

December 2009

# RECOVERY ACT

## Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability (Texas)



GAO

Accountability \* Integrity \* Reliability

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# Appendix XVII: Texas

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## Overview

The following summarizes GAO's work on the fourth of its bimonthly reviews of American Recovery and Reinvestment Act of 2009 (Recovery Act)<sup>1</sup> spending in Texas. The full report covering all of our work at 16 states and the District of Columbia is available at [www.gao.gov/recovery](http://www.gao.gov/recovery).

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## What We Did

We reviewed the use of Recovery Act funds in Texas for highway and public housing projects. For descriptions and requirements of the programs we covered, see appendix XVIII of [GAO-10-232SP](#). For these programs we focused on how funds were being used; how safeguards were implemented, including those related to procurement of goods and services; and how results were assessed. State highway projects were selected because they had been underway for several months. The San Antonio Housing Authority was selected because it represents one of the largest public housing authorities in Texas, and received the largest Public Housing Capital Fund grant in the state. In addition, Texas highway and San Antonio Housing Authority projects provided us with an opportunity to review contracts. Contracting procedures were reviewed for three highway projects and one public housing project awarded with Recovery Act funds.

Further, we examined Texas's recipient reporting, which identifies the estimated number of jobs created and retained by Recovery Act funding. Finally, we surveyed local educational agencies to identify their plans for using Recovery Act funds.

Our work in Texas also included assessing two localities in Texas to review the overall effect of Recovery Act funding on local governments' budgets, and to describe local Recovery Act programs and projects. We selected the city of Dallas and Denton County because they provide a contrasting perspective concerning the uses of Recovery Act funding by Texas localities. The city of Dallas is the eighth-most populous city in the United States, anticipates receiving significant amounts of Recovery Act funding, and recently reported an unemployment rate higher than the state average. Denton County is one of the fastest growing counties in the United States, recently reported an unemployment rate lower than the state average, and is likely to receive limited amounts of Recovery Act funding.

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<sup>1</sup>Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009).

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## What We Found

- **Highway Infrastructure Investment projects.** The U.S. Department of Transportation's Federal Highway Administration (FHWA) apportioned \$2.25 billion in Recovery Act funds to Texas. As of October 31, 2009, FHWA had obligated \$1.4 billion and reimbursed \$162 million for 181 projects. According to officials, the three highway construction contracts reviewed were competitively awarded at fixed-unit-prices and the contract awards were for less than the state's estimated contract costs.
- **San Antonio Housing Authority.** Texas has 351 public housing agencies that collectively received \$119.8 million in capital fund grants and \$21.5 million in competitively awarded grants under the Recovery Act.<sup>2</sup> The San Antonio Housing Authority received about \$14.6 million in capital fund grants that it plans to use to make capital improvements to its housing developments. The most expensive project, with an estimated cost of \$6.6 million, will completely rehabilitate a development that houses the elderly. Additionally, the San Antonio Housing Authority applied for and was awarded an additional \$5.4 million to be used for capital improvements to 13 developments that house the elderly and persons with disabilities.
- **Education.** We surveyed a representative sample of local educational agencies (LEAs) nationally and in Texas about their planned uses of Recovery Act funds. The survey estimates that 20 percent of the Texas LEAs anticipate job losses even with State Fiscal Stabilization Fund funds. The national estimate was 32 percent.
- **Recipient Reporting.** The State Comptroller's Office took steps to ensure that Texas agencies and institutions reported information accurately and completely for all Recovery Act awards they received. According to officials in the Comptroller's Office, any errors found were communicated to the state entity for disposition, and the Comptroller's Office staff monitored the correction or update. In total, 60 agencies and institutions of higher learning submitted 1,131 recipient reports reflecting almost \$8.9 billion in Recovery Act awards and over \$232 million in expenditures to FederalReporting.gov through October 29, 2009.

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<sup>2</sup>Public housing agencies receive money directly from the federal Department of Housing and Urban Development. Therefore, funds awarded to the public housing agencies do not pass through the Texas state budget.

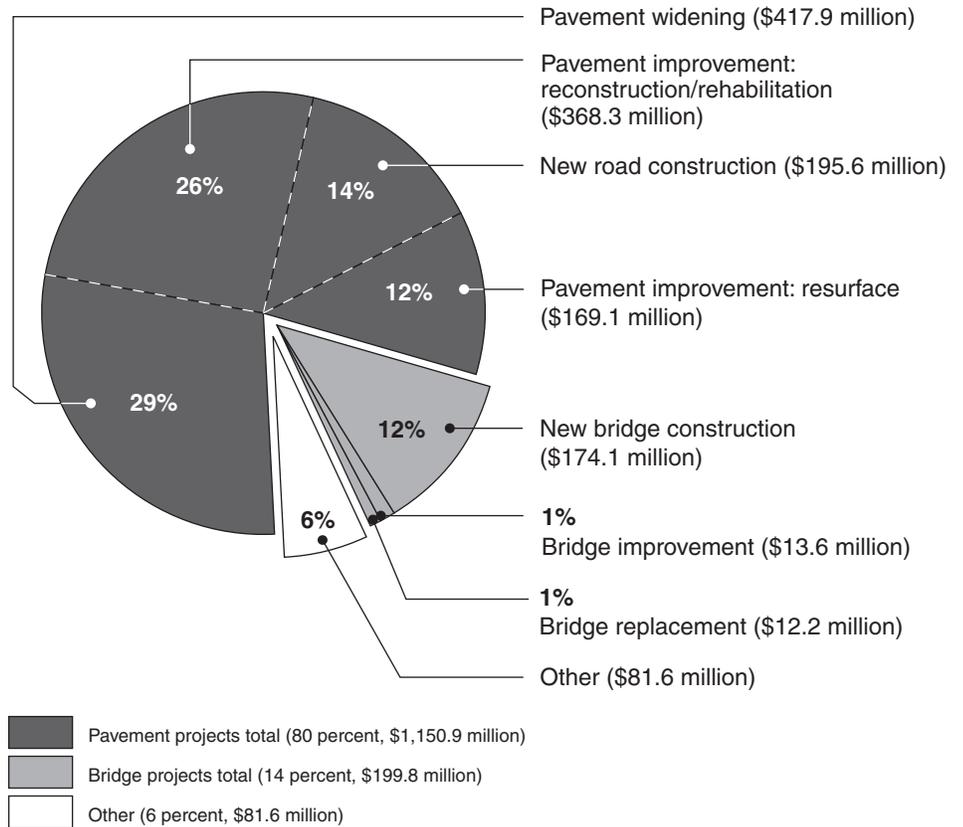
- **Effect of Recovery Act Funds on Local Governments.** The city of Dallas anticipates using Recovery Act funding for programs such as public safety and transportation, and is taking steps to ensure Recovery Act funding is spent in compliance with provisions of the Act. Denton County applied for Recovery Act law enforcement grants; however, Denton County decided not to apply for other Recovery Act funding.

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## Texas Continues to Make Progress on Recovery Act Highway Projects

As we reported in September 2009, \$2.25 billion in Recovery Act funding was apportioned to Texas in March 2009 for highway infrastructure and other eligible projects. According to FHWA data, as shown in Figure 1 as of October 31, 2009, about \$1.4 billion was obligated.

**Figure 1: Highway Obligations for Texas by Project Type as of October 31, 2009 (in millions)**



Source: GAO analysis of Federal Highway Administration data.

Note: Totals may not add to 100 percent due to rounding. "Other" includes safety projects, such as improving safety at railroad grade crossings, and transportation enhancement projects, such as pedestrian and bicycle facilities, engineering, and right-of-way purchases.

Of the \$1.4 billion obligated, \$162 million had been reimbursed for 181 Texas projects. According to a Texas official, the types of projects described above are to relieve congestion, preserve the current system, and provide transportation enhancements. In addition to state projects, the Recovery Act requires that states suballocate 30 percent of Recovery Act highway funds for metropolitan, regional, and local use.

## Recovery Act-Funded State and Local Highway Construction Projects Are Being Completed

In October 2009, we visited two Recovery Act-funded highway projects administered by the state of Texas and one administered by the city of Plano, Texas from funds suballocated for local use. Both state-run projects involved roadway resurfacing. The Texas Department of Transportation (TxDOT) Austin district office provided oversight for an ongoing project we visited and its Tyler district office provided oversight for a completed project we visited. Figure 2 shows work in progress and, according to department officials, was more than 50 percent complete on the Austin district office's project near Lago Vista, Texas. Figure 3 shows the Tyler district office's completed project in Mineola, Texas.

**Figure 2: Resurfacing Work in Progress near Lago Vista, Texas**



Source: GAO.

**Figure 3: Completed Resurfacing Work in Mineola, Texas**



Source: GAO.

We also visited a project using Recovery Act funds to make improvements at the intersection of Preston Road (State Highway 289) and Legacy Drive in Plano, Texas. According to Plano officials, the city of Plano is administering the intersection improvement project in accordance with TxDOT and city contracting procedures. As shown in Figure 4, work is underway on the project to construct right and left turn lanes and install traffic signals.

Figure 4: Improvements in Progress at Intersection of Preston Road and Legacy Drive in Plano, Texas



Source: Texas Department of Transportation.

### State and Local Governments Using Existing Practices to Award Highway Contracts

According to TxDOT and city of Plano officials, the three projects were initiated through competitively awarded fixed-unit-price contracts.<sup>3</sup> According to state officials, after soliciting proposals for the projects, TxDOT received and evaluated four proposals for the Austin district project and three proposals for the Tyler district project. Similarly, Plano officials stated they received and evaluated six proposals for their intersection-improvement project. Both TxDOT and Plano officials stated that fixed-unit-price contracts were awarded for their respective projects.

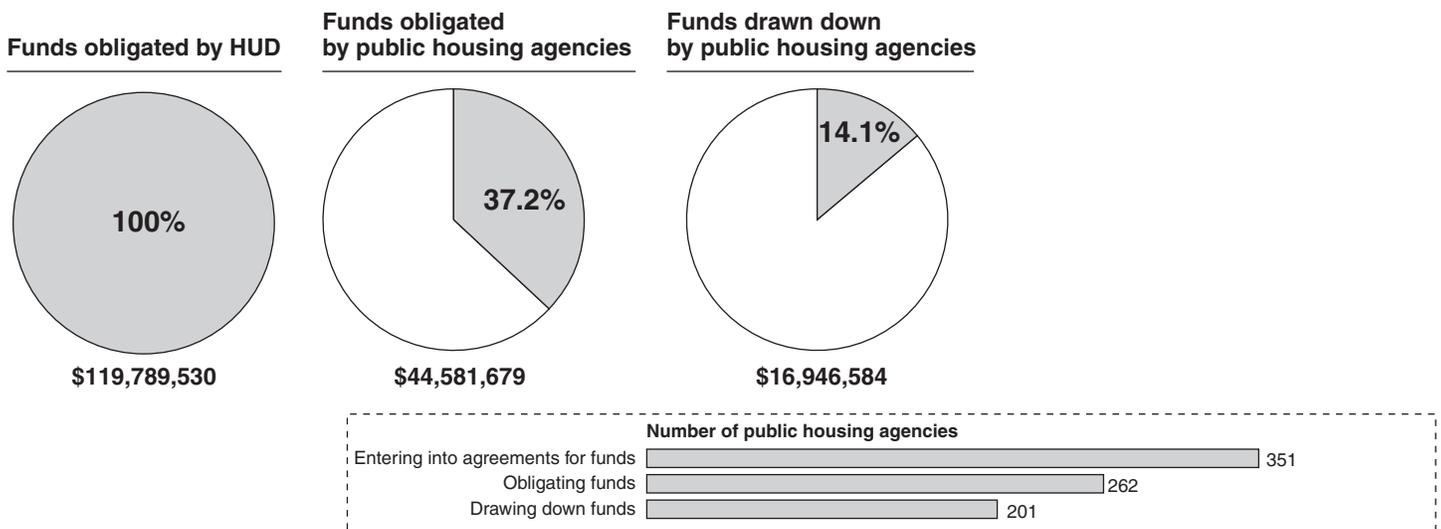
<sup>3</sup>Fixed-unit-price contracts, according to TxDOT and city of Plano officials, include an itemized listing of the contract items, each at a particular unit price. The actual quantities of the items used may vary, but the price per unit will not.

According to TxDOT officials, the state-run Austin and Tyler district contracts were awarded to the lowest bidder for approximately \$3.3 million and \$1.8 million, respectively. Plano officials stated they awarded their contract to the lowest bidder for about \$1.3 million. According to officials, each contract was awarded for a price that was lower than the original state and local estimated cost of the project. TxDOT officials attributed the lower award amounts to reduced material and product prices brought about by low demand and oil prices and possibly contractors eliminating their equipment replacement cost and reducing their profit margins in order to get the contract.

## Housing Agencies Continue to Make Progress on Public Housing Capital Fund Recovery Act Projects

Of the 415 public housing agencies in Texas, 351 collectively received \$119.8 million in Public Housing Capital Fund formula grants (See Figure 5). These grants are provided to public housing agencies to improve the physical condition of their properties. As of November 14, 2009, 262 of these public housing agencies had obligated \$44.6 million and 201 agencies had drawn down \$16.9 million. On average, housing agencies in Texas are obligating funds slower than housing agencies nationally. For this report, we visited the San Antonio Housing Authority (SAHA), a large housing authority with 61 property developments.

**Figure 5: Percent of Texas Public Housing Capital Fund Formula Grant funds Obligated and Drawn Down as of November 14, 2009**



Source: GAO analysis of HUD data.

SAHA has received \$14.6 million in Capital Fund formula grants. As we outlined in our July 2009 bimonthly report, SAHA officials told us they planned to use the majority of these Recovery Act grants for developments previously identified in the agency's 5-year plan.<sup>4</sup> SAHA officials informed us in October 2009 that the projects we previously reported on were proceeding as planned with no significant changes. As of November 14, 2009, SAHA had obligated over \$1 million and expended over \$119,000 and officials expect to obligate at least 71 percent, or \$10.3 million, of their capital fund grant by December 31, 2009. SAHA officials did not foresee any difficulties meeting the Recovery Act's March 17, 2010, deadline for obligating 100 percent of funds.

In May 2009, we visited a SAHA development built in the early 1970s to house the elderly that will be completely rehabilitated. Specifically, this development's cabinets, flooring, and air-conditioning system will be completely replaced, as well as making infrastructure repairs. With an estimated cost of \$6.6 million, this is SAHA's most expensive Recovery Act project. In October 2009 we revisited this development to follow up on the progress made since our previous visit. We found that officials had begun environmental and architectural design work. The environmental work involves asbestos abatement for two units to determine the work required for the remaining 117 units. As shown in Figure 6, this involved removing the walls and ceiling of a unit to reveal the condition of the structure. The architectural work involves creating updated designs and floor plans for the development's units. According to SAHA officials, the architectural design work was initiated through a competitively awarded contract. SAHA officials told us that they solicited and evaluated 17 bids from qualified firms, and in June 2009 awarded a fixed-price contract to an architectural firm with a total value of \$340,000. Officials explained that an amendment to this contract was completed in September 2009 to award an additional \$10,000 for services that include a site topography survey. As of October 2009, the firm had completed the new floor plans for the updated units.

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<sup>4</sup>Projects receiving Recovery Act formula grants include elevator/fire/security upgrades of developments for housing the elderly; playground upgrades of multifamily developments; repair and replacement of ventilation systems, doors, fences, roofs, cabinets at various developments; and a comprehensive modernization of one development that houses the elderly.

**Figure 6: SAHA Unit Undergoing Asbestos Abatement**



Source: GAO.

Note: The cabinets, walls, and ceiling have been removed since our previous visit in order to identify the environmental work required.

SAHA officials issued a Request for Proposal from qualified contractors on November 4, 2009, for the renovation of the development.

With respect to overall management of capital fund procurement activities, SAHA officials told us they have recently taken steps to reduce the potential for fraud. As reported previously, five SAHA employees were charged with federal bribery-related offenses in the summer of 2009. These employees were subsequently terminated. Officials informed us that SAHA’s procurement policies and procedures were revised in August 2009 to include an ethics policy and create stronger internal controls. According to SAHA officials, audit managers are now required to check a minimum number of purchases by randomly selecting purchase orders and comparing them to the requirements delineated in the contract. The agency’s fraud prevention policy was also revised in September 2009 and states what would be considered improper and fraudulent conduct. Additionally, SAHA has established a Fraud Hotline and its Web site now includes information for reporting fraud, waste, and abuse.

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## Projects Funded with Competitive Grants to Begin Soon

In addition to the Capital Fund formula grants, HUD awarded 22 competitive grants with a collective total of \$21.5 million to public housing agencies in Texas. SAHA was awarded nine of these grants, with a total amount of approximately \$5.4 million. According to SAHA officials, these funds will be used for capital improvements to 13 SAHA developments that house the elderly and persons with disabilities. Specifically, SAHA plans to use these funds to modify developments so they are fully accessible and remodel recreational areas for the purpose of maintaining an environment that encourages socialization among residents. As of November 5, 2009, SAHA had not awarded contracts for this work. Officials informed us that they expected to begin awarding contracts by January 2010.

Included in SAHA's list of developments that will receive competitive grants is a housing facility built in the early 1970s with 66 units that, according to SAHA officials, had previously been a detention center. SAHA officials plan to allocate about \$266,000 to this development for capital improvements, including a redesigned layout for recreational areas, new floors, and brighter lighting. Officials stated that they expect work to begin on this project by July 2010 and renovations to be completed by December 2010.

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## Texas Use of Recovery Act Education Funds

We surveyed a representative sample of local educational agencies (LEA)—generally school districts—nationally and in Texas about their planned uses of Recovery Act funds. Table 1 shows Texas and national GAO survey results on the estimated percentages of LEAs that (1) plan to use more than 50 percent of their Recovery Act funds from three education programs to retain staff, (2) anticipate job losses even with State Fiscal Stabilization Fund (SFSF) monies, and (3) reported a total funding decrease of 5 percent or more since last school year.

**Table 1: Selected Results from GAO Survey of LEAs**

Responses from GAO survey	Estimated percentages of LEAs	
	Texas	Nation
Plan to use more than 50 percent of Recovery Act funds to retain staff		
IDEA funds	7	19
Title I funds	12	25
SFSF funds	32	63
Anticipated job losses, even with SFSF funds	20	32
Reported total funding decrease of 5 percent or more since school year 2008-2009	9	17

Source: GAO.

Note: Percentage estimates for Texas have margins of error, at the 95 percent confidence level, of plus or minus 10 percentage points or less. The nationwide percentage estimates have a margin of error of plus or minus 5 percentage points.

The estimates presented above are the results of a national survey of how Recovery Act funds made available by the U.S. Department of Education under SFSF, ESEA Title I, and IDEA were used by LEAs. In designing the survey, we took steps to minimize nonsampling errors by pretesting the survey instrument with officials in five LEAs in July and August 2009. For our survey, we selected a stratified random sample of Texas LEAs and had a response rate of 74 percent. We also interviewed officials at the U.S. Department of Education and reviewed relevant federal laws and guidance.

## Recipient Reporting for Texas State Agencies and Institutions

Under the Recovery Act and related Office of Management and Budget (OMB) guidance, each recipient of Recovery Act funds is required to periodically report on several items for each award. Items to be reported include: (1) the total amount of Recovery Act funds received, (2) the amount of Recovery Act funds that were expended or obligated to projects or activities, and (3) an estimated number of jobs created and retained by projects or activities.<sup>5</sup> The first reporting deadline was October 10, 2009, with quarterly reports due 10 days after the end of each calendar quarter thereafter.

<sup>5</sup>Pub. L. No. 111-5, § 1512(c), 123 Stat. 115, 287 (Feb. 17, 2009).

According to state officials, Texas historically operates in a decentralized manner with regard to interactions with the federal government, and each state agency and institution typically establishes separate relationships with their cognizant federal agency. The October 2009 recipient reporting process was conducted by Texas consistent with this structure. Specifically, state agencies and institutions reported directly to the designated federal Web site<sup>6</sup> on their Recovery Act awards. In total, 60 agencies and institutions of higher learning submitted 1,131 recipient reports reflecting almost \$8.9 billion in Recovery Act awards and over \$232 million in expenditures to FederalReporting.gov through October 29, 2009.<sup>7</sup>

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### Issues Encountered by Texas during the October 2009 Reporting Process

When submitting the first quarterly recipient reports in October 2009, Texas officials said they experienced several technical problems. First, the guidance that OMB issued identified a specific format for the Award Number field in each Section 1512 report. However, the National Institutes of Health (NIH), National Science Foundation (NSF), and U.S. Department of Education's Office of Federal Student Aid provided differing guidance on the formatting of the award number, which led to numerous instances of Texas agencies and institutions needing to resubmit their recipient reports. According to Texas officials, these reports were inaccurately flagged as late submissions because the correction could only be made by deleting the original report and resubmitting a new report with the corrected award number. Second, the TxDOT said it encountered issues when reporting on its Highway Planning and Construction program. TxDOT was unable to use a batch report-submission process designed for centralized state reporting, and submitted its 377 reports individually. Third, TxDOT officials explained that the agency intended to use information provided by the Federal Highway Administration to complete its recipient reporting but, due to data-formatting issues, TxDOT submitted reports based on its internal records. These issues resulted in an increased workload for state officials. According to state officials, none of these technical issues have been resolved to date.

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<sup>6</sup>The Web site is *www.FederalReporting.gov*.

<sup>7</sup>Amounts do not reflect stimulus activity for local Texas governments and other nonstate entities.

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## Texas Used Its Comptroller's Office for Data Quality in Recipient Reporting

The State Comptroller's Office took steps to help ensure that Texas agencies and institutions reported information accurately and completely for all Recovery Act awards they received. Officials explained that an inventory of Recovery Act awards subject to recipient reporting was developed for use by the Comptroller's Office to verify that all awards were accounted for. Sources for the inventory included the statewide accounting system, a weekly reporting database created by the State Comptroller's Office, USASpending.gov, Recovery Act award databases at NIH and NSF, Federal Student Aid notification of awards, and state notifications received from federal agencies starting August 30, 2009. The inventory was compared against an extract provided by the designated federal Web site indicating successful submissions of Texas recipient reports. The data elements checked included Dun and Bradstreet Universal Numbering System number, Catalog of Federal Domestic Assistance (CFDA) number, award number, award date, and award amount. Awards that were not reflected on the extract were documented, researched, and appropriate action taken to ensure all reportable items had a submission to the designated federal Web site. Based on a FederalReporting.gov extract received on October 22, Texas officials found two institutions of higher education that were not included: Texas State Technical College (\$53,536) and Tarleton State University (\$47,584). According to state officials, Federal Student Aid notified institutions on September 24, 2009, of the requirements that their awards were subject to recipient reporting, and did not provide full detail on the reporting requirements until October 9, 2009. State officials said, due to their late start in the reporting process resulting from this delayed notification, these institutions were unable to get registered on time for the October report submission.

The State Comptroller's Office said it also reviewed specific agency-entered fields to help prevent reporting errors. As recipient reports were submitted to the designated federal Web site, it: (1) compared the CFDA, award number, award date, and award amount in the Texas report to state or federal data sources to ensure consistency; (2) verified that total expenditures in the state report were not greater than the award amount; (3) confirmed that state reporting of an award number was not duplicated at the prime-recipient level; (4) performed a review focusing on the avoidance of other reporting errors to the extent downloadable data were available from federal agency award information and specific field-level guidance was provided; and (5) reviewed NIH and NSF reports for the correct funding-agency code and awarding-agency code per guidance by the respective federal agency. As part of this review, the Comptroller's Office said it identified errors with CFDA numbers, award numbers, and

award amounts. According to officials in the Comptroller's Office, these errors were communicated to the state entity for disposition, and Comptroller's Office staff monitored the correction or update.

The State Comptroller's Office is still evaluating the results of the current process and looking into revised plans for the next quarterly report due in January 2010. According to Texas officials, the Comptroller's Office anticipates revising state reporting procedures by mid-December to address lessons learned and best practices. State officials also said that the State Agency Internal Audit Forum has recently developed an audit program related to 1512 recipient reporting for use by Texas internal audit entities that will be monitoring Recovery Act awards. Officials stated they anticipate this program will be completed in December 2009.

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## Use of Recovery Act Funds by the City of Dallas and Denton County

To a varying degree, Recovery Act funding, once awarded, would help support activities in the two Texas local governments we reviewed. The State Comptroller reports local governments in Texas fund their operations from property and sales tax; franchise and user fees; and court costs and fines, with property tax generating the largest amount of revenue. A report by the National League of Cities and our discussions with local officials suggest that, relative to many other states, municipalities in Texas receive very limited revenue from the state. Overall, this report says state aid to municipalities in Texas comprises 4 percent of total municipal general revenue.<sup>8</sup> Instead, information from the State Comptroller indicates Texas cities and counties have the option of imposing an additional local sales tax beyond the state sales tax that, in combination with other revenue sources such as property tax, enables these governments to fund their operations.<sup>9</sup>

We assessed the use of Recovery Act funds for two localities in Texas, the city of Dallas and Denton County. Table 2 provides information about these two localities.

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<sup>8</sup>National League of Cities, *Cities & State Fiscal Structure* (Washington, D.C.: 2008), p. 28.

<sup>9</sup>In the case of counties, the State Comptroller reports approximately half of the state's counties impose a sales and use tax.

**Table 2: Population and Unemployment Rate in Dallas and Denton County**

Name of locality	Population	Locality type	Unemployment rate (percent)
Dallas	1,279,910	City	8.7
Denton County	636,557	County	7.7

Source: U.S. Census Bureau and U.S. Department of Labor.

Note: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

City of Dallas

**Recovery Act Funding Affects Select Programs in Dallas Budget.** Officials noted that because Recovery Act funding is targeted to specific programs, such as public safety and transportation, it only helped offset the effect of revenue declines, and service and staff reductions in those select areas. Dallas experienced declines in property and sales tax revenue for the previous 12 months, and anticipates a decline in property tax revenue for fiscal year 2010.<sup>10</sup> Local officials stated that property and sales tax revenue represent approximately two-thirds of the city’s \$1.3 billion general revenue fund. Further, city officials reported that the decline in tax revenue coupled with a Texas state law requiring local governments to maintain a balanced budget compelled Dallas to close the gap between revenue and expenditures. City officials said the city made service and staff cost reductions to offset the decline in tax revenue. For example, Dallas reduced hours for libraries and recreation centers, privatized the Dallas City Zoo, reduced staff levels by 398 people,<sup>11</sup> eliminated civilian pay-for-performance increases, and instituted a 2-percent pay reduction through five scheduled furlough days in fiscal year 2010. In addition, the city used \$21.7 million from its reserve fund, which is intended to provide additional revenue for the city during periods of revenue decline.

**Recovery Act Funds Have Helped Address Top Priority: Public Safety.** In accordance with the Dallas City Council’s long range strategic plan, a top priority of the city of Dallas is public safety. In the budget for fiscal year 2010, public safety accounts for 33 percent of the city of

<sup>10</sup>The fiscal year for the city of Dallas begins on October 1.

<sup>11</sup>According to Dallas city officials, overall Dallas reduced total full-time equivalents by 1,325. This number includes the elimination of vacant positions, as well as positions that were transferred to entities outside of Dallas city government, such as the Dallas City Zoo.

Dallas's total operating budget. Dallas received both competitive and formula grants from the Recovery Act to hire additional police officers. Dallas plans to hire 50 officers through the \$8.9 million Community Oriented Policing Services Hiring Recovery Program (CHRP) competitive grant, and 41 officers through the \$7.1 million Edward Byrne Memorial Justice Assistance Grant (JAG) formula allocation. The CHRP grant funds police officer positions for 3 years and requires the grant recipient to retain the police officers at the grant recipient's expense for at least 12 additional months after the third year. City officials acknowledged that sustaining the 50 police officers beyond the 3-year period would be challenging, but because public safety is a top priority and because it would be politically difficult to eliminate police officer positions, the city is committed to taking any necessary steps to ensure it can retain the additional officers.

**Steps Being Taken to Enhance Oversight and Management of Recovery Act Funds.** Dallas officials say they have taken several steps to implement oversight and management of Recovery Act funding. The Dallas City Auditor conducted a preliminary risk assessment of the city's internal control systems. According to the Dallas City auditor, the city faces increased risk because ARRA funds must be quickly expended, mandatory reports must be completed within short short time frames, some city departments have not previously administered grants, and employees in newly funded Recovery Act positions may not be familiar with grant administration requirements. Internal control weaknesses have been cited in multiple reports published by the Dallas City Auditor.<sup>12</sup> Furthermore, the Dallas City Auditor acknowledged that noncompliance with provisions of the Recovery Act, such as misspent funds, could pose a significant risk to the city government, with repercussions such as repayment of accepted funds to the federal government. City officials say they are implementing recommendations outlined in the Auditor's risk assessment and as a result believe Dallas has now installed adequate controls for spending Recovery Act funds. For example, Dallas formed an interdepartmental task force to track awarded Recovery Act grants and pending grant applications and to consolidate all recipient reporting to ensure compliance and consistency. The City Auditor's Office plans to visit selected Recovery Act fund

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<sup>12</sup>For example, "Risk Assessment of City of Dallas Implementation of the American Recovery and Reinvestment Act, <http://www.dallascityhall.com/pdf/Auditor/A-10004RiskAssessmentARRAct100909.pdf>

recipients to discuss internal controls and offer fraud deterrence presentations to mitigate fraud, waste, and abuse.

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## Denton County

### **Denton County Applied for Recovery Act Funds for Law**

**Enforcement.** Denton County officials reported the county applied for a JAG grant funded by the Recovery Act. The Denton County Sheriff's Office expects to receive \$34,530 in funding that will be used to purchase a new patrol boat to patrol lakes in the county. The Denton County Sheriff's Office also reported seeking two additional Recovery Act grants: CHRP funding to fund two patrol deputies as well as another Recovery Act grant to fund forensic and court security equipment.

### **Denton County Decided Not to Seek Other Recovery Act Funding.**

A senior county official indicated Denton County does not plan to apply for other Recovery Act competitive grants, based on the following concerns:

- *Challenges in Planning for Recovery Act Funding:* County departments and officials had to plan the budget for the current fiscal year 2010<sup>13</sup> before receiving federal guidance concerning Recovery Act funds. Specifically, county departments and officials began planning the budget for fiscal year 2010 in March 2009, shortly after the Recovery Act was enacted. A senior official reported not receiving guidance from federal agencies concerning Recovery Act programs until the summer months of 2009, making it difficult to incorporate Recovery Act information into the county's budget plans. The county's Sheriff Office applied for Recovery Act law enforcement grants, but officials indicated they were more familiar with this program, having previously received JAG grants before the Recovery Act.
- *Financing Federal Matching Requirements:* Another key concern raised by the senior county official is finding the county funding necessary to pay for the matching requirements of some Recovery Act programs. The official reported the county budget does not set aside extra money to pay for matching requirements.

**Denton County Is Reducing Its Operating Budget.** The Recovery Act funding Denton County may receive has not averted the need for the county to reduce its budget for maintenance and operations. A senior

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<sup>13</sup>Denton County began its 2009-2010 fiscal year on October 1, 2009.

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Denton County official reported the county's governing body decided to reduce the 2010 budget of every county department by 8 to 10 percent. According to the official, the county is facing higher borrowing costs to finance a capital improvement program. These higher borrowing costs have increased one portion of the county's property tax rate, which pays debt costs. However, the county's 2010 budget identifies maintaining a low overall tax rate as one of the county's goals. To offset the effect of the borrowing costs on property taxes, the official explained it was decided to reduce the other portion of the property tax rate, which pays for maintenance and operations. Taken together, the official reported the total county property tax rate increased slightly from the previous year, but still remains lower than it was 5 years ago. The county official believed the Recovery Act would not have averted the county's need to borrow funds for its capital improvement program, because in her view, the program would not have qualified for Recovery Act funding.

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## Texas's Comments on This Summary

We provided the Governor of Texas with a draft of the appendix on November 17, 2009. A senior advisor, designated as the state's point of contact for the Recovery Act, provided comments on this report. In general, the senior advisor agreed with information contained in the appendix. However, the senior advisor was concerned that the education survey results may be misleading. Specifically, the senior advisor stated that the survey results may overstate anticipated job losses in Texas. In response to his concerns, we included language in the body of the appendix explaining the steps taken to help ensure that our sample was representative of Texas's LEAs. We also provided a copy of this summary to the city of Dallas and Denton County. Officials from the state, city of Dallas, and Denton County provided technical suggestions that we incorporated, where appropriate.

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