jobs and also lay a foundation upon which the American economy can grow in the future.

Passing this Act was an important step towards immediate recovery and the restoration of long-term fiscal stability. But for the Recovery Act to be effective, funds need to be spent quickly and wisely. Allow me to say a few words about the work we are doing to accomplish both of these objectives.

First, for the Recovery Act to have the desired effect, funds must reach recipients quickly.

Since the Act was signed, the Administration has been working quickly to channel funding into our struggling economy. Already, more than \$15 billion of Medicaid grant awards have been allocated, covering the first two quarters of fiscal year 2009. In addition, \$10 billion has been allocated to create green jobs, revive housing markets with high rates of foreclosure, and curb homelessness. New funds for unemployment insurance and food stamps; grants to hire more police officers and for workforce development; block grants to States and localities; dam and levee funding; and formula funding for highway and other transit construction has been allocated or will be this month.

We are doing our part to expedite this process by working to make our application processes and guidance as clear as possible so that funds reach the hands of those who need them, as quickly as possible. But we need the help of our State and local partners to ensure that Recovery funding makes its way into the economy. States can't let Recovery Act funds sit in "rainy day" accounts. And Recovery Act funding shouldn't be used to reimburse programs for previous expenses.

Second, it is essential that funds be spent wisely at all levels of government, and in a way that maintains the confidence of the public.

The President understands the magnitude of government's responsibility in managing taxpayer dollars. This is precisely why the Recovery Act was designed to ensure unprecedented levels of transparency and accountability, and why the Administration has moved swiftly to implement both the leadership and the internal processes necessary to oversee this massive effort.

In terms of leadership, the President designated Vice President Biden as the Administration's point person to coordinate the Federal response on the Recovery Act. He also named Earl Devaney – the Inspector General of the Department of the Interior and a public servant with a record of uncovering waste, fraud, and abuse – as the head of the Recovery oversight board.

On process, the day the Recovery Act was signed, the Administration launched Recovery.gov, a website that will empower citizens to hold the government accountable by reporting where Recovery dollars are going and how they are being spent. The response has been significant. Recovery.gov received 3,000 hits per second the moment it was launched, and has received over 150 million hits since February 17. As funds make their way to projects, we anticipate that the website will be a valuable resource for tracking their use.

In this very early phase of Recovery Act implementation, we are focusing on ensuring that the federal agencies tasked with managing Recovery money are executing their mandates well. OMB has transmitted detailed guidance to all of the agencies on how to manage Recovery Act dollars in a way that will promote transparency and efficiency.

The guidance calls on agencies to go beyond standard operating procedures and recognize the unusual nature of Recovery funds. Agencies are required to ensure that Recovery money is distinguished from other funding in their financial systems, grant and contract writing systems, and reporting systems. For example, within their financial systems, agencies are generally required to set up unique treasury appropriation fund symbols for all Recovery Act funding.

We have emphasized the extraordinary responsibility that falls on all government workers to prove to the American people that we are spending their dollars well. To inform citizens how, when, and where Recovery dollars are being spent, the guidance presents new, tight reporting deadlines. This week, agencies began submitting weekly reports that provide a breakdown of funding, noteworthy actions to-date, and major planned actions. By no later than May 1, we have asked that they submit both an “Agency Recovery Plan” and separate “Recovery Program Plans” for each program named in the Act.

The agencies’ spending plans will be comprehensive, publicly available, and will detail all critical areas of program implementation, including:

- Funding amounts and timeframes;
- Methods of awarding dollars;
- Specific activities to be funded;
- Key milestones and deadlines;
- Steps taken to comply with relevant environmental requirements;
- Program objectives and goals;
- Measurements of performance and integrity; and
- Measures to ensure accountability for results.

We have also asked for monthly financial reports and detailed data submissions on award transactions – beginning in early May.

Within OMB, we closely monitor milestones, obstacles, and other significant issues pertaining to the implementation of agency Recovery plans, as well as the use of specific funds. We work to ensure that matters of significance are appropriately brought to the attention of senior Administration officials on a daily basis so that they can be resolved.

However, the Administration cannot achieve the goals of unprecedented transparency and accountability without help from Congress and State and local governments. All levels of government share responsibly for rooting out error and waste, and ensuring that only the most worthy projects receive precious Recovery dollars. These projects should meet high standards of economic value and equally high standards when judged by the public for fairness and impartiality.

No one should doubt the importance of the Recovery Act in creating jobs, restoring public confidence in our economy, and putting our nation back on track. Nor should anyone doubt the importance of implementing this Act as efficiently, transparently, and

effectively as possible. The American people have put their faith and confidence in us – their government – to take on a challenge too big for any other entity to tackle.

We are the ones entrusted with their hard-earned money. I look forward to working with the Members of this Committee in the months ahead to live up to their expectations, and deliver the transparency, accountability, and performance that we promised.

Thank you and I look forward to taking your questions.