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Testimony of Governor Martin O'Malley
Third Stimulus Oversight Hearing to Examine Challenges Facing
States, Local Governments
July 8, 2009

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Chairman Towns, Ranking Member Issa, and Members of the Committee, it is an honor to be before you today to talk about how Maryland is taking full advantage of the immense opportunities provided by the American Reinvestment and Recovery Act, or ARRA. Mr. Chairman, I am encouraged by the passage of your legislation, the Enhanced Oversight of State and Local Economic Recovery Act, which provides additional guidance from OMB on calculating and reporting job creation data, and allows states the flexibility of using Recovery dollars for administrative functions that are critical to our ability to maintain accountability. The task of expeditiously and responsibly using these funds to revitalize our economy, to keep our families supported in times of economic hardship, and to put people back in jobs has been—and will continue to be—one that is done not only by the states, but with the federal government and our local jurisdictions.

A large part of the issue, which has been brought up throughout the debate on the Recovery Act, is whether we are able to use this critical resource solely to do the work it's intended to do. The other part is whether we are able to implement the Act in a manner that avoids waste, fraud, and abuse – ensuring that every dollar is being used to improve our economy and to create jobs.

The strong emphasis on measurement, reporting, oversight and accountability, prevalent in the ARRA executive guidance and the GAO's evaluations is a critical component, not only of implementation of the ARRA, but of good governance generally. In our public life, we have to be extremely good at measuring inputs in order to serve our taxpayers in an effective manner. We typically refer to those inputs as the budget, and it is typically done on an annual basis, but we have often neglected to pay enough attention to outputs, to the product of government.

However, the Recovery Act has quickly changed that trend. In drafting this law, Congress did not simply want to give money out; it wanted to make sure that this country had the resources it needed to recuperate. President Obama and Congress wanted to make sure that we measured the outputs of the Recovery Act—not just dollars spent, but the jobs created. They had this goal in order to show the American people how this strategic investment impacts their states, their county, their cities, their neighborhoods, and even their neighbors' homes.

And in Maryland, we are doing just that. I want to share with you today how some of our efforts with performance-based governing strategies—specifically the use of “Stats”—have been applied to tracking the implementation of the Recovery Act and its critical outcomes.

I was first introduced to this model of governing about nine and a half years ago when I began my first term as Mayor of the then very troubled City of Baltimore. In Baltimore I was inheriting

decades of population loss, one of the highest violent crime rates, one of the highest addiction rates in the nation, underperforming schools, underperforming and unresponsive city services, littered streets and alleys, thousands of vacant buildings and worse yet, vacant hearts.

Through CitiStat, we began measuring and mapping every conceivable service, problem, and opportunity, and we adopted the NYPD's "ComStat" tenets so that we could act upon our findings. These tenets are: timely, accurate information shared by all, rapid deployment of resources, effective tactics and strategies, and relentless follow-up and assessment.

We made information on our progress available for all to see on our City's website. And together, with the citizens of Baltimore, we were able to make progress for all: making a city where some neighborhoods—once considered ungovernable—function again, reducing violent crime by 40%, more than quadrupling our City's Rainy Day Fund, and reversing four decades of seemingly insurmountable population loss.

Subsequently, in 2007, when we were given the keys to an even larger organization, namely the State government of the great people of Maryland, we took this model with us and created a program called StateStat. StateStat has allowed us to track and measure progress on a level that has never been achievable before throughout Maryland's history.

Every month, State agencies submit data on metrics they obtain for critical programs that support our key governance goals and objectives. We then take this data, analyze it, and meet with agency leadership on a bi-weekly or monthly basis to confront the policy-makers and measure the progress we are making together.

So when the Recovery Act was passed, we were already systematically looking at data and outputs closely, and agencies were already accustomed to analysis of their results on a regular basis by my team. This method gave us an already up-and-running and highly transparent reporting process that could benefit our efforts to track Recovery Act implementation and the impact it would have on our economy in terms of dollars expended and of jobs created and retained. We were poised for both detailed tracking and transparent reporting of the stimulus we were set to receive.

Through StateStat, we are working to track our recovery funds and respond fully to the federal reporting requirements. We are also using this innovative tool to track the outcomes of the recovery dollars spent in Maryland. This tool and related methods are beginning to take root in other states as well, and we feel that it is a model that can and should be replicated.

In StateStat, we regularly use GIS mapping technology to chart our path to better governance. With the Recovery Act, we have engaged the same technologies. We are using our GIS mapping technology to track ARRA funds from the moment they enter the State's coffers through the time they flow through agencies and down to local jurisdictions. Through our interactive website, we are giving those maps to the public, live, in real time. We do this because we want to share with everyone not just how much money we get, but where it goes and why it went there, right down

to the neighborhood where a street is being repaved or a house that is being weatherized. Most of all, we want the public to see the outcomes of our efforts.

I'd like to take the next few moments to show you, briefly, how we are maximizing the opportunities provided by the Recovery Act in Maryland and how we are using our StateStat process to track these resources and meet the reporting guidelines for transparency and accountability in a most expeditious way – in accordance with the intent of the legislation.

Weatherization—Setting Goals and Meeting Them

The first effort I'd like to talk about is the tremendous boost to weatherization programs provided by ARRA. The increased funding to this program was by far the largest enhancement, and we will keep a critical eye on how these new dollars are invested. By way of our proximity to Washington and our program personnel readiness, we hope to make Maryland a true testing ground for the rest of the nation on ways to handle the influx of resources responsibly and to ensure that the neediest communities are served by the program. Before the Recovery Act, Maryland's weatherization program had a \$5 million dollar budget—now it's a \$65 million dollar program. And as you know, this program helps low-income households weather-proof their homes and make them more energy efficient - ultimately leading to lower utility bills. To meet the needs of the program, local weatherization agencies and their contractors will hire hundreds of people to go into houses and perform energy audits that will produce projects for contractors to complete in order to make homes more energy efficient. This process will reduce heating bills and reliance on energy assistance programs while continuing to grow our green sector job market.

To help adjust to this new level of funding, we are setting higher goals to help us rethink what we can do with this program. In the past, we were weatherizing about 400 units a year statewide. Now, we have a goal of weatherizing over 3,000 units in the next 18 months, and we know how many we want to weatherize in every part of our state - by jurisdiction and by month. So, we don't just care that we have a lot more money to weatherize houses, we are focused on setting real goals for houses and units weatherized so that we can, in turn, show people that we are making progress that will make the lives of Marylanders easier.

Furthermore, we are committed to a detailed tracking of the weatherization process. When we first started this effort, we met with Secretary Skinner and his staff at the Department of Housing and Community Development (DHCD), with the goal of making ours a model program for the nation, and we set the goals we wanted for every jurisdiction in Maryland. All of us, as a team, have committed to that goal. Since the dispersal of ARRA funds, Secretary Skinner and his staff from DHCD have continued to come in for their StateStat meetings, and they have sat down with my team - which includes me, by the way. The first thing we have done is to project the map and the data, and ask, "OK, have we met our goals?" If we didn't meet a goal—which the agency helped create—we have figured out the reasons: identifying barriers or perceived barriers to implementation, identifying possible solutions and problem-solving until we are all confident that this investment was paying off. And where we have met our goals, we have seen that we

were making progress in the right direction.

Not only will we see the homes weatherized, but we will see every contract dollar and all of the other information required for tracking on the federal level - the funding source, the contractor ID number, and the jobs created. This is how we plan to create a transparent reporting system, by tracking all of the money and all of our goals down to a very local level using the StateStat process, and then collecting the information and reporting it all back to the federal government – and to the public by way of our web resources.

Transportation Projects—Showing Impact on the Community

Another area in which we have had success is transportation infrastructure. In Maryland, we had the first shovel in the ground using ARRA funds nationally. That project, a one-mile stretch of New Hampshire Avenue in Montgomery County, is not too far from here, only about 13 miles north, near Silver Spring. We were able to achieve this just days after ARRA was enacted because we were prepared to act. We knew what opportunities we had, and we took a “fix-it first” strategy to use those funds to start projects that we had on our list—projects that only needed the resources to initiate.

We are receiving \$610 million dollars for highway projects and another \$179 million for transit projects from the Recovery Act, and we are applying those dollars to roads and bridges that need repair and to make Maryland’s roads safer. We also are using these resources in the expansion and revitalization of our mass transit system. In total, we hope to support over 17,000 jobs related to this transportation stimulus.

To track our progress, you can use our interactive Recovery map which details each project and provides contractor information and the percentage of the contract that went to minority and small businesses. In Maryland, we have committed to maintaining our aggressive statutory 25% goal in Minority Business Enterprise participation – by Maryland law, this continues to be the standard for every Recovery dollar spent as well, and we are applying our transparency and accountability principles to its implementation.

As a state, we were not insulated from the declining economy. The revenue resources we have historically relied on in Maryland were eroding before our eyes as the recession deepened for all Americans. So when this game-changing Act was signed, we were in a position to avoid budget cuts. The lion’s share of the transportation projects that are now underway were critical safety and system preservation projects that were initially put on hold as a result of the economic downturn.

We knew what projects we had ready, and we put ourselves on the line. Within days, we announced our Phase I projects. In 20 days, we had them certified, rather than the 120 days permitted by the Act. As a result, we were able to get a project that would produce 70 jobs out in days and start filling the 17,000 jobs that ARRA transportation funding can create for Maryland.

Using ARRA to Help our Budget--Medicaid Funds through FMAP

Another issue we have been working on is how to best use the Act's State Fiscal Stabilization funds to assist our state budget and continue to provide services to Maryland families.

When we took office, one of our goals was to use StateStat to cut down on unnecessary expenses, and indeed we were able to cut our overtime expenditures down and close facilities that were dangerous and costly. Because we started tracking outputs, we were able to identify programs that were not working and shift our resources to programs that did work. The inputs were already measured, but by tracking outputs, we were able to make sure for our Administration and for all Marylanders that our investments were strategic and that our efficiencies were not eroding the progress we have worked so hard to achieve.

For example, we had already increased Medicaid enrollment by about 60,000 individuals from the previous January alone. [January 2008—510,561, January 2009—571,580] How did we do this? We made a commitment when we took office to make healthcare more available; we set a goal, tracked our efforts to achieve it, and made sure that people were connected to the opportunity to apply for it.

But when we began our annual Legislative Session back in Annapolis, looking down the barrel of those hard budget decisions—uncertain about the ultimate impact of ARRA—we were forced to articulate a budget that proposed devastating cuts. These cuts were going to impact programs and services which were at the core of our missions. We had some very difficult choices to make.

We wanted to protect the number one education system in America and continue the progress we have made with healthcare. Furthermore, we were faced with the possibility of having to lay off 700 state employees or impact the quality of the comprehensive healthcare benefits that we are offering to Medicaid-eligible adults, children, and families.

Thankfully, the Recovery Act did pass, and we went to work using these resources to not just maintain our programmatic funding levels but to continue the investments we had already made. As of April 2009, we had 597,000 people enrolled in Medicaid, an additional 20,000 Marylanders insured between passage of ARRA and *today*, and we're working to get more people covered.

We are using the resources to provide an increase of about 13% for food stamp benefits, about \$80 a month for a family of four. Given that every dollar from the food stamp program gives us \$1.73 in economic activity, that increase alone could provide significant economic activity.

And we're going further. We have used ARRA funds to hire 100 contractual workers and to train them to process food stamp applications; some of those hired are recipients of welfare assistance. Our success was in processing all of our applications on time while getting people back to work.

With the recovery funds, we are not just temporarily protecting the families that have been hardest hit by the recession. Instead, we are using this opportunity to create lasting jobs for those families and to provide economic assistance at the same time. Our Department of Human Resources, which administers the food stamp program, will also be able to process applications within the federally mandated timeframe. Everyone wins here.

So when we received the recovery funds, we were already tracking the outputs, but now we show how the increased FMAP funds, the increased education funds, and the other critical elements of the Act not only helped stabilize our budget but produced real outcomes for the people of our state. You can also see this on our online Recovery Map with the allocation broken down by county and by program. We did all of this because early on, we made a commitment to track the outcomes of our programs, apply a real, rational effort to achieve our goals, and make them a reality. ARRA gave us an opportunity to share our ethic with our federal partners.

Federal Reporting Requirements and Oversight

In closing, I would like to comment on how StateStat and Maryland's internal oversight will help our state as we start to prepare for our federal reporting requirements. These requirements are an unprecedented shift on the part of the federal government to require performance-based management strategies to the use of federal funds.

The OMB has just released guidance on how we must report. The good news is that, from preliminary guidance and work we have done in Maryland through StateStat and at our state agencies, we are in position to respond by September when we have to begin submitting the reports. We are not 100% there, and we still have some work to do with our state agencies to be sure we get it done right, but we have the key parts in place and intend to report timely.

In addition, we are trying to figure out how to track the jobs. While challenges exist, we have made substantial progress. In all of the contracts we have already put out that are funded by ARRA, we have tried to include placeholder language or amendments requiring the contractor to track job creation. The contractors are getting used to the idea that it will be a requirement, and we are working with them and with our agencies to make sure we produce complete job data.

Another issue that we have faced is how to track and display the dollars that go directly to local governments or are allocated by formula in the most comprehensive and expeditious way. We are reaching out to local jurisdictions and working with them in our reporting process. There is certainly more work to do, but with StateStat, we have the right foundation. As we continue to engage the local jurisdictions, they too begin to see the value of the process.

In Maryland, we have strived to instill a culture of responsibility and accountability in our administration and have been successful. StateStat has been tracking inputs and outputs on a regular basis, so we were ready to respond to federal investment opportunities like the Recovery Act. We were ready to develop our spreadsheets, fill them with data, populate our maps, and

report the data to the federal government and to the people of our state. It is due to this culture of accountability that we could implement sections of the Recovery Act, spend the dollars, produce good jobs, and track the process faster than anyone with off-the-shelf software and rational human effort – in a responsible and expedient manner. Maryland is proud to have developed a model of good governance and stands ready to share it with the Congress, the Administration, and other jurisdictions.