

THE BROOKINGS INSTITUTION

STIMULUS AT SIX MONTHS: BOOM OR BUST?

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PARTICIPANTS:

**Moderator:**

JACKIE CALMES  
National Correspondent  
*New York Times*

**Panelists:**

AMY LIU  
Deputy Director, Metropolitan Policy Program  
The Brookings Institution

GROVER "RUSS" WHITEHURST  
Director, Brown Center on Education Policy  
The Brookings Institution

BARRY BOSWORTH  
Senior Fellow, Economic Studies  
The Brookings Institution

**CHRISTOPHER ZIMMERMAN**  
Member, Arlington County Board

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## P R O C E E D I N G S

MS. CALMES: I'd like to welcome everyone to Brookings here this morning. I've been many, many times over the years when I've sat out there with you all, or I'm sure some of you very people were probably out there, but so it's really fun to be up here on this side of it, I hope. Be kind to us.

We're here, as you all know, to talk about the stimulus, and as the title of the program pretty much says it all, at six months, has it been a boom or a bust, or, obviously, somewhere in the middle?

And I am Jackie Calmes. I'm a national correspondent at the *New York Times*. My 1-year anniversary, in fact, was this week, after 18 years at the *Wall Street Journal* here in town, where I know I at least talked on the phone to some of you.

I'm going to be mostly asking questions and listening and writing like I always do as a reporter, and was particularly happy to be asked to be on stage with these people.

Barry Bosworth, as many of you know, is going to give the macro view sort of how the stimulus has worked. He's been a senior fellow here in the Economic Studies Program at Brookings.

And Amy Liu, she's an expert on the metropolitan areas of this country, and will tell us how in a huge country, in a federal system, just how well this is working or not working, given how uneven the recovery is right now.

And Amy is the deputy director and cofounder of the [Metropolitan Policy Program](#) here.

Russ Whitehurst, sitting next to me on my right, is a senior fellow and the incoming director on the Brown Center on Education Policy at the Brookings Institution. He's held a number of positions in the Department of Education during the Bush Administration.

And Chris Zimmerman will give us a particularly real-life view of how the stimulus has been working. Chris is an Arlington Country board member, and has been a resident of Arlington Country now for 30 years.

So, I will start out by asking some questions of each of them. You've got a lot of papers you can look over. It might raise some questions in your own minds, and then they'll have some discussion. And then around 11:00, I'll open it to some questions from some of you, which I'll be interested to get and take notes on, too.

C-SPAN is covering this, as some of you might know. So, when you have questions, let's get to the point because there are a lot of people here that probably do have questions. But it's my prerogative to get the first one.

And, with that, I was interested in just asking Barry to sort of give us the broad view, and in light of this week in particular and in the past two weeks, we've seen some positive signs of recovery, or at least as the Federal Reserve put it yesterday, a leveling out of what had been called or is called the great recession.

And to what extent are those positive signs due to the stimulus, the \$787 billion stimulus plan?

MR. BOSWORTH: Well, I think I would say the good news is that the recession is coming to an end. The bad news is that, as usual, government policy hasn't had too much to do with that.

The problem with the stimulus program has been it's just taken too long to get it going. The crisis hit in mid-September, Congress never acted until the spring, and then it takes a couple of months for the government agencies to get it set up. So, most of the money is going to be spent in the future. It is going to be a big plus in driving us out of the recession. So, in the recovery, I think we'll see that it's a major factor for the United States. I think it's now got it going pretty well.

If you're looking on the downturn, I think there's one area where the program did work surprisingly well, and that is if you're looking at the flow of income, disposable income to households in the U.S., absent any action by the government, disposable income was dropping by an annual rate of half a trillion dollars. That's a huge reduction in household income through June and July.

All of that declined, has been completely offset by government transfer payments and tax cuts. That's a pretty amazing accomplishment so that disposable income right during the worst of this period has been rising.

So, the government didn't do a lot in that one area.

Unfortunately, consumers have been traumatized by the loss of their wealth, which has not been restored, so, they're not spending despite the fact that disposable income has held up pretty well.

But the rest of it, I think now if you look at the procurement programs, they are finally beginning to get going. I think the money has flowed through to the states. As many of you travel around over the next month, you will see an extraordinary number of repaving projects going on. In the fall, there's going to be a big kick to local schools that otherwise would have had to make big cutbacks. That money is going to be coming.

So, I think the key to it is to think that most of the money is still in the future yet. Don't give up on it, but what's really disappointing is recession after recession the same thing happens. We cannot get the political process to act fast enough to have a significant effect on the downturn phase.

MS. CALMES: But, in this case, given the depth of the recession, I think a lot of people forget this package was designed as a two-year plan, a time-release capsule, in effect.

Was this recession different in some ways in that where you're right to be skeptical about stimulus packages because of the political process you've described in the past, that, in this case, the bad news is the recession was so bad, the good news is, for once, the stimulus then can be very helpful?

MR. BOSWORTH: Yes, you can always say the good news is we got some positive things ahead of us, but this is the worst downturn

the United States has experienced since the Great Depression, and we knew it was coming, it was well-predicted way back last fall. It's disappointing. I still find that government can't act a little quicker to step in and help during the downturn phase.

MS. CALMES: Right.

MR. BOSWORTH: Instead, we let it run its course, and then we try to rebuild afterwards.

MS. CALMES: Are you able to say where we'd be if there had never been a \$787 billion stimulus plan?

MR. BOSWORTH: I think the most telling thing to help on the government side is that decline of disposable income that I mentioned would have been extraordinary, and that would have been really right now making the consumption situation even worse.

So, I think, yes, you can say particularly late spring, summer, the consumption situation has been a lot better than it otherwise would have been. Business investment, no, I don't think the government had any effect on it, although, I do think the Federal Reserve's efforts to stabilize the financial system have actually worked quite well. Fairly good on that side, but that doesn't have much to do with the stimulus per se.

MS. CALMES: Russ, you're sitting right next to me.

A lot of this money went to school districts and for education PC Administration often likes to talk about most.

Do we know what's happening with that money at this point? How much of that is -- and what does it have to do with stimulus? That's what a lot of people ask me.

MR. WHITEHURST: Well, those are good questions, and my answer is in part a continuation of Barry's answer. I checked with the U.S. Department of Education yesterday. The department has about \$115 billion in education that's in the Stimulus Bill to manage. And, as of yesterday, checks had been written for \$13 billion of that.

So, roughly 13 percent of what the department has to dole out has been sent out in checks to states and maybe to LEAs. But very little of that money has been spent for anything. So, it's sitting there in the district's checking account or the state's checking account awaiting spending presumably sometime over the next two years.

So, if you're looking for examples of projects and activities that began or were continued as a result of stimulus expenditure, you'll have a great deal of trouble identifying. You might, if you went to the local level, find some people who can talk about the plans that they put in place and what they anticipate doing, but they've not actually spent any money on anything.

If you go to [recovery.gov](http://recovery.gov), you can sort in a variety of ways and look by agency for projects around the country that have been funded by the stimulus. I found on that site five hits for education totally \$25 million. So, \$12 million out the door, \$25 million you can identify that's

been associated with particular projects. The rest of it is waiting somewhere.

Part of this story is also a story with differences among states. The State Stabilization Fund is half of this money. The other big chunks are for Title I, which is money for education for the disadvantaged and money for IDEA, which is for students with disabilities. More than half of states have not taken a single penny from either of those big pots of money.

MS. CALMES: That's amazing.

MR. WHITEHURST: Other states, like California, have basically taken every penny that was available to them. So, it's interesting to me that some states have felt and convinced the Federal Government they needed the money and needed to have checks written to them now and others are still waiting.

MS. CALMES: Can you generalize about which of those states are rural, urban, red, blue?

MR. WHITEHURST: I did not immediately see a pattern there except, of course, California jumped out at me because they desperately need the money, and I suppose they're getting it everywhere they can.

The story is not as negative, I think, though as it seems from the presentation that I've given you. Imagine that you have a rich uncle who tells you that --

MS. CALMES: We'll call him Uncle Sam.



MR. WHITEHURST: We could call him Uncle Sam.

(Laughter)

MR. WHITEHURST: And Uncle Sam has essentially guaranteed you a large pot of money on a date certain that would be available to you. If not available to you now, it would be available to you next year or the year after that. I think that would be significant for me if I was a recipient of such an uncle's large -- it would affect my spending now. I would know I don't need to worry about reserves anymore. I can, in fact, go into the red; I'm going to be bailed out next year. And that's what's happened here.

I looked at Maryland as an example. In January, the governor announced that there would be mass layoffs across the state, including in education, that education funding would be cut back to a level that the state hadn't seen in two or three years.

If you go to the Maryland Web Site today, you'll see that the governor has announced that the budget has been made whole and that there are historically high levels of funding for education in the state. And the accounting is the addition of plus \$1 billion in federal funds has allowed Maryland to project a budget that, in fact, is generous for education in the context of an economic downturn, and just in the context of historical patterns of funding.

I think one of the challenges going forward here is what's the exit plan for this? If you've essentially doubled education funding over a two-year period, how do you turn that spigot off? Are there people who

are not planning on turning that spigot off? Is this kind of a tune-up for the reauthorization of No Child Left Behind, with the anticipation of much larger levels of federal funding predicated on the need that's been established at the state level for those money flows to maintain operations?

MS. CALMES: And, again, when you said you had felt like you had been "negative" at the start, is it a point of criticism that so little has been spent of the education money, or is it right to think of this in terms of talking of education, the administration and Congress to describe this in terms of the three Rs? In this case, it was Rescue, Recovery, and Reinvestment, that we should think of the education money as sort of reinvesting in the economy or the longer-term?

MR. WHITEHURST: I think the best way to think about the education investment, most of it, \$95 billion, is that it averted the layoff of school staff. And the layoff of school staff would have affected the economy.

The administration has been explicit about not wasting a crisis, and they certainly had reform agenda tied into the Stimulus Bill.

And it's interesting how far the Secretary of Education, Arne Duncan, has been able to get based on the roughly \$5 billion that Congress gave him to dole out in a competitive fashion to states and the Race to the Top Fund and to local education agencies through the Innovation Fund.

The terms for those competitions haven't even been set yet, but the secretary's already managed to generate changes in state policy by telling states, for example, you're not going to succeed in competing for these funds if you have artificial caps on the entry of charter schools into the market.

Or, if you've not signed up with the National Governors' Association to be part of the development of common standards, or if you do not link individual identifiers for teachers to student achievement data so we can tell which teachers are doing the best job in terms of raising student achievement, and governors and legislatures have been saying oh, gosh, we've got to act. We've got to act or we're not going to get our pot of this money.

So, it's an interesting indication of how you can get reform by the promise of incentives, and, in this case, relatively small portion of the overall stimulus package, but \$5 billion is a lot in absolute terms in terms of state competitions.

MS. CALMES: Amy Liu, this recession was somewhat unusual in that no part of the country was spared. Earlier in this decade, for instance, was not as bad in say, New Mexico.

MS. LIU: Right.

MS. CALMES: But the recovery is uneven.

Why is that, and to what extent maybe is the stimulus package exacerbating that?

MS. LIU: Well, I remember reading recently this past week that people have called the recession a statistician's dream. And, so, I'm going to throw out some more statistics for you.

I think it's true that hidden underneath all of the national statistics is the fact that recovery is highly uneven around the country. And what we've done is we've launched something called the Metro Monitor, which tracks the recovery of the 100 largest metropolitan areas in the country since the recession began.

We did this because we have to remind, again, our leaders that the U.S. economy is made up of a network of metropolitan economies, and that our ability to recover nationally is going to be dependent on how well Toledo, Detroit, Vegas, Youngstown, Orlando would rebound and shift to the next economy. We focused on the 100 because the 100 largest metropolitan areas together generate 75 percent of the nation's GDP. So, these are the economic engines of the country, and we need to ask ourselves how well are these places doing? This is where most of us work and live and where the employers reside.

And, so, let me just give you some statistics off the first quarter of this past year. I know the second quarter numbers have just come out, and we're looking at that now, but just looking at the first quarter, the U.S. unemployment rate at the end of March of 2009 was 9 percent. We knew it was inching upward. But if you look across the top 100 metropolitan areas, it ranged from as low as 5.1 percent in Provo, Utah, to as high an

unemployment rate as 17.5 percent in Modesto, California, where the Central Valley has been really hard hit.

If you take a look at home prices, which has been so important to real estate values, property revenues at the state and local level, and for other important indicators, home prices at the national level had dropped 6.3 percent over the past year from the first quarter of 2009 to 2008, but if you look across the top 100 metropolitan areas, home prices dropped as severely as 30 percent in one year in Stockton, California, again near Central Valley, and in Las Vegas. We've been hearing again how the foreclosure crisis has really rocked places like Florida, California, Arizona, Nevada, and they are seeing it play out in many ways. But then the home prices actually increased in some parts of the country. It rose by 4.7 percent in Houston, and in some places in upstate New York.

So, this is a highly uneven recovery, and I think what our big takeaway from this is that broad-based, fiscal stimulus measures may not be enough. At the end of the day, they're certainly important, and I think we've heard from Russ and Barry about how they are important, but that we are going to need probably more targeted interventions or ensure that the existing discretionary parts of the stimulus funds are flexible enough for local and regional leaders to bend that money to address their unique local circumstances. That's how a Detroit and a Central Valley, California, and others are going to act because they know best how they're going to get out of this recovery and really focus on long-term sustainability.

So, how well is the stimulus package structured to do that?

I think we need to remind everybody that of the \$787 billion in the stimulus package, two-thirds of that is dedicated to the quick spend stuff, the fiscal stabilization to states, the tax cuts, the helping low-income families, such as with extended unemployment. Those were needed, those are quick spending, and they really did stave off some of the layoffs and other severe budget cuts that we've been hearing about.

But it is the one-third of the budget in the stimulus which has gotten most of the attention that actually matters for the flexibility to deal with the unique circumstances across the country. These are the infrastructure highway spending we've been hearing, the school reform funds, health programs, and the green investments, and how well are those dollars structured?

I'd say this is a really mixed bag. I think if you talked to local and regional leaders, there are a lot of the traditional funds like the highway money that everyone's been talking about.

Listen, highway repairs, they're safe investments, they needed to be done. I think most folks at the local level basically said let's just spend the money, let's just not do anything stupid. We've heard Biden remind us over and over not to do anything stupid with the funds.

But where there is the most energy and where we're going to see the most impact is the part of the three Rs in the recovery package that is focused on the transformative investments. How are we going to

move to a green economy? How are we going to focus on reinvesting in the next generation of where this economy is going?

And I'd say that at the local and regional level, this part of the stimulus package is what's generating the most game-changing initiatives and efforts to really undergird the recovery.

These are the ones that will have the big multiplier effect and have long-term economic value, and I would tell you again most local and regional leaders I talk to, they know they need to spend the money quickly, they know they need to focus on job growth, but they don't want to take this money and just create a short-term quick job, they're interested in creating a job that's going to last, they're interested in creating in lasting industries, they really want to have long-term prosperity.

So, what are those programs in the stimulus package that do that?

There's a lot of talk about the \$1.5 billion in TIGER grants, which supports this multi, regional transportation linking bus, rapid transit to housing and other things, and I think Chris Zimmerman is going to talk about that. The money for high-speed rail, the first time this country is going invest in a high-speed rail infrastructure, \$8 billion. There are a slew of investments that this administration has been really proud of on the green side, whether it's energy efficient homes, weatherization, energy efficient block grants that are really going to scale up a lot of the green initiatives that we're seeing, happening around the country. There is also the next generation infrastructure; not just the traditional roads that, you

know, the signs that we're seeing as we're driving around the country on our summer breaks, but really the broadband, the health IT systems, the smart grid.

I think that's the kind of stuff that folks are looking at. Then there is this neighborhood stabilization fund. This is the funding that's coming out of HUD to help whole neighborhoods deal with the high concentration foreclosures in their community. And, as Barry said, actually many of the funds I just talked about aren't even out yet.

This is why the impact is still to come. We are at the beginning of a two year package and I think that there is going to be a lot more catalytic things that we'll see coming down the pike.

MS. CALMES: So you sound conditionally or tentatively optimistic that there -- the third R, the reinvestment part, will actually -- that this isn't just political rhetoric; that you know, that there is, you know, not a miracle cure but that there is something in here to give a push to green, you know, whatever green jobs are, I think in this context or whatever.

MS. LIU: Listen, I, you know, I --

MS. CALMES: -- wants them to be, but --

MS. LIU: Right. I think that we have to remind ourselves that this package had 350 separate spending and tax provisions. There is going to be something that someone doesn't like in it, there's going to be something people like about it. There's been criticism and controversies



around the Stimulus Package; people zero in on that one or two programs that might attract that kind of criticism.

MS. CALMES: Right.

MS. LIU: I think the optimism for me and some of the local regional leaders, and I think Chris will kind of talk a little bit about this is, the one bright line in the Stimulus Package is that it created an opening for some really transformative efforts. And we have been documenting a whole bunch of innovations around the country and around the Stimulus that have been holistic, that have been integrated.

I mean at the beginning of the stimulus package all we heard was states and jurisdictions putting together their wish lists; projects -- what are our projects that -- to fund from stimulus. The most innovative efforts around the country are not a project-itis, where they're just funding a bunch of separate projects but really thinking about really transformative whole sale efforts.

So some of the things I would just mention are something that lasts. So the one example is in the city of Chicago. The city has taken one of the energy conservation block grants and has scaled up an energy efficient retrofit program for targeting multi family apartments in the private market aimed at low income renters, which is the one part of the segment that is often overlooked when it comes to energy efficiency.

There's a weatherization program that's mostly focused on single family homes.

But this is about low income renters in the private multi-family market. And they're doing this with private sector partners. In fact, the whole thing is almost private sector oriented with some leveraging of private sector funds, but the whole goal was to have scale. Even though we know, I think Barry or Russ had mentioned, what happens when the stimulus funds end. Most folks know that the funding is going to end. They're going to try and figure out how do we find private sector capital to extend the value and take over these programs and this is what Chicago has done. So it has, again, a lasting impact.

I'll just mention one other example. Kansas City has done something completely different. Again, not going after the one project fund, but there is a regional council of governments there taking an unprecedented role of working with a bunch of neighborhood associations and other collaborators to basically channel like 15 different Stimulus funds into one low income neighborhood right off of downtown in Kansas City.

It's 150 block neighborhood and they're going to make sure that if we're going to have impact on the stimulus, let's at least make sure that one part of our community is going to have maximum impact. So I

think that that's the kind of creativity we're seeing around the country that stimulus is seeding in some places.

MS. CALMES: Well you anticipated my last question to you about your favorite examples. So now, we'll turn to Chris Zimmerman who can give us a localized view here, suburban, Arlington County, just over the river in Northern Virginia. What's your -- and all view on this stimulus package?

MR. ZIMMERMAN: -- might crawl with the term suburban -- Arlington County. But you know, if you ask the question did stimulus help, is it helping, and as a local official, if I'm given the choice between what's happening and not having passed the stimulus bill at all, unequivocally I'm grateful that the bill passed. There's no question, our world would be a lot more difficult right now if that bill had not passed.

At the same time, to start with, from our prospective, it wasn't enough. If you look at the impact on state and local budgets, you know, the simple fact is that the budget gaps that were generated by the recession, at the state and local levels, were enormous and the amount of funding provided through this was a fraction.

So you know, just in rough terms there is a, you know, \$50 billion state fiscal stabilization fund is a great thing --

SPEAKER: --

MR. ZIMMERMAN: -- but the budget gaps at the beginning of the year, across the states, I think were about \$200 billion dollars. So you're not talking about some great bounty, you're talking about minimizing the impacts of cuts and tax increases that were otherwise taking place at the state level.

Now at the local level, there really wasn't very much and there just isn't very much money that goes directly to local governments. We do benefit indirectly from money that the states get. There are cuts that didn't happen to us that would have happened.

MS. CALMES: Right.

MR. ZIMMERMAN: On the education side, the impact is significant and obviously that reaches the local level. And we definitely benefited as a result of the money that came for education. But there's very little that actually will come directly to the local level and for the most part it is true that we have -- I mean my county has yet to receive a dollar. But that's not -- I mean that's not entirely a terrible thing. The fact of the matter is --

MS. CALMES: You haven't received a single dollar of the stimulus --

MR. ZIMMERMAN: We haven't received a dollar. But we will receive and we'll receive about, directly it's about \$9 million, which in a

county of a billion dollar budget is not a huge amount of money. Again, you know, we were looking at a budget gap that we had -- that probably started at 30 to 40 million dollars. So you know, I mean it's not that it's not going to be helpful.

And there are people who are working today in our county who might not be because of the money we know will be coming. And we haven't gotten the check yet but that's okay. I mean things are happening. The fact that the check hasn't arrived doesn't mean it isn't working, because the fact that you know the check will arrive effects what people are doing and who's employed and all of that sort of thing.

But I think that it's true that it had a limited ability to help us in our budget difficulties this past spring for some of the reasons that Mr. Bosworth said. You know, it takes too long to get going and it's too small.

MS. CALMES: Right.

MR. ZIMMERMAN: And it is not too flexible, especially at the local level. And that's the bigger kind of problem. When people are willing to pay you to buy buses but not to pay bus drivers, then you can be in a situation many people were in where they're laying off bus drivers and they have this -- of money to buy buses; and what do you do with that. And that kind of thing has multiplied overall.

I don't think that this was the optimal way in which to provide stimulus and offset the, you know, the recession -- of state and local fiscal actions that, you know, are procyclical. We do exactly the wrong thing when we're raising our taxes and cutting our spending in the middle of a recession.

On the other hand, as I said, a lot good is happening and I think that Amy's right that the most significant impact may be long term, which is a little outside the range of stimulus, per say. But some of the money that's in here, and it's not even some of the larger amounts of money, I think are going to have some very positive effect.

We, for instance, -- and I should have mentioned I'm on the Metro Board here in the Washington area and we're getting \$200 million in investment funds that we desperately need for capital. Now, we had \$500 million in capital needs and we're getting \$200 million. You know, we were cutting our capital budget by \$150 million otherwise, so it offset what would have been a huge cut. That's a good thing on a regional level. But the kind of thing that will really have an impact --

MS. CALMES: That's money that goes in the entire Washington D.C. metropolitan area.

MR. ZIMMERMAN: -- spent on the Washington Metro System, the Transit System here --

MS. CALMES: Right.

MR. ZIMMERMAN: -- that you know, benefits the entire region clearly. And as very well known right now, our Transit System needs a lot more investment --

MS. CALMES: Right.

MR. ZIMMERMAN: -- \$11 billion over the next decade at a time when those funds have been declining, not increasing. So you know, having \$200 million very welcome. The kind of thing that might have an impact long term though that Amy was referring to, like such as the TIGER Grants, is something that we're working on now on a regional level. At the Transportation Planning Board we've been working on an application for some of that money and it's a competitive grant; we may not get it.

But the region is going to try and compete to get one of those that will involve a region wide priority bus system that will integrate intermodally with everything from rail to bicycle and that will involve all of the jurisdictions and all levels of government.

So what it has done -- it's forced us to bring together the State Highways Departments in Virginia, Maryland, and the District, the local Transit Agency, WMATA, local governments of all of the jurisdictions and we've been sitting around the table for the last six months trying to

hammer something out that we can submit in the hope of being able to win this.

The very fact that we're doing that is a good thing with long term benefits for this region; if we get the grant then that will stimulate more that we'll be making investments in in years to come. So there's a lot of positive that can come out of this. But at the moment, there's a limited number of dollars that are actually being felt directly at the local level.

MS. CALMES: If you could do it all over -- if this could be done all over again, what would you advise Congress and the Administration?

MR. ZIMMERMAN: Well, my view, personally, is that if you want to get money out in a hurry, which is the, you know, the whole point, and again to get back to the original comments from Mr. Bosworth, you know, a lot of this was tax cuts and those are inefficient basically.

A lot of it is capital type programs, which I think the country needs to do a lot more of but which, from the stimulus standpoint, takes a long time. And I always felt that the best way to go about this would have been a counter cyclical revenue sharing program.

I mean basically what the most important thing to do that would have the biggest effect right away would've been to get 50 states



and 100,000 units of local governments not cutting their budgets, not raising taxes and fees.

And that you can have an instant effect on because when you provide that money, and that's where I think they did have the biggest effect with the \$50 billion Fiscal Stabilization Fund, because people -- and when they're doing their budgets in the spring, they're already cutting back in anticipation of the bad year that's coming. They're already holding things up. People are already losing their jobs or knowing that they're going to be laid off and therefore not making expenditures.

If you did something where, by formula, you essentially distributed funds that would offset that then people would know that's not what's happening in their budget and you'd have much more impact. And I think this is relevant because the other part of this is that the recession is not over as far as state and local governments are concerned.

Even if it turns out, we don't know yet, but suppose it turns out that this really is the bottom out and we're moving up from here and everything's going to be great in the future, next year state and local governments are going to have a bad year; probably worse than they had last year. And that is true even if we are now in recovery, which we don't know yet.

Everything at our level -- so for instance, particularly at local government, we're heavily dependent on property tax; property tax by far the biggest thing. Well, real estate values aren't going to be recovering in any big hurry. So no matter -- and if you look at the last recession, the last big one in the early '90s, we had, you know, the recession was over I think something like March of '92 economists will say.

There were several years before you saw that showing up in the real estate assessments; in my county, certainly in a lot of other places. So I would say that at best we're looking at one more really bad year at the state and local level in terms of doing budgets. This last year was hard, I think this year is going to be harder.

MS. CALMES: Is there anything that anyone said here that some other panelist would like to address before I monopolize the conversation again? You referred a couple of times to things that Barry had said. In terms of this -- I'm just interested as -- I didn't want -- continue talking about what this stimulus package has done before we raise the question of whether there is a second stimulus on the horizon.

But since you made the point and I covered state government in Texas for five years and I've watched state and local governments over the years, especially at the beginning of this decade when we had a recession and they were hit so hard. What -- as they start

doing their budgets later this year for next year, is there going to be a need for a second stimulus from the standpoint of the state and local governments?

MR ZIMMERMAN: Well I certainly think it would be very helpful at our level and I think that people need to understand that no matter what they're hearing about what's happening in the economy, and I hope it is, you know, positive and that we're going to be pulling out of this, that that isn't going to have very much impact on the very next budget, which is being written right now --

MS. CALMES: Right.

MR. ZIMMERMAN: -- in all governments and will be in the news in, you know, basically early next year; most governments working on a July to June fiscal year and most of them adopting in the spring. So you know, you should anticipate that we have a very tough budget year ahead in most places and absent some other action that, you know, yeah things are going to be really tough.

We will be receiving some of the, you know, the fiscal -- the dollars we're talking about from the existing stimulus are really going to start kicking in in the fall probably --

MS. CALMES: Right.

MR. ZIMMERMAN: -- when people start drawing down. But that isn't necessarily impacting the budget decisions that you have to make for next year.

MS. LIU: Can I -- I just want to elaborate on that because I do think that this is the one thing that was overlooked in the stimulus package. And we can talk about whether there needs to be a second stimulus to address this. But we've been working with our colleagues over at the National League of Cities and others talking about the fact that this is another -- issue. There's been a lot of studies done on state fiscal crisis and their anticipated budget deficits, which is really true.

What's harder to quantify is all of the municipality deficits; all of the local budget situations around the country. And -- has tried to do that and what's fascinating to me is that, you know, local governments, first of all, fit -- on average 15% of their budgets are dependent on state aid. So if the states are cutting back, they're going to feel that pain.

The second is they are highly, as Chris was saying, local municipalities are highly dependent on property tax revenues, property taxes and sales taxes to pay for staffing and services. And all of the capital needs. You know, transportation funds doesn't take care of all of the road repairs and other things, parks, and all of the services that we all get at our local level.

And with consumer spending anticipated to be down for a long time, for the home real estate prices expected to be down for a long time, this next year their members are anticipating that for the first time property tax receipts are dropping, first time in 10 years across municipal - every single municipality; property tax collections are dropping because of the revenues.

And there is a two year lag because of the way they do their property assessments. So I think they've looked at historically when a recession -- if this year was the worst of the recession, it will -- don't be surprised that the lowest point of a local budget will be two years later.

And so I think that that's why you're going to still hear about the fall out and the lag of this economy in 2010 and 2011. And I think many of us live in localities -- we feel the pain of when our local governments really start to cut back or raise taxes. And so you know, what are the options for that? Some of it could be what Chris was talking about; was whether we think about either in a second stimulus package or a recapture of existing funds to do a revenue sharing with localities in a -- we've done this before. It's not that hard to do.

The second is the bond market. I think most local states but also localities really rely on borrowing at this time and the ability to access

credit and the ability to access bonding authority is really municipal bonds at this point.

But those are weak markets at this point and this is a real opportunity for the Administration to maybe think about how they work -- Treasury working with Wall Street; really resolve or adjust that for all local governments. So I think there are other options but I think this is one of those overlooked pieces of the stimulus puzzle.

MR. WHITEHURST: If I could just add to that. They're implicit in this conversation, at least as I hear it, is that while the private sector has to shrink and circumstances in which revenue is decreased, the public sector will always be made whole. There's -- in schools, there's -- in state and local government.

I think we need to differentiate and anti a package that's designed to shorten the recession. From a package that's designed to represent a permanent flow of federal funds to support local activities and to make them free of the necessary necessity to adjust in the context of a recession.

I don't know where that line is but we do need to remember that we have a very large structural federal deficit and to talk about simply dealing with the needs a year out or two years out of municipalities by

transferring funds from the federal government simply shifts a problem from one location to another.

MS. CALMES: I guess you could say that with the -- this ties into the healthcare debate too, given the portion of state budgets, at least - - Medicaid to the extent that that is increased through any healthcare reform will add to the problems.

But to the extent that there is any second stimulus package in the next year or two, even if it's just targeted to state and local aid will depend a lot on how people assess how well this stimulus has done. And I sort of hate to do this; I won't make you give it a grade, but given that the title of this program is called, you know, "The Stimulus: Boom or Bust?", I want to take each person to take that stark choice and come down somewhere. Barry; boom or bust?

MR. BOSWORTH: To say it's a bust is too harsh but it's very disappointing when an original objective was to try to stimulate the U.S. economy. So the discussion -- is that -- that the whole focus shifts towards long term measures. We'd like some investment help on this and that. We are really getting away from the subject of stimulus and trying to turn around a recession where the usual focus is how can you get the money out fastest and get to in the hands of people who will spend it.

I'm in favor of increased infrastructure investments but the notion that there're shovel ready projects was a myth and we're now seeing it. It took a long time to get these things started and we're left with basically repaving roads. That's about all we can do this summer. Maybe next year, but next year's too late to be significant.

So I think what happens in these sort of proposals is individual interests groups come in and use it. What was the phrase that somebody had? Never waste a crisis. That's what happens; that's unfortunate.

MS. CALMES: --

MR. BOSWORTH: That's the worst possible thing from my prospective because you end up using the crisis for other agenda and that's what's happening to this. And it will be more severe in the second crisis, in a second stimulus, than it was in the first.

MR. ZIMMERMAN: Do you want an argument?

MR. BOSWORTH: But the first is too small. What?

MR. ZIMMERMAN: I want to know if she wants an argument.

MS. CALMES: Of course.

MR. BOSWORTH: Sure.



MR. ZIMMERMAN: I'm glad -- found something to disagree on because I think that that's really overstating it. Now, number one, I think the statement about road paving -- first, I would note that paving roads is one of the things that gets cut first. So one of the -- if just pure paving roads, in fact, is drastically cut back every where as soon as you run into economic trouble, that's been happening for some time.

So most places haven't been paving roads enough. So the fact that it was available and that stimulus funds were used for it, probably a good thing; something that needed to be done that was otherwise being lost and does represent immediate stimulus. But there are a lot of things. The \$200 million that Metro is getting, for instance here, is important spending that in fact is shovel-ready. These are the things that people are ready to do. These -- are being used, not only things like road paving, but for buying buses. My county -- I mean we didn't get a lot of money but we're getting some money. We're ordering buses that we wouldn't have been ordering. Those buses are needed; they're employing people and the fact that they have a long-term health is a good thing. Now, remember, my overall argument on stimulus is really consistent with what you're hearing on the other side of the dais here, which is I argued for countercyclical revenue-sharing that it indexed where the economy is, so it

isn't permanent, and so when the economy goes up, it goes away. I think that's the right way to do it from an economic standpoint.

But it's also true that the country has a huge deficit in infrastructure investment. In the short-run, if you're worried about the federal deficit, the most important thing to do is end the recession and get the economy back to close to the potential GDP. That's what will close the gap in the short-run. In the long-run, it's the productivity of the economy.

And I would argue that our economy has suffered because most of the things that we've been rolling up deficits for the last eight years that we haven't worried about too much has not been investing in our economy, and even though I think this is a highly imperfect instrument and a lot of the criticisms are valid, nonetheless all that stuff that's being done that may not be great for stimulus are things that actually we need in this country to generate the economy that will take care of things like deficits and other expenditures that we need to be able to make in the future.

MR. BOSWORTH: It's a perfect statement of never waste the grasses, I agree. We think that's -- that's a different issue.

MS. CALMES: Well, I'll jump ahead then to you, Chris, boom or bust.

MR. ZIMMERMAN: Well, I mean I think, as I said, I think it's not perfect. I wouldn't say either of those apply. I guess I'd give it a B if I had to give it a letter grade, and whether it's a B+ or a B- I'll let you know, and in six months or a year when we see what happened, you know. If I get that Tiger Grant, I'm going to think it's a lot better than if I don't.

But, in all honesty, you know, we have to see how a lot of it plays out. Again I think after evaluating two terms, one as stimulus and the other in terms of, as government spending, what is it doing? As government spending, I think most of what's being done is so desperately needed that even if it's not being done optimally in the proportions that I think it ought to be done or that, you know, would be by some evaluation, you know, a better way to do it, all of it is so desperately needed and is so small compared to the need that that's going to be pretty good.

As stimulus, I think just from what you hear, even from what Mr. Bosworth was saying, was an argument that a lot of it did help. I mean after all, the biggest chunk of this is tax cuts, which I don't think is a more sufficient way to do it, but the fact is it did offer that income, it got into people's hands. And when you add in some of the other things, I mean there's a fair amount of this -- maybe not quite enough but a fair

amount of it -- that was aid to people in desperate need like unemployment, for instance.

You know, my country's getting a million and a half dollars that's basically helping human service needs. We put a lot more of our own money into that because that's what's most needed at a time like this. That stuff is helping and, clearly, we'd be in a much worse situation I think nationally, economically, and certainly locally, if we didn't have it. So it's not what I wanted, it's not as much as I wanted, it's not done as well as I'd like done, but it sure is a heck of a whole lot better than if they didn't do it at all.

MS. CALMES: That one-and-a-half million of income support, is that part of the \$9 million you talked about earlier?

MR. ZIMMERMAN: Yeah, the \$9 million, about \$5 million of it is transportation.

MS. CALMES: Mm-hmm.

MR. ZIMMERMAN: You know, again in the context of having had hundreds of millions of dollars of cuts in transportation, you know, it's \$5 million that's going into things like buying buses. There is a couple of million that's on the energy efficient programs, and those are programs again where things would have happened that were being cut back that are now going to be done. And then we got some money that

was for aid of various kinds that, you know, basically helps people most in need, and maybe it's around a million and a half to two million, something like that.

MS. CALMES: Russ, boom or bust?

MR. WHITEHURST: I'll give you a nuanced one, yeah.

MS. CALMES: I thought you would.

MR. WHITEHURST: I think the state stabilization investment was a reasonable one. It was about \$60 billion that let states avoid substantial layoffs, gave them a fair amount of flexibility as to how they wanted to spend it: K-12 education, higher education, other needs. So I would give that an A.

The topping up of traditional entitlement programs so that you put more money into Title 1, or you put more money into IBEA, that's just a run-up to increasing funding in the No Child Left Behind reauthorizations. It's hard to see that as a fundamental part of the stimulus bill. I think it should not have been there; I would give it a C, C or a D.

On the reform agenda, I think the evidence is still out. Congress gave the secretary of education and the administration an unusual degree of flexibility in terms of dangling a lot of money in front of states with an agenda to be set by the Secretary and the President. You

have to go back to Lyndon Johnson to find a time when there was as much power centralized in Washington with respect to education policy. I think they've got some good ideas.

I think we'll have to see how it plays out, though, over the long term. I can think they've got good ideas and also have some concern about the degree of flexibility that's been provided. I would rather have seen that worked out in the congressional process where people have an opportunity to opine on whether they want states to have or have not caps on shorter schools, or whether they want national standards rather than letting that be a decision that's essentially made in the White House.

MS. CALMES: Amy, boom or bust?

MS. LIU: Oh, boy. Well, this was certainly a hodge-podge package, and I think that's why we're getting hodge-podge results. And so, you know, I agree with everyone here that this is, you know, still too uneven and still to be determined.

I, you know, what I would say about, you know, what matters or what we can do now is that, you know, for -- you know, the 67 percent that went straight out in tax cuts, fiscal stabilization and unemployment benefits and others, that was fast. That is fast, and that is what most folks are talking about when they say fiscal stimulus. And that

was done, I think, crafted well, you people could argue, about the size of distribution between the three of those.

People's frustration is that third, you know, whether transportation is getting their money out, whether the agencies are getting their discretionary money out. And you're right, I think. When I saw Christina Romer's speech for the Economic Club last week, she said of the \$787 billion, \$100 billion of it has been spent so far. A hundred billion. So we are still not there yet, and maybe the frustration is \$100 billion, may not have that big of effect on this economy yet, and it's still to come.

But I think the agencies are doing the best they can, so I would say, you know, people can quibble about the quality of the choices of some of the projects under DOT, but DOT is hitting their 50 percent spending target for a hundred -- at the 128th, they had all but get 150 percent of their funds: They've done that. You know, the metropolitan planning organizations who got direct funding for their transportation, they have one year to spend down their 50 percent. I think they're on their way to that. I think those kind of deadlines that were in the bill were important, and people are meeting those spending targets.

But on the other stuff that's discretionary, you know, I think that rather than go to a second stimulus, many of us are talking about the fact that if there are still \$687 billion out there, let's make some reforms

now, six months into a two-year package, to speed up but also improve the quality of the spending. You know, let's make sure the rest of the money gets used well and fast. And most local people do want to do this fast, but they don't want to pour it in a place that has no market activity. Why -- and I would say just for a couple of examples where these kind of programmatic things can happen -- you know, the administration, I think, like boosted weather -- I mean we hear about this weatherization. Most state offices, you know, had a very small weatherization program, and alternate boot, like 30 per -- 30 times the size of the program. They had to all some staff up and see to how do they get the money out.

The program is so cumbersome in the way the agency designed the process that it is slow for localities to spend it, and some folks are avoiding it completely so it's not getting spent. So those are the kind of fixes that we can really urge be made to make sure that the remaining of the funding gets out there and done effectively.

The other is broadband as another example where people have said that in the first round of money that came out of the Commerce Department, the first round of the broadband money was so narrowly defined, they so narrowly defined the eligibility of unserved or underserved areas, that only remote rural areas can qualify for broadband funding. And yet most business and private sector people who want broadband



think of it as an opportunity to serve underserved parts of metropolitan areas to have cable modem or slow modem so they can boost entrepreneurship, small businesses, connect workers to the system so they can find employment.

You know, so we need to think again about deploying this in a way so that it has the kind of catalytic impact on the market so we can feel it. These -- and so I think there is access conversations about how to make sure the second and third round of broadband money is going to be invested in a way that will have that, you know, multiplier effect and have that kind of benefit.

So I think there are examples like that throughout this package that we can make sure that the existing stimulus package gets done well.

MS. CALMES: Barry, I had a question. Do you have any sense of measurements that indicate where the administration or how close they'll get to their prediction that there be 3.5 million jobs saved or created?

MR. BOSWORTH: I don't think any economist could answer that question. The level of where you otherwise would have been is completely hypothetical. No, I think it's unfortunate that we got into this questions of new or saved.

MS. CALMES: Right.

MR. BOSWORTH: I don't think we could put a number on it. The employment losses in this recession, by historical standards, are ordinary. It's just been a terrible loss of jobs.

The good news is, going forward, people will be surprised on the basis of historical experience how fast the recovery comes. In past recessions, the worst the decline the faster expansion. I'm not sure that's going to happen this time because we have some continuing problems. But I think it's a waste of time to try to sort those two numbers out in any kind of detail.

I'm content that going forward this stimulus has a lot of things in it that should be creating jobs.

MS. CALMES: Which makes it the perfect political promise to safe an create those jobs, that it can't be disproven, right?

MR. BOSWORTH: That's right. Now it's a little bit of a political gimmick, I think.

MS. CALMES: Well, it's that time where we can open up the floor to questions. And there are people with microphones around. When you put your hand up, I'm going to take two at a time so we can get as many questions in as possible. That is, somebody will ask a question,

and we'll hold that thought and ask a second person, and then we'll have whoever is best on the panel to answer it do so.

Sir, on the aisle? And if you could state your name and where you're from.

MR. BERNSTEIN: Scott Bernstein, Center for Neighborhood Technology, Chicago, and I'm here by coincidence, so for the plug, Amy. We designed that Chicago energy program.

And one of the things we learned in doing it is, it's possible to do better than things like the situation you described with the weatherization assistance program. So my answer to your question, had I been up there, is that the experiment may be a success even if some of the programs are failing: We're learning what works better than some things, and, you know -- you know, I'd be interested in comments on what the latitude is to do that learning quickly so that we can calibrate this at midterm. You know, does the Federal Government have the tools from Congress that it needs to shift priorities?

My second is an observation. I was struck with Barry's comment about how important this was to high income maintenance. The other half of it, though, is that the cost of living is still a pressure on people. So things like energy efficiency or standing transit service actually either stabilizes or lower the cost of living, and maybe that should be

another kind of targeting in addition to the economic targeting. And does anybody have any comment on that, lowering the cost of living as a priority?

And the related one would be, when you said targeting, Amy, you were talking about spatial targeting.

MS. LIU: Right.

MR. BERNSTEIN: And we're just finishing a report showing that the formula by which the transportation money actually went out was severely biased against urban and metropolitan areas, and what do we do about that? I mean that's been a traditional problem. It picked a 1965 formula from the Public Works and Economic Development Act that just doesn't work for the way the economy's been working. Do we need a newer policy from the White House to pay attention to this? Or what do we do about this?

Your basic premise here is that the economy's in metro areas, but the basic formula seems to direct money away from where the economy is. Those are my questions. Thank you.

MS. CALMES: So could you sort of summarize your bottom-line question there that --

MR. BERNSTEIN: (Off mike) The targeting. Is the Federal Government, is the administration (inaudible) -- midterm

correction. That's the thing. We've learned that some things work better than others. It's not one size fits all. If we need to cut our losses and make more of the money that's already in the authority that's been granted, does the administration have the flexibility to do that, or does Congress need to do something else in a hurry to make that targeting work?

MS. CALMES: Okay. And let's take a question in waiting from this side from someone. This man here in the second row, and tell us who you are and who you're with.

SPEAKER: Yeah, Chia Chen, freelance correspondent. From what I heard, it says the basic problem is implementation. And I was surprised to hear from Barry that this did not get effect. I think from now on it should put more money to the private, small business because those factor really the increase employment. And employment is the most basic thing for the recovery.

And Amy talked about several things, and she mentioned about the green economy, and, really, we don't have a green economy infrastructure. But one thing is this: the solar. I was surprised at the beginning of the year that the solar industry is not interest in put the panel in the (inaudible) house. I think we should do that.

And also, you talk about this broadband. I also tried to mention the IT. Particularly, you talked about the health reform. Health IT is very important, and this is, too technology is invented here, and everybody use it. And U.S. the only country did not pay attention to it.

And furthermore I want to say is this: From now on you do anything you have to listen. The people, like Zimmerman, the Conky label. So I think that from now on you have complete infrastructure the how we going to spend the rest so money [sic].

Most important, I couldn't keep (inaudible), you should take money from the bank, popular bank, to the small business. Thank you.

MS. CALMES: Okay. Does anyone want to take the first question about whether if, you know, as we revisit this, does the government have the tools that it needs in order to make these things more effective to learn, to sort of, like, best practices and spread the word?

MS. LIU: Well, I appreciate Scott's comments and questions -- good to see you, Scott.

You know, on -- I think -- and it comes back to your comment, too -- this is about implementation. And as Barry said, you know, government bureaucracy is not really attuned for fast, flexible

implementation. And I'm not going to spend a lot of time about all the problems of that local regional leaders are running into when it comes to this.

But when, you know, when Scott asked, is there a way to scale up or accelerate experimentation, you know, that's -- I think that is one of the desires by some of the agencies in the administration right now, is that they're realizing is they're forgetting that when they put out all this money, and they put out all of these programs, 350 programs, that it's the same number of applicants in a local region or a local region.

They're all having to deal with 30 different recording requirements, 30 different applications, different rules. They're trying to fuse funding together to have scale, and it is just, even though they're trying to do this quickly, they're trying to do it creatively, they're trying to do it, you know, both quick and in (inaudible), the federal rules make it really, really hard for them to do so. And they're all ideas that are out there on how to do that, so this experimentation, the innovations become more the norm than just the exception to the rules.

And then in terms of -- let me just comment on the second question about, you know, you were mentioning a broadband and IT and technology -- you know, one of the things about how government programs are so isolated at cumbersome is that some of the private sector

leaders and local regional leaders that we're running to are so excited about the health IT, the broadband, and the smart grid, but, you know, they're pulling their hair out because these are now three separate programs with three separate requirements, three separate applications when setting up a broadband system, setting up an ability for a number of multiple hospitals and clinics in a region to share documents, electronically, and the ability to track and measure energy use in a home or a commercial building use the same fiber optic cable. So they can't -- you know, rather than apply three different times or cut up the same cable three different times, they want to streamline and do it all at once and transform the technological opportunity in their community.

This is a kind of delay, if you will, that makes "fast" -- even the intent is there, even though the creativity experimentation is there -- makes it really hard. So I do think again there's opportunity for a government bureaucracy to be more responsive and more flexible to meet the way people operate, the local leaders operation on the ground. They're ready to be leaders and entrepreneurial here. So --

MR. ZIMMERMAN: I think Amy's point can't be stressed enough. One of the -- a large part of the difficulty I think with this package is that for what are reasonable reasons, the trend for us to use existing



program structures to deliver funds. And, you know, there's good reasons to do that because you have them in place and so on.

MS. CALMES: Right.

MR. BOSWORTH: Unfortunately, a large part of those systems, a large part of the government bureaucracy has in recent years really been aimed at keeping money from going out the door. And a lot of those structures haven't been implemented in ways that really were intended to promote them; they were being run by people who didn't believe in the purpose of them in the first place, quite frankly. And so, you know, a new administration coming in that wants to do it is, in the early stages, still stuck with the old structures.

And that really comes up in areas I work in, including in transportation. The whole transportation -- I mean, we were out in this dilemma of doing things being shovel-ready. What qualifies for shovel-ready, which, you know, really means procurement-ready? But, you know, something you're actually ready to do when you have a whole system that has been made -- that's made it very difficult. If you didn't have money in hand, then you couldn't have it on the key list you have to be on to be eligible.

And so if you didn't have money and now they're giving you money, and you can't spend it because you're not on that list, so, you

know, there's a fair amount of Catch 22 in a lot of this. Until they change a lot of that, and especially in the area of transportation which I know well, to where the intention actually is to promote the development of projects, then using those mechanisms is necessarily going to be clumsy.

But I think that's very uneven across government programs. I think, in fact, some parts of the bureaucracy are very good at getting money out in a hurry.

MS. CALMES: Mm-hmm.

MR. BOSWORTH: You know, and some parts aren't. Most of the things that are doing anything hard like investment in infrastructure are, by their nature have all kinds of checks and balances, and those checks and balances take time and, you know, that's why I came back to my earlier point that if you want it in a hurry, you've got to basically make it, you know, general purpose, unrestricted, let them appropriate it. And then you'll get it out in a hurry.

MS. CALMES: Question? The man in the blue shirt. Third. Yeah, you. Yes, you.

MR. MILLER: Hi. I'm Vic Miller and I've been around this town for a long time, but I've recently moved to the GAO to help track the Medicaid money from the Recovery Act, and I'm sort of shocked that that word hasn't come up here given that it's the largest single spending program

in the bill. And perhaps that's because it doesn't say "stimulus" in the bill or in the Medicaid title. It says it's for stabilization of state governments and for stabilization of Medicaid programs.

So given we have maybe \$87 billion for those purposes in the bill compared perhaps to hundreds of billions or trillions of dollars even for stabilization of our banking system, would you judge that structure and the spending -- maybe a third has gone out so far -- as to be a B, A, or F-minus?

MS. CALMES: Anybody --

MS. LIU: You want to take a second question?

MS. CALMES: We'll take a second question from the man here in the third row -- fourth row back. Green shirt.

MR. ODIE: Thanks. I'm Antony Odie with Georgetown University.

Mr. Zimmerman has given us one set of reasons for the difficulties in the program. But more generally, when we talk about the kind of fragmentation geographically (inaudible) and so on, to what extent is this stimulus package complicated because it's the way the administration designed it? To what extent is it because Congress put things in, each of which served some constituency somewhere?

MS. CALMES: Is there someone who particularly wanted to take the Medicaid question? It looked like it was directed at this side of the --

MR BOSWORTH: Medicaid?

MS. CALMES: The -- I'm sorry, you said, from GAO, your --

MR. MILLER: (inaudible).

MR. BOSWORTH: I can't hear.

MR. MILLER: The question was the \$87 billion estimated for Medicaid, for state stabilization, and for maintenance of the Medicaid program. Was that well done? Poorly done? And I'm just sort of shocked it hasn't been brought up in the subject here before.

MS. LIU: I don't have much.

MR. BOSWORTH: I don't know.

MR. ZIMMERMAN: Be able to make it at the local level, so.

MS. CALMES: Right. I mean, it comes under the category of the income stabilization. And so it's been referred to in generalities, but...

MS. LIU: I think, again, I think most people are really, at the state level, Medicare and Medicaid, as you know, is the biggest chunk of the state budget. It is also -- I know there was talk about fat in state and local budgets, but a lot of the growth, the cost of state and local governments come from things that they can't control, like health care costs and pensions and other -- gas of -- the rising prices of gasoline and other things. And so the increasing match in Medicare and Medicaid has been incredible fiscal relief for states at a time when health care costs and health care needs are rising, the demographics are increasing. And it allowed them to, in some ways, plug those deficits and really think about where they spend elsewhere. So I'd say it was, you know, very important.

MS. CALMES: And the second question, to the extent I understood it, was whether not the program that we're describing is complicated by design, in part because I think that goes to the question of

how much is parochial pork that might not have been the best thing to have in there. And they -- you know, the claim is, and I -- is that it's a pork-free bill. But, you know, that goes back to the old saw that one man's worthy project is another woman's pork.

But I think -- well, who wants to take that -- the question? I think -- because I think it's a good one and because the public -- so much of the public's view of this is shaped by is it pork or is it not, that that's an important one to address.

MR. ZIMMERMAN: But I don't think -- I think the question was a little more than -- I mean, we can argue about what's pork and what's not pork. I think the question more was how much of it was framed in the Executive in some comprehensive way and how much of it is as a result of the legislative process.

MS. CALMES: In Congress.

MR. ZIMMERMAN: Which is not quite entirely the same thing as the pork question. And my impression certainly is that this was very much a Congressional act and it reflected what was necessary, particularly to get 60 votes in the Senate. And, you know, that necessarily resulted in the character that it has as -- you know, that's what's going to happen. You know, it wasn't anything that's going to become law in the United States of America. That's the way it's designed. And the executive branch will always have some limited ability to craft anything of that size, I would say, without Congressional interests coming into it, which I don't think is a bad thing, by the way --

MS. CALMES: Right.

MR. ZIMMERMAN: -- because that is the United States of America.

MR. BOSWORTH: But I think you're absolutely right. In fact, the striking thing about the Obama Administration so far is that he has not -- apparently does not seem to be interested in crafting the initial version of anything. So his health care program is basically left for Congress to come up with a bill. The stimulus program basically originated in its structure on Capitol Hill. I'm sure there's informal input into that process by the administration. But as compared in the past, where administrations have proposed the program and then argued for their program, that's not the way this administration has worked.

So I think it's right. It is a congressionally initiated program. It is necessarily complex because you got to satisfy lots of different interests. On the whole, I personally would give it pretty good marks for not getting into these individual congressmen getting something for their district type thing. I think it was largely free of that, and that's a big plus.

And when you've got such a big program, I think it makes sense to cover lots of different areas, make it diverse. Because you -- I think Amy or somebody said you just can't increase the scale of a single program too fast.

MS. CALMES: If I can just jump in briefly as someone who covered it, starting as it was taking shape in December before the president had even taken his oath of office, I mean, you can talk about the health care

plan and whether he should or shouldn't have had a more detailed blueprint, but the stimulus package was done in the interest of time, I think we'd all agree, in terms of where the economy was at that time.

And second, I think in both the examples of the stimulus and in the health care bill we're seeing that they're much more involved in Congress than you would think by virtue of -- I think the stimulus bill in particular, I'll stick to the subject, was much more shaped down to details in the White House than has been reported. I say that as a reporter. What's wrong with that picture?

MR. WHITEHURST: When will you be reporting that?

MS. CALMES: I thought I did.

MR. WHITEHURST: You just did.

MS. CALMES: Questions? The lady in the black shirt here in the middle. And if you could keep your, you know, questions sharp, we can get as many in as possible in the remaining 10 minutes or so.

MS. SWEETSER: Yes, thank you. I'm Ann Sweetser. I'm a consulting anthropologist.

Much of this discussion has focused strictly on the domestic dimensions of the economy and I'm wondering about the international ramifications for the dollar and for our economy in the future and how this is perceived. There's a range of issues there, but I'll just -- I think that question is clear. Thank you.

MS. CALMES: And over here. The -- keep it easy, right on the aisle there nearby. Yes.

MR. FOWLER: Hello. I'm Perry Fowler. I'm with the Associated General Contractors of America, and obviously our industry is probably more impacted right now during this recession than any other. We have approximately 19 percent unemployment right now, lost of a million jobs in the last year, so we're, frankly, very grateful that there was a strong infrastructure component in the legislation, although it could have been more significant. What we found recently by serving our members is that most people are -- that it seems stimulus projects are hiring jobs, but a lot of people are staving off layoffs in anticipation of funding happening. So, you know, we're really kind of hoping and working with the agencies and trying to hope that in the fall we will see more projects coming out, but right now it is a little bit disappointing in terms of what kind of results we're getting.

And I guess, Mr. Zimmerman, you know, what do you see in terms of your local area, in terms of people saying, you know, where's the infrastructure money? How is this impacting my daily life? You know, we're -- how is it raising the issue of what the needs are, you know, locally in Northern Virginia as compared to, you know, just every day?

You know, we've got, you know, \$600 billion in need in wastewater infrastructure and water infrastructure every 20 years. Local communities can't pay for that. You have a lot of stimulus money. Are people saying, hey, I want clean water? You know, what are your people telling you back home?



MS. CALMES: Barry, I think that first question naturally should go to you on the broader impact of the stimulus bill, if any, for the global economy since the U.S. is obviously a huge player?

MR. BOSWORTH: Well, I think that the global dimensions of it is actually a big plus. It's amazing, I think, how cooperative countries around the world have been. I mean, to be blunt, this is a United States mistake that screwed the whole world economy. And rather than berating us --

MR. FOWLER: By "this" you don't mean the stimulus. You mean --

MR. BOSWORTH: No, the crisis.

MR. FOWLER: -- the crisis.

MR. BOSWORTH: Rather than berating us for the mistakes we made, most of the world has responded very quickly. I'm impressed in the IMF tabulations of how many other countries -- China jumps to mind for very quickly stepping in with large stimulus programs.

I think, also, the discussion at the G20 level has been very effective in encouraging countries let's not go back to the trade protectionist measures of the Great Depression, where, tit for tat, we destroy the whole trading system. Most countries have been very positive on that. There's been minor exceptions everywhere; there always is. But on whole, the story of cooperative action at the international level to try to manage this crisis I think has been very positive.

I think another aspect of it: We have gotten away from this U.S.-European dominance through the G8. We're moving to a G20-type structure, which is much more global.

So I would give us very high grades. I think our government deserves a lot of credit. I think they did reach out, so they're a very active player in this.

MS. CALMES: Both France and Germany reported growth unexpectedly in the last quarter.

MR. BOSWORTH: Yes.

MS. CALMES: To what extent -- not the U.S. package necessarily, but there was a -- you know, it was well reported that President Obama and Germany were at odds over whether -- how much of a stimulus Germany should have.

MR. BOSWORTH: Yes. Well, Germany, though, I think for what's happening Germany, they got really hard hit by the downturn because they are the biggest trading country among the industrialized countries. They're manufacturing. Just think of all the automobiles they produce.

They got clobbered. Well, then naturally, once the worst of that is over, you're the one who comes back first. So Germany is down very sharply for the first half of the year, but, very recently, they've started to come back up already.

France, I think in the case of France, they just managed it well. They were not as impacted as severely as we were in the financial sector. They protected their banks a little bit better.

So it's good news, but, yes, I think we overplayed the conflicts too much. It's good press, but it's not what was really going on. What was really going on was an amazingly high degree of cooperation.

MS. CALMES: Think globally, act locally. We're now, Chris, on your question about how is this being felt locally, the American stimulus package. And what do people say to you? They're either saying I don't -- you know, where's the money or thank you.

MR. ZIMMERMAN: Well, I think the questioner in particular was interested on the infrastructure side. There's the general question.

I think, you know, most people just figure, oh, there's all this stimulus money, you know. Your problems are going away, right? And they don't necessarily understand that the magnitude is very small and it mostly doesn't come to our level.

But even on the level it does hit, and this will get back to the infrastructure part of this, you know, we said earlier some of this stuff is coming, it's just it takes some time and it hasn't happened yet. But if you look at what's been happening in this region and in my state, we've had major problems with transportation funding for quite some time. We basically have just not been putting enough money into transportation finance for 20 years now. So we've had an underfunded program, which, in the last couple of years, because we've been running into economic issues

for some time here, particularly on the state level, we've seen billions of dollars of cuts. And last fall, I remember there was one point I believe it was a \$2 billion further cut was announced.

Now, the stimulus package comes out and it has money for transportation and it goes directly to the state. And I think Virginia got \$800+ million. Now, \$800 million is not chump change and I'm glad we have it. But when you've just had a \$2 billion cut, you know, it doesn't mean you're suddenly rolling in money.

And then you add in the other things I mentioned, that, you know, actually being able to use the funds is very complex and there are a lot of obstacles to them. Now, again, a lot of this will be happening. The biggest part of the stimulus that is affecting my county isn't the \$9 million that we're getting directly. It's \$10 million for one project that is one of those things being funded with the \$800 million. It's a project that they started work on a year ago and then stopped because it was all shut down. So sometime, I think in fall, that money starts flowing and, you know, that should be getting going again. People will then see that.

But, you know, yes, it's not something that you see happening every day. And even when it all does, it's mostly funding things that people thought they were getting anyway because mostly that's the rules. After all, to be shovel-ready it had to be all ready to go. It was something you were going to do and aren't doing because you didn't have enough money. So by the time we get any of this, it's not as much money as people think it is and

it's mostly paying for things people already thought they were supposed to have.

MS. CALMES: Is that frustrating as a politician?

MR. ZIMMERMAN: It's, you know, not great.

MS. CALMES: Do we have time for one more question?

Two? Great. One here from David Broder.

MR. BRODER: Dave Broder from the Post. What role, if any, has the Vice President's Office actually played in riding herd on the stimulus program?

MS. CALMES: And, let's see, I'll take the woman in the last row or near -- the second to the last row.

MS. BOURBON: My name is Contessa Bourbon. I'd like to know how did the stimulus package help to stop or prevent foreclosures? And how did it solve the problems on housing crisis?

MS. CALMES: All right. Who wants to take --

SPEAKER: What was the second question?

MS. CALMES: -- David's question on the vice president's role (inaudible) here and monitoring and riding herd over this? Do you have any -- is anyone --

SPEAKER: I'm too far from that.

SPEAKER: I don't know anything.

MS. LIU: They are having a very active role. And I think if you're a governor or a mayor or a county official or county executive, you're probably on regular weekly or monthly calls of -- regarding the status of the

spending and to collect comments, feedback, gripes about how the spending is going.

I, also -- it is where the coordination of recovery implementation is happening, so there are recovery czars at each of the agencies that work closely with Biden's office. And, you know, they have certainly been doing, I think, two things.

And I was thinking about the way the package is -- the package is structured in such a way that it's not just Congress or the administration's fault, there's a lot of inherent contradictions. And one of them where the vice -- Biden's office is riding herd, if you will, is to ensure that there is no waste, fraud, and abuse. It is the one thing that, in addition to the speed, they have been very, very active in ensuring that there is no wasteful spending. And they've been vocal about that, as we know.

MS. CALMES: Right.

MS. LIU: That has -- it's interesting because they don't oversee the Independent Recovery Board, which is made up of almost all IGs who are supposed to track this. That's separate. But I think -- I would just say how does that feel locally? That's a very frustrating thing, and I know Biden's office is very aware of that. But there's an inherent contradiction between speed and enormous round amount of rules, reporting, and regulations to ensure that that is done in a very straight-up way.

MS. CALMES: Right.

MS. LIU: And the local and state complaint about even the desire to have the money go out fast -- and, you know, they certainly don't want to have risk in the spending. They certainly are held publicly accountable, too, for the way the money is spent. But because of the amount and mountain of requirements on them, the IGs have 35 million -- they have an enormous pot of money to monitor accountability, but the locals got zero money to staff up and track and reduce risk. At a time when they're laying off staff, at a time that they are cutting budgets, the ability for them to staff up a (inaudible), but also to staff up the risk reduction has been really hard.

So I think that's an inherent contradiction in the bill. It is certainly a priority by the administration. But I would also say that there are signs that the administration and Biden's office is very interested in making sure that there are quality catalytic investments out of this as well, that complementing speed is some good innovations that they can point to.

MS. CALMES: Well, quickly, I was wondering, you, Amy, Russ, Chris, you've all pointed out ways in which this implementation could be improved. Is the Vice President's Office a play you can go to and say, well, you know, we've got these three separate application processes and using the same optic curve -- I mean, optic --

MS. LIU: Yes, fiber optic cables.

MS. CALMES: Fiber optic cable, thank you. I'm having my senior moment. Can you go to them? Can locals go to them and say you could really do this better and more effective?

MS. LIU: They are now setting up a process where they can be more responsive. Because I think, again, the first part of the six months was so much attention of getting the money out the door, they now realize they're in the midst of implementation and so these concerns are starting to rise. And I think you're going to see -- and I think this is one of the compliments to the team in the Recovery Office is that they are working closely with the agencies and starting to find a more systemic way to capture, through Recovery.gov and other systems, a way to capture this kind of feedback and then have the agencies sort through these comments and figure out how they can streamline, speed up, create the flexibilities within these programs to get the kind of outcomes that we want.

So it's still early, but I think that there is certainly a welcoming signal from them that they want to be very responsive to good implementation.

MR. WHITEHURST: It's going to be very difficult for the administration to make midcourse corrections here. Most of the money is going to out the door in the spring. The train has left the station in how that money's going to be awarded. And so while everybody recognizes areas in which it could have been done better, the demand for speed here ultimately gets in the way of the ability to make corrections.

I will say that the career bureaucracy has been heavily engaged and working hard to get this done. It's been an unprecedented challenge. They're making weekly reports, sometimes daily reports. What changed? Have we got more money out the door? Now, that must be



coming from the White House and OMB and perhaps the Vice President's Office.

But in times when it's often easy to criticize the federal bureaucracy, the fact that this is a process that so far has had troops on the ground getting money out the door with procedures that seem rational, it seems to me something to be applauded.

MS. CALMES: And for what will have to be the last question, the lady at the rear had asked about the extent to which the stimulus helped address foreclosures.

My own sense is that it's other programs that the federal government has come up with that have done that, but I'll open it to anybody else who wants to address the foreclosure question.

MR. ZIMMERMAN: Well, it's not about the foreclosure side, but on housing generally, this is an area where actually I think they could do more in terms of shovel-ready projects. There are some that I know of that aren't happening because financing's not available and not -- you know, there again, it's another case of there's part of this that's addressing some of that, but there's not enough. But that's probably one of the areas where if they were looking to redirect something or add something to it, I believe there's probably opportunities for things that could move pretty quickly if financing were available.

MS. CALMES: For instance, what?

MR. ZIMMERMAN: Well, we have projects, for instance, some of them involving affordable housing and some of them that would be

market rate. We actually have a project that's part market rate, part affordable, and the part we have funding for is the affordable, but the market rate lost its funding. And the fact of not having that kind of financing available makes the whole project collapse that otherwise would be being constructed today and housing people, you know, a year from now.

MS. CALMES: That's interesting. Well, thank you very much. This has been helpful to me as I go forward and whether or not there's a second stimulus. So, thank you all for your interest in coming out today and for your good questions.

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