The Implementation of the Recovery Act: Networks Under Stress

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GEORGE MASON UNIVERSITY
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February 17, 2013

We are issuing this report assessing the implementation of the 2009 Recovery Act on the fourth anniversary of the passage of that important initiative. The more than $800 billion investment was the largest federal stimulus program undertaken since the New Deal.

The ability of the program to achieve its economic goals ultimately rested on the managerial partnerships formed across the numerous programs and levels of government that were included under the Recovery Act umbrella. This research report focused on the networks involved in managing seven major initiatives—the education stabilization fund, the highway program, the weatherization program, the broadband program, the new markets tax credit, the energy investment credit and the accountability networks. The report includes short summaries of each of these case studies—the full analysis for each is available online at http://publicservicecenters.gmu.edu/what-we-do/publications.

This research was conducted by seven faculty members in the George Mason University graduate public administration program—Alan Abramson, Lehn Benjamin, Timothy Conlan, Sheldon Edner, Paul Posner, Priscilla Regan and Stefan Toepler. A grant from the Smith Richardson Foundation was instrumental in providing support for the research.

The research also benefited from the input of many public officials and experts from all levels of government, the nonprofit sector and from academic think tanks and universities. We brought together a high level group of these experts to a conference at George Mason on December 7, 2012 to comment on the research findings and conclusions.

Any questions can be directed to Paul Posner, Director of the Centers on the Public Service. He can be reached at pposner@gmu.edu or 703-993-9377.
The Implementation of the Recovery Act: Networks Under Stress

EXECUTIVE SUMMARY

The Congress passed the American Recovery and Reinvestment Act (ARRA) in February, 2009 in the midst of the worst economic crisis since the Great Depression. More than $800 billion was ultimately provided to stimulate the economy through a mix of tax and spending actions—the largest stimulus enacted in the postwar era.

Numerous credible studies have shown that the Recovery Act was relatively successful in achieving economic stimulus, preventing the economy from going into a deeper recession than it already experienced.¹ The George Mason University research team found that achieving these results called for heroic actions by managers at all levels of government and sectors to overcome barriers and weave together numerous programs under the Recovery Act umbrella.

Daunting Management Challenges

Substantial challenges were built in to the Recovery Act at its birth. Rather than provide assistance through a single major grant, Congress chose to carve up funding among a daunting range of over 200 categorical grant programs as well as tax expenditures, loans and contracts. Unlike the New Deal where millions of unemployed were hired in direct federal projects, the Recovery Act largely used networks of states, counties, cities, nonprofits and private contractors—a recipe often fraught with potential for goal conflict, program slippage and confusion.

Managers and professionals across all levels of government and sectors were consigned to make tradeoffs between oft-conflicting objectives built into the legislative framework of the Recovery Act—to both spend funds quickly to jump start jobs and recovery while observing strict, centrally-determined policy and accountability provisions under nearly unprecedented levels of attention and oversight from political leaders, stimulus opponents, interest groups and the media.

Networks Make a Difference

The high stakes and speed needed to implement the Recovery Act placed a premium on relying on long standing decentralized networks where trusting relationships have been established. Management challenges were more easily handled when Recovery funds were channeled through existing programs such as highways and Title I education.

In contrast, the implementation of new or dramatically enlarged programs was more difficult. Such programs as the federal Weatherization Assistance Program (WAP) and broadband programs experienced serious delays in program roll out due to the lack of professional networks with capacity to manage the influx of new federal funds and policy mandates.

Managing From the Top

The Administration's use of decentralized networks created a political dilemma—credit for stimulus outcomes was realized at the local level while blame was often placed at the President's doorstep. Given the greater potential for fraud and waste that might come with the combination of large new federal funds and pressures to expedite spending, the Administration took pains to adopt a strategy to institutionalize accountability up front at the outset of program formation. The strategies developed promoted greater oversight and attention but also had other consequences for program management and outcomes.

- Oversight was centralized in the Executive Office of the President. The Vice President himself became the “chief sheriff” appointed by the President to ride herd over federal agencies and nonfederal actors, supported by the Office of Management and Budget whose prolific guidance asserted an active management role that was uncharacteristic for this small agency. While new collaborative relationships were formed with top elected state and local officials, the centralization of authority created new tensions with federal, state and local managers in charge of individual programs.

- Federal auditors were invited by the Administration to become significant players in management, with new staff and a new agency within the Executive Office of the President to scour the nation for abuse of stimulus funds. Yet, managers at all levels of government—the front lines in securing program success—received no additional funding or staff, even though they faced the twin burdens of implementing Recovery programs alongside their normal responsibilities for other programs.

- New reporting systems were instituted that promoted greater transparency for stimulus projects across the nation—systems that many hoped would further deter abuse and promote greater public engagement with government. However, the result was a deluge that stoked conflicting interpretation between program advocates, managers and Recovery Act critics.

The Research Approach for the George Mason University Recovery Act Study

The George Mason research team consisted of faculty from the Public Administration program. The team reviewed the management record of the Recovery Act by examining the experience in depth of seven major initiatives covered under the stimulus program. All of the programs studied were: 1) in priority policy areas (i.e., education, energy, and infrastructure assistance); 2) received significant increases in spending in the stimulus legislation; 3) represented a mix of policy “tools” (i.e., project grants, formula grants and tax expenditures); and 4) included both established and new programs.

- State Fiscal Stabilization Fund: assistance to states and local school districts to avoid employee layoffs and meet other priority needs;

- Weatherization Assistance Program: grants to states to engage local agencies to weatherize homes of low income persons;

- Advanced Energy Manufacturing Tax Credit: a new 30 percent investment credit for facilities that produce cleaner energy;

- Broadband Access Grants: new grants to states, localities, and nonprofits to increase broadband access to rural, unserved, and underserved areas;

- New Markets Tax Credits: encourages private equity investment in qualified low-income areas in order to spur economic development;

- The Federal-Aid Highway Program: the largest federal infrastructure assistance program to states for building, repair, and maintenance of highways; and

- Auditing and Accountability Entities: the Recovery Act strengthened their role in providing for transparency and accountability for federal funds.
Ultimately, reports suggest that outright fraud for Recovery funds alone was lower than expected. However, other programs outside the stimulus umbrella may have experienced diminished oversight by hard-pressed managers. Moreover, fraud is only one indicator of management outcomes. Programs without established networks and management capacity experienced delays and performance shortfalls.

Public accountability proved to be particularly challenging. Notwithstanding a veritable outpouring of new information and audits, the public expressed broad skepticism about the impact of the program on jobs. In the face of higher overall unemployment rates, most had trouble agreeing with the economists’ consensus that the jobs picture would have been even worse if the stimulus had not been enacted. Moreover, the decentralized and widely dispersed allocation of funds made it difficult for the President to clearly establish a link between the federal funds and their actual impacts in communities several layers removed from Washington.

Lessons Learned

The Recovery Act experience provides several valuable lessons for federal policy makers and managers, both in normal times and in crises:

• **Policy is Management**—anticipate implications of policies for management outcomes during legislative formulation of programs

• **Know Your Network**—understand strengths and weaknesses of networks engaged in managing federal programs at all levels

• **Know Your Tools**—understand how different tools—for instance grants and tax credits—affect the impact of federal funds on policy outcomes

• **One Size Does Not Fit All**—recognize the need for different federal management strategies for programs with differing networks and tools

• **Invest in Management**—prepare for the next crisis now by adopting stronger network management capacity throughout programs at all levels

• **Streamline for the Next Recession**—design broad based grants to states and localities to reduce layoffs and tax increases with less cost and burden.
The Implementation of the Recovery Act: Networks Under Stress

Today, in many areas of public policy, the U.S. federal government does little by itself. Instead, federal officials rely heavily on complex networks of state and local governments and nonprofit and business organizations to help implement federal programs. Unfortunately, our understanding of this new system of shared governance has not kept pace with developments on the ground. Our evolving knowledge has stopped short of providing policy makers, managers, or citizens with the information or knowledge they need to navigate in this new system of federal governance.

This report draws upon findings from a research project studying implementation of the 2009 economic stimulus program or Recovery Act to identify network governance and management principles for federal policy makers and managers. The American Recovery and Reinvestment Act (ARRA), with more than $800 billion in federal spending and tax provisions program provides an excellent window into our system of shared governance. Under the stimulus law, the federal government worked with network partners in state and local governments, businesses, nonprofit organizations, and other institutions to put Americans back to work and to advance federal priorities in education, energy, telecommunications, assistance to low-income families, and other areas. Given the strains of the economic downturn, the rapid decline of tax revenues, and short timeframes for implementation, this constituted a form of “stress test” for the system of intergovernmental and networked governance which can be used to reveal important patterns of behavior by key participants across a broad range of policy domains.

Specifically, this report is drawn from seven case studies of ARRA programs and accountability networks. The findings of the seven cases are summarized and overarching “lessons learned” are synthesized in the following pages.

The research was designed with both the academic and policy communities in mind. On a theoretical level, the analysis contributes to the growing body of work on networked governance and intergovernmental policy implementation in the United States. Research findings will also help policy makers fine-tune existing programs and develop future policy initiatives informed by a better understanding of the realities of shared governance. Ultimately, the research effort is designed to yield practical guidance for public managers in the shared governance environment. Consequently, our findings suggest a number of observations about the role of networks in the implementation of the Act. We also offer some analysis of the unique roles played by the Recovery Accountability and Transparency Board, OMB, the White House ARRA Office, and the Vice President.

CONTEXT AND THEORY

Our evolving understanding of the emerging new governance “system” has stopped short of providing government managers and policy makers with the approaches they need to navigate in this new system. These federal officials have no guidebook for steering, no “how-to” manual for ensuring effective implementation of public programs. The reality is that federal managers are relying on 20th century strategies to manage 21st century government. Federal executives need new methods for navigating in this system of shared governance.
This report is intended to fill the gap in the literature by highlighting the role that networks play in formulating and implementing federal goals and objectives. In one sense, the interactions between networks and government have long been a theme of implementation research. Classic early implementation research by Pressman and Wildavsky pointed to the complexity of joint action and the obstacles to federal policy success posed by numerous nonfederal actors with their own agendas and authority to reshape federal programs. Martha Derthick and Helen Ingram studied domestic grant programs and observed that federal programs often provided federal agencies only with the opportunity to bargain with independent state and local actors, with highly uncertain policy results. The ambitious policy agenda of the Obama administration has only amplified the need for effective management strategies for shared governance. In the stimulus package, the federal government has provided increased funding to a broad range of state and local governments, nonprofit organizations, and businesses to provide needed services and help jumpstart the economy. Implementing these spending initiatives has tested federal management and accountability systems as never before. Additional initiatives in health care reform, education reform, and energy policy have raised the stakes for third party governance even higher.

Recent books by Robert Agranoff, Stephen Goldsmith and William Eggers, Brint Milward and Keith Provan, and the 2006 Public Administration Review special issue on collaboration explored relationships within and among networks in policy implementation. A book edited by Stephen Goldsmith and Donald Kettl details a series of case studies about how networks have evolved to become central collective action vehicles in achieving national objectives. Additional insights into the dynamics of policy design, implementation, and networked governance can be gleaned from Lester Salamon’s collection of research on the “tools” of governance—grants, contracts, loans, loan guarantees, and many others. By utilizing a different unit of analysis—the instruments used by the federal government to achieve national policy goals through non-federal third parties—this work draws attention to the intersection of policy design and network governance in policy implementation process.

These studies have made useful contributions by adopting and developing the network as a unit of analysis for public administration research. While much of this literature focuses on collaboration and networks engaged in solving public policy problems at the local level, networks have come to increasingly define how the federal government achieves many of its policy goals. In many cases, federal policy leaders and managers have little choice but to work with and through networks of state, local, nonprofit, and business actors. For instance, they must seek the support and engagement of networks of local officials, insurance companies, and realtors, among many others, to provide for more fire-safe building and zoning patterns in rural areas throughout the nation.

At the same time that federal officials have become more dependent on networks, so have many policy networks become more reliant on and influenced by the federal government. In some networks, like the partnership involved in managing the Chesapeake Bay watershed, federal environmental officials provide the administrative services of a network hub—a vital function that is critical to network sustainability. As federal programs, dollars, and mandates are implicated in an ever-growing range of policy domains, improving our understanding of how

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2 Jeffrey L. Pressman and Aaron Wildavsky, Implementation (Berkeley, Calif.: University of California Press, 1973)


federal agencies participate in networks and affect network relationships and outcomes is a critical gap in our understanding.

In some networks, government officials are one group of actors among many, consigned to accept the norms and boundaries set by the network itself as the price of admission. While this no doubt characterizes federal roles in some network settings, in others the federal government has been far more influential. For example, in the Head Start program, a federal categorical grant program effectively created an entirely new network of early childhood education providers at the local level. Under the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) program reauthorization, federal highway grant requirements empowered metropolitan planning organizations with a new role in selecting projects developed by state and local officials. There are also various federal mandates where the federal government seeks to repurpose existing networks. For example, local fire chiefs have been asked to focus on national homeland security goals—a focus that at the very least competes with and may trump local emergency management priorities. In federal school voucher and charter school initiatives, the federal government is seeking to inspire the creation of entirely new networks of public and private educational entities alongside the existing public school networks.

Traditional public administration prescribed roles and relationships for managing in hierarchical bureaucracies, but we have yet to develop comparable benchmarks for managing the complex, non-hierarchical networks that now exist. Traditional functions such as directing and staffing become less central for federal managers when they must work through non-federal agencies—rather than just their own staff—to implement programs. Other functions, such as coordinating and reporting, become even more challenging in a networked environment. And new functions, such as negotiating with external parties and incentivizing cooperation, become crucial to management success.

Similarly, U.S. presidents and their political appointees continue to define their management agendas in traditional hierarchical terms, assessing how well agencies are managing themselves in human capital, performance, financial management, and information technology. Notwithstanding the fact that most performance goals are now achieved using indirect governance tools to influence networks of state and local governments, nonprofit organizations, and private contractors, presidential management agendas have largely missed this important dimension. Actors in the federal management community have begun to acknowledge the importance of collaboration as an emergent theme, but there are as yet no systematic agenda items or management approaches that assess or provide guidance for agencies on managing in complex, networked environments.

The most recent literature on third party governance is consistent with our research by bringing the concept of governance into the center of the public management in networked environments. Osbourne and Koliba et al., have argued that the public policy community needs to focus on the position that networks have in the institutional environment that both enables and constrains public policy implementation and services. The focus is on how networks and government work together to achieve public goals.6

RESEARCH DESIGN

This report addresses the implications of governing in a networked society by taking advantage of the opportunity provided by the American Recovery and Reinvestment Act. Very few domestic initiatives reach the funding levels allocated for this initiative, and very few carry the political and economic stakes that ARRA did for the

President and millions of Americans seeking to reverse the economic downturn ushered in by the financial market crisis of 2008.

Unlike the New Deal which authorized the direct hire of millions of unemployed to work in federal projects, this Recovery Act was dependent on the best efforts by states, counties, cities, nonprofits and private contractors acting within the confines of over 200 existing federal programs. An insistent and anxious principal, the President and his appointees had only indirect and tenuous influence over its far-flung agents. Over two-thirds of the stimulus package depended on the actions of other levels of government and private and nonprofit entities to carry out federal purposes. The task imposed on all of these dispersed actors was daunting indeed—to both spend funds quickly to jump start jobs and recovery while observing strict, centrally determined policy and accountability provisions designed to prevent waste and promote national objectives. The management challenges of achieving both speed and effectiveness in public programs have rarely been greater.

Consequently, the Recovery Act provided an ideal testing ground for exploring the federal role in diffuse policy implementation networks, as well as the skill sets required by successful managers within those networks. To take full advantage of this research opportunity, we undertook a series of case studies that met several important criteria. All of the programs studied were: 1) in priority policy areas (i.e., education, energy, and infrastructure assistance); 2) received significant increases in spending in the stimulus legislation; 3) represented a mix of policy “tools” (i.e., project grants, formula grants and tax expenditures); and 4) included both established and new programs. Specifically, the seven case study programs were:

- **State Fiscal Stabilization Fund**: assistance to states and local school districts to avoid teacher and other government employee layoffs, modernize school facilities, and meet other priority educational and fiscal needs;
- **Weatherization Assistance**: weatherization assistance grants to states which then pass through federal funds to local governmental and nonprofit agencies to help low-income individuals weatherize their homes;
- **Advanced Energy Manufacturing Tax Credit**: a new 30 percent investment credit for facilities that produce cleaner energy;
- **Broadband Access Grants**: new grants to states, localities, and nonprofits to increase broadband access to rural, unserved, and underserved areas;
- **New Markets Tax Credits**: encourages private equity investment in qualified low-income areas in order to spur economic development;
- **The Federal Aid Highway Program**: the largest federal infrastructure assistance program to state governments, for the building, repair, and maintenance of highways, roads, and bridges; and
- **The Recovery Accountability and Transparency (RAT) Board and other auditing and accountability entities**: the Recovery Act placed unprecedented importance on transparency and accountability for federal funds, which drew attention to both new and established accountability networks in intergovernmental finance.

For each case study, a series of interviews were conducted with program officials and participants in the relevant policy community in Washington, D.C. Information from interviews was supplemented with government documents, program data, GAO and IG reports, and independent policy analyses. In addition, field work was conducted in three different states for each program studied. Virginia served as a common control state for each case study, and two additional states were selected per program based on factors critical to that particular program. In each state where field research was conducted, a broad range of governmental and often non-governmental actors was interviewed, reflecting those with key roles in the policy implementation network.
Additionally, relevant data, policy and news reports were consulted. In all, field work for one or more programs was conducted in a regionally and demographically diverse group of nine different states.

**UNORTHODOX LAWMAKING SHORT CIRCUITED WASHINGTON POLICY NETWORKS**

Rapid and unconventional policy making had major consequences for the construction and passage of the Recovery Act. In particular, a hurried process of policy formulation and enactment significantly diminished the influence that established issue networks normally exert over federal policy design. Driven by the need for an energetic response to the rapidly deepening economic crisis in late 2008 and early 2009, the Recovery Act was developed and passed with unusual haste. Once enacted, the funds were intended to be spent with unparalleled speed. Both features proved to have important implications for the role of policy networks in the design and implementation of the legislation.

Work on stimulus legislation began even before the 2008 election, and much of the Recovery Act was written before President Obama was inaugurated in January 2009. Consequently, drafting and enactment were completed well before most of his political appointees were on the job in most federal agencies. With key executive branch officials unable to participate normally in the legislative process, the regular functioning of policy design networks in Washington was altered for many, and especially new, programs.

On Capitol Hill, the legislative process epitomized what Barbara Sinclair has called “unorthodox lawmaking,” in which the normal processes of how bills are drafted and enacted are seriously altered or short circuited.7 The House version of ARRA was largely written in the Appropriations committee, with the active involvement of Speaker Pelosi’s office. This limited the role that would normally be played by authorizing committees with specialized jurisdiction, which traditionally control access to the detailed work of legislative construction and coalition building. The Senate bill, meanwhile, was prepared with considerable guidance from the majority leader’s office. All of which tended to reduce the degree of influence normally exerted by participants in specialized policy communities, from interest groups to committee staff, as well as subsequent buy-in by some of those communities. To put this unorthodox process into the terms of a framework that we have found useful for explaining variations in intergovernmental policy making in the United States, the politics of the Recovery Act switched paths from the traditional pluralist style of policy making, which favors actors within normal policy networks, to a partisan pathway which elevates the role of party leaders and short circuits the role of normal committees and interest groups.8

Paradoxically, the need for legislative speed favored two very different types of policy initiatives. On the one hand were “off the shelf” ideas, such as proposals that merely modified existing programs, by adding funding or a simple new provision. This category included major intergovernmental provisions in ARRA such as increasing the federal matching rate for Medicaid, as well as added funds for Title I education grants and federal aid for highways.

On the other hand, the opportunity to pass a large bill very quickly encouraged a legislative “boxcar” approach. If one wanted a major new initiative passed, ARRA was the most attractive vehicle for doing it: an express train

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pulling out of the congressional station at the earliest departure time in the new Congress. Thus, there were strong incentives to hitch additional legislative boxcars up to the ARRA train, even at the expense of thoroughly vetting their technical details and risking subsequent implementation problems. Signature new policy initiatives like high speed rail, expanded broadband access, health IT, and green energy initiatives were thus incorporated into the Recovery Act, even though some might have benefited from a more deliberate legislative process. In both instances, the process closely resembled the garbage can approach described by John Kingdon when “policy windows” open suddenly and political entrepreneurs rush in with ready-made proposals.9

PROGRAM COMPLEXITY AND FRAGMENTATION

The politics of gaining expedited support through the Congress called for bargaining across the many committees and actors empowered to hold up such broad legislation. Given the chronic austerity that had made budget choices so difficult, numerous pent up demands were waiting for the budget window to open, and ARRA served to pry open the federal Treasury in the name of economic recovery. These political forces had programmatic consequences—they guaranteed that the resulting stimulus bill would be fragmented and complex. While often discussed as a single entity, in reality ARRA affects numerous programs across the spending and revenue sides of the budget. According to one estimate, more than 250 individual federal programs received ARRA funding.10 The nearly 100 grants to state and local governments through ARRA exceed $300 billion when collapsing discretionary and entitlement grants. In FY 2010, grant outlays for ARRA alone comprise approximately one-fourth of all grants in FY 2008, the last year before ARRA. This does not include tax expenditures, loans and contracts that also fell under ARRA’s purview.

ARRA’s complexity posed major challenges to program managers and accountability systems alike. On the one hand, Medicaid and State Stabilization Funds functioned as general purpose assistance to the states, with relatively modest accountability and administrative challenges. The primary goal with these programs was to get money into the hands of hard-pressed states who would use it to defer layoffs and other fiscal contractions. On the other end of the spectrum, ARRA contained a host of new initiatives like broadband and high speed rail which had never been undertaken on this scale before at the federal level. To make matters more challenging, the federal agencies and, in many cases, states to whom these programs were assigned had little or no experience running these kinds of efforts.

Another complicating factor was the differing and somewhat conflicting purposes that ARRA served. Stimulating the economy through more jobs was of course the primary impetus for the Act. However, like so much legislation, the Act became a veritable magnet for other policy goals and programs that had little to do with the near term economy. The Administration chose to use ARRA to provide a down payment on longer-term programmatic investments, including high speed rail, broadband dissemination and health care technology. On top of this, other policy requirements were added to the mix such as Buy America and Davis-Bacon wage provisions which had had the effect of sending mixed messages about goals and slowing implementation.

Multiple objectives are not unusual for federal programs. However, many of ARRA’s goals may well prove to be mutually inconsistent. For instance, the addition of Davis-Bacon wage requirements have slowed the use of weatherization funding by local communities as they waited for federal guidance on pay rates for contractors.11


11 U.S. Government Accountability Office, *Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed*, GAO-09-1016
Managers and professionals across all levels of government and sectors were consigned to make the tradeoffs between these oft-conflicting objectives and weave together coherent programs to make a difference for the economy and other policy objectives. And they had to do so under nearly unprecedented levels of attention and oversight from political leaders, stimulus opponents, interest groups and numerous media that literally combed over this sprawling set of programs looking for stories, angles and new openings for their favorite issues and priorities. As will be discussed below, the size of ARRA and the high political stakes engaged the attention of the top political officials in our system, from the President to governors to mayors. Managers were left to construct management systems and approaches to satisfy the many restive publics looking for economic hope and political deliverance—a heroic feat indeed.

**ESTABLISHED INTERGOVERNMENTAL SYSTEMS ENHANCED IMPLEMENTATION**

By design, the Recovery Act funded both new and existing programs. Existing programs that received new funding, such as Medicaid, Title I and IDEA education grants, and federal highway grants, were generally advantaged by the presence of existing and often robust policy implementation networks and routines. Certain new programs which utilized existing networks, such as the State Fiscal Stabilization Fund (SFSF), which directed funds largely into existing state aid formulas for K-12 education, garnered many of the same benefits. In contrast, implementation delays and problems tended to be more serious in new program startups or vastly expanded programs, such as weatherization and broadband, where established procedures and implementation networks were lacking or inadequate to cope with the magnitude of the new task.

In our case study research, ARRA funding for federal aid highways and for education stabilization characterized the pattern of implementation for existing programs that received additional stimulus funding. The Federal Highway grant program received a 77% boost in temporary funding through the Recovery Act ($28 billion on top of the regular $35 billion), but this was otherwise consistent with the regular highway program. The existing program structure was utilized and funding went to existing state partners. States received funding under their normal formula apportionments and picked projects in compliance with federal requirements. Although some confusion and conflicts arose due to the unique requirements of ARRA funds, including maintenance of effort and new reporting requirements for transparency and job creation, states typically funded projects that were already in the decision making pipeline and prioritized according to existing federal and state highway program standards.

Implementation of the SFSF program for education was somewhat more complex but ultimately relied heavily on established implementation networks in education. This program provided $39 billion for filling gaps in state education funding and an additional $9 billion in an even more flexible Government Stabilization fund, which could be used to plug budget gaps in education, law enforcement, corrections, or other state program needs. Unlike most other federal aid to education, which goes directly to state departments of education for implementation, the SFSF program designated governors as the statutory recipients of aid, accountable for the funding and program requirements. This brought new and sometimes unfamiliar actors into the federal aid to education network. The program also had a series of conflicting goals—flexibility to plug state budgetary gaps, saving jobs in education, and advancing educational innovation and reform—that posed implementation issues. Nevertheless, coordination between governor’s offices, state budget offices, and state departments of education was typically close, advanced through coordinating committees, personnel transfers, and shear fiscal need. Ultimately, most states simply plugged most of the funding into their existing state aid formula to local schools.
As a result, SFSF funds were spent rapidly and on time, and provided the largest share of jobs saved or created during the Recovery Act’s first year and a half.\textsuperscript{12}

To be sure, implementing ARRA funding for established programs involved its own unique set of challenges. In essence, agencies and states had to maintain their regular program at the same time that they implemented ARRA under an expedited timeline. They also had to come up with new data reporting systems and maintain both new and existing reporting and monitoring systems simultaneously, typically without additional staffing or resources. And they had to deal with multiple oversight and audit efforts from IG offices and the GAO.

\textbf{Challenges Faced By Newly Emergent Networks}

Nevertheless, the implementation experience with new or dramatically enlarged programs was more difficult, in part because existing administrative systems and implementation networks were overwhelmed by new responsibilities. The federal Weatherization Assistance Program (WAP) was a case in point. WAP seeks to lower the energy bills of low-income households by making homes more energy efficient, closing air leaks, adding insulation, etc. Under WAP, the federal Department of Energy (DOE) makes formula grants to states, which then pass funding along to roughly 1,000 subgrantees, the vast majority of which are nonprofit community action agencies and some local governments. Pre-ARRA, Weatherization Assistance received funding of roughly $200 million per year in a DOE appropriation. ARRA boosted that dramatically, appropriating an additional $5 billion for WAP to be spent over 3 years.

This enormous ramp up in WAP funding, along with new program requirements under ARRA, overwhelmed the existing implementation network and led to serious delays and other well-publicized problems. Subgrantee community action agencies were forced to move quickly and under great stress to hire, or contract out for, workers to do the increased work under ARRA. This led to numerous reports that many homes were not weatherized properly; funds were not spent appropriately, and so forth. Critical oversight reports from the DOE IG’s office and the GAO were widely cited in the media. WAP’s problems were exacerbated by the imposition of union-backed Davis-Bacon wage rules for the first time. ARRA required that weatherization workers be paid the prevailing local wage for weatherization work. This not only raised the cost of weatherization work and altered the incentives for hiring unskilled workers from the community, but it also added significant delays to the implementation process. It took the US Department of Labor many months to complete the surveys necessary to establish the county-specific wage rates that weatherization workers would need to be paid. Most community action agency subgrantees only began their weatherization work in Fall 2009 after the Davis-Bacon rates had been established. Because of the slow start, many states have now received extensions for spending out their ARRA funds.

Weatherization’s difficult implementation record has been mirrored in programs intended to expand access to broadband. ARRA provided $7.2 billion for broadband grant and loan programs to be administered by both the Department of Commerce, through the National Telecommunications and Information Administration (NTIA), and the Department of Agriculture, through the Rural Utilities Service (RUS). Prior to ARRA, the federal government had generally played a largely hands-off role regarding broadband development, leaving it largely to the private sector and the competitive marketplace. RUS administered small pilot programs of rural broadband loans, loan guarantees, and grants created by Congress in 2001 and 2002, but NTIA was essentially starting “from scratch.” In terms of implementing multi-billion dollar programs under ARRA, both NTIA and RUS were basically dealing with new programs, new rules, unprecedented budgets, and an 18-month compressed timeframe.

\textsuperscript{12} Tabulated from Recovery.org.
The quick start-up presented enormous staffing problems for both agencies. Both contracted with private sector agencies for assistance with evaluating applications and overseeing implementation of the grants, including audits and site visits. NTIA also used unpaid volunteers during the review of the first round of awards to help examine and score applications. The initial implementation also posed challenges for coordination among the federal agencies and state, private sector and nonprofit parties. Prior to stimulus funding, federal entities involved in broadband (NTIA, RUS, FCC) worked together sporadically in ad hoc relationships. Because of the need to start the ARRA broadband programs quickly, this ad hoc arrangement largely continued as the working model during the time of the stimulus funding. With respect to state governments, neither NTIA nor RUS had formal, ongoing interactions with state governments on the topic of broadband. NTIA was required by the statute to consult with states to identify the areas of need and the appropriate allocation of grants within the state. But, in general, there was a perception among the states that NTIA was a “black hole,” reflected by lack of feedback and paucity of information.

THE RISE OF NEW MANAGERIAL AND ACCOUNTABILITY NETWORKS

Vertical implementation networks in American intergovernmental relations have been described as “vertical functional autocracies” due to strong professional and programmatic relationships that transcend the boundaries of different levels of government. Strong normative and programmatic ties between federal, state, and local transportation officials, public health professionals, educators, and other functional specialists, with their affiliated partners in the private and nonprofit communities, can greatly promote effective implementation and management of individual programs. But the resulting pattern of “picket fence federalism” often comes at the expense of overall fiscal and managerial coordination by elected officials and top level managers at each level of government—actors described as “topocrats” by Sam Beer to distinguish them from specialized professionals or “technocrats.”

By the nature of their position, topocrats must focus more on balancing competing social and political demands and interests, as well as serving the needs of citizens with many interconnected needs and preferences, and electorates who seek to hold politicians accountable amidst a complex and inscrutable tangle of government programs and responsibilities.

Partly by design and partially by necessity, the Recovery Act altered the balance between programmatic specialists and individual agencies, on the one hand, and topocrats and the accountability community on the other. By creating new institutions and investments in accountability and establishing new rules and expectations for reporting and transparency, ARRA energized a new network for government accountability and transparency. And it revived an old and moribund network of topocrats that had long since fallen into disrepair.

The following two figures illustrate the impact ARRA had on accountability networks. Figure 1 shows the relationships before ARRA where program experts had significant ties across governments. Figure 2 shows the explosion of relationships among topocrats across federal and state governments for ARRA programs.

The Topocratic Network

The new topocratic network began forming even before President Obama’s inauguration. The President convened the governors in an historic meeting in Independence Hall during the post election transition.

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Subsequently, governors and their staffs were invited to a White House meeting with Vice President Biden at which the President stopped by to communicate his sense of urgency about successful implementation of the new stimulus program.

The emergent topocratic network was strengthened with the unprecedented role given to Vice President Biden for overseeing implementation of the Recovery Act programs. The high political stakes of the legislation were constantly communicated to agencies, and the Vice President openly called himself the “sheriff” of Recovery Act monitoring, to ensure that federal agencies did not provide political fodder for vigilant partisans on the other side. Explicitly using the language of network management, the VP’s office used networks of Senior Accountable Officials (SAO’s) in each agency to carry out administration policies and report on problems and issues. The Vice President’s office was projected into the day to day world of grants administration to an unprecedented degree. It reviewed many grant awards for propriety before they were issued—an unprecedented action for such programs as Community Development Block Grants—and the Vice President often took weekly monitoring trips to selected projects. These were intended to claim credit as well as to monitor programs, but these visits often vaulted the Vice President into a highly visible accountability role nonetheless.
The Vice President's office was assisted by OMB, which became a far more central player in developing guidance for ARRA grant accountability and reporting than ever before. During the Nixon Administration, OMB had played a key role in standardizing and professionalizing grant administration, but its institutionalized grants management expertise had largely faded over time. OMB reemerged with a prominent role in grants management thanks to ARRA. It issued a rolling series of emergency rules and guidance governing the spending and management of ARRA funds and they worked to actively manage agency implementation of those rules. In short, the agency once again played a significant role in intervening across the many iron triangles and functional picket fences on behalf of the president's interest in managing and delivering on the high stakes accomplishments associated with ARRA.

This effort also featured OMB seeking new management partners on the ground, in state and local governments. This was accomplished in part through weekly conference calls with governors and state budget directors. The idea was to stimulate the development of healthy engagement by governors and local elected officials who shared a common interest in promoting the economic agenda of the president. At the same time, organizations like the National Governors' Association (NGA) and the National Association of State Budget Officers (NASBO)
worked both independently and in coordination with OMB to exchange information among their members, to prod federal agencies for the issuance and clarification of rules, and to provide feedback on emerging problems. Their weekly conference calls and webinars were “the best advice we got,” according to one state budget director. Another agreed that “NASBO and NGA were very effective. They intervened very effectively with OMB and the White House.”

TRANSFORMING THE ACCOUNTABILITY NETWORK

Government auditors have long had a cohesive network, but their role was heightened and transformed under the Recovery Act. This was reflected in the allocation of additional funds to the Inspectors General and GAO to monitor and oversee ARRA spending. By contrast, no additional funds were made available to agencies or to the state accountability or program management networks. Their heightened role was also reflected in the establishment of the Recovery Accountability and Transparency (RAT) Board—a new central accountability agency that assumed the central responsibility for articulating the government-wide ARRA reporting system.

Consequently, under ARRA, auditors were invited by the Administration to become more significant players in management. The agency IG’s and GAO became far more engaged in up front analysis and monitoring of programs than ever before. Their reports often were issued before money was spent as audit institutions tried to become more relevant to the managerial process. Given the emphasis on avoiding fraud and waste, the auditors outdid each other to claim credit for being the first to highlight this potential and avoid the blame of witnessing major problems occur on their watch. The Department of Transportation IG, for instance, issued periodic monitoring bulletins on its work on ARRA—a stepped up profile that crossed new boundaries of propriety in engagement with the public. The energy IG, and the California state auditor were among audit agencies that issued preemptive reports highlighting known vulnerabilities in programs receiving Recovery Act money. This again marked a departure from their normal procedures of ex post facto assessments performed months after a program was completed.

The Administration not only used the “cop on the beat” form of oversight but institutionalized a new “fire alarm” form of oversight for ARRA funds, as well. This principally took the form of the new federal reporting system devised for ARRA, featuring more timely reporting by grantees and the first level of sub-recipients of both grants and contracts. Unlike other federal grant reporting systems, this Section 1512 system transferred responsibility to grantees to provide reports, not to the agencies. The new transparency movement adopted the reporting strategy as a new era in federal management. Already outflanked by central topocrats and auditors, federal program managers would now also have to contend with the grassroots “citizens IG’s” who would be encouraged to second guess administrators’ decisions by utilizing new search tools and social media that would highlight the local allocation of ARRA funds down to the census track. The reporting system was not developed by managers but by the new RAT Board—a central actor in the Executive Office of the President. Thus, the new transparency requirements were used by central managers in the institutionalized presidency to centralize accountability and reporting, and federal agencies were left to correct these reports after the fact.

NETWORK CONFLICT IN THE INTERGOVERNMENTAL SYSTEM

Deep tensions were built into the legislative framework of the Recovery Act, which embodied both economic recovery goals emphasizing speed of implementation with other programmatic and managerial goals
emphasizing compliance and effectiveness. Federal agencies and state and local grant recipients were told, in effect, to spend funds and implement programs with unprecedented speed, but to do so without errors under a new microscope of audits and transparency.

Competing legislative missions set the stage for inter-organizational and intergovernmental tensions, but ARRA's transformation of the accountability network and renewal of the topocratic network raised the ante even further, often provoking tensions and conflict with existing program implementation networks. The potential for conflict was further heightened when traditional bureaucratic norms were trespassed, as when audit entities like the RAT board assumed rulemaking responsibilities that normally—and some would say properly—fell to agency and program managers.

Moreover, the Recovery Act accountability networks had a more centralized bias than traditional grant programs. While grants featured agency program managers at the center of the hub, here the White House itself re-engaged new networks of topocrats in overseeing these programs. Actively encouraging the emergence of recovery act czars at the state level, the Administration hoped that new alliances of central managers would be formed to prevent fraud and abuse and to also champion the results of these programs.

This new level of accountability proved disconcerting for many states, given what they perceived as contradictory goals and uncertain reporting requirements. “There were lots of conflicting messages—save jobs, spend quick, do reform” said one state official. “It was the wild, wild west in the beginning, trying to figure out the requirements,” said another. A common complaint was that “the guidance was constantly changing.” “The jobs reporting changed more than once,” concurred an analyst in another state. “It was an ongoing challenge.” Moreover, the jobs reporting was a completely new requirement. “It’s not something that we do,” observed a Virginia administrator. Monitoring local sub-recipient reporting of jobs was also viewed as a “shock.” “The locals report jobs but the state is responsible for their accuracy. Yet we have no authority in this area. It’s a disconnect.”

THE DIFFERENCE THAT TOOLS MAKE

Lester Salamon’s work, among others, suggests that different tools of governance have major consequences for the political economy and outcomes of public policies.14 By far, grants and contracts constituted the major portion of ARRA, but 35 percent of the total went for individual and business tax expenditures.15 We examined the implementation of two of those tax provisions—the New Markets Tax Credit and the Advanced Energy Manufacturing Tax Credit (IRC 48C).

For both tax credits, the goals of the credit are to stimulate private investors to allocate funds to companies and developers of eligible investments in low income communities and clean energy. Direct tax credits to firms proved to be ill suited to newly emergent products lacking established markets, for these firms often lacked positive income to generate tax benefits. For marginally profitable firms and activities, the federal government turned instead to credits for investors who would provide financing in exchange for federal tax credits.

We found that in both cases federal managers disbursed the additional tax credit authority from ARRA with relative ease when compared to the grant programs examined in this study. Unlike ARRA spending programs, the tax provisions under ARRA did not have the same accountability and transparency requirements as grants.

15 http://www.recovery.gov/Transparency/fundingoverview/Pages/fundingbreakdown.aspx#Entitlements
contracts, loans and loan guarantees. Without pressure to report job numbers on a regular basis, or the need to adhere to extra accountability requirements, an obvious source of conflict between federal managers and investors was removed. As one federal official remarked, the big difference with grants and contracts are that the tax credits do not involve federal dollars going out the door.

On the whole, the federal government’s role for both credits was more reactive than proactive and involved steering diverse private investors towards investments that would have the greatest economic benefit and to a lesser extent mediating relationships among third parties.

The roles of third parties were very different for the two tax subsidy programs, however. The New Markets tax credit perennially engages a diverse set of third parties with highly sophisticated financial and accounting expertise to raise the necessary equity investment for qualified low-income businesses. These third parties come together to execute financial deals through a legal intermediary structure called the Community Development Entity (CDE). These organizations are the center of a complex financing network linking investors with projects for low income areas.

By contrast, the Advanced Energy Manufacturing Tax Credit (IRC 48C) engages a more limited set of third parties. Third parties, in particular industry groups and consulting firms, limited their involvement to redistributing federal program information, and, to some extent, in helping clean energy manufacturer's through the application preparation process. At the same time, unlike investing in businesses in distressed communities, the public objective (primarily to create construction and manufacturing jobs) closely aligned with the business interests of the program’s targeted beneficiaries (clean energy manufacturers), obliterating the need for more complex relationships between various third parties that would have posed the kind of steering problems that federal managers otherwise encounter in more network-dependent tools and programs. The congruence between the goals of federal tax subsidies and the financial interests of market investors established more of a vertical and unmediated relationship between IRS and the investors claiming the credit. Essentially, this tax credit functioned much like a federal block grant to states where the federal policy goal and the priorities of recipients are closely aligned.

Contrasting the experience of the Advanced Energy Manufacturing Tax Credit (IRC 48C) with those of other kinds of tax credits suggests that it would be inadvisable to generalize about network uses, impacts and implications for federal managers for the tax credit tool at large. For example, a case could be made that networks play more of a role in the energy Production Tax Credit, whereby various third parties (clean energy producers and investors) aim to untangle the more complex underlying economic incentives. (See Chapter on Advanced Energy Tax Credit, http://publicservicecenters.gmu.edu/what-we-do/publications). The New Markets Tax Credit case study of this project likewise provides a view of the role of networks in the tax credit tool that contrasts significantly with the 48C credits, where a complex network of investors, lenders and other third parties provide financing to qualified low income businesses. At a minimum, this suggests that the importance of networks should not be taken for granted either across the broad spectrum of tools available for government action or necessarily across the different variations that may be inherent within any given type of tool. Considerably more work is needed to understand the variables and conditions that trigger network activity in order to provide federal managers with better guidance on how and when to anticipate network issues to arise. More fundamentally, the degree of integration, the durability of membership, the degree of simplicity in joining or exiting a network, the variability of member organizational type are all worthy of additional research. This is especially true where the politically centralizing attributes (such as those of ARRA) and administratively decentralizing characteristics impact the ability to create, manage and integrate networks.
CONCLUSIONS

The Recovery Act was the signature policy initiative of the early Obama Administration, and by the standards of its core legislative objectives it was relatively successful. Most of the stimulus funds were spent or obligated within the specified two year timeframe, substantial numbers of jobs were created or saved, and there were remarkably few reports of major scale waste or abuse for a program of this size.\(^{16}\)

**Lessons Learned about Networks and Crisis**

From an intergovernmental network perspective, the Recovery Act served as a diagnostic stress test of the federal grants implementation system. The stakes could not have been higher for the President, Congress and managers at all levels of government and across sectors. Yet fundamentally their success rested on the performance of far-flung decentralized networks who were neither commanded nor beholden to the federal government. The tensions between centralized political accountability and noncentralized management responsibility were placed in sharp relief by the economic crisis and the implementation of the Recovery Act. From this perspective, the ARRA experience suggests several conclusions about the roles played by networks in a national crisis.

Deep seated tensions exist between decentralizing management imperatives and centralizing political imperatives. Expediting effective stimulus programs ideally calls for managing through networks. The high stakes and speed needed to implement the Recovery Act placed a premium on involving existing networks of program specialists. Efficiency and speed alone dictate the reliance on long standing networks and existing programs where trusting relationships have been established. Perhaps the most efficient stimulus is that which merely augments existing programs with minimum additional policy overlays and administrative layers.

Relying on existing networks present asymmetrical political challenges to national elected officials. On the one hand, credit is diffused throughout the system. Thousands of providers are engaged and each works out their own solutions with national funding. Unlike the New Deal where FDR was able to claim credit for millions of people hired under direct federal programs, the Recovery Act was diffused through numerous existing programs and providers. While diffusing credit, blame remains centralized, as numerous political actors are ready to pin any misstep on the President himself.

Accordingly, these high stakes entice political leaders to centralize oversight of existing networks to avert politically damaging outcomes. These political imperatives also compelled leaders to reach for new recovery programs such as high speed rail and energy alternatives which, although slower to start and more complex, have greater potential for credit claiming by national leaders. These political incentives also compelled leaders to centralize the management and oversight of Recovery Act programs to provide leadership and deter abuse for the far flung networks who are engaged in managing Recovery programs.

The management of implementation is highly constrained by the politics of formulation. The challenges associated with the Recovery Act were partly due to the complex and fragmented set of spending and tax programs that were included under its rubric. This presented managers with heroic challenges to forge consistent management policies from this welter of over 250 programs managed through nearly 30 separate federal agencies. The presence of conflicting policy goals such as Davis-Bacon prevailing wage and Buy America provisions was the political price that had to be paid to assemble a winning coalition in Congress to pass such a blockbuster piece of legislation. The role of established networks and agency specialists was limited by both the short time frames mandated for ARRA and the lack of political leaders in place at federal agencies in the early going of the Obama Administration when the bill was passed.

**All implementation networks are not created equal.** Our research suggests that rapid and effective implementation of stimulus-type programs benefit from the use of established programs, funding streams and implementation networks. This is certainly no guarantee that implementation problems will be avoided, but the most serious problems tended to occur in new or vastly expanded programs such as broadband access, weatherization, and new energy programs.

ARRA illustrates significant variance in the federal role. In programs with long standing networks, the federal role became one of aiding and influencing the network to channel funds to appropriate purposes. Federal programs largely played a supportive role, nudging the networks to focus on national goals. In programs like broadband with poorly articulated networks, the federal role was more formative. Here the federal government set the rules and helped shape the governance and structural features of networks across states.

Yet pressures for uniformity in the federal role are strong and fail to recognize these differences. Unfortunately, neither Congress, in constructing the law, nor the Administration, in implementing it, distinguished between the status of existing or non-existing networks and the differences that implied for program management efforts. The Administration treated the overall ARRA program from a unified perspective focusing on common deadlines, benchmarks and overall policy goals.

In the future, a more successful stimulus design and implementation approach would be to apply differential program strategies based on the existence and maturity of the network and to also expect that existing networks would react counterproductively to things that would disturb established processes and relationships (i.e., greater transparency, reporting, new deadlines, new oversight processes, etc.). The legislation and the economic context created an apparent uniformity of approach for policy and goals that did not match the underlying differentiation across individual program and network contexts.

**All networks are not collaborative.** The economic crisis forced agencies and other actors to collaborate where new problems spilled over the boundaries of single organizations. Thus, managing Broadband required NTIA in the Department of Commerce to find help through other bureaus to manage its new grant program. Topocrats from across federal state and local governments were able to form stronger alliances and partnerships—a mutual aid society that enabled them all to more effectively realize a common interest in steering the complex array of ARRA programs through their program bureaucracies.

However, managing high stakes programs such as the Recovery Act promoted far greater centralization within governments as central leaders asserted greater top down direction and oversight over agency managers and programs. Indeed, the Recovery Act prompted far greater levels of central control of agencies’ grant awards and policies than had been seen in years. Given the high stakes to the President and his Administration and the centrifugal forces bearing down on programmatic bureaucracies, centralized control was most certainly appropriate. This finding is supported by the work of Keith Provan and Patrick Kenis who suggest that networks can be governed through three models—shared governance, lead organization and network administrative organization. In the case of the top down management of ARRA, it is not clear that the centralized management of the stimulus would fall into any of these three categories. Rather, the stimulus represented a highly effective form of hierarchical management and control—a model that was arguably well matched to the policy and political challenges facing the Administration.

In fact, we have found that as the stakes get higher, we can expect not only greater centralization within networks but also greater clashes between different networks. In particular, as centralized political actors joined

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17 Keith G. Provan and Patrick Kenis, “Modes of Network Governance: Structure, Management, and Effectiveness” JPART Vol 18, pp. 229-252
together as part of topocratic networks, this caused tensions with long established networks of program specialists. Accountability networks rose to the challenge and became more influential as well. Overall, networks became more well-organized and internally cohesive, which made them less collaborative with other networks. As a result, there was probably less collaboration overall in implementing ARRA, even while networks proliferated and became more engaged in the project.

The Recovery Act contributed to the long term processes of centralization in public management. The prominent role of the Vice President in the ARRA implementation process, the new institution of the RAT Board, the expanded role of the IGs, and the new transparency requirements all were used by the institutionalized presidency to centralize accountability and reporting. In turn, this role centralized the intergovernmental networks, as well. The traditional grant programs were largely left alone to manage through vertically integrated picket fences but the high stakes of the Recovery Act vaulted grant administration from obscure realms of pluralist policy making to the partisan realms of contestation and mobilization. Thus, while networks remained the backbone of delivery for ARRA funds, they were fundamentally transformed by the political stress test of ARRA.

One salutary development under ARRA was the alliance with topocrats across governments. These strengthened partnerships are vital if our intergovernmental system can be transformed from a centralized vehicle projecting national goals to become a real collaborative problem solving network. ARRA demonstrated that such partnerships are possible in a crisis. The problem is to demonstrate that we can do this as things return to “normal”. While the interest in reforming grants management and reporting has been continued by OMB, the focus on partnerships among topocrats has largely dissipated. While the next crisis may revitalize these networks once again, there is a strong need for a more permanent partnership that could be institutionalized through a revival of an organization like the Advisory Commission on Intergovernmental Relations (ACIR).

**Lessons Learned for Managers**

The sustainability of top level networks and management innovations is highly uncertain. Crises induce leaders to undertake actions that may not survive once the sense of urgency dissipates. But the ability to successfully cope with the next crisis in domestic governance demands that governments make lasting reforms in accountability and governance that are often introduced during this crisis. When we look to the future, pressures arising from long term fiscal austerity, greater political polarization and political organization and more watchful media will, among other factors, continue to ratchet up pressure on national and intergovernmental leaders to achieve outcomes at lower costs. It is likely that our system will continue to be plagued by crises that erupt from the failure to resolve sustainable solutions to long term fiscal challenges and the lack of an institutional forum for top elected officials to develop longer term solutions to festering joint problems.

A crisis is a time of great innovation, but also little deliberation and many constraints. Those programs that did well were those that had developed professionalized management and networks over many years. So one lesson is that we need foresight to prepare for the next crisis when the sun is shining. That is, we should make investments in accountability and management expertise now so we are better prepared when we need to stand on the shoulders of those networks the next time. The successes and failures of ARRA point to some promising areas for change.

**Understand your network.** Long standing networks had the advantages of being transparent with actors and incentives well known to national officials. Agencies across governments need to better understand the nature of the networks that are relevant to their programs, including gaining insights on capacities, fiscal investment, priorities and other key attributes. Substate delivery networks are particularly critical components of any deliv-
eny networks, yet very difficult to understand across the board. Local government, nonprofit and for profit organizations and their relationships to states are critical variables that determine program delivery and priorities.

**Understand your tools.** The kind of instrument used to deliver government programs critically shapes the response from implementation networks. Tools such as grants will have very different incentives and employ different networks than tax credits or loans. Each tool involves different bureaucracies and professions and embodies differing roles for government and other actors. Often, tools are used together, e.g. low income housing tax credit, and housing vouchers, but we have little understanding of their synergies or conflicts.

**Build uniform data on spending and performance.** The Recovery Act showed the value of having credible and transparent data on program results and spending. Yet this information needs to be improved by extending it to mandatory entitlement spending and to the allocation of tax expenditures. While ARRA helped promote information on federal share of spending, we still have very little collective knowledge or data on state and local spending by major national program area. As one appropriator once said, “When I approve federal spending for drug abuse, what part of the elephant am I dealing with?” We need to have a better understanding of the magnitude and composition of total public sector spending on program areas so federal agencies can have greater insight on what impact federal grants and other programs are likely to have.

**Instill better ways to capture and incentivize accountability for federal programs across the wide range of third parties with responsibility.** One part of this equation is the roles played by audit and other federal accountability requirements. Audits are critical features of federal accountability, but the Recovery Act illustrated the weaknesses of the single audit as a tool to oversee and check compliance and performance of federal grant programs. Beyond external audit, accountability for results of federally assisted programs rests on the responsibility by grantees and contractors themselves for program management and outcomes. We need to better understand how to instill this sense of responsibility and ownership by nonfederal partners for federally assisted programs. Such features as performance metrics and goals, as well as matching requirements and financial incentives need to become part of the intergovernmental manager’s toolkit for promoting accountability.

**Reconceptualize the management unit of analysis from agency to network.** First this requires agencies at all levels of government to understand their role in broader implementation networks as suggested above. Then it requires agency managers formulate goals and budgets in partnership with network actors. Conductive organizations, in Bob Agranoff’s use of the term, connotes agencies who are highly interdependent with external networks and who manage as members of networks rather than stand alone organizations. This could mean, for instance, that federal agencies develop performance goals for the Government Performance and Results Modernization Act of 2010 in partnership with all major actors in their implementation network.18

**Lessons Learned for Economic Stimulus**

The Recovery Act by most credible economic accounts helped prevent the economy from going into a deeper recession than it already experienced.19 Unlike most other postwar stimulus actions, it was timely and passed at the right time to make a difference for job creation and retention. And at least a portion of the new initiative was better targeted than in the past, as the Medicaid portion of ARRA allocated nearly $90 billion through a new formula incorporating each state’s relative unemployment rates—a major improvement to the Federal Medical

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18 Robert Agranoff “Organization 2.0: Building Post-Modern Connectivity” paper delivered at PMRA conference, Columbus, Ohio, 2009

Assistance Percentages matching formula used for the base program. However, the design of ARRA could have been even more effective as a stimulus measure if it followed a different model.

Public administrators at all levels of government made heroic efforts to get the money out quickly for the wide range of programs created under the rubric of the recovery legislation. Heroic efforts were indeed in order, as substantial challenges were built in to ARRA at its birth. Among the significant limitations of the legislation, the following placed the greatest burden on managers and job creation alike:

• Other agendas, many noble in their own time and place, have been laid on top of the pure stimulus that has complicated the timely and expeditious spending of funds that is needed to save our economy. Regulations that were insisted upon such as Buy America and Davis-Bacon may increase the costs of each job created, thereby reducing the numbers of jobs.
• Rather than provide assistance through a single major grant, Congress chose to carve up stimulus funding among a daunting range of categorical programs, each with strong support among the interest groups, agencies and congressional committees that influence legislation. Each program has separate rules and procedures which can add to costs and prompt delays at all levels of government.
• New programs lacking established networks across governments were included which slowed implementation to a veritable crawl in many states. Programs advancing broadband and high speed rail presented management challenges at all levels of government, as neither federal agencies nor states had experience managing these initiatives.

Given its proliferation of programs, ARRA also contained programs that provided a laboratory and model for the next stimulus. These were the broad based grants like Medicaid enhanced matching and Education Stabilization Fund. Unlike many of the other initiatives placed under the ARRA umbrella, these broader based programs were designed for expedited implementation by the states with relatively few additional policy requirements and constraints. Broad based grants offer the following significant advantages for economic stimulus:

• Administrative costs would be significantly lower. Federal oversight would still be important to ascertain the economic and programmatic impacts of states’ decisions, but the major federal compliance audits now being planned would not be necessary.
• Stimulus funds would have a more expeditious impact due to the announcement effect. Rather than waiting for detailed federal guidelines and specific agency allocations, a general purpose program would be known sufficiently from the legislation itself to enable state and local governments to plan for the receipt of these funds and defer their own cuts in the process
• Accountability would be clarified, as there would be one single level of government that would bear the lion’s share of blame or credit for the economic impact of the funds.

Using a wide array of categorical grant programs makes sense when state and federal goals are not aligned and states need an incentive through a highly restricted grant to force them to adopt national goals and priorities. However, when it comes to creating new jobs or avoiding eliminating jobs in a recession, state and federal governments are on the same page. Accordingly, using existing narrow funding programs are not necessary and can work to drag out the timing and reduce the targeting necessary to give the economy the quick jolt it needs. States are just as competent, if not more so, to decide how to save existing jobs or create new ones in their own backyards as the federal government. While categorical grants force all states to adopt similar spending priorities for each of the programs covered, a general purpose grant would enable states to develop packages tailored to their own unique economies and priorities.
While economically more efficient, this broad based grant approach poses extraordinarily steep political costs. Simply put, national officials want to be the ones claiming the credit for federal programs, not their state and local counterparts, many of whom may be competitors for their own jobs in the future. National interest groups often are more comfortable having national programs rather than tracking and lobbying in the 50 states. Media has become more nationalized, particularly as local newspapers shut down throughout the country. Designing an effective stimulus poses the same challenges that network governance poses for our system. The key question is how we can resolve the tension between centralizing political incentives and effective governance that can best be achieved through collaborative networks. This cardinal question, to use Woodrow Wilson’s memorable phrase, will and properly should frame the debates of our federal system and the economy in the future.
IMPLEMENTATION NETWORKS AND THE STATE FISCAL STABILIZATION FUND

Tim Conlan

The State Fiscal Stabilization Fund (SFSF) was the largest temporary program of broad based federal assistance for education in American history. It was designed primarily to help states maintain funding for K-12 and public higher education and to avoid large scale personnel cuts during the depths of the great recession. With total funding of $53.6 billion, the SFSF was actually a composite of three distinctive programs: an education stabilization fund of approximately $39 billion; a government services fund of about $9 billion, which could be used for public safety and other governmental functions as well as education, and a $5 billion education innovation fund called Race to the Top (RTT). The two stabilization funds were distributed by automatic formula to states, with 61% based on each state’s school age population and 39% based the state’s overall population. The RTT funds were distributed as competitive state grants distributed at the discretion of the Secretary of Education.

The Stabilization Fund contributed significantly to ARRA’s goal of protecting jobs. Out of dozens of ARRA funded programs, the Department of Education—and the SFSF program in particular—accounted for the largest number of jobs saved or created in every quarterly reporting period between February 2009 and October 2011. Despite this, significant implementation challenges arose in connection with 1) the program’s initial start up and administration, characterized by rapid implementation timetables, staff shortages, and delays in producing federal guidelines and regulations; and 2) program monitoring, reporting and compliance, centered particularly around maintenance of effort requirements, tensions between conflicting federal goals of rapid countercyclical spending and advancing educational reform, and new transparency and job reporting requirements.

Established policy and program networks played an important role in implementing the SFSF program and contributing to its accomplishments. The value of these networks was present in multiple contexts and dimensions: laterally across state administrative agencies; vertically up and down federal, state, and local government relations; and horizontally among the states and their associations. Specifically:

• Laterally, Governors and state budget offices, which typically had lead responsibility for overseeing implementation of the SFSF program, generally worked in close coordination with state departments of Education to implement the program. Most states reported effective relationships between the executive and legislative branches as well.

• Vertically, implementation of the SFSF was aided in many states by the strong and well established vertical implementation networks already present in the education community. This was true both between federal and state officials as well as state relationships with local school districts. In addition, intergovernmental collaboration was greatly enhanced by revival of the topocratic network among elected officials and central budget offices at both the national and state levels.

• Finally, horizontal networks proved to be unusually important in the early implementation of the SFSF program. Given the initial lack of detailed information about specific requirements of the program, such as the
interpretation of MOE provisions, as well as the evolving nature of the program’s reporting requirements, state umbrella associations such as the National Governors’ Association (NGA) and the National Association of State Budget Officers (NASBO) assumed important roles as advocates, conveners, and problem solvers for the states.

For the full case study, please go to http://publicservicecenters.gmu.edu/what-we-do
ASSESSING THE IMPLEMENTATION OF THE FEDERAL-AID HIGHWAY SECTION OF THE AMERICAN RECOVERY AND REINVESTMENT ACT: LESSONS FROM A NETWORK PERSPECTIVE

Sheldon Edner

The Recovery Act placed a strong emphasis on the physical improvement of infrastructure. To accomplish its share of the infrastructure improvements, the Federal Highway Administration was authorized and appropriated $27.5 billion, which was added to the existing federal program of over $40 billion\(^2\) per year for FY 2009 and 2010. To date, funding has been committed to the completion of more than 12,000 projects throughout all fifty states, the District of Columbia, Puerto Rico and the Pacific Trust Territories.\(^2\) Approximately $1 billion was dedicated to projects on Indian Reservations and Federal property, construction of ferryboats and terminals, and administrative costs.

Statutory authority directs the FHWA to annually apportion funds to the States for projects chosen by the States. Traditionally the federal-aid highway program has been characterized (by both FHWA and the States) as a “federally assisted state and local program”. Hence, each State chose a mix of projects that reflected its unique needs and the ability to comply with the fast tracking expectations of ARRA. These choices at times confounded White House and ARRA expectations: 1) Construction projects often require 5-7 years to complete which favored smaller, short-term maintenance work over large scale, long-term, high impact projects, 2) the timing of the projects and spend out was managed by the states which played out differentially across the country, including shut downs during winter months; and 3) in some cases the states accelerated future phases of existing projects which made it hard to sort new jobs and starts from existing ones.

- The existing management network that pre-existed ARRA adjusted, adapted and made ARRA work. There were no start-up delays, huge process revisions, or new major program risk issues that emerged.
- The FHWA adapted its traditional management strategy and network to the context of ARRA. Relying on an intensified risk assessment process in terms of its activities and its network partners, FHWA increased the intensity of its role vis-a-vis the states.
- The insistence of the Obama Administration that the Governors should play a central role in the reporting and oversight of ARRA programs did offer a slight challenge to most states. The functional transportation “picket” of highway program administration typically does not have day-to-day involvement of the Governor and/or the Governor’s staff. Yet, the highway officials appeared to adjust and adapt without creating new working tensions. This may have reflected the reality of needing more political support for the existing federal program reauthorizations and appropriations.

\(^2\) Financing Federal-aid Highways – Federal Highway Administration, March 2007

\(^2\) http://www.fhwa.dot.gov/economicrecovery/
• Some Federal and state officials perceived the focus on “jobs created” as the biggest flaw in the ARRA effort. The meaning of a job, its nature, longevity and geographic location were all confounded in the simple counting exercise expected in ARRA reporting. The economic impact of infrastructure is over a longer-term horizon than its temporary construction jobs and may not even be spatially located in the geographic vicinity of the project.

• As a reimbursable grant-in-aid program, the highway program confounded ARRA’s obligation and expenditure expectations. Funds were not booked as “expended” by the FHWA until the state sought reimbursement, since the states had to spend their own funds first. This created the appearance of lagging program expenditures by FHWA.

In sum, the lesson of ARRA is that playing from strength and avoiding major new institutionalization efforts is conducive to success for a rapid broad gauged collaborative strategy. However, networks do not appear to adapt to evolving circumstances in large leaps. Rather, changes in outcomes and processes are likely to echo already existing tendencies toward change and be embraced by current participants where it is conducive to their ongoing objectives and goals.

For the full case study, please go to http://publicservicecenters.gmu.edu/what-we-do
Appendix

THE WEATHERIZATION ASSISTANCE PROGRAM UNDER THE 2009 RECOVERY ACT: THE CHALLENGE OF ASSURING HIGH-QUALITY PERFORMANCE

Alan Abramson

The federal Weatherization Assistance Program (WAP) reduces the energy bills of low-income households by funding weatherization work on their homes. Like many federal programs, WAP engages a far-flung network of organizations and individuals from the federal government through state governments to local agencies on the ground in communities around the country. In WAP, the vast majority of the local subgrantees are nonprofit and public community action agencies that were created in the 1960s War on Poverty.

The 2009 Recovery Act appropriated $5 billion to WAP to be spent over three years, which represented an almost ten-fold increase over pre-ARRA funding levels. Based on the interviews conducted and reports reviewed for this study, it seems that the huge infusion of funding under ARRA resulted in significant achievements, including the weatherization of roughly 600,000 homes, which was the original goal. WAP was also consistently among the top ten job-creating programs under ARRA.

However, while WAP had important accomplishments under ARRA, it also experienced significant setbacks. In fact, WAP was among the most highly criticized of all Recovery Act initiatives. In particular, the program was faulted for being slow to get started and for the poor quality of some of the weatherization work that was done. A major cause of the slowness in program take-off was the new requirement that local weatherization workers funded through ARRA be subject to the Davis-Bacon Act, which mandated that workers be paid at county-specific, prevailing wage rates. As it turned out, it took the U.S. Department of Labor from the February 2009 passage of the Recovery Act until September 2009 to calculate the required Davis-Bacon wage information, and little ARRA-funded weatherization work was done until the guidance was issued. The slow take off of WAP under ARRA also reflected some bottlenecks resulting from an initial shortage of contractors trained and qualified to do the weatherization work.

The problem of the questionable quality of some of the weatherization work that was done under ARRA is perhaps more troubling than the slow take-off because the concern about quality has not yet been satisfactorily resolved. A variety of explanations have been offered for the quality problems, including that the quality assurance processes which are currently in place—and which rely heavily on oversight by the local, community action agencies themselves—do not seem to be working adequately. A critical challenge for federal managers in a system of shared governance—where they rely heavily on state and local partners to help implement programs—is how to insure that the services delivered on the ground, far from Washington, DC, are of high quality.

For the full case study, please go to http://publicservicecenters.gmu.edu/what-we-do
Appendix

THE NEW MARKETS TAX CREDIT PROGRAM

Lehn Benjamin

The New Markets Tax Credit (NMTC) Program encourages private equity investment in low-income communities. Equity—patient capital—has been scarce in low-income communities but is often critical for businesses to grow, create jobs and contribute to material improvement in these areas. To achieve this goal the NMTC provides a 39% credit against federal tax liability for investors who make equity investments in certified Community Development Entities (CDEs). These CDEs in turn provide favorable financing for projects located in low-income areas. These projects have included charter schools, health care facilities, grocery stores, historic theatres, manufacturing facilities, and training centers. The NMTC Program has enjoyed bi-partisan support and has twice been named one of the Top 25 programs in the “Innovations in American Government” from the Kennedy School at Harvard University.

In December 2008, the CDFI Fund was notified that it would be receiving an additional $3 billion in tax credit authority for the NMTC Program as a result of the tax provisions included in the American Recovery and Reinvestment Act (ARRA). This sudden influx of additional tax credit authority was allocated quickly and did not pose significant implementation difficulties for the federal managers administering the program. For the CDEs awarded tax credits under ARRA, they faced a more difficult economic climate in which to raise the capital, forcing many to forge new partnerships with financial institutions. However this was true for all CDEs that received an allocation award during this time, not just ARRA supported CDEs.

Investigating whether the NMTC Program possesses specific unique traits which allowed it to handle the ARRA funds more effectively than other programs is the aim of this report. Three unique traits were found to have likely helped the program's capacity to implement ARRA's mandates: Specifically:

• The tax provisions under ARRA did not have the same accountability and transparency requirements as grants, contracts, loans and loan guarantees. Without pressure to report job numbers on a regular basis, or the need to adhere to extra accountability requirements, federal managers were not put in a position of transferring this pressure to the CDEs.

• Second, ARRA did not introduce any significant changes in the regulations for allocation of the tax credits. This was not true with other programs and other tax provisions, which posed challenges for administering ARRA funds.

• Lastly, the diversity of the NMTC Program’s third party network may have played a part. These networks include such diverse actors as the CDEs themselves, investors, leveraged lenders, attorneys and accountants, and the low-income businesses who are the recipients of the direct investment. Although more research is needed, the combined capacity of these large networks may have eased implementation because as some players pulled back in response to the economic downturn, others stepped in.

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ADVANCED ENERGY MANUFACTURING TAX CREDIT

Stefan Toepler

Following in a long-standing tradition of using tax incentives to pursue energy policy objectives, the Advanced Energy Manufacturing Tax Credit program utilized $2.3 billion of the Recovery Act's total stimulus package to subsidize the creation, expansion or retro-fitting of clean energy manufacturing facilities in the United States. A collaboration between the Department of Energy (DoE) and the Treasury Department's Internal Revenue Service (IRS), the program involved a fairly straightforward application process and was implemented in a timely fashion in line with the Recovery Act's intention to make stimulus monies available as quickly as possible.

Preliminary applications for the DoE recommendations were due in September 2009, or just seven months after ARRA was signed into law, with final DoE applications due a month later. After DoE approval, applications for certification were due to the IRS by mid-December, which then was scheduled to accept or reject applications by January 15, 2010.

Greeted with a strong response from clean energy manufacturers, the $2.3 billion allocation was fully awarded to eligible projects in less than eight months after the Recovery Act became law. With more than 500 applications requesting a total of $8 billion in tax credits, the Recovery Act-authorized $2.3 billion in credits went to 183 manufacturing projects in 43 states. The program was expected to create about 17,000 new jobs directly and another 41,000 indirectly in addition to stimulating $5.5 billion in private investments. With several hundred applications requesting several billions in tax credits that could not be funded with the Recovery Act allocation, the program is generally considered a success and has escaped both controversy and closer scrutiny.

There were some concerns about the share of foreign companies among the successful applicants for these credits, as well as some suggestions on how the program could usefully be modified to better serve energy policy objectives after the Recovery Act, if Congress will consider a future re-authorization, as requested by the Obama Administration in the past. But overall, there was widespread consensus that the 48C program has been a solid contribution to firm up the domestic supply-side of the clean energy policy equation.

In terms of network impact, the 48C tax did not rely to a significant extent on public-private networks to achieve the programs public objectives. Third parties, in particular industry groups and consulting firms, were involved in re-distributing federal program information, and, to some extent, in helping clean energy manufacturer's through the application preparation process. But for the most part, the public objective (primarily to create construction and manufacturing jobs) closely aligned with the business interests of the program's targeted beneficiaries (clean energy manufacturers), obliterating the need for more complex relationships between various third parties that would have posed the kind of steering problems that federal managers otherwise encounter in more network-dependent tools and programs.

In addition, the short-term and one-off nature of the program may have discouraged the development of new, or greater use of existing, networks in the field, as did the near overwhelming demand for the credits. If the
program were institutionalized and refined to targeted more specialized manufacturing projects, more of a role for networks in the process might evolve in the future.

For the full case study, please go to http://publicservicecenters.gmu.edu/what-we-do
ARRA BROADBAND PROGRAM

Pris Regan

Prior to ARRA, the federal government had generally played a more hands-off role regarding broadband development, leaving it largely to the private sector and the competitive marketplace. ARRA provided $7.2 billion for broadband grant and loan programs to be administered by both the Department of Commerce, through the National Telecommunications and Information Administration (NTIA), and the Department of Agriculture, through the Rural Utilities Service (RUS). The NTIA program, the Broadband Technology Opportunity Program (BTOP), was appropriated $4.7 billion for a competitive broadband grant program for “unserved and underserved areas” to be allocated in consultation with states. The RUS program was appropriated $2.5 billion to be divided between grants and loans as RUS saw appropriate, with most funds allocated to rural areas.

The ARRA broadband program was among the most challenging of the stimulus programs. It involved stringent statutory requirements in terms of timelines but unclear standards for key elements of program implementation, e.g. the definitions of “unserved” and “underserved” and of “broadband” itself. It entailed a new role for the federal government and coordination among three federal agencies (NTIA, RUS and FCC), with one of the main agencies (NTIA) having never played a role in grants before.

Although both agencies faced enormous challenges in starting up their ARRA programs, NTIA faced the larger challenge in that it had to establish the BTOP program “from scratch” while RUS had existing long-term programs that needed to be significantly scaled up. The quick start-up presented enormous staffing problems for both agencies. Both contracted with private sector agencies for assistance with evaluating applications and overseeing implementation of the grants, including audits and site visits. NTIA also used unpaid volunteers during the review of the first round of awards to help examine and score applications.

The initial implementation also posed challenges for coordination among the federal agencies and state, private sector and nonprofit parties. Prior to stimulus funding, federal entities involved in broadband (NTIA, RUS, FCC) worked together sporadically in ad hoc relationships. Because of the need to start the ARRA broadband programs quickly, this ad hoc arrangement largely continued as the working model during the time of the stimulus funding. With respect to state governments, neither NTIA nor RUS had formal, ongoing interactions with state governments on the topic of broadband. NTIA was required by the statute to consult with states to identify the areas of need and the appropriate allocation of grants within the state. But, in general, there was a perception among the states that NTIA was a “black hole,” reflected by lack of feedback and paucity of information.

Job creation for both programs took off rather slowly but became more successful over time. In May 2012, the NTIA Assistant Secretary testified to a House committee that BTOP recipients had: deployed or upgraded more than 56,000 miles of broadband infrastructure; connected more than 8,000 anchor institutions to high-speed Internet; installed more than 30,000 workstations in public computer centers; and generated about 350,000 new broadband Internet subscribers. At the same hearing the RUS Administrator reported that the RUS awards would connect nearly 7 million rural Americans, more than 360,000 businesses, and more than 30,000 critical institutions.
community institutions to new or improved broadband service. In both rounds, NTIA awarded 233 BTOP projects, totaling $3.9 billion, and RUS awarded 320 BIP projects, totaling $3.6 billion.

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ACCOUNTABILITY NETWORKS AND THE RECOVERY ACT

Paul Posner

Accountability processes and institutions were critical to the Administration’s Recovery Act strategy. The large infusion of funds coupled with the pressure to expedite spending created potential opportunities for fraud and abuse which could undermine the credibility of the entire stimulus program. Unlike many other large initiatives responding to crisis such as disaster relief, the Administration took pains to invest in accountability up front as programs were being established.

The accountability strategy consisted of several major initiatives:

• Centralization of management and oversight of Recovery programs in the Executive Office of the President. The Vice President himself became the “chief sheriff” appointed by the President to ride herd over federal agencies and nonfederal actors, supported by the Office of Management and Budget whose prolific guidance asserted an active management role that was uncharacteristic for this small agency.

• Formation of new collaborative relationships with top elected officials at state and local levels by the Administration, recognizing their critical role in the success of this initiative.

• Expansion of the role of federal auditors as a significant player in Recovery management and oversight with augmented staff and the creation of a new agency within the Executive Office of the President to search for abuse.

• Launching of new reporting systems to promote greater access to information about stimulus projects across the nation—systems that many hoped would further deter abuse and promote greater public engagement.

These strategies appeared to have promoted greater focus on information reporting and compliance, with levels of reported fraud lower than expected. However, new challenges and concerns arose from these oversight initiatives:

• Auditors emerged as a well-funded and cohesive network that served as both partner and challenger to managers in implementing these high stakes programs. Unlike auditors, managers at all levels of government—the front lines in securing program success—received no additional funding or staff, even though they faced the twin burdens of implementing Recovery programs alongside their normal responsibilities for other programs.

• Transparent information systems prompted new and deeper information on intergovernmental program spending. However, the result was a data deluge that stoked conflicting interpretation among between program advocates, managers and Recovery Act critics.

• Strengthened roles for top political officials prompted renewed engagement in federal assistance by federal and state leaders in overseeing bureaucracies. While this helped overcome the insulation of federal programs from broader public pressures, it also served to centralize program management, bringing new tensions between program experts and elected officials.
• While outright fraud may have been avoided for Recovery funds alone, other programs outside the stimulus umbrella may have experienced diminished oversight by hard pressed managers. Moreover, fraud is only one indicator of management outcomes. Programs without established networks and management capacity experienced delays and performance shortfalls.

• Public accountability proved to be particularly challenging. Notwithstanding a veritable outpouring of new information and audits, the public expressed widely held skepticism about the impact of the program on jobs. In the face of higher overall unemployment rates, most had trouble agreeing with the economists’ consensus that the jobs picture would have been even worse if the stimulus had not been enacted. Moreover, the decentralized and widely dispersed allocation of funds made it difficult for the President to clearly establish a link between the federal funds and their actual impacts in communities several layers removed from Washington.

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