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Post Office Box 2910
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(512) 463-0240

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SELECT COMMITTEE ON FEDERAL
ECONOMIC STABILIZATION FUNDING

MEMORANDUM

OK FOR DISTRIBUTION

TO: Texas House of Representatives

FROM: Chairman Jim Dunnam

DATE: June 4, 2010

SUBJECT: U.S. Unemployment Drops to 9.7% in May; GAO Recovery Act Report Released:
Race to the Top Competition Closed

A handwritten signature in black ink, appearing to be "Jim Dunnam", written over a horizontal line.

The U.S. Bureau of Labor Statistics Announces Unemployment Drops from 9.9% to 9.7% in May

The U.S. Bureau of Labor Statistics announced the unemployment report today. The good news is that the national unemployment rate dropped from 9.9% in April to 9.7% in May. Employment grew by 431,000 jobs last month, reflecting the hiring of 411,000 temporary employees to work on the Census 2010. Private sector employment added 41,000 jobs with most of those being in manufacturing, temporary help services, and mining.

For those interested in the hard numbers, please visit the U.S. Bureau of Labor Statistics website:

<http://www.bls.gov/news.release/empsit.nr0.htm>

The U.S. Government Accountability Office Released the Latest Report on the Recovery Act

The latest GAO report looking at how states and localities are spending Recovery Act funds was released May 26, 2010. The report is based on 16 selected states, including Texas, and the District of Columbia. The review also updates the status of agencies' efforts to implement previous GAO recommendations and makes 24 new recommendations to improve management and strengthen accountability to the Departments of Education, Transportation, Energy, Housing

and Urban Development, Treasury, Labor, and Health and Human Services, and to the Environmental Protection Agency, and to the Office of Management and Budget.

Across the United States, as of May 21, 2010, the Department of the Treasury has paid out \$120 billion in Recovery Act funds for use in states and localities. Of that amount, \$67.1 billion has been paid out since the start of fiscal year 2010 on October 1, 2009. For those of you who do not want to read the entire 344 page report, we have listed some of the highlights.

Education - As of April 16, 2010, the 16 states and the District had drawn down about \$14.3 billion (64 percent) of their State Fiscal Stabilization Fund (SFSF) for education stabilization; \$3.2 billion (56 percent) SFSF for government services; \$1.8 billion (28 percent) for Elementary and Secondary Education Act (ESEA) Title I, Part A; and \$2.1 billion (29 percent) for Individuals with Disabilities Education Act (IDEA), Part B. Much of the Recovery Act education funds have been used to pay teachers and other education staff. Education is continuing to award SFSF funds and taking actions to ensure monitoring of funds.

Highway Infrastructure Investment and Transit Training - Nationwide, the Federal Highway Administration obligated \$26.2 billion for over 12,000 projects, and the Federal Transit Administration obligated \$8.7 billion for about 1,000 grants. Highway funds were used primarily for pavement improvement projects, and public transportation funds were used primarily for upgrading transit facilities and improving bus fleets.

Weatherization Assistance Program - The Recovery Act provides \$5 billion for weatherization funding nationwide. As of March 31, 2010 (the most recent data available), recipients had spent about \$659 million to weatherize about 80,000 homes; this represents about 13 percent of the 593,000 homes originally planned for weatherization.

Increased Federal Medical Assistance Program - As of March 31, 2010, the 16 states and the District have drawn down about \$12.7 billion in increased FMAP funds for the first two quarters of fiscal year 2010, representing over 92 percent of the total grant award available for this time period. The increased FMAP continues to help states cover their increased caseloads and frees up states' funds, which help finance other needs. Medicaid enrollment continued to grow, and the increase remains primarily attributable to children. States and the District remain concerned about the sustainability of their programs without these funds and most have already reduced or frozen certain provider payment rates or imposed new provider taxes.

Public Housing Capital Fund, Tax Credit Assistance Program (TCAP), and the Recovery Act Section 1602 Program - Housing agencies met the March 17, 2010, deadline to obligate, reject, or return a portion of the \$3 billion in formula grants. As of May 1, 2010, agencies had drawn down about \$1 billion of these funds for projects such as replacing roofs or windows. HUD is reviewing obligations made just before the deadline to determine if any should be recaptured. HUD plans to redistribute any recaptured or returned funds this summer. As of April 30, 2010, HUD had obligated \$2.25 billion for TCAP and Treasury had obligated \$5.45 billion for the Section 1602 Program to develop or rehabilitate units. State Housing Finance Agencies (HFA) reported concerns about their responsibility to recapture program funds from noncompliant projects and restrictions on using interest-bearing repayable loans. GAO recommends that Treasury define the actions HFAs must take to recapture funds and that

Congress consider directing Treasury to permit HFAs to disburse funds as interest-bearing repayable loans.

For you stimulus fanatics, like ourselves, the full report can we found at the website below:

<http://www.gao.gov/new.items/d10604.pdf>

The U.S. Department of Education Closes Competition for Race to the Top Fund

The second phase of the Race to the Top competition closed on June 1, 2010. It drew applications from 35 states and the District of Columbia seeking to win a share of \$3.4 billion provided by Congress to drive education reform. Between the current phase and the first phase, which drew 41 applications, 47 states have applied to this program. Texas was one of the three states who never applied.

Designed to incentivize excellence, drive reform, and promote the adoption and use of effective policies and practices, the Race to the Top program is backed by \$4.35 billion in American Recovery and Reinvestment Act funds. Of that money, the Department set aside \$350 million for a separate competition to improve the quality of assessments and awarded approximately \$600 million to Phase 1 winners Delaware and Tennessee, leaving \$3.4 billion for Phase 2.

The Department will select the Phase 2 winners over the summer using the same process as Phase 1. In the panel review stage, five expert reviewers will read and discuss each application. They will then score and comment on each application independently, and the applicant will be given a score based on the average of the five scores. Depending on the size of the winning states, 10-15 states could win Race to the Top grants. The administration will announce the winners before the end of September when the money must be legally obligated.

The Department of Education received the following applications:

Alabama, Arizona, Arkansas, California, Colorado ,Connecticut ,District of Columbia, Florida, Georgia, Hawaii, Illinois, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Utah, Washington, and Wisconsin