Chapter 8

United States

Macro dimension

Impact of the economic crisis on the US economy and sub-national governments

The 2008-09 financial crisis and recession inflicted considerable damage to the US economy – most notably a significant tightening of credit and the loss of one-quarter of household net worth between the middle of 2007 and early 2009 (OECD, 2010a). The US has lost more than 8 million jobs since the beginning of the crisis; the unemployment rate had risen to 10.1% by the end of 2009. Most states have suffered significant job losses. According to the analysis "Geography of a Recession" published in the New York Times, job losses have been most severe in areas that had experienced a big boom in housing, those that largely depend on manufacturing and those that already had the highest unemployment rates before the crisis (New York Times, 2010). H However, the economic recovery in the United States from arguably the most significant recession since the Great Depression of the 1930's is underway, amid substantial economic stimulus, but uncertainty remained high in mid-2010 on the pace of recovery (OECD, 2010a).

Sub-national governments (SNGs, states and municipalities) have been severely hit by the crisis in the United States and their fiscal situation remains critical. Two key considerations in assessing the fiscal impact of the crisis on states are that many states and localities are highly dependent on particular revenue sources (e.g. property taxes for many municipalities), and that they are almost all constitutionally required to balance their budgets. The crisis has considerably reduced state revenues and state budget gaps (i.e. difference between desired spending and projected revenues) have reached unprecedented levels. These gaps are projected to last at least until 2012 as sub-central tax revenues usually take longer to recover in the United States than GDP growth. States foresee the 2011 fiscal year (starting on 1 July 2010 for most states) to be the most difficult in decades with little improvement expected for 2012 (McNichol, Oliff and Johnson, 2010). According to the General Accounting Office (GAO), deficits for sub-national governments will reach USD 39 billion for 2010 and USD 124 billion for 2011, while SNGs will no longer be able to count on the American Recovery and Reinvestment Act (ARRA) funds to bridge these gaps. The cumulative two-year projected operating deficit totals approximately USD 163 billion (GAO, 2010a).

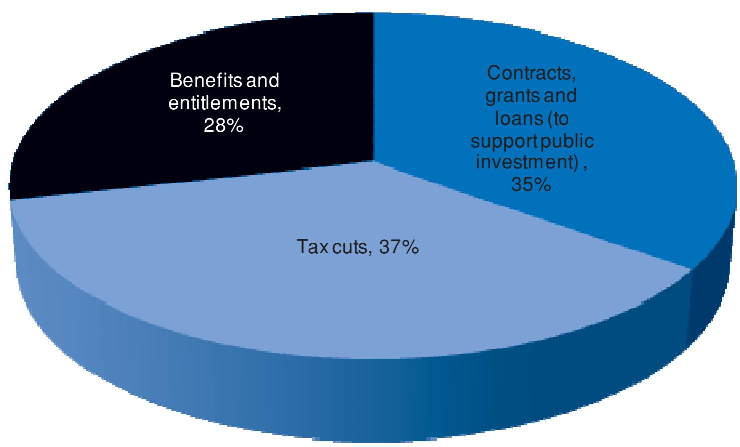
Stimulus measures

The federal government responded to the crisis with extraordinary fiscal interventions. In addition to large injections into the financial sector in late 2008,[1] the ARRA was adopted in February 2009. The ARRA recovery package amounts to USD 787 billion and was one of the largest stimulus packages in OECD member countries (with Korea). It represents about 5.5% of the 2008 GDP. Of the USD 787 billion recovery package, USD 275 billion, was allocated for contracts, grants and loans – partly aimed at supporting public investment measures, which amount to 35% of the recovery package. The remaining funds are allocated for tax cuts (USD 288 billion) and mandatory spending, such as funds for education, healthcare and unemployment (USD 224 billion) (Figures 8.1 and 8.2).

Box 8.1. **Objectives of the American Recovery and Reinvestment Act (13 February 2009)**

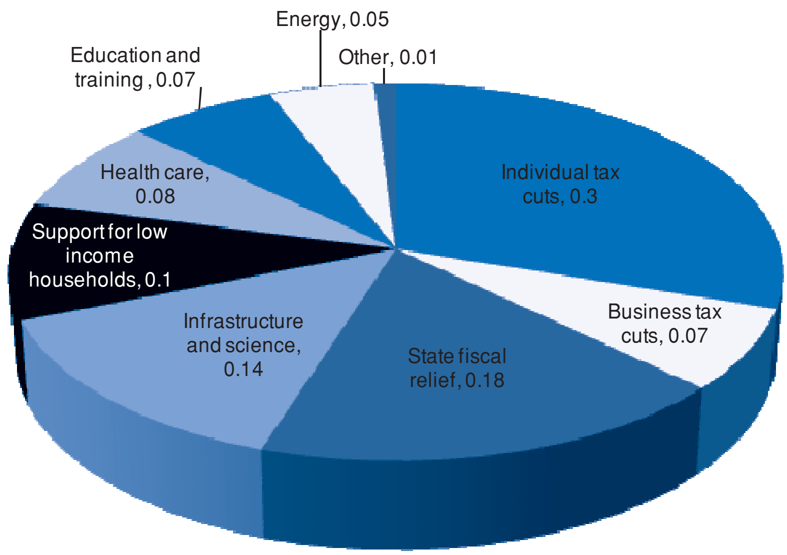
ARRA has five goals stated in Section III of the act: *i)* to preserve and create jobs and promote economic recovery; *ii)* to assist those most impacted by the recession; *iii)* to provide investments needed to increase economic efficiency by spurring technological advances in science and health; *iv)* to invest in transport, environmental protection and other infrastructure that will provide long-term economic benefits; and *v)* to stabilise state and local government budgets, in order to minimise and avoid reductions in essential services and counterproductive state and local tax increases.

Figure 8.1. **Breakdown of ARRA stimulus measures (total: USD 787 billion)**



Source: www.recovery.gov.

Figure 8.2. **Sectoral composition of the ARRA stimulus package of 2009 (total: USD 787 billion)**



Source: www.recovery.gov and Irons, John S. and Ethan Pollack (2009), "The Recovery Package in Action", *EPI Briefing Paper 239*, Economic Policy Institute, Washington, D.C.

Role of sub-national governments (SNGs)

Out of the USD 787 billion stimulus plan, USD 286 billion is administered by states and municipalities (GAO, 2010a), divided about equally between general fiscal relief (for education, Medicaid, welfare expenditures) and specific investment funding meant to stimulate the economy (Inman, 2010). For investment support, the ARRA provides funding that supplements state spending (for transport,[2] education,[3] job training, etc), as well as funding for competitive grant opportunities, for energy and broadband for example.

Budget deficits

As other OECD members countries, the United States is exiting the recession with a large budget deficit and a rising public debt. According to the *Economic Survey of the United States* (OECD, 2010a), the US budget deficit widened by about 9% of GDP from 2006 to 2009, the federal deficit was estimated to exceed 10% of GDP in both 2009 and 2010, and the federal debt held by the public will reach the highest level since the early 1950's (OECD, 2010a: 21). The administration has proposed to reduce the federal deficit from about 10.5% of GDP in 2010 to 3% in 2015, which would stabilise the debt-to-GDP ratio (OECD, 2010a). Measures have been identified to cover part of the fiscal effort and a bi-partisan commission was mandated to suggest complementary actions. It will nonetheless leave the debt-to-GDP ratio at about twice the pre-crisis level, leaving little freedom to deal with contingencies and further complicating the long-term problem of population ageing (OECD, 2010a).

Policy debates (as of September 2010): a new infrastructure investment plan

Most of the ARRA stimulus funding was planned to be spent in 2009-10, quickly enough to support the recovery. The total fiscal impact of ARRA is spread out over a number of years, with three-quarters of the package concentrated in the first two years, as estimated by the Congressional Budget Office. Although the fiscal situation of the country – in particular the rising federal deficit – calls for fiscal consolidation measures in the medium-term,[4] the uncertainty over the recovery of the American economy makes it difficult to implement fiscal consolidation in the short term and necessitates prudence. Recent indicators on the American economy have been mixed, but the housing market is showing persistent difficulties and the unemployment rate is almost 10% (9.6% in August 2010). The Obama administration has implemented different measures to support employment in addition to the ARRA recovery strategy. Multiple new job programmes have already been passed since the Recovery Act, including a new tax credit for hiring unemployed workers, tax breaks for small business investing, a lending fund to increase small businesses' access to capital, multiple extensions of unemployment insurance and additional aid to states. Given the time it takes for these measures to be fully beneficial and the persistent difficulties on the labour market, in November 2010 the Federal Reserve Bank announced a massive round of long-term bond purchases (USD 600 billion in long-term treasuries). The Federal Reserve Bank also announced it will reinvest an additional USD 250 billion to USD 300 billion in treasuries with the proceeds of its earlier investments. This "quantitative easing" will total USD 900 billion and be completed by the end of the third quarter of 2011.

On 7 September 2010 President Obama announced a package of roughly USD 180 billion in expanded business tax cuts[5] and infrastructure spending. Congress would need to approve any new package, and it is not certain that they will adopt it following the recent elections. This new package would include a USD 50 billion investment in America's transport infrastructure to spur the economy and create jobs. The plan builds upon the infrastructure investments that were made through in the Recovery Act. The proposal calls for investments over six years, including rebuilding and modernising 150 000 miles (241 350 kilometres) of roads, 4 000 miles (6 430 kilometres) of railways and 150 miles (241 kilometres) of runways. The plan also proposes to set up a government-run infrastructure bank to leverage federal money with state, local and private sector investments to finance projects, and to focus on the smartest investment. The infrastructure plan is intended to serve as a "down-payment" on a longer term infrastructure programme that will be initiated as part of a six-year reauthorisation of the federal surface transport programme.

Design of the public investment scheme

Involvement of sub-national governments

One-third of the total ARRA funding is administered by SNGs (GAO, 2010a). The challenge for all programmes is that states have to act **quickly**. For federal programmes, states must spend these additional funds in the specified programme areas (education, Medicaid, federal infrastructure programmes, etc.). There are no one-way money flows from the federal government to state and local governments. In some cases, it is formula-driven where agencies like Education and Transportation allocate dollars to the state. While states must spend funds in specific areas, they typically have significant discretion in how their particular programmes are designed (where they build roads, how they allocate education funds, etc.). For funds that states have obtained through competition (for example in the areas of energy, green growth, broadband development, R&D and health IT), even where there is significant flexibility in the guidelines for competitive grants, states are often committed to specific uses when they receive their funds because their applications typically specify what the funds will be used for.[6]

To ensure that federal spending does not simply replace state spending, a key requirement is the maintenance-of-effort provision. A number of programmes in the Recovery Act contain new maintenance-of-effort provisions spanning the areas of transport, education, housing and telecommunications. These are important mechanisms to help ensure that federal economic stimulus spending achieves its intended effect of providing countercyclical assistance and increasing overall spending and investment.[7] For transport, the governor of each state had to certify that the state will maintain its level of spending for the types of transport projects funded by ARRA it planned to spend the day the Recovery Act was enacted.[8]

Key priorities for investment

ARRA has been designed in a way to be timely, targeted and temporary.

Timely: rapid adoption of ARRA

ARRA had to be adopted rapidly given the context of urgency. To accelerate the design of the ARRA programme, existing government agencies and government programmes have been mobilised, rather than creating new programmes from scratch. This is in particular true for federal school aid, personal transfers and infrastructure. Relying on existing structures has helped reduce complexity (helping to avoid waste and administrative burden) and allowed for faster, more effective implementation. It has also helped to avoid opening up an unstable redistribution game between all legislators (Inman, 2010). It is also important to note, however, that some new programmes **were** created to help advance new policy objectives, including programmes for broadband infrastructure, clean energy and health information technology.

Temporary: limited timeframes for execution

For investment projects, most funds for states and municipalities had to be obligated within one year (by 30 September 2010)[9] and a Recovery Act requirement is to give priority to projects that can be completed in three years (beginning in FY 2009 and ending in FY 2011). The emphasis has been on projects that are "shovel ready", which in practice means ready to go out for design and construction bids by September 2010 or sooner. According to the GAO, the actual **spending** path is likely to stretch out into the coming decade, given the time it takes to execute investment projects[10] (GAO, 2010a and 2010b). The legislation includes programme-specific use-it-or-lose-it clauses that require states to obligate available funding within a specified timeframe to prevent reappropriation to other states (Inman, 2010).

Targeted: areas and sectors

About one-third of ARRA funding has been allocated to public investment[11] as a way to support employment and enhance long-term growth. Spending is in priority directed for traditional areas of federal capital investment such as transport (in particular construction and repair of roads and bridges) and water resources. The Recovery Act appropriated USD 26.6 billion for highway and USD 8.4 billion to fund public transit for states and municipalities (see Table 8.A1.3 in Annex 8.A1 for more information).

However, ARRA also aims to transform the American economy through innovation and enhance green investment, in particular in the areas of energy. Within the reinvestment spending of the Recovery Act, over USD 100 billion is invested in innovative and transformative programmes. Game changing investments include:

- modernising transport, including advanced vehicle technology and high-speed rail (USD 8 billion will be spent for high-speed rail projects);
- jumpstarting the clean energy sector through investments in renewable energy and energy efficiency;
- building a platform for private sector innovation through investments in broadband, Smart Grid and health information technology; and
- investing in groundbreaking medical research.

Certain programmes within the Recovery Act have additional provisions to target particular sectors. For example, the Recovery Act requires that at least 20% of funds provided to each state's State Revolving Funds be used to fund projects that include green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities (Recovery Act, 123 Stat. 169).

The allocation of funding across states has been balanced so that all types of states (both those with much of their population in metropolitan areas and those with large rural populations) receive significant funding, to balance the different interests (Inman, 2010). ARRA selected some programmes that favoured urban states – such as Medicaid support and the public transit programme – some that favoured rural states – such as highway aid, and others that favour high-poverty areas. ARRA aims to give priority to projects that are located in economically distressed areas as defined by the Public Works and Economic Development Act of 1965.[12] For infrastructure investment, the Recovery Act requires all states to dedicate the funding to specific areas. For example, in the Highways Programme, 30% of the funding has to be sub-allocated, primarily based on population, for metropolitan, regional and local use.

Accountability and transparency

One of ARRA's goals is to increase the transparency and accountability of inter-governmental fiscal relations (United States Government, n.d.). The legislation contains numerous provisions to ensure that the appropriated funds are spent as intended by the Congress. State activities are subjected to extensive public scrutiny and to enhanced oversight by a variety of federal entities, including federal programme managers, agency inspectors general and the Government Accountability Office. Federal efforts are co-ordinated by a newly established **Recovery Accountability and Transparency Board** chaired by a presidential appointee and including 12 inspectors general. The Government Accountability Office (GAO) reports on the use of funds by selected states and localities on a bimonthly basis, which are published by the Recovery Accountability and Transparency Board (RATB). The Office of Management and Budget and federal disbursing agencies are also engaged in a rigorous quality review.[13]

To ensure transparency with citizens, e-government tools have played a key role. The government has set up a web site (*www.recovery.gov*) with detailed follow-up on implementation to hold the government accountable for every dollar spent. In addition to the federal government role, the Recovery Act also requires recipients of ARRA grants, contracts and loans to report on the funds they received and spent, the number of jobs funded by the project and other key metrics. And beyond *www.recovery.gov* itself, the federal agencies disbursing ARRA funds all have dedicated websites that provide a portal for all agency-specific information on programmes, funds and progress. At the state level, state governors play a significant role in overseeing recovery implementation and states have been requested to set up web sites to ensure transparency on the use of recovery funds and involvement from the public.

Incentives to promote public-private co-operation

There are numerous major programmes in the ARRA that are intended to leverage significant funding from the private sector, state and local governments, and other non-federal sources. ARRA programmes built around leverage include loan guarantees designed to bring private capital into clean energy investments, tax credits that match private investment with federal dollars, subsidised bonds that use federal dollars to leverage state and local infrastructure investment and construction programmes in which the federal government co-invests with state, local, and private actors to build low-income housing and other projects (Council of Economic Advisers, 2010a). The Council of Economic Advisers estimates that for every USD 1 the federal government is investing in ARRA projects that involve leverage, other entities are investing about another USD 3, the majority of the additional spending coming from the private sector. As a result, the act is playing a part in investments far beyond the federal spending itself. The largest amount of co-investment is in clean energy, where a federal contribution of USD 46 billion will support more than USD 150 billion in total investments in energy efficiency, renewable generation, research and other areas of the transformation to a clean energy future (Council of Economic Advisors, 2010a).

Implementation of the public investment scheme

Overview of implementation at the federal level…

In October 2010, **71%** of the ARRA funding had been paid out according to the official government website. As of 22 October 22 2010:[14]

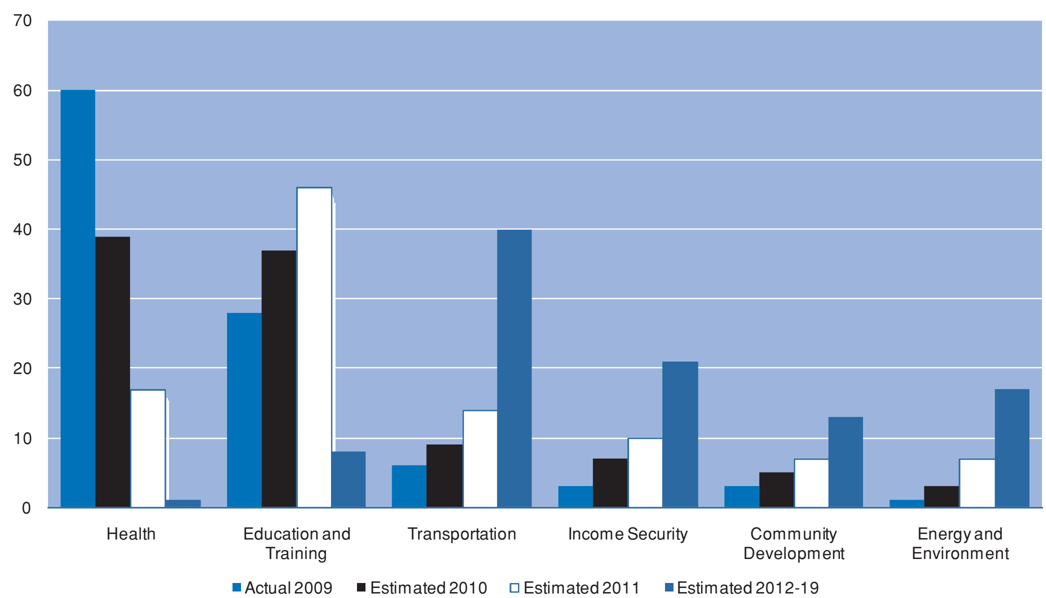
- **55%** of the category "**contracts, grants and loans**" – which mostly finance public investment – had been paid out (i.e. USD 152.1 billion) and almost 80% had been allocated (i.e. USD 219 billion);
- **84.5%** of **tax cuts** (USD 243.4 billion) had been awarded;
- **73%** of **entitlements** (USD 165.7 billion) had been paid out.

…and at the sub-national level

Out of the USD 286 billion administered to states and localities, USD 154 billion, or nearly **55%,** had been paid out by the federal government on 3 September 2010 according to the General Accounting Office (GAO, 2010b). A previous GAO analysis highlights that outlays not only vary in amounts over time but have also shifted by sector. Expenditures in health and education and training constituted 88 % of total outlays to states and localities in fiscal year 2009, while outlays for transport, income security, energy and the environment, and community development were all substantially less (GAO, 2010b). As of July 2010, states had spent about 95% of their Medicaid funding and about 72% of their education funding.

However, it is projected that spending will shift from a primary focus on recovery to a primary focus on investment (GAO, 2010c) (Figure 8.3). For infrastructure spending, about USD 35 billion that the Recovery Act provided for highway infrastructure and public transport for states and municipalities was obligated by the one-year deadline and all states met the deadline (see Figure 8.4 for the allocation of spending in 16 selected states, which receive two-thirds of inter-governmental assistance). Taken together, transport spending – along with investments in the community development, energy and environmental areas – that are geared more toward creating long-term economic growth opportunities will represent approximately two-thirds of state and local Recovery Act funding after 2011 according to the GAO.

Figure 8.3. **Composition of state and local Recovery Act funding, FY2009 and FY2010 through 2019 estimated**



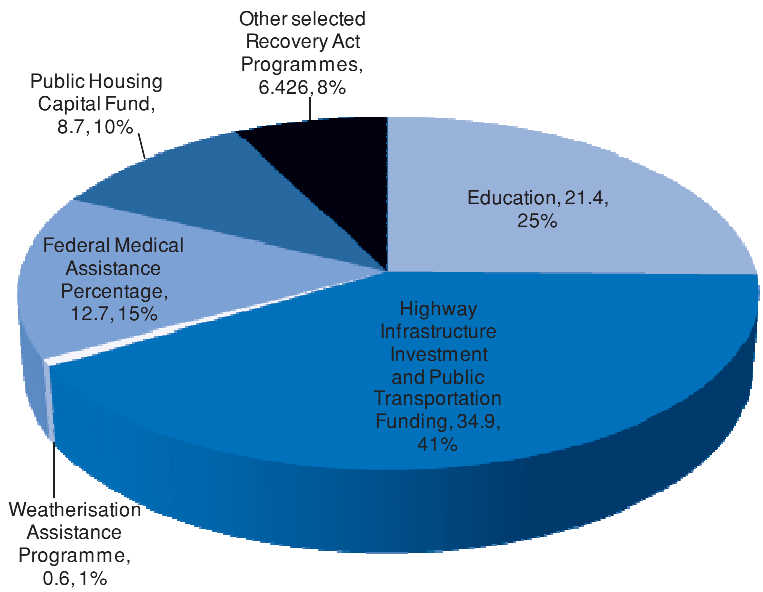
Notes:

1. Each year has a total of 100%. Total in billion is USD 52.9 for 2009; USD 103.7 for 2010; USD 63.7 for 2011 and USD 61.9 for 2012-19.

2. Percentages may not total due to rounding.

Source: GAO (2010), *States and Localities Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability*, Washington, D.C. Based on analysis of CBO, FFIS and *www.recovery.gov* data.

Figure 8.4. **States' and localities' uses of funds in 16 selected states (which receive two-thirds of the inter-governmental assistance): allocated funding May 2010**



Source: GAO (2010b).

Estimated impact on employment

As a job-creation measure, the US stimulus plan seems to have been successful. Although estimates vary according to economists, there is a relatively broad consensus on the fact that the US fiscal stimulus has contributed to raise aggregate demand and supported employment. Administration estimates suggest that the primary fiscal stimulus package passed in early 2009 has held employment some 2.5 to 3.6 million jobs above what it would have been without the fiscal stimulus (Council of Economic Advisers, 2010b). According to the Congressional Budget Office, the unemployment rate in 2010 will be between 0.7 and 1.8 percentage points lower, as a result of the stimulus package, and the US GDP will be between 1.5% and 4.1% higher (CBO, 2010).

Obstacles and co-ordination challenges across levels of government – lessons learned?

Implementation challenges of ARRA across levels of government have been numerous. They are notably linked to the following types of co-ordination gaps.[15]

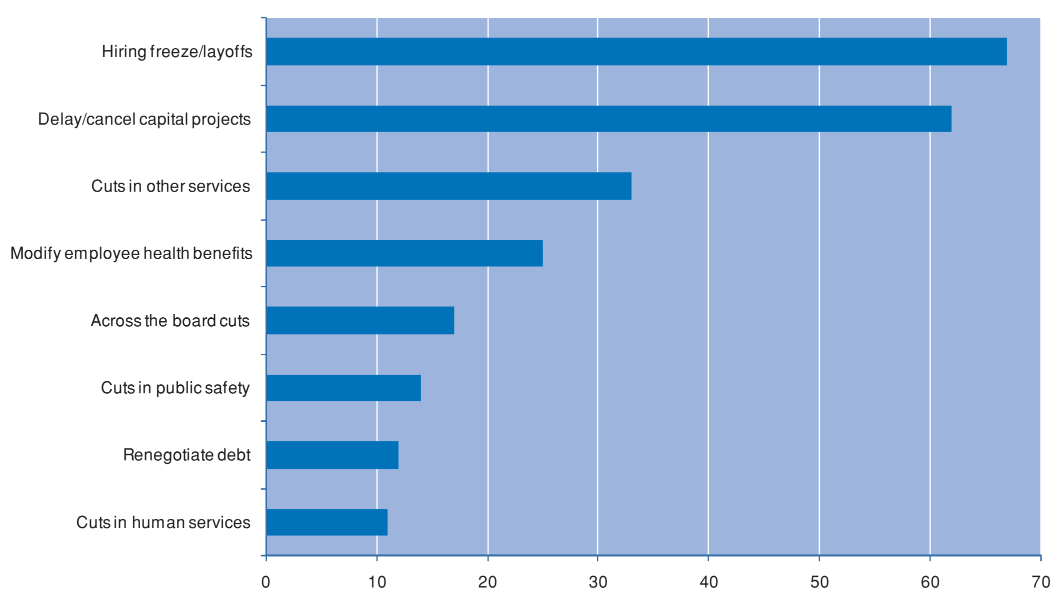
Fiscal challenge

In the United States, 49 states have balanced budget rules enshrined in their constitutions. Any reduction in revenues must therefore be compensated by an equivalent reduction in spending. The crisis has considerably reduced states' revenues, and state budget gaps (i.e. difference between desired spending and projected revenues) have reached unprecedented levels (Bloechliger et al, 2010). Because of balanced budget rules, sub-national governments had to take measures to balance their 2010 budgets. In addition to raising taxes and increasing fees, these measures focused mostly on spending cuts – across the board cuts, education, hiring and salary freezes, layoffs and early retirement, health care, etc. The states cut expenditures by USD 31.3 billion in 2009 and USD 55.7 billion in 2010. The United States is probably the most notable case of pro-cyclical reactions by sub-national governments.

One of the objectives of the ARRA plan was precisely to stabilise state and local government budgets in order to minimise and avoid reductions in essential services and counter-productive state and local tax increases (*www.recovery.org*). ARRA programmes like SFSF were incredibly important and successfully prevented a bad situation from getting worse.

In this tight fiscal context, challenges to implementing a "**maintenance-of-effort provision**" for infrastructure investment in the context of ARRA at the state level have been "tremendous" according to the General Accounting Office (GAO, 2010c). Despite massive federal support to enhance investment, many states and municipalities have had to cut capital expenditures to balance their budget. The United States is actually the most drastic example of capital spending cuts in the OECD – they have been much sharper than in European countries (OECD, 2010b). Federal funds have provided a certain amount of replacement spending in several states, despite the attempts of the legislation to avoid this. For example, the federal authorities have shown some flexibility on this point for California's transport spending[16] (GAO, 2010c).

Figure 8.5. **US city spending cuts in 2009**



Source: National League of Cities in OECD (2010), "The Impact of Fiscal Consolidation at Sub-National Level: Where do We Stand?", GOV/TDPC/RD(2010)8, OECD, Paris.

Policy challenge: urgency vs. *cross-sectoral co-ordination*

There is an inherent short term *vs.* long term tension in public investment plans launched during the crisis, between using public investment as a demand- and employment-boosting macroeconomic measure and trying to ensure maximum efficiency of public investment over the long term. During the crisis and recession, the economic and political context call for short-term measures, with the highest impact on employment, which may not necessarily be the most appropriate in a long-term perspective. This challenge is faced by all countries which have used public investment as a key instrument in the recovery. The emphasis on speed in getting funds obligated, although understandable as a goal, has probably overshadowed planning for maximising economic impact. The priority has been the **rapid absorption** of funding, which provides some advantages in terms of the short-term impact of the funding for employment support – the first objective for ARRA – but limits the use of funding for large-scale investment projects for long-term needs, which by nature take longer to design. To meet the one-year deadline for obligating Recovery Act transport funds, states have had to focus on small-scale projects which do not require long design phases.[17] This task has been complicated by the requirement that the stimulus funds not be used as a substitute for funds already allocated to specific projects. The need for speed, plus the non-replacement requirement, has been particularly constraining in the transport sector. Some 63% of the highway funding (i.e. USD 16.2 billion) has been spent on pavement improvement and widening (DOT, 2010).

The ARRA recovery plan has been designed with a strong sectoral dimension along the lines of existing federal programmes (for highways, transit, housing, broadband, energy, etc.), which provides some advantages for rapid implementation. More than 12 federal agencies and departments are responsible for the successful implementation of ARRA programmes (Table 8.A1.1). A key challenge is to enhance co-ordination across programmes and to develop co-ordinated approaches for the use of funding. At the federal level, co-ordination bodies have been established such as the Recovery Implementation Office in the White House, which co-ordinates the implementation of ARRA and reports directly to Vice President Biden. In many states, the vertical approach to investment has remained prevalent, although some initiatives have been taken in some states to foster cross-sectoral co-ordination across programmes (for example in Colorado, New York and Ohio, see Table 8.A1.2).

Given the potential positive and negative spillovers across jurisdictions' investment decisions, inter-state co-ordination is important. There are many non-federal organisations that help co-ordinate among states on these issues, including the National Governors Association, the National Association of Counties, the League of Cities, the Conference of Mayors, the National Association of State Budget Officers and the National Association of State Auditors, Comptrollers and Treasurers.

Capacity challenge

Given the urgency requirements in the use of funding and the rigorous reporting requirements, local governments with an efficient administration which allows them to take immediate action are likely to be the most successful in securing ARRA funding (CGS, 2009). States and governors have had to build or expand capacity for strategic planning and workforce capacity to develop and monitor a rapid growth in contracts. They also have to facilitate local government and private sector opportunities to utilise federal grant and loan programmes to the maximum extent. The challenges for the absorption of funding for SNGs have mainly been linked to the contracting capacity as well as the monitoring one. Some local governments lack the trained manpower needed to carry out intensive contracting processes (NGA, 2010). This, combined with the staff reductions carried out at the state level, has raised problems for the absorption of funding.[18]

Distressed areas and small municipalities have been less able to apply to relevant programmes and absorb the funding in the relevant timeframe. For example, in a survey carried out in Michigan in 2009[19] in more than 1 300 municipalities, 89% of small municipalities (below 1 500 inhabitants) reported not having received funding through formulas for existing programmes, whereas 64% of large municipalities (above 30 000 inhabitants) reported receiving such funding. For competitive grants programmes, 67% of small municipalities reported not having applied for such grants, whereas only 7% of large municipalities did not apply for these programmes.

Information gap

Although federal agencies have actively communicated around the ARRA programme, as transparency is a founding principle of the act, small municipalities have had more difficulties in gaining access to information. There seems to be a correlation between city size and access to information: for example, the same Michigan survey shows that 51% of municipalities with fewer than 1 500 inhabitants felt badly informed about ARRA opportunities, whereas 74% of municipalities of more than 30 000 inhabitants felt well informed.

The information gap is not only bottom-up, but top-down, linked to the lack of information and data on local needs. For example, economically distressed areas targeted by ARRA have been defined by the Public Works and Economic Development Act of 1965 and may not necessarily correspond well to the areas most affected by the 2008 crisis. According to the GAO, this is also linked to the difficulty in obtaining current data (GAO, 2010c). Hence, some states have developed their own eligibility requirements for economically distressed areas using data or criteria not specified in the Public Works and Economic Development Act (this is the case for example of Arizona, California and Illinois).

Little evaluation is conducted on the long-term impact of ARRA-funded projects, in particular for infrastructure and transport. For infrastructure investment, little analysis is conducted on whether investments produce long-term benefits, since the requirement for performance monitoring is based on inputs (such as number of kilometres of roads or level of expenditures) rather than outcome or long-term objectives. The Recovery Act did not include requirements that the Department of Transportation (DOT) or the states measure the impact of highway and transport investment on economic performance to assess whether these projects ultimately produced long-term benefits[20] (GAO, 2010c). The Department of Transportation is not currently assessing the impact of Recovery Act funds on the transport system but is considering ways to better understand and measure impacts (GAO, 2010c). At the state level, the quality of data collection varies across states, and some states currently measure, collect and track extensive performance metrics based on their individual priorities and definitions.

A few lessons in terms of multi-level governance

The crisis and subsequent recession have highlighted some governance gaps in the United States, in particular the need for enhanced dialogue and policy coherence across levels of government. The US Government has created new dialogue structures, such as the newly named Office of Public Engagement and Intergovernmental Affairs[21] – an integral part of the executive branch, which aims to increase consultation and co-operation with state and local leaders.

Collaboration, accountability, speed and transparency have been the essential conditions for rapid implementation of the ARRA recovery scheme (DiGiammarino, 2010). The implementation of ARRA has been fast, showing that in times of urgency it is better to rely on existing programmes and investment schemes rather than building new sets of rules from scratch. In the United States, reliance on the existing federal framework for most investment programmes (highways, transit, housing, etc.) has facilitated the understanding of the federal requirements associated with this funding and the monitoring process. The states met the one-year deadline for obligating Recovery Act transport funds in part because state officials are working with a familiar federal framework.

Leadership from the top has proven critical in the implementation of ARRA. In the United States, the Vice President demanded and drove action and held federal agencies and state governors accountable for every Recovery Act dollar they received. The Vice President has held over 15 Recovery Cabinet meetings and conducted 57 conference calls which have collectively included the governors of all 50 states, five representatives from US territories, 119 mayors and 37 county executives. At the state level, each state designated a person in charge of recovery implementation. Several cities also designated a point person to manage recovery. The fact that the Recovery Act was presented as a distinct package made it easier to appoint a single responsible person on the state and agency level.

Collaboration led to new processes being developed to implement the Recovery Act. These processes ranged from large-scale changes within federal agencies to smaller but impactful innovations like the Vice President's 24-hour rule, or Agriculture Secretary Vilsack's review of all Recovery Act awards made by his agency. The Vice President's 24-hour rule is that ARRA teams had to get back to any agency, state, city or other recipients within 24 hours if they had a question or problem concerning the Recovery Act. This contributed to the speed and the accountability of Recovery Act implementation (DiGiammarino, 2010).

The use of technology was also greatly important in contributing to the accountability, speed and transparency of the Recovery Act. Enhanced systems and new processes were created both across government and federal agencies. A new reporting system was set up that requires prime and sub-recipients of recovery contracts, grants or loans to report ten days after quarter close on what progress they have made with the money. Twenty days after they post, the data is reviewed and published on *www.recovery.gov* for anyone to review. Technology has also allowed federal employees to more quickly collaborate to solve problems: allowing them to track more data in better ways to increase accountability, and synthesise and publish that data to meet transparency goals.

The high level of transparency requested in the use of funding has also stimulated new governance approaches to keep citizens informed at each step of the implementation (through government web sites to share information) and strategies to develop input directly from the public as well as local governments and the private sector. A thoughtful planning process that involves multiple stakeholders can help both to identify priorities and the opportunities to co-ordinate a variety of funding sources to help achieve broader goals. In Virginia, for example, the governor has taken a grass-roots approach to planning for the stimulus package and has set up a website seeking input from citizens, local governments and community groups (see Table 8.A1.2). However, given that planning processes are by nature quite long, relying on pre-existing investment strategies in a crisis context facilitates reactivity.

Looking forward

The implementation of ARRA has highlighted some multi-level governance challenges in the United States that are relevant to address even outside of a crisis context. Although challenges remain important at the state level, particularly in respect of fiscal matters, the crisis and recovery may also be opportunities to further improve the governance of public investment with attempts to complement sectoral approaches by multi-sectoral ones, conditioned by inter-departmental dialogue, with possible merging of different funding sources from the central government. Co-funding mechanisms in a multi-year process could also be discussed as a follow-up to ARRA on a more permanent basis. The proposed new infrastructure plan goes in that direction, as it proposes to set up a government-run infrastructure bank to leverage federal money with state, local and private sector investments to finance projects and better prioritise investment projects.

The issues arising from the lack of a strategic territorial approach to investment prior to the crisis may have contributed to a renewed focus on regional policy in the recovery context. An increased co-ordination process at federal level for regional development policy is notable. In August 2009, the Obama administration also released a "Memorandum for the Heads of Executive Departments and Agencies", framing the new US approach to place-based policies. The intent is to create a more effective, multi-level governance framework, to influence how rural and metropolitan regions develop through streamlining otherwise redundant and disconnected programmes, and to identify principles for regional policy that are clear and measurable.

As a result, integrated approaches to regional policy have begun to surface across the federal government. One example of this renewed focus is the attention granted to clusters. Specifically, USD 300 million has been requested for regional innovation clusters in the FY2011 budget. The National Economic Council is co-ordinating these efforts, which will involve six agencies: the Departments of Commerce, Education, Energy, Labor, the National Science Foundation and the National Institute of Standards and Technology. Ultimately, these federal agencies will seek bids from regional economies around the country, which will require a "bottom up" self-organising effort by states and localities, universities and federal research labs, workforce development agencies and the private sector. Another example is the *Livable Communities Initiative*, a new inter-departmental approach to regional policy, which has been introduced in the US Congress. This legislation and interim administrative actions will support regional efforts at the Departments of Housing and Urban Development, Commerce, Transportation, Environmental Protection, and the United States Department of Agriculture.

Notes

1. Notably through the Troubled Asset Relief Program (TARP).
2. The Recovery Act appropriated USD 8.4 billion to fund public transit throughout the country through existing Federal Transit Administration (FTA) grant programmes.
3. USD 48.6 billion to award to states for education by formula and up to USD 5 billion to award to states as competitive grants.
4. According to the *OECD Economic Survey of the United States*, to achieve the goal of reducing the federal deficit to 3% in 2015, spending restraint is unlikely to suffice, so taxes will also have to increase (OECD, 2010).
5. This would include in particular an extension of the R&D tax credit (USD 100 billion). Other tax cuts for multi-national companies, oil and natural gas companies would on the other hand be suppressed (Financial Times, 2010).
6. Additionally, many of the competitive grant programmes did not go directly to state or local governments, but rather to entities such as non-profit organisations, private businesses or consortia.
7. These mechanisms are particularly important in the Highways Program and education programmes, among others.
8. The way in which the maintenance-of-effort provision has been defined (i.e. level of investment planned the day of enactment of the ARRA Act) has been criticised as some officials suggested an averaging of prior expenditures and commitments would be more workable than a point-in-time estimate, although this might also commit states to spending levels that were established when the economy was stronger.
9. Unless other timelines are established in the legislation for a specific programme (for the Education Program for instance), the timeline is 30 September 2011.
10. It is just the tail of the actual spending path that will stretch into future years; more than 70% of the total ARRA has either been outlaid or already been claimed as tax reductions.
11. *www.recovery.gov.*
12. To qualify as an economically distressed area, an area must: *i)* have a per capita income of 80% or less of the national average; *ii)* have an unemployment rate that is, for the most recent 24-month period for which data are available, at least 1% greater than the national average unemployment rate; or *iii)* be an area that the Secretary of Commerce determines has experienced or is about to experience a "special need" arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe short- or long-term changes in economic conditions.
13. *www.recovery.gov/FAQ/Pages/FundsAwardedExplanation.aspx.*
14. *www.recovery.gov.*

15. The terminology "gap" refers to the OECD (2009) analytical framework on multi-level governance.

16. Projects already launched with state bond monies risked being cut off when the state's budget woes caused it to stop issuing bonds in December 2008. The state is using stimulus funds to continue some of these projects, and it will use future bond sale receipts to pay for stimulus-funded projects.

17. This characterisation does not apply to certain programmes that were intentionally designed to spend out more slowly and have a longer term impact, such as high-speed rail.

18. For example, Officials at the Iowa Department of Education expressed concern that recent staff reductions at the state level and a steady loss of experienced business managers in many LEAs across the state could result in less oversight of funds.

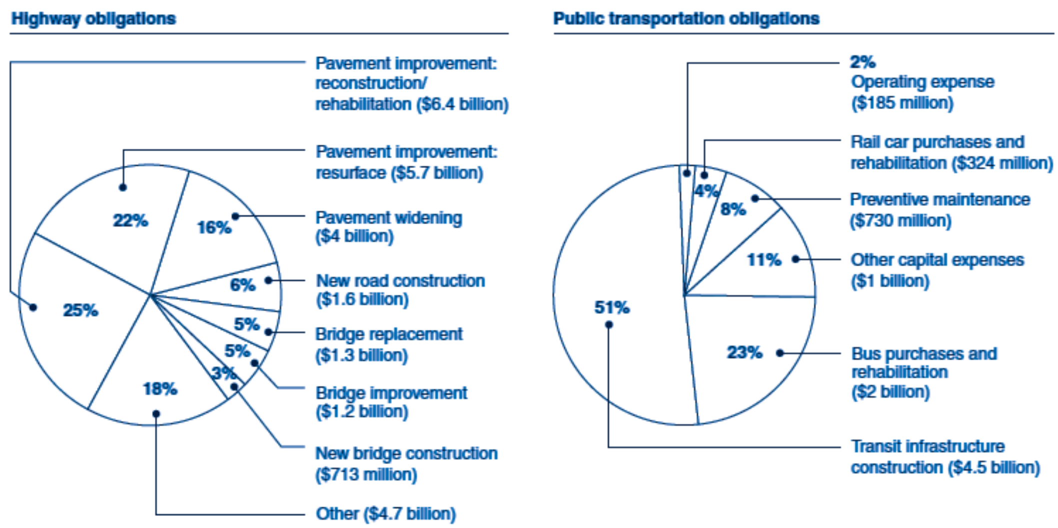
19. The Michigan Public PolicySurvey is a biannual survey of each of Michigan's 1 856 units of general purpose local government. A total of 1 204 jurisdictions in the spring 2009 wave and 1 303 jurisdictions in the fall 2009 wave returned valid surveys (Center for Local, State and Urban Policy, 2010).

20. This is the long-standing practice of the federal government with regard to highway spending; states have historically been given significant discretion in their use of highway funds.

21. The White House Office of Intergovernmental Affairs works closely with state, tribal and local officials to ensure effective government co-ordination. State, tribal and local governments are critical to the creation and implementation of national policy; thus, maintaining a strong partnership is the best way to provide strong leadership and bring change to US citizens. See *www.whitehouse.gov/administration/eop/iga*.

Annex 8.A1

Figure 8.A1.1. **ARRA highway and public transport obligations by project type**



Source: GAO analysis of DOT data.

Notes: Highway and public transportation percentages may not add to 100 because of rounding.

Public transportation obligations include Recovery Act funds that were transferred from FHWA to FTA. The category "other" includes safety projects, such as improving safety at railroad grade crossings, engineering, right-of-way purchases, and transportation enhancement projects, such as pedestrian and bicycle facilities. "Transit infrastructure construction" includes engineering and design, acquisition, construction, and rehabilitation and renovation activities. "Other capital expenses" includes leases, training, finance costs, mobility management project administration, and other capital programs.

Highway data are as of August 2, 2010, and public transportation data are as of August 3, 2010.

Source: GAO (2010) analysis of DOT (2010) data.

Table 8.A1.1. Selected grant programmes and their administering federal agency or office

Federal agency	Agency office	Grant programme of programmes administered
Department of Agriculture	Food and Nutrition Service	Supplemental Nutrition Assistance Program
	Forest Service	Wildland Fire Management Program
Department of Commerce	National Telecommunications and Information Administration	Broadband Technology Opportunities Program/ State Broadband Data and Development Program
Department of Education	Office of Elementary and Secondary Education	Elementary and Secondary Education Act Title I-A grants
		State Fiscal Stablization Fund
	Office of Special Education and Rehabilitative Services	Individuals with Disability Education Act Part B and C grants
Department of Energy	Office of Energy Efficiency and Renewable Energy	Clean Cities Program Energy efficiency and conservation block grants Weatherization Assistance Program
Department of Health and Human Services	Administration for Children and Families	Childcare and development block grant Community services block grants Head Start/Early Start Recovery Act impact on child support incentives Titla IV-E adoption assistance and foster care programs
	Centres for Medicare and Medicaid Services	Medicaid Federal medical assistance percentage
	Health Resources and Services Administration	Capital Improvement Program Increased demand for services
Department of Homeland Security	Federal Emergency Management Agency	Emergency Food and Shelter Program Recovery Act assistance to firefighters fire station construction grants
Department of Housing and Urban Development	Office of Community Planning and Development	Community development block grants Homelessness Prevention and Rapid Re-housing Program Neighborhood Stabilization Program II
	Office of Public and Indian Housing	Public Housing Capital Fund
Department of Justice	Office of Community Oriented Policing Services	Community Oriented Policing Services Hiring Recovery Program
	Office of Justice Programs	Assistance to Rural Law Enforcement to Combat Crime and Drugs Program Edward Byrne Memorial Justice Assistance Grant Program Internet crimes against children initiatives
	Office of Violence Against Women	Services training officers prosecutors violence against women formula grants
Department of Labor	Employment and Training Administration	Senior Community Service Employment Program Workforce Investment Act Title I-B grants

Table 8.A1.1. Selected grant programmes and their administering federal agency or office *(cont'd)*

Federal agency	Agency office	Grant programme of programmes administered
Department of Transportation	Federal Aviation Administration	Airport Improvement Program
	Federal Highway Administration	Federal Aid Highway Surface Transportation Program
	Federal Transit Administration	Fixed Guideway Infrastructure Investment Program Transit Capital Assistance Program Transit Investments for Greenhouse Gas and Energy Reduction Grant Program
	Office of the Secretary	Transportation investment generating economic recovery discretionary grants
Environmental Protection Agency	Office of Air and Radiation	Diesel Emission Reduction Act grants
	Office of Solid Waste and Emergency Response	Brownfields Program
	Office of Water	Clean Water State Revolving Fund Drinking Water State Revolving Fund
National Endowment for the Arts		National Endowment for the Arts Recovery Act grants

Source: GAO (2010).

Table 8.A1.2. New types of governance arrangements for the implementation of ARRA at the state level

New types of governance arrangements	Examples
Cross-sectoral co-ordination for the design	– Colorado: 11 transportation commissioners determine which projects to fund based in part by recommendations for local governments and planners. – Connecticut: a working group was created of municipal officials, business leaders, legislators and state agencies to determine the final list of stimulus projects. – Kansas: Governor Sebelius has assembled a group of key state officials, including four representatives appointed by state legislative leaders, to better prepare Kansas for the use of new federal funds. – Kentucky: the governor has created an inter-agency workgroup with representatives from state Cabinets and agencies to advise on implementation of the stimulus. – New Jersey: the governor has formed a federal stimulus working group to spearhead New Jersey's efforts in maximising federal economic stimulus aid and a second group to monitor job creation resulting from his Economic Assistance and Recovery Plan. – New York: Governor Paterson has created the New York State Economic Recovery and Reinvestment Cabinet to manage the development and state and local infrastructure projects financed through the ARRA. The cabinet will oversee the distribution of federal funds throughout the state for projects involving transport, water and sewer, energy, technology and other infrastructure. It will work closely with local governments to ensure federal dollars reach critical projects and put people to work as quickly as possible. – Ohio: a cross-agency team is working together to administer all federal stimulus activities.
Implementation and monitoring	– California: every agency is part of a working group to constantly monitor the implementation of the stimulus. – Michigan: Governor Granholm has established the Michigan Economic Recovery Office to co-ordinate the implementation of the recovery programme. Advising the office are five working groups: infrastructure, schools, IT and broadband, buildings and greening.
Lead co-ordinator or task force for monitoring the implementation	– Iowa: the governor has convened a working group consisting of the state agencies that will oversee the implementation and maximisation of recovery funds. – Oklahoma: the governor has assigned Cabinet officials to analyse the operational, financial, legal and management responsibilities of the stimulus package. They are working with technical teams in all areas of state government to examine the potential for strategic partnerships, to develop accountabilities, review processes and ensure reporting requirements are met.
Evaluating the impact	The Massachusetts DOT recently developed an Office for Performance Management that will eventually focus on measuring the impact of the state's entire portfolio of infrastructure investment, but the office is in its early stages of development and it is uncertain as to when the office will be able to produce results.
Inputs from the public and private sector	– Maine: guidance and inputs from lawmakers (provide legislative leaders with an opportunity to review a plan for spending the stimulus). – Oregon: the governor created a new public-private advisory council called the Oregon Way Advisory Group to use Oregon's green advantage to maximise potential grants from the federal economic recovery package to create jobs immediately and for the long term.
Keep citizens well informed	Most states have developed web sites on follow-up of the use of funding.
Facilitate application from private actors	Ohio: those interested in applying for stimulus funds submit a one-page form on the web site which is then forwarded to Ohio agencies and staff for review and next steps.

Source: NGA web site (2010).

Table 8.A1.3. Allocation of funds analysis for the 16 states covered by GAO (two-thirds of funding to SNGs)

Programme/policy	Amount allocated and criteria for allocation	Key priorities in spending	Amount implemented as of 1 November 2010
Federal Medical Assistance Percentage (FMAP)Medicaid	USD 58.93 billion awarded.		As of 31 July 2010, the 16 states and the District of Colombia had drawn down USD 43.9 billion in increased FMAP funds, which is 75% of the total USD 58.9 billion in increased FMAP that we estimated would be allocated to these states and the District through 31 December 2010.[1] The national drawdown mirrors the experiences of our sample states, with the 50 states and the District having drawn down 74% of their estimated total allocation of nearly USD 87 billion through the end of 2010.
Education	USD 48.6 billion to award to states by formula and up to USD 5 billion to award to states as competitive grants.	The Recovery Act created the SFSF in part to help state and local governments stabilise their budgets by minimising budgetary cuts in education and other essential government services, such as public safety. Stabilisation funds for education distributed under the Recovery Act must first be used to alleviate shortfalls in state support for education to local education agencies (LEA) and public institutions of higher education (IHE). The application required each state to provide several assurances, including that the state will meet maintenance-of-effort requirements (or will be able to comply with the relevant waiver provisions) and that it will implement strategies to advance four core areas of education reform.[2]	As of 27 August 2010, the District and states covered in GAO's review had drawn down 72% (USD 18.2 billion) of their awarded State Fiscal Stabilization Fund (SFSF) education stabilisation funds; 46% (USD 3.0 billion) for Elementary and Secondary Education Act, Title I, Part A; and 45% (USD 3.4 billion) for Individuals with Disabilities Education Act, Part B. In the spring of 2010, GAO surveyed a nationally representative sample of local educational agencies (LEA) and found that job retention was the primary use of education Recovery Act funds in school year 2009-10, with an estimated 87% of LEAs reporting that Recovery Act funds allowed them to retain or create jobs.

Table 8.A1.3. Allocation of funds analysis for the 16 states covered by GAO (two-thirds of funding to SNGs) *(cont'd)*

Programme/policy	Amount allocated and criteria for allocation	Key priorities in spending	Amount implemented as of 1 November 2010
Highway Infrastructure Programme	States are required to ensure that all apportioned Recovery Act funds – including sub-allocated funds – are obligated within one year. The Secretary of Transportation is to withdraw and redistribute to eligible states any amount that is not obligated within these time frames. Additionally, the governor of each state must certify that the state will maintain its level of spending for the types of transport projects funded by the Recovery Act it planned to spend the day the Recovery Act was enacted.[3]	The Recovery Act requires that 30% of these funds be sub-allocated, primarily based on population, for metropolitan, regional and local use. Highway funds are apportioned to states through federal-aid highway programme mechanisms, and states must follow existing programme requirements. While the maximum federal fund share of highway infrastructure investment projects under the existing federal-aid highway programme is generally 80%, under the Recovery Act, it is 100%.	States and transit agencies continue to use Recovery Act funding to improve the conditions of the transport system. Nationwide, about half (or over USD 12 billion) of the highway infrastructure Recovery Act funds were obligated primarily for pavement improvement reconstruction, rehabilitation, and resurfacing. About USD 35 billion that the Recovery Act provided for highway infrastructure and public transport was obligated by the one-year deadline; therefore, no Recovery Act funds were withdrawn for redistribution. The Federal Highway Administration (FHWA) obligated about USD 26.2 billion of the USD 26.7 billion that was apportioned to all 50 states and the District of Columbia for over 12 000 highway infrastructure and other eligible projects nationwide. In addition, by the 2 March 2010, deadline, about USD 420 million of the apportioned amount that was not obligated to highway projects was transferred from FHWA to the Federal Transit Administration (FTA) to be obligated for transit projects.65 FTA obligated all of the approximately USD 8.4 billion that was apportioned to fund public transport projects as well as all but USD 78 million of the about USD 420 million transferred from FHWA to FTA. FTA awarded these funds to about 1 000 grants nationwide by the 5 March 2010, deadline.66 The United States Department of Transportation (DOT) has determined that once Recovery Act highway funds are transferred to FTA, these funds are not subject to the Recovery Act's one-year obligation deadline for either FHWA or FTA because they are subject to the provisions of the law that apply generally to the transfer of highway funds to FTA.

Table 8.A1.3. Allocation of funds analysis for the 16 states covered by GAO (two-thirds of funding to SNGs) ***(cont'd)***

Programme/policy	Amount allocated and criteria for allocation	Key priorities in spending	Amount implemented as of 1 November 2010
Public Transit Program	The Recovery Act appropriated USD 8.4 billion to fund public transit throughout the country through existing Federal Transit Administration (FTA) grant programmes, including the Transit Capital Assistance Program, and the Fixed Guideway Infrastructure Investment Program.	Under the Transit Capital Assistance Program's formula grant programme, Recovery Act funds were apportioned to large and medium urbanised areas – which in some cases include a metropolitan area that spans multiple states – throughout the country according to existing programme formulas. Recovery Act funds were also apportioned to states for small urbanised areas and non-urbanised areas under the Transit Capital Assistance Program's formula grant programmes using the programme's existing formula. Transit Capital Assistance Program funds may be used for such activities as vehicle replacements, facilities renovation or construction, preventive maintenance, and paratransit services. Recovery Act funds from the Fixed Guideway Infrastructure Investment Program were apportioned by formula directly to qualifying urbanised areas, and funds may be used for any capital projects to maintain, modernise or improve fixed guideway systems. As they work through the state and regional transport planning process, designated recipients of the apportioned funds – typically public transit agencies and metropolitan planning organisations (MPO) – develop a list of transit projects that project sponsors (typically transit agencies) submit to FTA for approval[4]	About half of the public transport funds (or over USD 4 billion) has been obligated for transit infrastructure construction, such as upgrading power substations or enhancing bus shelters.
Weatherization Assistance Program	The Recovery Act provides USD 5 billion for weatherisation funding nationwide.		According to DOE officials, as of 15 November 2010, about 240 000 homes have been weatherised nationwide, out of approximately 570 000 homes currently planned for weatherisation.
Broadband Technology Opportunities Program/State Broadband Data and Development Program	The Department of Commerce's National Telecommunications and Information Administration (NTIA) administers the Recovery Act's Broadband Technology Opportunities Program. This programme was appropriated USD 4.7 billion, including USD 350 million for the purposes of developing and maintaining a broadband inventory map.	NTIA has developed the State Broadband Data and Development Grant Program, a competitive, merit-based matching grant programme to fund projects that collect comprehensive and accurate state-level broadband mapping data, develop state-level broadband maps, aid in the development and maintenance of a national broadband map, and fund state-wide initiatives directed at broadband planning.	

Table 8.A1.3. Allocation of funds analysis for the 16 states covered by GAO (two-thirds of funding to SNGs) ***(cont'd)***

Programme/policy	Amount allocated and criteria for allocation	Key priorities in spending	Amount implemented as of 1 November 2010
Transportation Investment Generating Economic Recovery Discretionary Grants	Administered by the Department of Transportation's Office of the Secretary, the Recovery Act provides USD 1.5 billion in competitive grants, generally between USD 20 million and USD 300 million, to state and local governments, and transit agencies.	These grants are for capital investments in surface transport infrastructure projects that will have a significant impact on the nation, a metropolitan area or a region. Projects eligible for funding provided under this programme include, but are not limited to, highway or bridge projects, public transport projects, passenger and freight rail transport projects, and port infrastructure investments.	
Clean Water and Drinking Water State Revolving Funds	Clean Water and Drinking Water State Revolving Funds: the Recovery Act appropriated USD 4 billion for the Environmental Protection Agency's (EPA) Clean Water State Revolving Fund (SRF) and USD 2 billion for the Drinking Water SRF. Nationwide, these funds are being used to support over 3 000 projects.	Although EPA and states have expanded their oversight, current procedures, such as site inspections, may not be adequate. GAO recommends that EPA work with the states to implement specific oversight procedures to monitor and ensure sub-recipients' compliance with Recovery Act provisions.	

Notes: 1. See GAO (2009), *Estimated Temporary Medicaid Funding Allocations Related to Section 5001 of the American Recovery and Reinvestment Act,* GAO-09-364R, Washington, D.C., 4 February 2009. The Recovery Act provided states and the District of Colombia with an estimated USD 87 billion in increased FMAP funds for Medicaid from February 2009 through December 2010. Our estimate was based on funds drawn down by states as of 30 June 30 2010.

2. *i)* Increase teacher effectiveness and address inequities in the distribution of highly qualified teachers; *ii)* establish a pre-K through college data system to track student progress and foster improvement; *iii)* make progress toward rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including students with limited English proficiency and students with disabilities; and *iv)* provide targeted, intensive support and effective interventions to turn around schools identified for corrective action or restructuring. In addition, states were required to make assurances concerning accountability, transparency, reporting and compliance with certain federal laws and regulations. After maintaining state support for education at fiscal year 2006 levels, states must use education stabilisation funds to restore state funding to the greater of fiscal year 2008 or 2009 levels for state support to LEAs and public IHEs. When distributing these funds to LEAs, states must use their primary education funding formula, but they can determine how to allocate funds to public IHEs. In general, LEAs have broad discretion in how they can use education stabilisation funds, but states have some ability to direct IHEs in how to use these funds.

3. As part of this certification, the governor of each state is required to identify the amount of funds the state plans to expend from state sources from 17 February 2009 through 30 September 2010.

4. Metropolitan planning organisations (MPO) are federally mandated regional organisations representing local governments and working in co-ordination with state departments of transport, that are responsible for comprehensive transport planning and programming in urbanised areas. MPOs facilitate decision making on regional transport issues, including major capital investment projects and priorities. To be eligible for Recovery Act funding, projects must be included in the region's Transportation Improvement and State Transportation Improvement Programs.

Source: GAO (2010), "States and Localities Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability", GAO, Washington, D.C.; GAO (2010), "Opportunities to Improve Management and Strengthen Accountability Over States' and Localities' Use of Funds", GAO-10-999, GAO, Washington, D.C., September.

Table 8.A1.4. Examples of municipal fiscal distress in the United States

City (state)	Budget shortfalls
Augusta (Maine)	Mid-year budget shortfall and decreasing budget for next fiscal year, resulting in layoffs, reductions in police and fire overtime and reductions in services.
Baltimore (Maryland)	USD 127 million shortfall, likely resulting in a next round of layoffs and furloughs after having already eliminated more than 500 positions.
Bossier City (Louisiana)	USD 6.5 million deficit in the city's current USD 50.3 million budget, resulting in the proposed elimination of 117 out of 897 positions, including 80 police and fire positions.
Boston (Massachusetts)	USD 130 million shortfall, resulting in layoffs of more than 500 municipal employees.
Cleveland (Ohio)	USD 23 million shortfall, and the city estimates that for every USD 1 million about 20 general city employees or 12 police and firefighters would have to be laid off.
Columbia (Missouri)	USD 4 million budget shortfall in 2009-10, covered through cutbacks in personnel and programmes.
Dallas (Texas)	USD 190 million budget shortfall; 637 full-time positions to be eliminated, including 347 layoffs and cuts to street repairs, libraries and senior services.
Denver (Colorado)	USD 120 million shortfall, resulting in layoffs of 80 positions and early retirement of 322 city workers.
Dover (Delaware)	Budget decrease of USD 10.5 million from in 2009, covered by requiring all city employees to take 12 unpaid furlough days and the deferral of capital improvements.
East Providence (Rhode Island)	Reduced city positions by 55, including 16 in the police department and 28 in the fire department.
Little Rock (Arkansas)	USD 2.8 million shortfall, resulting in USD 200 000 cut in police services and USD 450 000 cut in fire services.
Los Angeles (California)	USD 98 million shortfall in 2009-10, USD 408 million in 2010-11, and predicting total shortfall near USD 1 billion by 2013; the city has already removed 2 400 positions from the city payroll through early retirement, furloughs and other workforce reductions.
Sacramento (California)	General fund revenues declined by USD 15 million, resulting in eliminating funding for 387 positions.
San Francisco (California)	USD 436 million shortfall and expecting USD 80-100 million more due to declining revenue collection and state cuts; mayor asked city departments for 25% cuts.
Seattle (Washington)	USD 72 million budget shortfall, resulting in the elimination of 310 positions and the city using USD 25.4 million of a USD 30.6 million Fiscal Stabilization ("rainy day") Fund.
Springfield (Illinois)	USD 8.5 to USD 12 million shortfall in next fiscal year, which would mean eliminating 136 to 192 positions.
Springfield (Missouri)	USD 13.7 million in budget cuts, resulting in four positions eliminated and furloughs of 158 employees.

Source: Based on Hoene (2009) in OECD (2010), "The Impact of Fiscal Consolidation at Sub-National Level: Where Do We Stand?", GOV/TDPC/RD(2010)8, OECD, Paris.

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