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Key Actions That Contribute to Successful Program Implementation: Lessons from the Recovery Act

By Dr. Richard Callahan, Dr. Sandra O. Archibald, Kay A. Sterner, and Dr. H. Brinton Milward

Less than a month after taking office, President Obama signed the American Recovery and Reinvestment Act, a $787 billion piece of legislation that provided temporary dollars to 28 agencies through more than 200 programs. This was equivalent to doubling domestic discretionary spending over the following year.

The Recovery Act also set tight deadlines—70 percent of the money had to be committed by September 30, 2010 or it would expire. It also contained a number of unprecedented transparency and accountability provisions as well as a number of new programs that would have to be designed and deployed, often with few additional staff resources. Furthermore, since it was the beginning of a new administration, few political appointees were in place. In fact, only 14 percent of top-level appointees were in place by the end of the first 100 days of the administration.

So how did federal agencies manage this massive implementation challenge?

Nine case studies prepared by federal agency executives and interviews with federal agency staff involved in implementing the Recovery Act provide insights on what federal executives faced and how they responded. The challenges faced by these agencies spanned the spectrum of challenges faced by other agencies. One agency—the Public Buildings Service—saw its construction budget increase fivefold. Another agency—the Department of the Treasury—had to develop guidance for, and implement, a $60 billion new bond program for states and localities, which set precedents for the next 30 years. And the Department of Labor found itself reengineering worker protection programs to streamline approval and certification processes so the Department of Transportation could authorize transit construction grants to states and localities.

In some cases the new approaches developed to manage Recovery Act implementation were temporary and agencies returned to their standard operating procedures. But in a majority of cases, agencies adopted the newly developed processes as their standard way of doing business. Examples include the streamlined contracting processes developed by the Department of Veterans Affairs and the place-based reporting system developed by the Department of Housing and Urban Development.

The federal government faced a formidable set of challenges in implementing the Recovery Act. In nine case studies and interviews with federal executives, four challenges consistently emerged.

Challenge One: Creating Cross-Agency Governance and Accountability Structures

The Office of Management and Budget (OMB) took the early lead in developing guidance for what agencies would report under the Recovery Act. President Obama then designated Vice President Joseph Biden to lead the implementation, and the Vice President created a team to direct this effort from his office.

Vice President Biden asked a former OMB deputy director for management, Edward DeSeve, to return temporarily to federal service and serve as the lead for this effort. DeSeve, who had been serving as an informal implementation advisor, accepted the Vice President's invitation.

DeSeve chose to use a network model for how he organized the Recovery Implementation Office (RIO), where his office served in the role of convener and problem-solver rather than as a source of regulations or direct services. For example, he coordinated twice-weekly calls for the first two years of the act's implementation with major federal agencies. These calls focused on transmitting information about recipient reporting, prevailing wage guidance, Buy America provisions in the act, spending targets, and other details regarding implementation.

On the weekly calls, agencies discussed problems they were having and how others could help. For example, if an agency had problems with the timetable for congressional notification of a project in its district, it would ask RIO to help streamline the notification process so the funds could be

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distributed quickly. This led to the development of a 24-hour rule that allowed agencies to proceed if the White House had not notified the members of Congress first.

OMB instituted weekly financial reporting from agencies to track how fast monies were being obligated. RIO served as the agencies' point of contact for this reporting, which was displayed every Friday on Recovery.Gov, the website created by the independent Recovery Accountability and Transparency Board.

The network model was used among stakeholders other than federal agencies to develop guidance and get feedback far more quickly than traditional methods. This allowed guidance to be developed faster and implemented more quickly than normal. OMB issued implementing guidance the day after the Recovery Act was signed into law and followed up with 10 additional, major guidance documents over the next 10 months. This unusual pace was made possible by establishing a real-time feedback loop with recipient stakeholders and federal agency staff.

Nine Action Steps for Managing Large Initiatives

The case studies and interviews undertaken for this report revealed shared practices in how federal career executives responded to the myriad challenges imposed by the requirements of the recovery. The following action steps could serve as future guides for executives who find themselves facing similar challenges:

- **Action Step One:** Set deadlines to create a sense of urgency. Statutory deadlines focused agency leadership on key priorities and fostered entrepreneurial behaviors to find ways around traditional operating practices. Self-imposed interim deadlines maintained momentum.
- **Action Step Two:** Create dedicated project teams. Most agencies created project offices so senior executives could devote full-time attention to meeting program demands.
- **Action Step Three:** Use technology to track progress. Off-the-shelf technology provided departmental secretaries and program managers in the field access to real-time data that had never before been available.
- **Action Step Four:** Anticipate bottlenecks and streamline processes. Existing processes would not work because they were too slow. Agency executives quickly identified potential bottlenecks and redesigned processes, often by centralizing efforts in the project leadership offices.
- **Action Step Five:** Build in transparency and accountability. The Recovery Act created new expectations, governance structures, and tools. It also provided significant funding to track spending and progress. These were largely web-enabled approaches not used on this scale before.
- **Action Step Six:** Identify risks and manage them. The law explicitly required risk identification and risk management techniques with a focus on prevention of fraud and abuse, rather than the traditional approach of catching malfeasance after the fact. This was made possible by the transparency tools noted in Action Step Five.
- **Action Step Seven:** Foster real-time learning. As implemented, the Recovery Act placed a strong emphasis on sharing experiences across programs and levels of government to spur real-time learning. Although not a statutory element, this was a basic operating premise adopted by the Vice President's Recovery Implementation Office and replicated across agencies.
- **Action Step Eight:** Create horizontal networks. Cross-agency networks were a hallmark of the Recovery Act's implementation, again fostered by the operating premises embraced by the Recovery Implementation Office.
- **Action Step Nine:** Embrace adaptation as a mindset. Agency career executives found themselves largely on their own, given that only a few political appointees were in place. The Recovery Act's urgency encouraged career executives to innovate and improvise in ways that ran counter to traditional operations, but were appropriate given the circumstances.

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Challenge Two: Managing a Spending Spike in Existing Programs

The Recovery Act mandated that 70 percent of the monies—about $551 billion of the total $787 billion—had to be committed in 17 months, from the time of enactment in February 2009 to no later than September 30, 2010. Otherwise, the spending authority would lapse and the monies would no longer be available. This created a huge spike in spending for a number of programs in the 28 agencies receiving monies under the Recovery Act. For comparison, total non-defense, non-entitlement government spending for FY2009 was $580 billion. Some programs experienced breathtaking increases. For example, average annual spending for the Department of Energy's home weatherization program was $210 million, but under the Recovery Act, the program was appropriated an additional $5 billion and given three years in which to spend it.

How did agencies manage this increase? The Fish and Wildlife Service is a good example.

Fish and Wildlife Service's decentralized implementation to its regions. The Fish and Wildlife Service in the U.S. Department of the Interior saw a spending spike from its typical level of about $80 million a year to $280 million—about three years' normal workload—added on top of its normal workload. The Fish and Wildlife Service (FWS) has a small headquarters operation and a highly decentralized field structure with over 700 different entities and varied work processes in each of its eight regions.

The service designated its headquarters business office to coordinate the implementation effort and oversee contracting. But it also respected the tradition of a highly decentralized field culture. FWS relied on increased levels of cross-regional and cross-program standardization, coordination, communications, and reporting.

Each regional office created its own temporary Recovery Act implementation team to coordinate efforts. These interdisciplinary teams were given the responsibility and authority to make the key day-to-day decisions necessary to keep hundreds of Recovery Act projects moving ahead. Rather than focus funding in the traditional way by providing monies to program areas (such as the coastal program or the migratory bird program), it instead focused funding decisions on individual projects. Headquarters established a centrally controlled master project list for the first time to track progress on projects. Originally the list was intended for mandated external reporting, but its value as a tool for internal transparency and accountability quickly became apparent.

Once the project approval and guidance development phases were completed, the key role of headquarters shifted to oversight and support for the regions. The Fish and Wildlife Service's headquarters business office sponsored regular help forums for regional leaders to discuss Recovery Act-related issues and created a centralized reporting tool to manage the external queries for project information, which in some cases occurred weekly.

Challenge Three: Creating New Programs

The Recovery Act also created a number of new programs that immediately challenged agencies to develop new program guidance, application forms, and management systems in short order. Agencies found that they not only had to move quickly, but they needed to build in risk mitigation strategies so they could manage any potential unforeseen circumstances arising from the speed with which they had to act.

The Department of the Treasury was charged with implementing several of these new programs, each of which had significant future financial ramifications, and this required careful risk assessments of the implications posed by the implementation guidance developed for the programs.

Creating the Build America Bonds program. Treasury was also charged with creating an alternative to the traditional tax-exempt bond which, while issued by states and localities, receives a borrowing subsidy indirectly through a federal tax exemption to investors for interest received on the bonds. But

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with the bond market largely inactive because of the financial crisis, the federal government sought an alternative way of injecting capital into state and local construction projects.

The new bond program has the federal government deliver borrowing subsidies directly to state and local governments. Called Build America Bonds, the bonds themselves are taxable, but the federal government pays states and localities 35 percent of the bond coupon interest up front.

The new program required Treasury and the IRS to develop new:

- Guidance
- Processes
- Forms
- Legal and policy decisions

Typically major new programs would take years to develop these procedures, in part because of the huge financial consequences extending over the 30-year life of most bonds. But the new direct payment bonds were required by law to have guidance issued within 90 days and the program to be fully functional in six months. This was done on time, but IRS formed a compliance team to monitor bond issuances and protect the taxpayer's investments from fraud and abuse. This included risk assessments and mitigation strategies to predict and preclude misuse of the program.

Because the program was so new and novel, Treasury also had to develop an education and outreach program so that traditionally risk-averse states and localities would feel confident in participating in this new program. The efforts worked. By the end of 2009, total bond issuances surpassed $60 billion, representing 20 percent of new municipal debt. In FY2011, the program was made permanent at a 28 percent subsidy rate and the program became a model for other tax credit bond programs.

Challenge Four: Redesigning Administrative Processes to Meet New Demands

In most agencies involved with implementing Recovery Act programs, traditional agency administrative processes had to be rethought in the context of the new timetables, transparency, and accountability provisions of the Recovery Act. This included:

- Risk management
- Contracting
- Grants management
- Program reviews

How agencies responded differed and in some cases the Recovery Act changed dynamics with the recipients of federal aid. For example, the Recovery Act injected about $280 billion into nearly 70 grant programs to states and localities. Since the monies included new spending, transparency, and accountability requirements—including reporting from sub-grantees and sub-contractors—this required significant redesign of traditional administrative processes in a compressed timeframe at the federal, state, and local levels. Sometimes processes in other support agencies had to be redesigned, as well.

Employee Benefit Security Administration. The Employee Benefit Security Administration (EBSA) in the Department of Labor oversees the implementation of COBRA-extended health insurance. Under this law, laid-off employees have the right to continue their health insurance coverage for 18 months, but must pay the full premium costs, which can be prohibitive for the unemployed. The Recovery Act provided a 65 percent premium subsidy to employers for eligible individuals. This was a new program to be implemented by employers, not the government. But if a terminated employee was judged ineligible by their employer, Labor would serve as the focal point for an adjudication appeals process. While EBSA had a wealth of technical expertise in COBRA, it had never had adjudication responsibilities. As a result, it had

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to design and implement a process from scratch, and the law required a resolution of any appeal within 15 business days. In addition, because the eligibility period predated the Recovery Act, operations would begin with an urgent backlog. ESBA created a cross-functional team that flow-charted the appeal process, created an electronic paperless system, developed staff training, and devolved implementation to its existing field offices within 90 days. In the first four months, more than 20,000 adjudications were conducted in the 15-day timeframe and only two were challenged in court. The paperless correspondence system created for the appeals process was so effective that it was ultimately integrated into ESBA's normal operating system.

Conclusions

The Recovery Act demonstrates a new way of doing business. The implementation of a variety of Recovery Act programs offers a range of practical lessons from the perspective of the federal executives managing and leading the efforts. The application of these lessons in future arenas might become one of highest yielding investments made under the Recovery Act.

Federal executives—and their state, local, and nonprofit counterparts—did not accept business as usual when implementing the Recovery Act. They developed, designed, and delivered programs that accounted for the dollars spent and the performance delivered in innovative ways that advanced the standards of public service inside and outside of government. ◘

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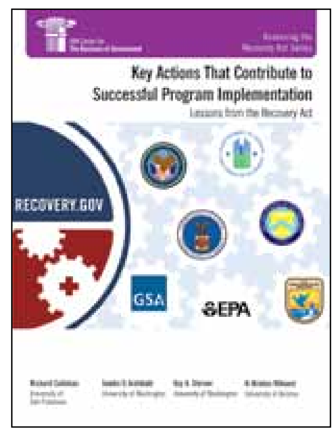

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