Economic Stimulus Program Guide

Inside:

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Spotlight on ARRA:
An Economic Stimulus Update

As the federal government quickly works to distribute funds via the American Recovery and Reinvestment Act of 2009, much still remains unclear about how agencies and departments will appropriate funding, while simultaneously achieving transparency and regulatory compliance.

Economic stimulus package appropriations total $787.2 billion, with key funding initiatives to support technology, science and research, infrastructure improvements, education, energy, healthcare and training. Spending provisions within ARRA require agencies to have projects under way within 120 days of enactment, dramatically shortening the typical two year business development timeline.

Market research firm IDC estimates ARRA will generate more than $100 billion in technology spending in the next five years.

And INPUT, a market research firm in Reston, Va., just published a report card on the government's performance in June, as the ARRA law crossed the 100 day mark. The administration achieved high marks for spending (B+), and a number of below average grades for job creation (Incomplete), transparency and reporting (D), and contracting effectiveness (C-).

According to INPUT's Deniece Peterson, principal analyst, the report card, "Underscores a good news and bad news scenario in allocating so much funding, so quickly."

While the federal government has shown an unusual adeptness in dispensing a tremendous amount of money in a short time period, accurate reporting on that spending and the impact on job creation appears to be a pipe dream. Also, "it's unclear whether the American public will ever know the full impact of ARRA on the economy and the extent to which ARRA's funding initiatives pull the economy out of its current recession," she explained.
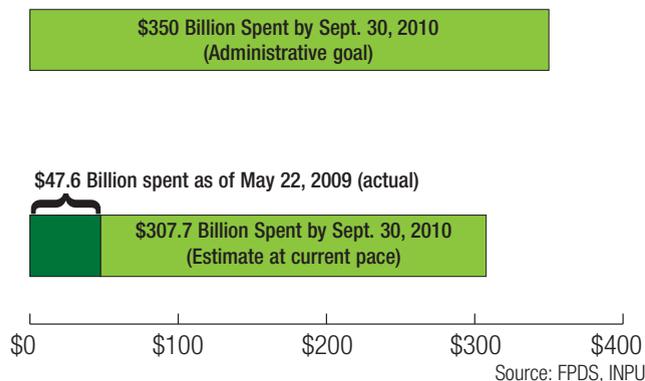
By relying heavily on previous federal contracts and existing contractors to fulfill the ARRA program's requirements, the federal government has moved quickly to implement IT modernization within Foreign Services, the State Department and the Social Security Administration, for examples. Spending an average of $3.66 billion per week, according to INPUT's report card, the government has been able to update IT operations and really dig into those shovel-ready transportation and infrastructure projects, "many of which had previously been languishing, awaiting monies for their completion," Peterson explained.

INPUT's report card estimates that the government must actually pick up the pace on spending, to an average of about $4.16 billion per week, to achieve its goal of allocating $350 billion by Sept. 30, 2010. And while the first pieces of the spending plan have gone to projects that were already on the government's strategic IT plan, there are several key areas that are expected to expand as the government moves forward. For instance, broadband network stimulus grants are planned that will enhance this technology nationwide. "But before the federal government can spend an estimated $9 billion on broadband network expansion, they must complete a $350 million inventory of current network coverage, so they can figure out precisely where the grants should go to complete a national broadband network expansion," Peterson explained.

Another key area of growth is the smart grid, which will include devices, software and systems that can be used to integrate and communicate between electric power systems and other systems for greater efficiency, lower cost of operation and greater reliability. The economic stimulus law includes $4.5 billion for development of smart grid systems. Advancing smart electric grids will involve integrating energy technology and information and communications technologies.

In terms of spending on energy efficiency, the funding has only just begun, Peterson said, as further planning is needed to outline what a national electric smart grid will look like, and the technologies that will support the grid, including monitoring tools, power management solutions

Administration Goal vs Estimated Spending at Current Pace

$350 Billion Spent by Sept. 30, 2010
(Administrative goal)

$47.6 Billion spent as of May 22, 2009 (actual)

$307.7 Billion Spent by Sept. 30, 2010
(Estimate at current pace)

$0 $100 $200 $300 $400

Source: FPDS, INPUT

The full report, now on the web: www.fcw.com/EconStimGuide.

and other analytic devices that may be used in this initiative, Peterson explained.

Another area of technological growth is in the federal government's web infrastructure, which Peterson describes as requiring analytic tools, monitoring and measurement functions that can help federal agencies track everything from access breaches to utility usage, for examples.

The 100-day ARRA report card highlighted the biggest obstacles ahead, including major concerns both within government circles and among industry suppliers about how to work with the ever-evolving ARRA reporting requirements on the distribution of stimulus funding, as well as the risks involved in fixed price contracts, which may be difficult to fulfill due to ill-defined, or unclear contract requirements. "This is likely why federal agencies have heavily relied on current 'cost-plus' contracts to allocate funding for stimulus projects until now," Peterson explained.

Another obstacle, according to Stan Soloway, president and CEO, Professional Services Council, is workforce-related. Gaining acquisition support for all of the RFPs expected in the coming months, and finding a way to close the skills gap on contracts, either by hiring new employees or outsourcing to gain those skills, is creating enormous pressure on federal agencies, he said. "The problem is that federal agencies don't want Congress to question their choices of outside contractors in stimulus spending decisions, when reporting requirements on allocated funds finally catches up with agency contract awards," he said.

Also, the need to hire/insource acquisition support professionals will likely slow the allocation of stimulus funding, Soloway said, as many decisions won't be made without political pressures and scrutiny. When agencies use ARRA to set new operational processes into motion, the workforce, systems, capabilities and reporting systems struggle to keep pace with change. There are challenges federal agencies must work through to measure the performance, or outcomes of new processes, that will take time. And both Soloway and INPUT analysts expressed doubt the federal government will be able to adequately align stimulus spending with actual jobs saved and performance outcomes.

Soloway said the General Services Administration (GSA) has been first to admit that the pressures surrounding reporting and compliance on stimulus spending will continue to grow. The GSA is "really bringing its forces to bear across all regions" to deal with challenges in adequately measuring results. He cited the appointment of Tony Costa, to acting commissioner of GSA's Public Buildings Service (PBS), as a step in the right direction. Costa is a 20-year GSA veteran with extensive experience at PBS, which oversees the government's real estate portfolio.

The limitations of fixed-price contracting grow increasingly apparent when dealing with the repairing/upgrading buildings 50 years old or older, Soloway explained. The work involved in bringing those buildings up to environmental efficiency standards is sophisticated work that typically won't fit under a fixed price contract.

IDC Ranks Early ARRA Agency Winners

The American Recovery and Reinvestment Act (ARRA) will pump billions into federal agencies for technology funding, according to a study published by IDC Industry Insights.

The funding will go to new and existing federal technology programs, including allocations for the Social Security Administration, and the State and Homeland Security departments, the study said. IDC quantified the technology spending that 'might' be stimulated from initiatives in the three vertical markets of energy, government and health care. The company estimates approximately $100 billion in technology spending will be generated between 2009 and 2012.

The IDC Industry Insights report identified the early leaders among government technology initiatives, including:
- Social Security Administration's (SSA) National Computer Center data center modernization – $500 million.
- SSA's claims processing program – $490 million.
- Department of Homeland Security data center, law enforcement communications – $340 million.
- State Department's security and network assurance technologies – $290 million.
- Institute of Education Science's high-performance computing and predictive services – $250 million.
- Veterans Affairs Department data center and IT services – $50 million.
- Agriculture Department's Farm Services Agency data center and systems services – $50 million.

Source: IDC

Soloway suggested the use of agency "tiger teams" as a good idea to help government organizations build 'more integrated process teams' that will help set government organizations on the right path toward specific stimulus spending projects offering a higher potential for successful implementation.

Meanwhile, industry suppliers underscore the difficulties involved in figuring out how best to aid agency partners in achieving their goals. John Thompson, vice president, integrator alliance sales for Motorola, said there's money for border protection, especially within the Customs and

Top Stimulus Projects

The economic stimulus legislation offers federal, state and local governments a variety of ways to add new technology, scientific research, infrastructure improvements, as well as education, energy, healthcare and training initiatives. Among the biggest technological winners, according to participants in a recent 1105 Government Information Group Economic Stimulus conference held in Fall Church, Va., are the following:

- Healthcare IT initiatives, especially related to the creation of standards for electronic healthcare records (EHR).
- Education initiatives.
- Police/fire, first responder initiatives.
- Energy initiatives.
- Broadband networking and services initiatives.
- Construction initiatives, especially for new buildings and refurbishment.
- Infrastructure initiatives aimed at transportation, border protection, or other broader security controls.
- IT modernization initiatives.

Border Protection technological fence project, which is owned by Boeing. At the same time, within the Department of Health and Human Services (HHS), the development of standards for electronic health records (EHR) and a requirement to show 'meaningful use' of electronic healthcare records may slow the allocation of funds for doctors and other healthcare practitioners who are eligible when they invest in EHR technologies.

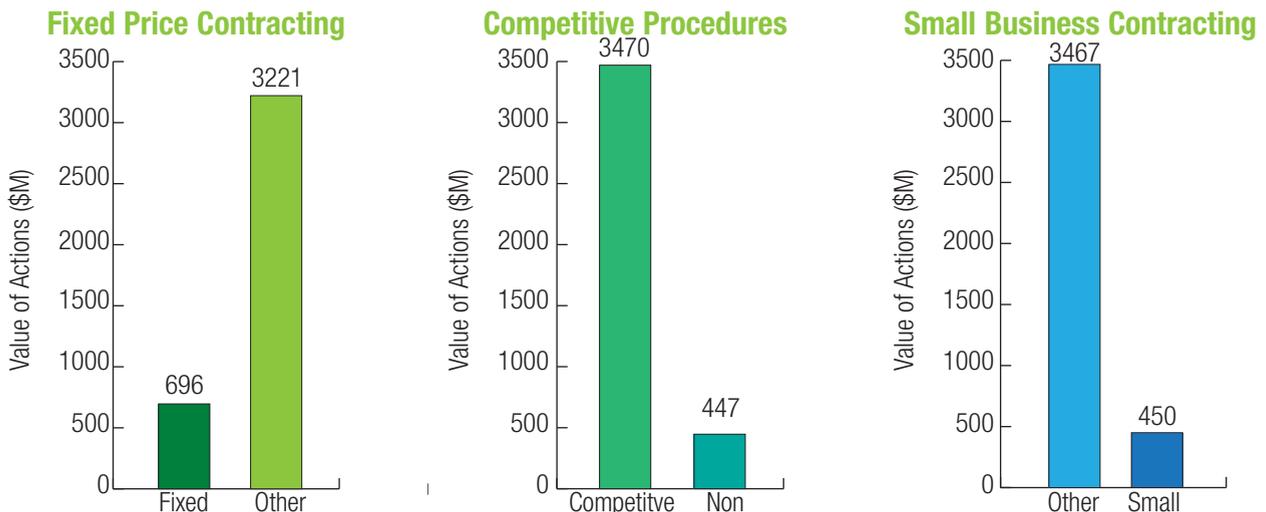Industry suppliers are also scrambling to aid agencies in tracking stimulus funding, according to recent news reports, via software and services to track and share information on economic stimulus programs. Microsoft, for example, rolled out software called Stimulus360, based on its SharePoint collaboration software, to track stimulus-funded projects. And other suppliers, including Acumen Solutions, IBM and MicroStrategy have debuted tools to manage ARRA projects as well.

Meanwhile, at a June Economic Stimulus conference in Falls Church, Va., sponsored by the 1105 Government Information Group, GSA's Mary Davie, assistant commissioner, Office of Assisted Acquisition Services, said the GSA is working with agencies that ask for help on the reporting requirements for ARRA. "We keep track of OMB guidance on ARRA reporting requirements, as well as new clauses within the FAAR, which include additional terms and conditions that must be accepted, in order for agencies to use ARRA funding," she said.

Increasingly, she added, federal agencies are also seeking GSA's assistance "in providing general IT and professional services, while they work on projects that allocate stimulus funding."

Davie said the GSA currently supports most civilian and DoD agencies in all areas pertaining to the lifecycle of contracts, from requirements definition, to market research, to acquisition strategy, planning, conducting the acquisition, implementing and managing contracts, as well as financial reporting and project closeout. "We do all of that, on a per requirement basis, based on the needs of agencies," she explained, adding that the GSA will also assist agencies on consulting services for task orders. "We can help agencies structure task orders, and after, provide service/support as needed." ❑

ARRA Related Contracting Actions

Fixed Price Contracting

Value of Actions ($M)

- Fixed: 696
- Other: 3221

Competitive Procedures

Value of Actions ($M)

- Competitve: 3470
- Non: 447

Small Business Contracting

Value of Actions ($M)

- Other: 3467
- Small: 450

Source: FPDS, INPUT

The full report, now on the web: www.fcw.com/EconStimGuide.

State and Local Government Gains

With an estimated $50 billion in stimulus funding that will flow directly to state and local governments, there is significant potential for technology-related spending, although industry observers maintain there's work to be done as states and localities prepare to efficiently and transparently allocate funds for new initiatives.

Early funding initiatives related to transportation and education are already having a direct impact on state and local government budgets, according to Deniece Peterson, principal analyst for INPUT in Reston, Va. "As monies are doled out for transportation improvements, for example, that in turn, frees other state and local funding for technology-related initiatives," she explained.

Meanwhile, in the push to reduce paper-based processes, such as claims processing, from state and local governments, there is an expanded requirement for more and better data warehousing and analytics, observers said. "There's a much higher probability that government systems will be impacted by fraud, for example, if they don't incorporate a proper data warehouse for state and local governmental programs," said Nick Short, director of federal systems engineering for SAP Business Objects, at a recent Economic Stimulus conference in Falls Church, Va.

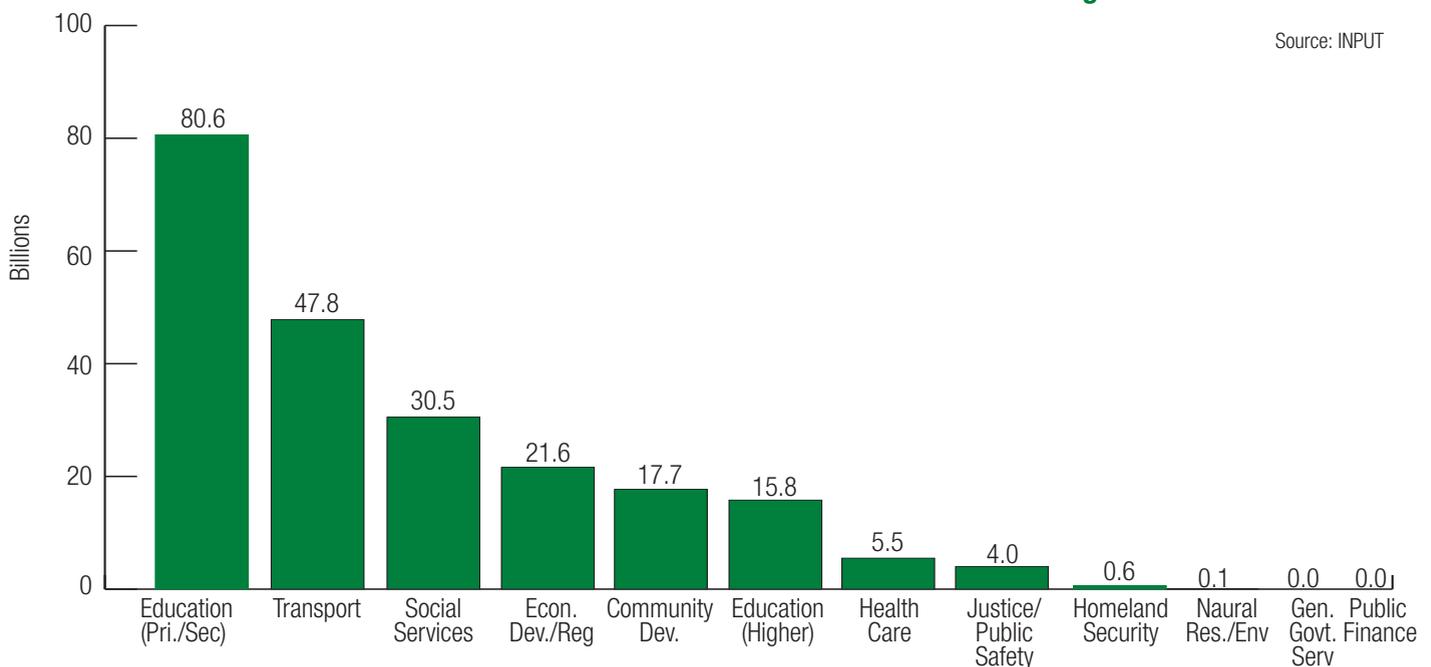As the states strive to modernize and eliminate paper, there's an enormous opportunity, he continued, to ensure money is appropriated properly to constituents using business intelligence, data warehousing and other analytics.

Mary Davie, GSA's assistant commissioner, Office Assisted Acquisition Services, sees an increase in Requests for Collaboration (RFCs) from state and local governments. "The state of Virginia did just that when it needed to update physics in high schools there," she said.

The state government posted an RFC to develop a new physics curriculum, receiving applications from across the nation. While no immediate funding was involved in this project, Davie suggested that the RFC model succeeded in dramatically accelerating a much needed update in the state's high school physics program, which will now be implemented in Virginia schools within a year, she said.

Finally, technology will play a key role in improving a host of online services for state and local government constituents. Some states will incorporate technological solutions to aid constituents in registering their cars online, rather than in person at a motor vehicle administration office. By all accounts, the ARRA law will assist state and local governments in upgrading both their emergency response communications and online services, allowing constituents to check on events, upcoming county council meetings and other local announcements via government-run web sites. ❏

State and Local Government Breakdown of ARRA Funding

Source: INPUT

Bar chart showing Billions on the y-axis (0 to 100):
- Education (Pri./Sec): 80.6
- Transport: 47.8
- Social Services: 30.5
- Econ. Dev./Reg: 21.6
- Community Dev.: 17.7
- Education (Higher): 15.8
- Health Care: 5.5
- Justice/Public Safety: 4.0
- Homeland Security: 0.6
- Naural Res./Env: 0.1
- Gen. Govt. Serv: 0.0
- Public Finance: 0.0

The Future of the Economic Stimulus Program

Industry observers maintain a looming workforce shortage, lack of training, the difficulty of balancing current workloads and a lack of extensive program management expertise, are among the biggest obstacles agencies must overcome in the future, as they work to manage projects under the ARRA program.

Market research firm INPUT, Reston, Va., reports that opportunities may exist for suppliers and contractors who can help agencies address management problems. "It would be beneficial to address concerns about program, financial and grants management, for example in proposals for new initiatives," said Deniece Peterson, a principal analyst for INPUT.
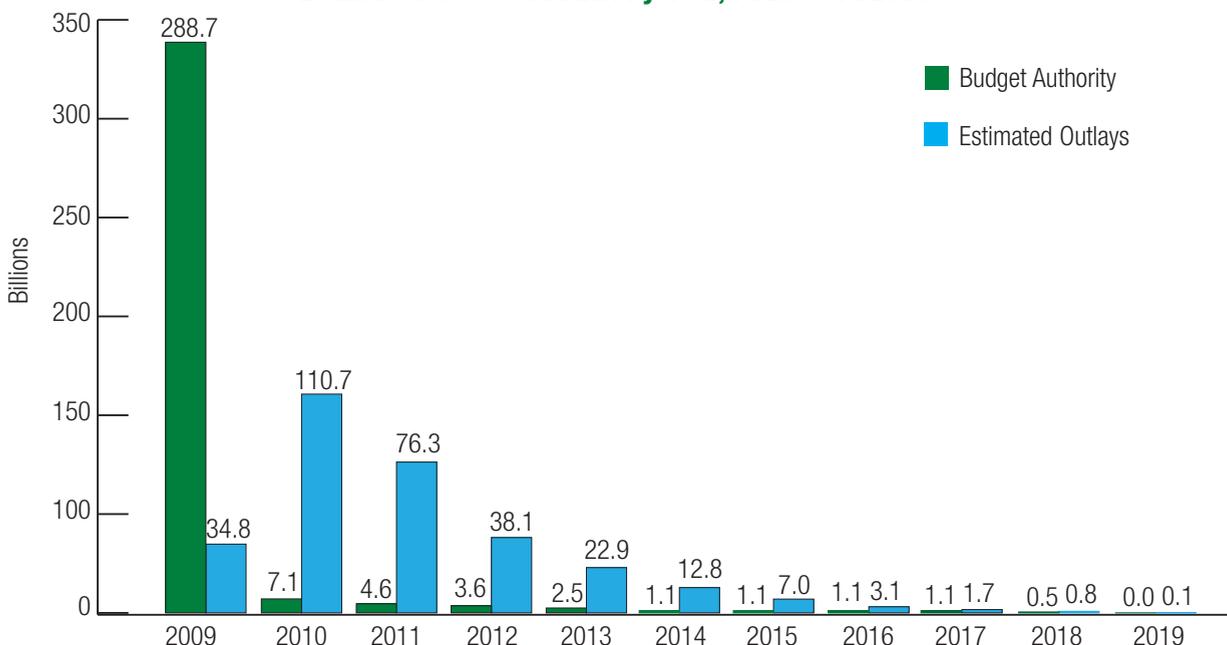
Technologically speaking, the future appears bright for broadband and wireless technologies, healthcare-related IT and green technology initiatives. Modernizing buildings, and bringing older infrastructures into compliance with increasingly stringent energy efficiency requirements will require both funding and years of effort by federal state and local government organizations as well as many contractors and suppliers.

With so many different ways to access information on stimulus funding, via recovery.gov, grants.gov, fedbizopps and other programs, there's a more immediate need, however, for contractor support to create an integrated acquisition environment that will assist government organizations in their ability to track, manage and report on stimulus funding and program outcomes, said Stan Soloway, president and CEO, Professional Services Council.

Unified communications via broadband and wireless networking technologies are also expected to grow. In this area, the challenge will be "to clearly demonstrate the significant cost benefits of unified communications, while simultaneously building a support model that can ensure confidence isn't lost as capabilities are rolled out," said Vince Pratuch, the federal director of business development for Cisco Systems Inc., at a recent Economic Stimulus conference in Falls Church, Va.

Meanwhile, opportunities are also great for technologies related to the emerging smart grid, which will create a nationwide electrical power system and will largely be reliant on solutions that store, distribute, manage and

Estimated Costs of ARRA by Year, FY2009-FY2019

Bar chart: Billions on vertical axis (0–350), years 2009–2019 on horizontal axis.

Legend:
- Budget Authority (green)
- Estimated Outlays (blue)

Year	Budget Authority	Estimated Outlays
2009	288.7	34.8
2010	7.1	110.7
2011	4.6	76.3
2012	3.6	38.1
2013	2.5	22.9
2014	1.1	12.8
2015	1.1	7.0
2016	1.1	3.1
2017	1.1	1.7
2018	0.5	0.8
2019	0.0	0.1

Source: CBO, INPUT

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measure energy consumption. While there appear to be many opportunities within the smart grid initiative, Peterson said, questions remain as to the speed with which federal agencies will be able to move forward in implementing this lofty program.

And similar challenges surround healthcare IT, Peterson continued. As the future healthcare ecosystem evolves, the implications of possible reforms are still under debate. This makes it difficult to gauge possible future outcomes. Instead, she said, "INPUT sees waves of modernization coming."

Soloway predicts that some of biggest chunks of stimulus spending, including healthcare IT, are pieces that will likely roll out slowest. He predicted that 75% of the funding for healthcare initiatives really won't start flowing before 2011.

Within healthcare IT, there will be a need for technological solutions that enable healthcare providers to work smarter, using more modern technological solutions. Eventually, Peterson anticipates that healthcare information stored in national databases will be used to create a better picture of healthcare outcomes. By collecting and analyzing data to measure outcomes, providers "may eventually be paid based on outcomes, not just participation in programs such as Medicare," she explained.

Industry observers maintain that the advances created by greater centralization of healthcare information are still years away, with state and local government organizations currently leading the way in modernizing regional healthcare systems. The federal agencies involved in healthcare

provision must also be closely monitored, however, as those organizations are striving to share information and transform the provision of healthcare services for veterans and the disabled, for examples.

Ultimately, in spite of the technological bright spots, nagging concerns remain. "Expectations are high, but until now, those expectations have not been well-defined or managed, either on the process or policy side," said Soloway. Also, the rules are important and will be heavily scrutinized in years to come, he added, meaning that oversight is still evolving, along with the ARRA funding initiative, and only time will tell if audit rules in two years will create problems for agencies when Congress looks back through spending in 2009.

In addition, because the ARRA program heavily favors fixed price contracting, it will be difficult for agencies and industry suppliers to meet expectations as both green technology and healthcare IT really don't fit the fixed price contracting model, Soloway explained.

Further down the road, industry observers are hopeful that the economic stimulus program will stimulate a long-awaited national science and technology plan. "This type of initiative has been used by other countries in recent years to boost the development of those economies," said Peterson. Such a program in the U.S. would spur a national research and development organization that could work to further shape future technological development, she said. ❑

Spotlight on ARRA's Regulatory and Compliance Issues

Oversight mechanisms designed to ensure transparency and a proper accounting of the funding appropriated via the American Recovery and Reinvestment Act of 2009 are still early in development, and that evolution is presenting numerous challenges for both government organizations and suppliers.

The White House has created numerous standards for accountability, oversight and transparency regarding stimulus funding, and government organizations must find ways to comply. Currently, program data pertaining to stimulus projects from each agency must be aggregated and quarterly reports are required. All reporting must also comply with Office of Management and Budget guidelines, which have rolled out in a 'fluid' fashion until now, and must somehow be standardized to make compliance easier," said Deniece Peterson, a principal analyst for INPUT in Reston, Va.

Currently, suppliers receiving stimulus funding must report to recovery.gov the number of jobs saved and/or added, for example. On state contracts, suppliers must report those numbers both to the state and to the recovery.gov web site. Industry observers claim the flow of information, as reported to both the states and the federal government is an issue that is still, 'in flux.'

Transparency Issues

And while transparency is considered crucial, it doesn't come cheap. Perhaps not surprisingly, some industry suppliers are expected to steer clear of pursuing ARRA contracts because the estimated cost of administering and complying with regulatory compliance may reach 30% of the total amount awarded, said Stan Soloway, president and CEO, Professional Services Council.

And although federal organizations, such as GSA are expected to receive up to .5% for ARRA program administration and reporting efforts, state and local governments are concerned because current ARRA regulations don't include similar state funding for achieving compliance with reporting requirements.

Meanwhile, INPUT analysts report the complexity of providing job creation numbers, for example, is what drove a grade of 'incomplete' on INPUT's recent 100 day ARRA report card.

It's difficult to measure, for example, whether subcontractor jobs are created or saved in the official tally, said Soloway, who maintains that establishing common rules for measuring jobs saved will be nearly impossible.

Another area of concern – the evolving role of the General Accounting Office's Office of the Inspector General. "GAO's IG will want to know how money was spent and how efficiently that spending was completed," Soloway said.

Still to Come

Soloway suggested leading experts have yet to be appointed to key posts on the Recovery Accountability and Transparency Board, which may further impact the types of information that must be reported in future audits, for example. The Recovery Accountability and Transparency Board recently issued a request for proposals for a firm-fixed-price contract to design, implement and host the recovery.gov web site. At some point, reporting requirements and the frequency of updates for the site may be expanded and would require further design and integration, the RFP notice stated. The web site's architecture must provide accurate information that could be made available to a wide range of people, processes and applications.

Over time, industry observers expect Congress will also take a look at stimulus funding initiatives, starting as early as this fall, as budgets roll out for 2010. No matter which ARRA projects are implemented, each agency must be able to define precisely what is being done internally, and disclose with clarity all information related to spending on the initiative. The agency must also be ready to alter reports to fit rules as they change over time, Soloway added.

To make it easier, Peterson expects that, in time, government oversight organizations will strive to consolidate information that must be reported to various local, state and federal agencies. "There's a clear need for consolidation of all information required for ARRA reporting," she said, and because the administration has been open to feedback from industry, she expects industry suppliers "will likely help government refine both reporting and contracting processes in the years to come." ❑

Tips for Making the Most of Stimulus Program Funding

What must the government do to efficiently allocate ARRA funding? What steps can industry suppliers take to make the most of opportunities created by the economic stimulus package? Here are some tips and suggestions to help agencies and industry partners keep the funding initiative rolling forward. These tips were gathered from leading industry observers and recent participants in an Economic Stimulus Conference, held in Falls Church, Va. in June, sponsored by the 1105 Government Information Group.

Government organizations must:

- Identify frequently used contract vehicles that may help speed acquisitions.
- Investigate task orders, line item projects or the grants process to gain further funding for specific initiatives.
- Be care not to 'overinvest' early. There may be early ARRA initiatives that may seem successful at first, but results/outcomes may not be sustainable over the long term.
- Be prepared to face a battle ahead over agency budgets versus funding for ARRA. Right now, questions about the longevity of economic stimulus spending remain unclear.
- Please visit recovery.gov frequently for updates on spending timelines and other information that can help government organizations view the impact of the recovery act at work.
- Pre-packaged solutions from industry suppliers may help agencies speed implementation on projects that must start within 120 days.
- Anticipate and plan for tighter performance and reporting requirements to come, due to the higher level of oversight and transparency associated with ARRA funding.
- Look for unique public/private partnerships to go after funding. Industry partners/contractors with grant writing experience could be of enormous benefit to federal, state and local government organizations that lack the internal resources to seek ARRA grant funding, for example.

Industry suppliers should:

- Quickly identify potential partners with existing, longstanding agency relationships.
- Conduct competitive analysis to better understand comparable offerings and how to differentiate solutions that directly meet ARRA funding goals.
- Build agency acquisition profiles to follow the types of work likely to be contracted.
- It's not wise to wait for the RFP, as that puts suppliers in a bidding war. It's far better to offer/provide services agencies can use immediately to assist in pre-bid justifications of spending, or to aid in agency efforts to comply with regulatory scrutiny.
- Work closely with federal channel partners and subcontractors to avoid wasting time trying to figure out who controls which opportunities.
- Consider exploring state and local government opportunities gathering support from regional partners/subcontractors to help in those efforts.
- Construction projects are most attractive because building/construction contracts are likely to lead to long term revenue streams, as buildings require maintenance and support over the long term.
- GSA's E library lists contractors who are viable partners for industry suppliers that wish to partner with government in ARRA projects.
- Due to higher levels of scrutiny, be prepared to provide more detailed information that tracks spending and progress on ARRA projects.
- Seek out those ARRA projects most likely to generate long term revenue streams, such as, for example, providing a wireless broadband service in hospital settings, allowing patients to purchase TV/internet service for a fee during their stays.
- Although industry suppliers can do a great deal to help agencies, it's crucial not create a conflict of interest in writing AND supplying products that fulfill grant proposals. ❑