



# **Partnership and Collaboration: Meeting the Challenges Across All Levels of Government**

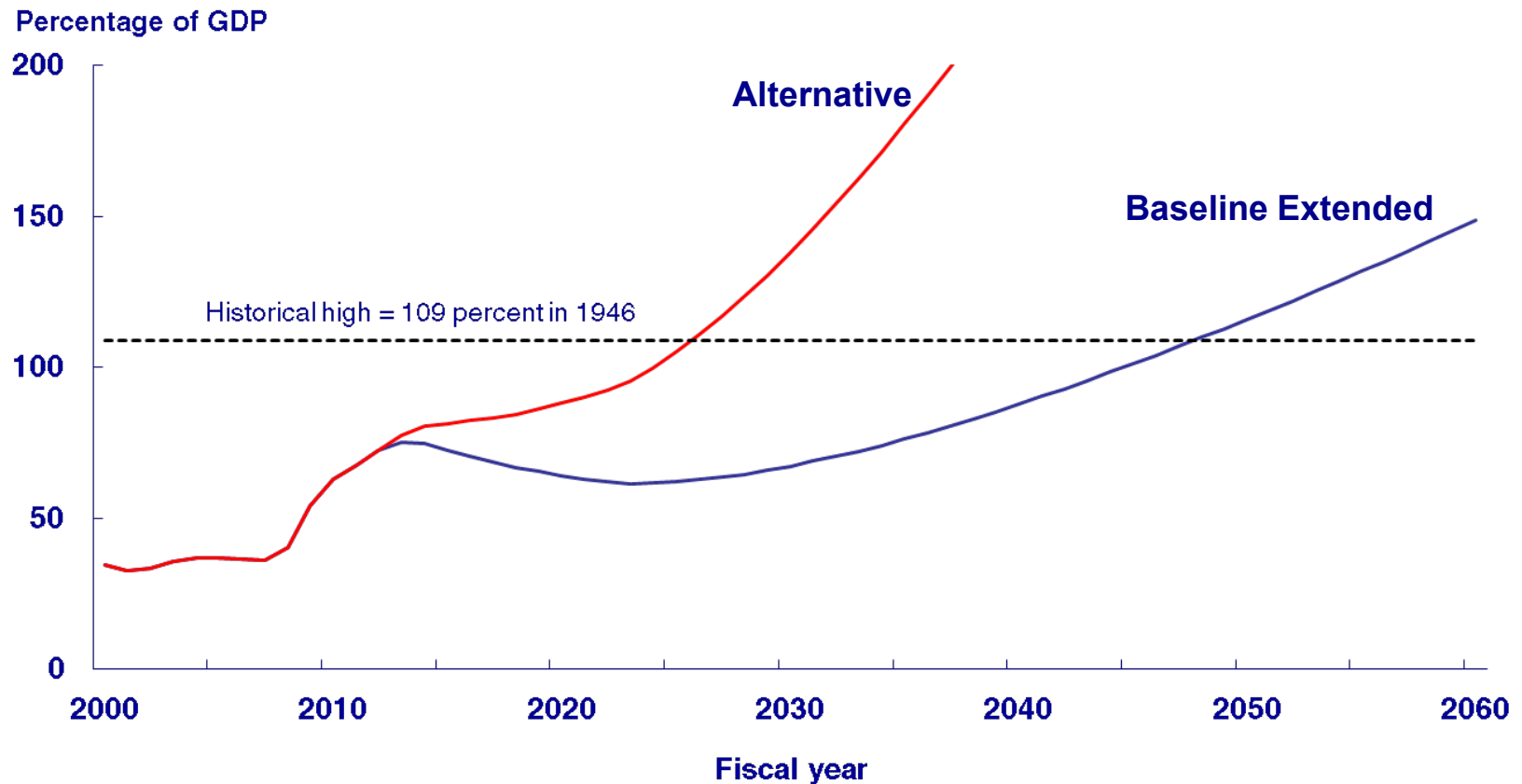
19<sup>th</sup> Biennial Forum of Government Auditors  
June 27, 2012  
Alexandria, Va.

**Gene L. Dodaro**  
**Comptroller General of the United States**  
**U.S. Government Accountability Office**



# Fiscal Backdrop

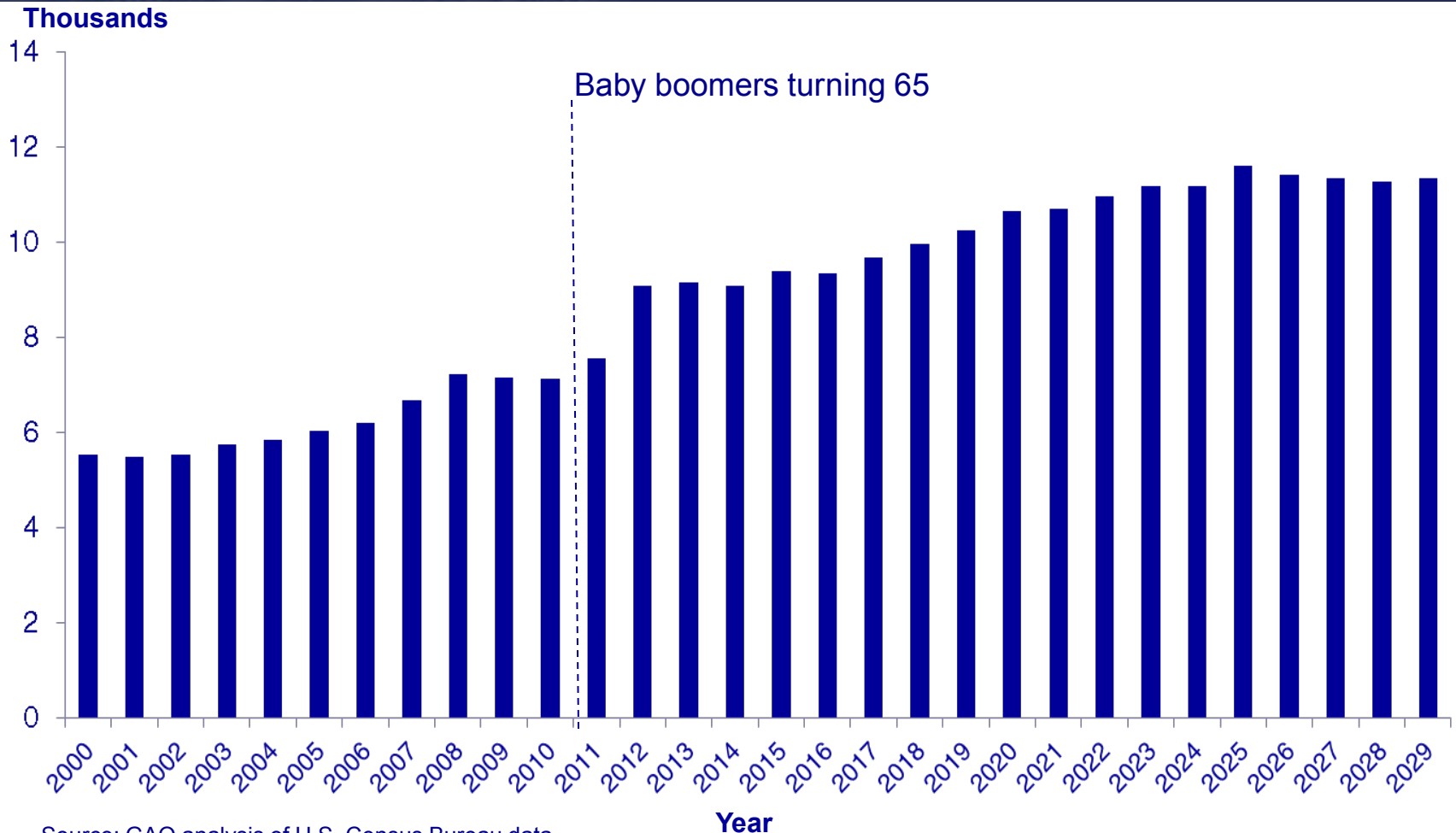
# Debt Held by the Public: Spring 2012 Simulations



Source: GAO.

Note: Data are from GAO's Spring 2012 simulations based on the Trustees' assumptions for Social Security and the Trustees' and CMS Actuary's alternative assumptions for Medicare.

# Daily Average Number of People Turning 65

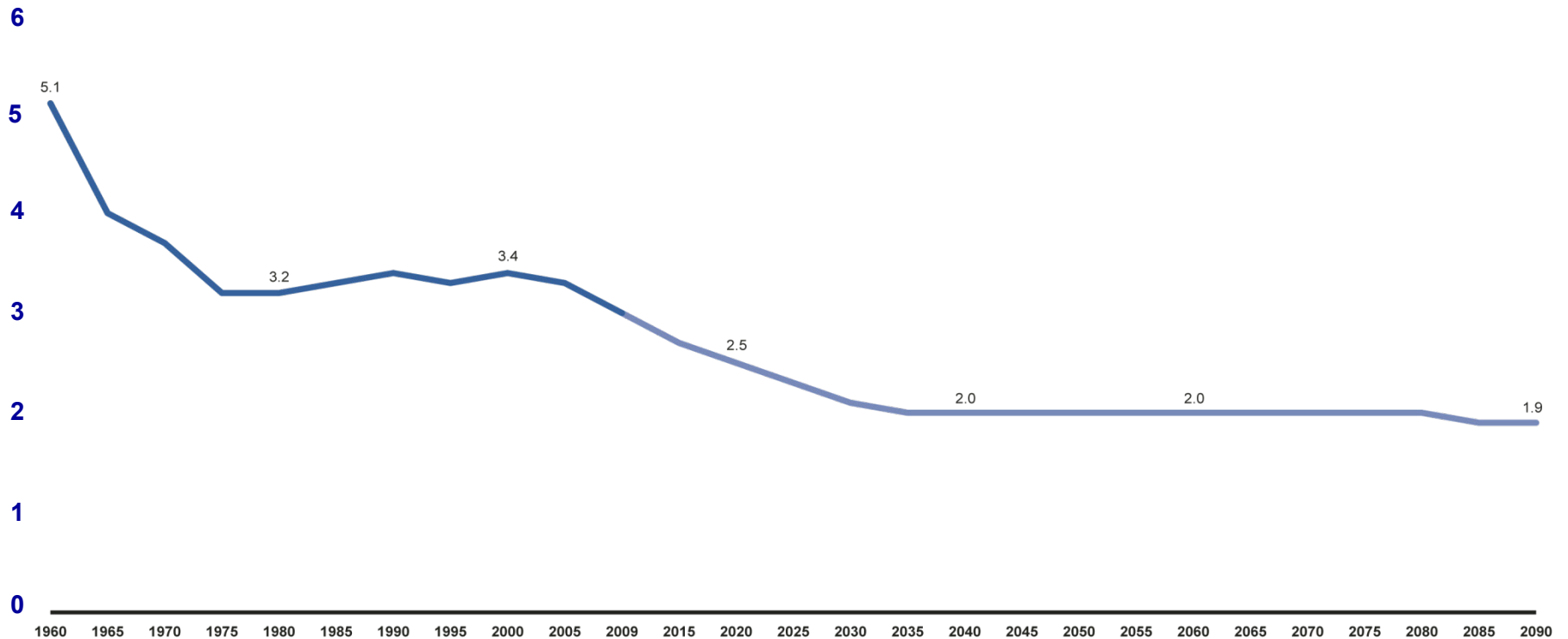


Source: GAO analysis of U.S. Census Bureau data.

Note: Data are from the U.S. Census Bureau's National Population Projections. For this analysis, we used data from the low net international migration series.

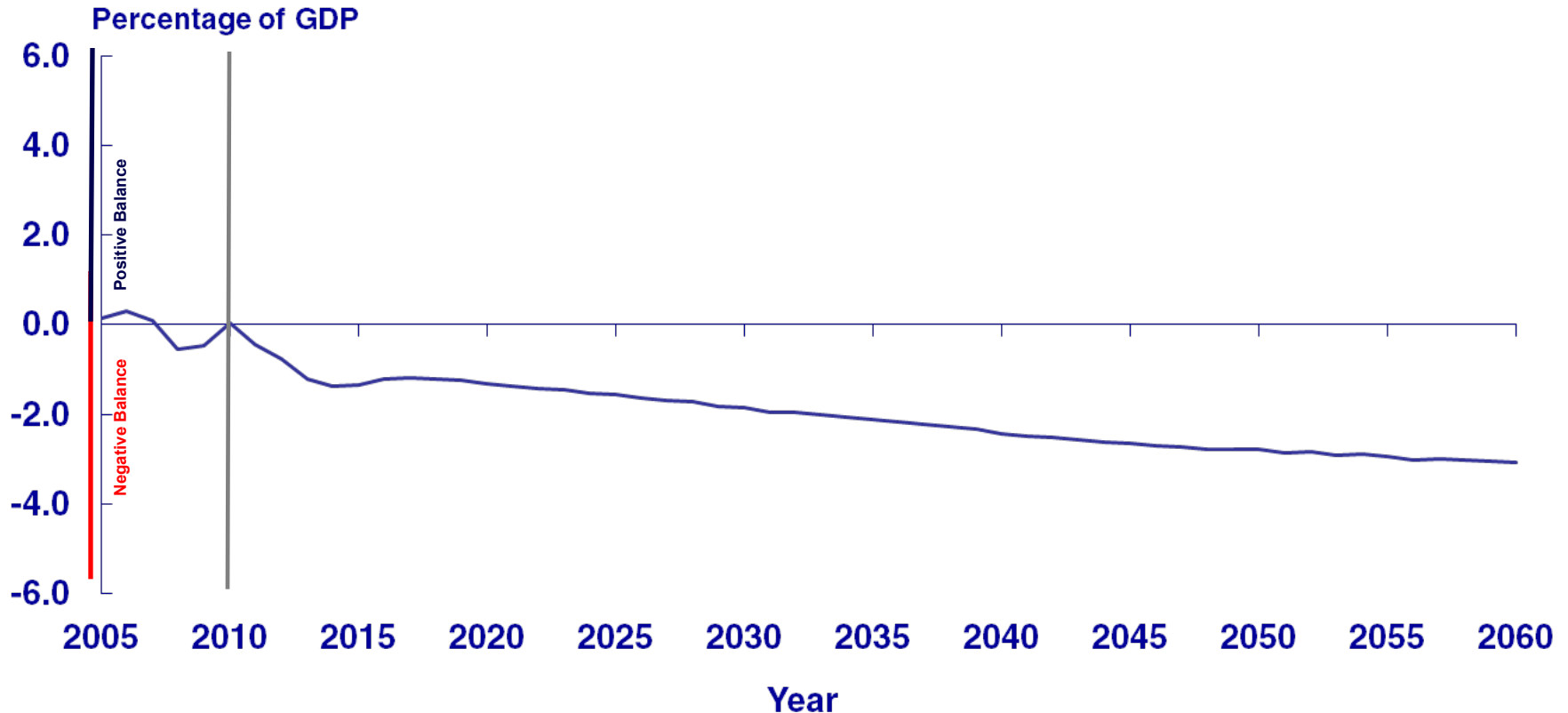
# Number of Workers per Social Security Beneficiary Forecasted to Continue to Fall

Covered workers per OASDI beneficiary



Source: 2012 OASDI Trustees Report.

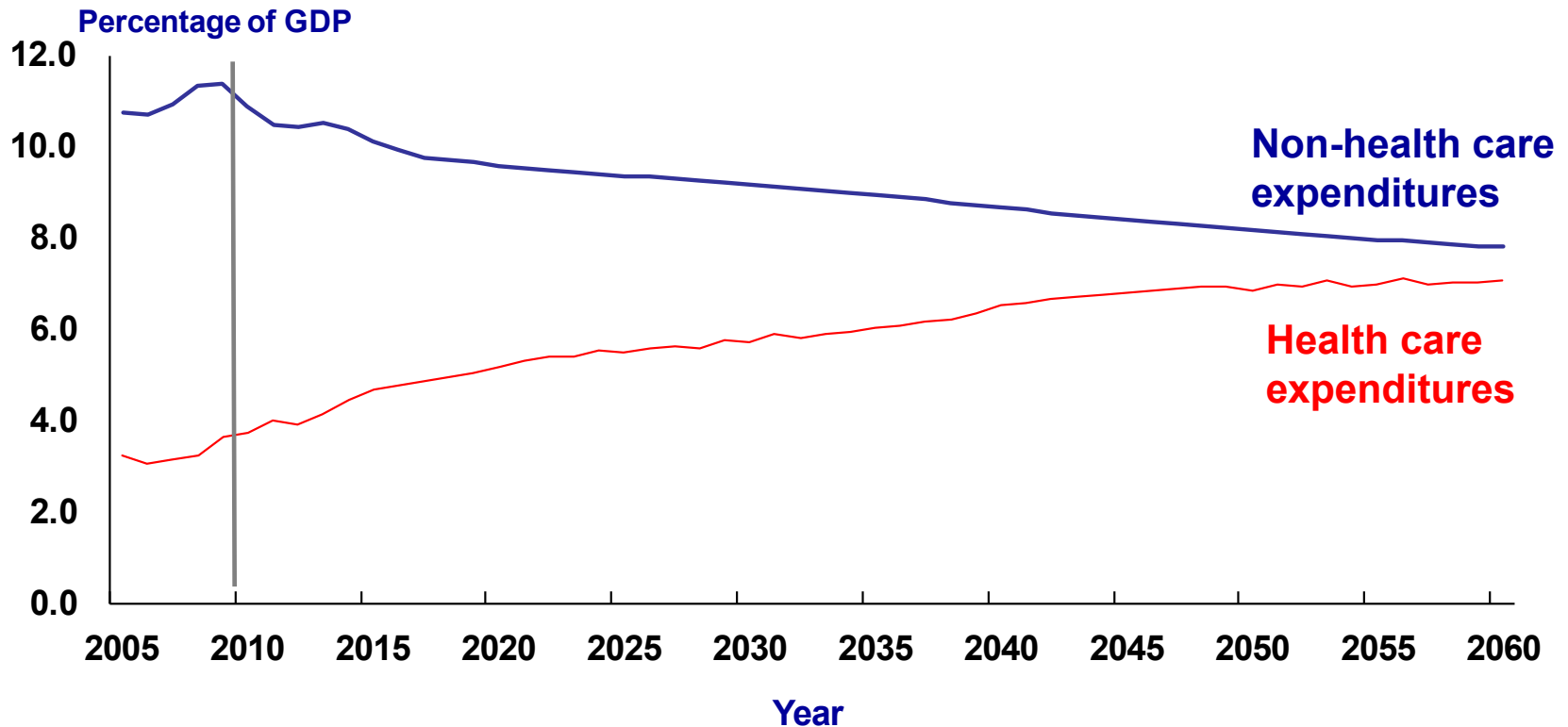
# State and Local Governments Face Increasing Fiscal Challenges



Source: GAO simulations, updated April 2012.

Note: Historical data are from the Bureau of Economic Analysis's National Income and Product Accounts from 1980 to 2010. Data in 2011 are GAO estimates aligned with published data where available. GAO simulations are from 2012 to 2060, using many Congressional Budget Office projections and assumptions, particularly for the next 10 years. Simulations are based on current policy.

# Health and Nonhealth Expenditures of State and Local Governments



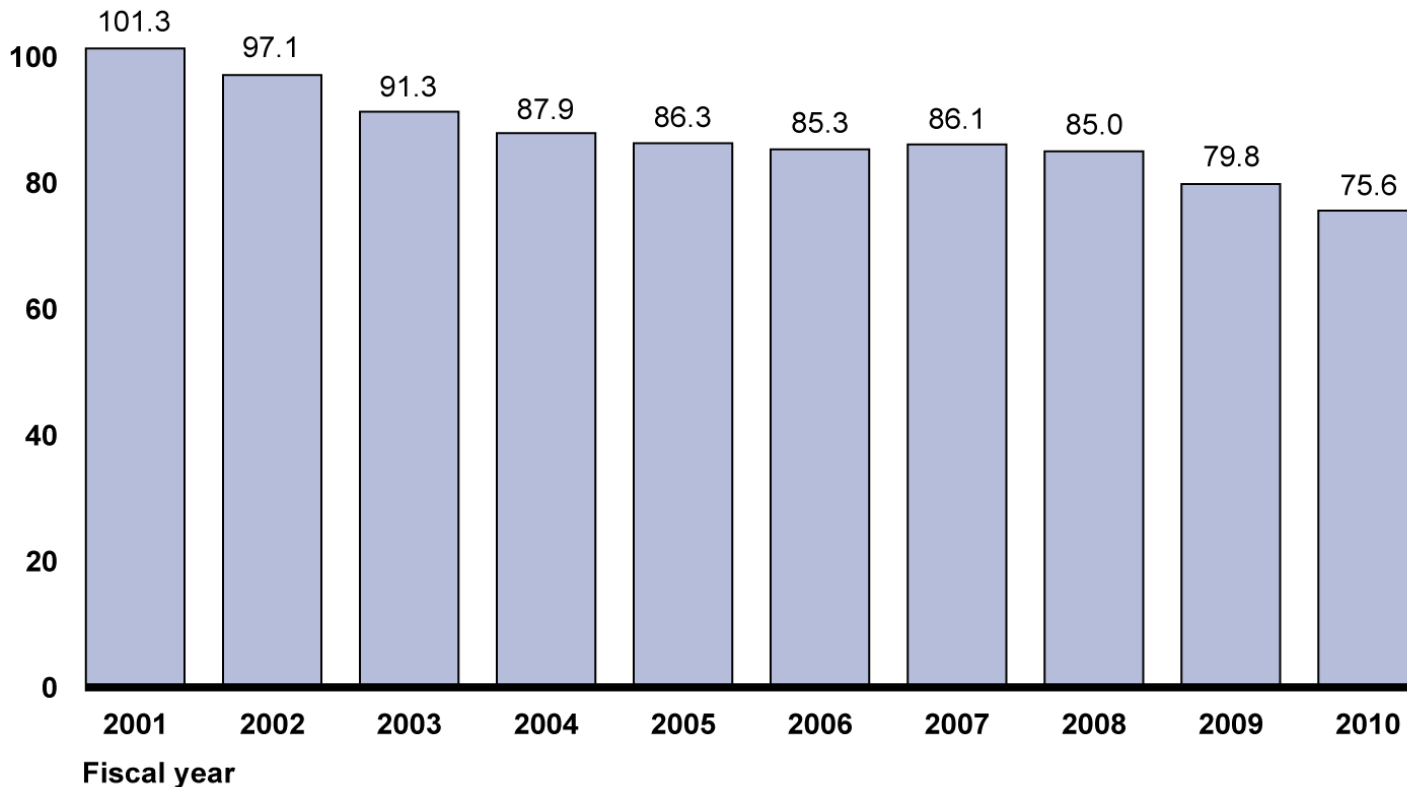
Source: GAO simulations, updated April 2012.

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# Pension Funded Ratios Have Declined Since 2001

## Aggregate Funding Ratio for Large State and Local Government Plans, FY2001-2010

Aggregate funding ratio (in percent)



Source: GAO analysis of data on large plans from the National Association of State Retirement Administrators' Public Fund Survey and the Center for Retirement Research at Boston College.



# Opportunities for Partnership and Collaboration

- Budget constraints and fiscal challenges mean challenges for all levels of government
- Accountability community expected to help identify savings, find efficiencies, increase effectiveness
- With resources constraints facing many governments, collaboration will be necessary
- The Forum is a key opportunity to continue to build partnerships and work on solutions



# Transportation Infrastructure

# Transportation: Intergovernmental Collaboration and Challenges

## Surface Transportation

- Over the next 10 years, the Congressional Budget Office estimates a \$125 billion gap between Highway Trust Fund spending and projected revenues
- Upgrading the surface transportation system to meet projected demand is estimated in the hundreds of billions of dollars
- Funding surface transportation remains on GAO's high-risk list
- GAO recommended adopting a performance-oriented approach for surface transportation

# Transportation: Intergovernmental Collaboration and Challenges

## Highways

- The federal government provides \$40 billion annually to states for highway and bridge programs
- The federal role in the highway program has expanded without a well-defined vision of evident national interests
- The Federal Highway Administration uses its partnership with state Departments of Transportation to meet its multiple responsibilities and assist states in executing highway projects
- Yet the federal-state partnership also poses risks: We observed FHWA actions that demonstrated lax oversight and lack of independence in decision making

# Transportation: Intergovernmental Collaboration and Challenges

## Rail

- Amtrak has struggled financially and requires about \$1.5 billion in annual federal subsidies. Capital needs for Northeast Corridor improvements are estimated at \$52 billion through 2030
- Legislation requires states to pay full cost of intercity passenger rail service beyond Amtrak's basic service
- Amtrak, commuter rail, and freight often operate on the same track but sometimes have conflicting priorities regarding services and investments
- Without dedicated long-term federal, state, or other funding sources, initiating large projects like High Speed Rail is difficult

# Transportation: Intergovernmental Collaboration and Challenges

## Transit

- The federal government provided about \$12 billion in FY 2011 to states and localities to support transit programs.
- State and local governments execute most federal transit programs by matching and distributing federal funds and by planning, selecting, and supervising infrastructure projects and safety programs
- Coordination between governments and among various federal agencies is key in the delivery of transit programs but faces some challenges:
  - Potential duplication of efforts; oversight gaps; limited financial resources

# Transportation: Intergovernmental Collaboration and Challenges

## Ongoing Work

- Review of tolls and use of funds by transportation authorities established by interstate compacts.
- Evaluating the California high speed rail project's estimates of costs, ridership, revenues, and economic impacts.

## Future Work

- Identify transit asset management best practices to effectively use transit agencies', states', and federal government's funds.



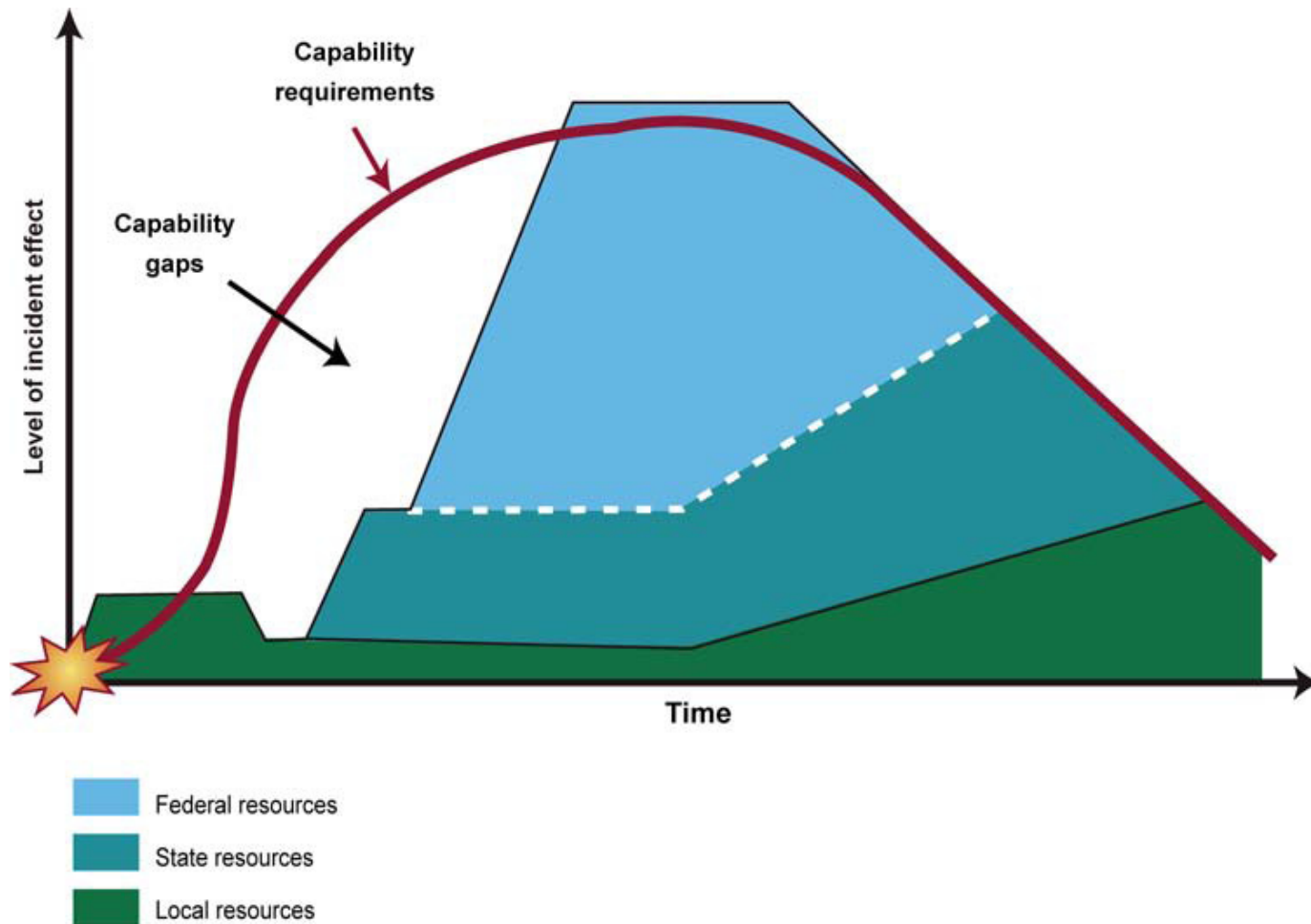
# National Preparedness



# Emergency and Disaster Preparedness

- GAO has consistently called for the development of a national preparedness strategy that involves partners from all levels, including federal, state, and local organizations
- The terrorist attacks of 9/11 and Hurricane Katrina highlighted the need to better define roles and responsibilities across government organizations at all levels
- The Post-Katrina Emergency Management Reform Act of 2006 required FEMA to establish a national preparedness system to build tribal, local, state, regional, and national capabilities needed to respond to any type of disaster.
- Act also required that FEMA develop a comprehensive assessment system to assess preparedness at the local, state and federal level.

# Conceptual Illustration for Assessing Capability Requirements and Identifying Capability Gaps for National Preparedness



Source: GAO.

# National Preparedness: Challenges and Opportunities

- Autonomy issues, different operational structures and civic traditions of states and municipalities
- Competing priorities within and among intergovernmental jurisdictions and agencies
- Incompatible procedures, processes, data, and computer systems
- FEMA has faced challenges in implementing a system for assessing local, state and federal capabilities
- The intergovernmental nature of national preparedness provides numerous and wide-ranging opportunities for better integrating development and delivery of disaster response resources and services across multiple levels of government

# Recent & Ongoing Work on National Preparedness Issues

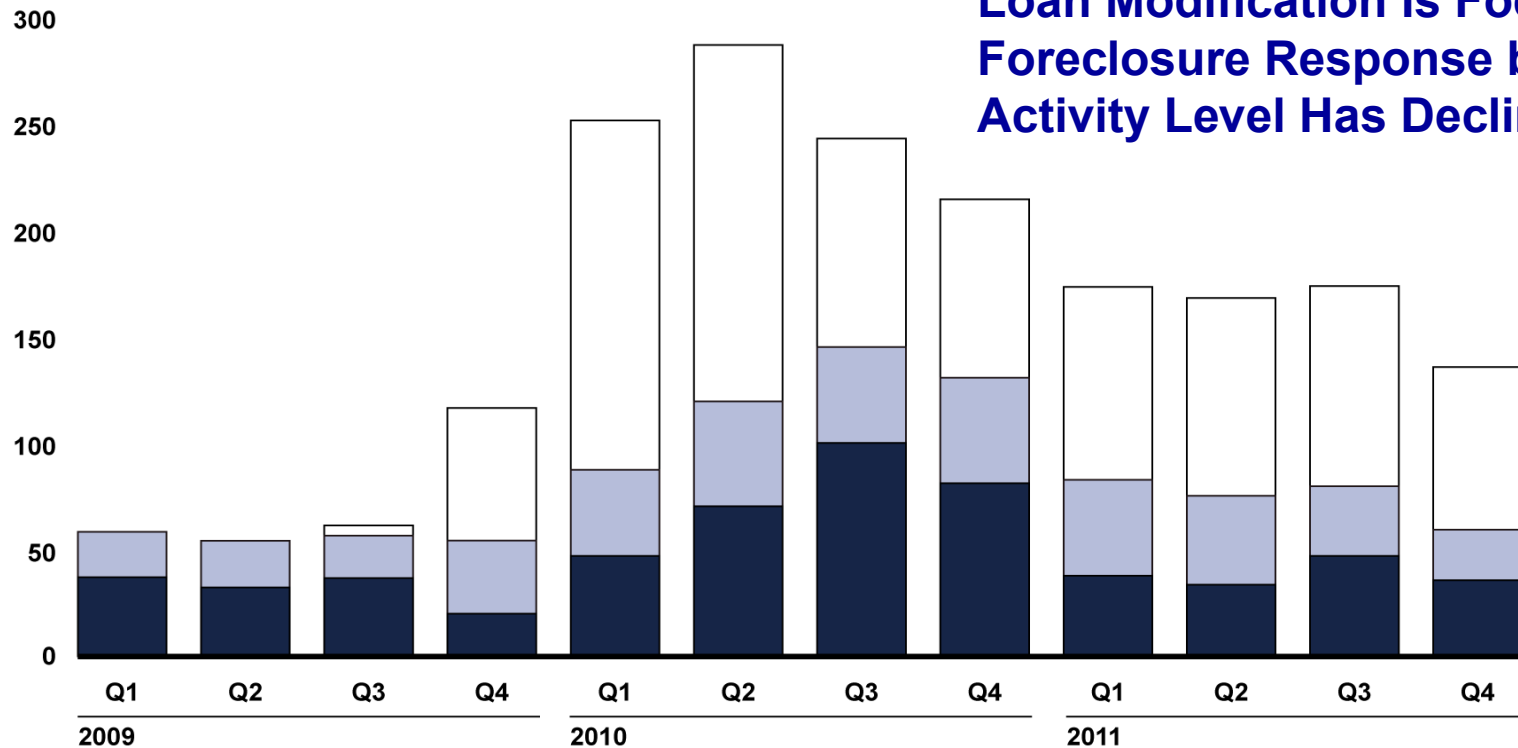
- Managing Preparedness Grants and Assessing National Capabilities
- National Preparedness System
- Urban Area Security Initiative and the National Capital Region
- FEMA's Disaster Declarations and the Disaster Relief Fund
- Capabilities to Manage Early Response To Nuclear Or Radiological Attack
- Biosecurity



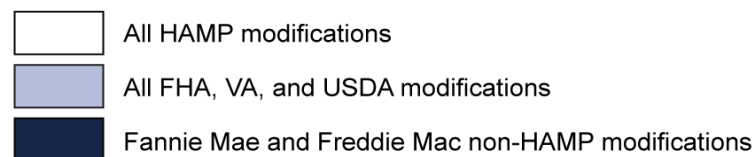
# Housing

# Foreclosure Mitigation Review: Loan Modifications

Number of loans (in thousands)

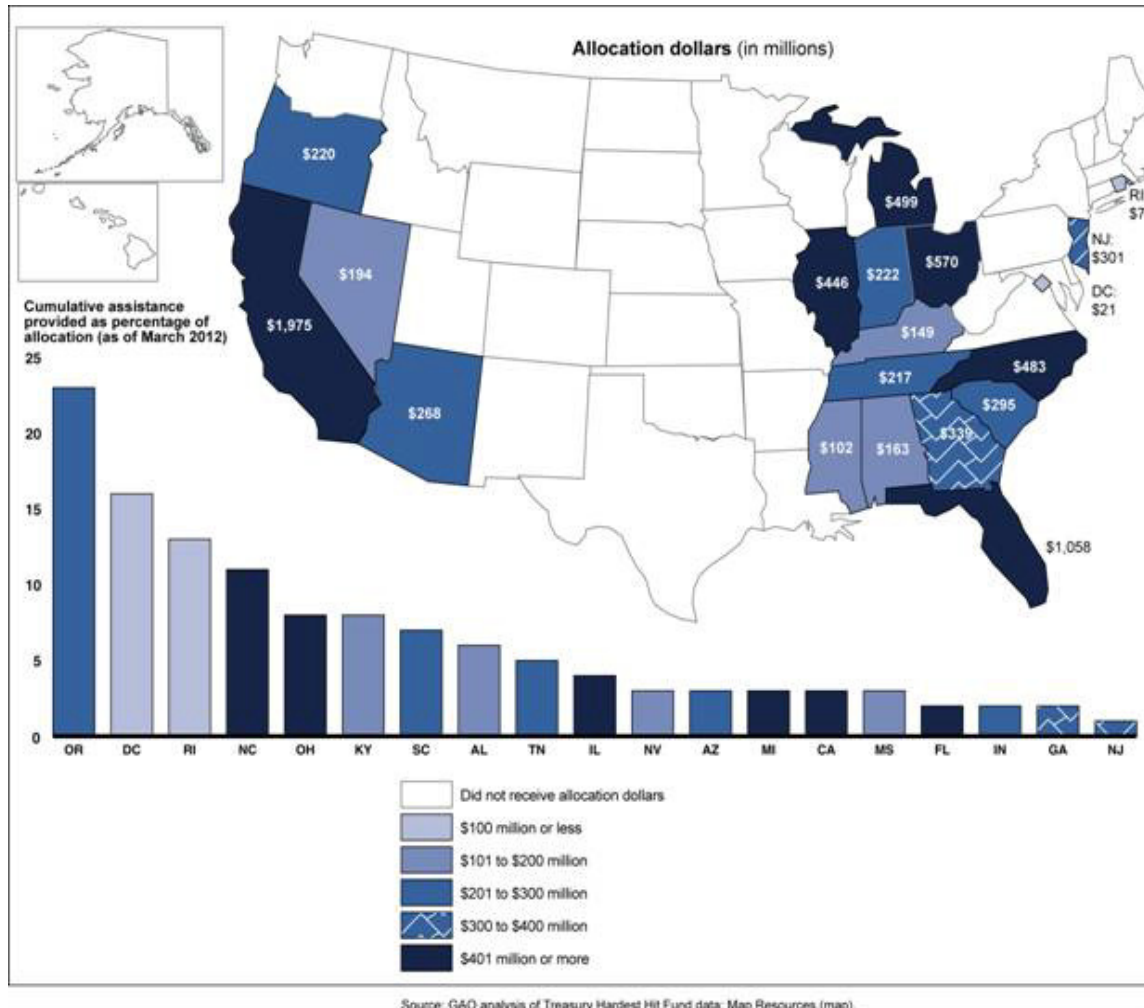


**Loan Modification Is Focus of Foreclosure Response but Activity Level Has Declined**



Source: GAO analysis of Fannie Mae, Freddie Mac, FHA, Treasury, USDA, and VA data.

# Treasury Provided \$7.6 Billion to States Under its Hardest Hit Fund Program



# Fannie Mae and Freddie Mac: Multifamily Housing Financing

- Congressional request to provide information on the history and performance of Fannie Mae and Freddie Mac's (the enterprises) multifamily activities
- Our objectives are to determine:
  - How the enterprises' multifamily loan activities and loan performance have changed over time
  - How the enterprises' multifamily credit standards compare with those of other mortgage capital sources and how they have managed their credit risk
  - The enterprises' role in the multifamily housing financing marketplace and the extent to which they have met affordable housing goals.
- Includes analysis of loan-level data going back to 1994



# Recent & Ongoing Work on Housing Issues

- Foreclosure mitigation & loan modification
- Fannie Mae and Freddie Mac's multifamily financing activities
- Housing Choice Voucher program
- Moving to Work (MTW) demonstration program
- HUD's block grant programs
- Recovery Act's Low Income Housing Tax Credit Programs
- Fragmentation and overlap in housing programs



# Improper Payments, Medicare, Medicaid

# Governmentwide Improper Payments: Estimates and Reduction Strategies

- OMB and the federal agencies reported improper payment estimates for fiscal year 2011 totaling \$115.3 billion.
- Attributable to 79 programs spread among 17 agencies.
- The FY 2011 estimate of \$115.3 billion was a decrease of \$5.3 billion from the revised prior year reported estimate.
- Primarily caused by
  - Decreases in the Unemployment Insurance program outlays
  - Earned Income Tax Credit and Medicare Advantage program error rates

# Governmentwide Improper Payments: Estimates and Reduction Strategies

- Actions are currently underway across government to properly estimate and reduce improper payments.
- Future initiatives are also needed to move forward with improper payment reduction strategies that include:
  - Identifying the root causes of improper payments;
  - Developing effective preventive controls to avoid improper payments; and
  - Developing effective detective controls to identify and recover losses to the government, including payment recapture audits.

# Governmentwide Improper Payments: Medicare and Medicaid

- Medicare and Medicaid — two programs on GAO’s high risk list — have among the highest reported improper payments.
- GAO’s ongoing Medicare work includes examining the effectiveness of federal efforts to:
  - enroll only legitimate providers;
  - implement prepayment controls, including those that address vulnerabilities identified through payment recapture audits; and
  - use data analytics to identify fraudulent billing.

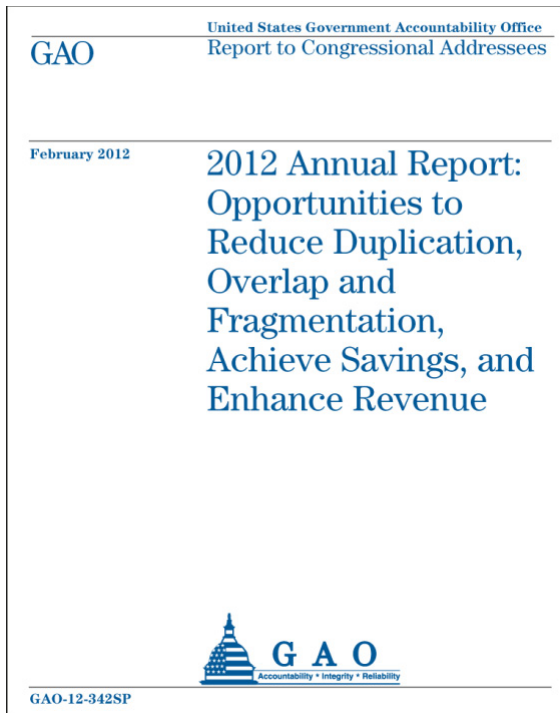
# Governmentwide Improper Payments: Medicare and Medicaid

- GAO's ongoing Medicaid work includes assessing the:
  - effectiveness of federal oversight of and support for state efforts to reduce improper payments;
  - methodology for estimating Medicaid improper payments and the extent to which state corrective action plans have been developed to address the types of errors identified; and
  - implementation of the National Medicaid Audit Program and related federal initiatives aimed at reducing improper payments in Medicaid.



# Duplication, Overlap, and Fragmentation

# 2012 Annual Report on Duplication, Overlap, and Fragmentation

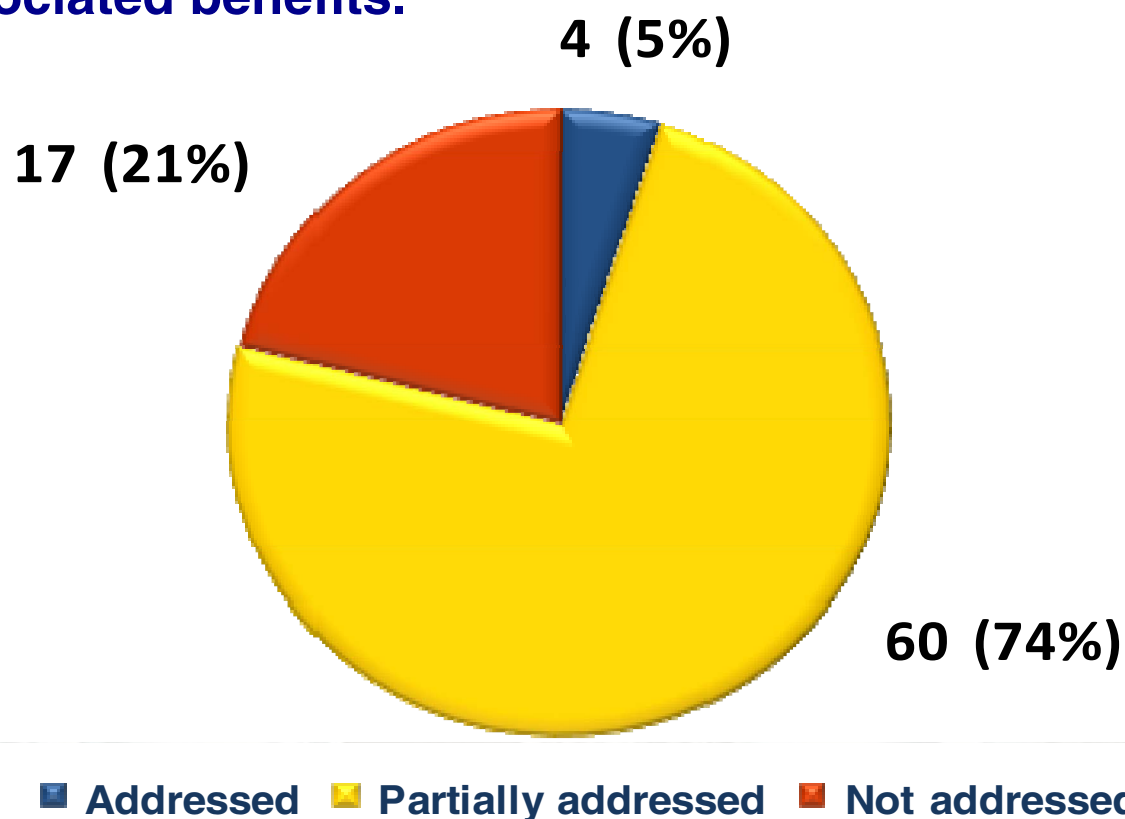


- 32 areas where agencies, offices, or initiatives have similar or overlapping objectives or provide similar services to the same populations; or where government missions are fragmented across multiple agencies or programs.
- 19 additional areas describing other opportunities for agencies or Congress to either reduce the cost of government operations or enhance revenue collections for the Treasury.
- Collectively, we identified about 130 actions that the executive branch or Congress could take. Depending on the extent of actions taken, these savings and revenues could collectively result in billions of dollars in savings.



# Duplication, Overlap, and Fragmentation: Status of 81 Areas in 2011

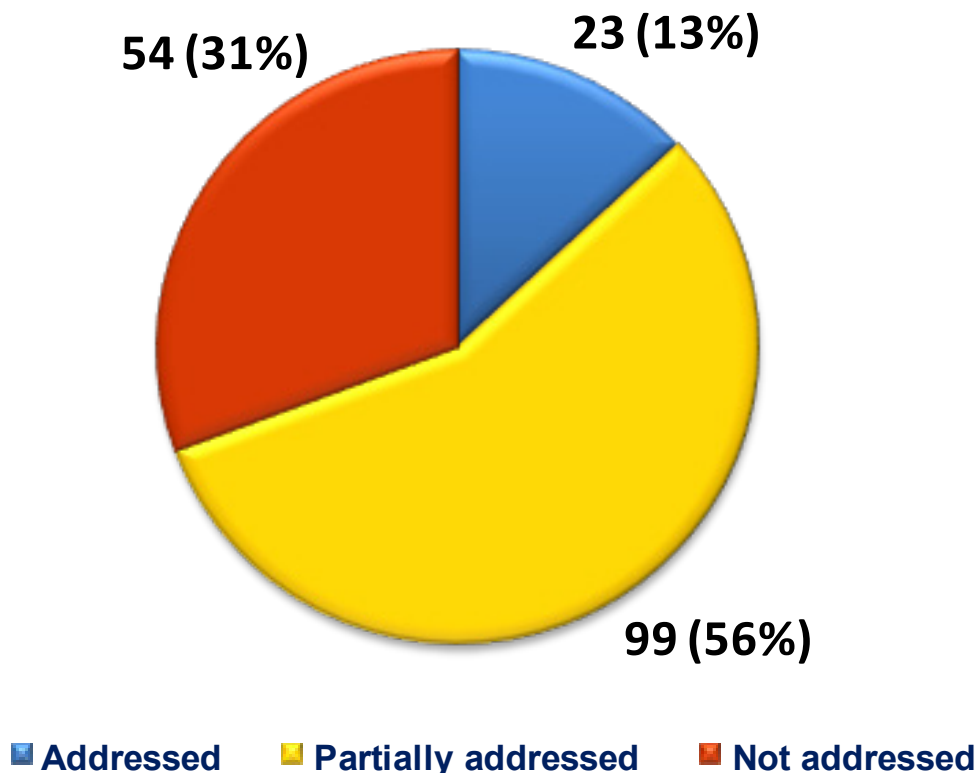
The Congress and the executive branch have made some progress in addressing the majority of the 81 areas that we identified; however, additional steps are needed to fully implement the remaining actions to achieve associated benefits.



Source: GAO analysis, as of February 10, 2012

# Duplication, Overlap, and Fragmentation: Status of 176 Actions in 2011

The majority of 176 actions needed within the 81 areas identified by GAO have been partially addressed.



Source: GAO analysis, as of February 10, 2012

# Program Evaluations: Measuring the Effectiveness of Programs

Examples of program areas that have limited or no evaluations of effectiveness

- Economic development
- Employment and training
- Science, Technology, Engineering, Mathematics (STEM) education
- Teacher quality
- Some nutrition assistance programs
- Transportation for disadvantaged persons
- Federal Emergency Management Agency (FEMA) grants
- Green building



# Workforce of the Future

# Nation's "Workforce System" Transcends All Levels of Government and Includes Public and Private Entities

- The workforce system was designed to foster integration of employment and training services
- Federal law encourages and, in some cases, requires that service providers co-locate and provide services through "one-stop centers"
- Funding for these services comes primarily from the federal government and is overseen by 4 main federal agencies
- State and local entities make decisions about how the one-stops operate
- Job seekers are the primary customer, but employer demand is intended to drive services
- Community colleges play an important role

# Federal Agencies Have Taken Steps to Align Programs

- Under the GPRA Modernization Act of 2010, crosscutting goals were recently established to promote collaboration across federal agencies in this area:
  - Preparing 2 million workers with skills training by 2015 and improving the coordination and delivery of job-training services;
  - Increasing the number of graduates with science, technology, engineering, and math degrees by one-third over the next 10 years (an additional 1 million graduates);
  - Improving the employability of veterans by increasing the percent of service members served by career readiness and preparedness programs from 50 percent to 90 percent.

# GAO's Work Suggests that More Can Be Done to Achieve Efficiencies in the Workforce System

- Our 2011 report found 47 federal programs spent \$18 billion to enhance jobs skills, identify job opportunities, and help job seekers obtain employment.
- Almost all of the programs overlapped with at least one other program—provided similar services to similar populations—but differences may exist in eligibility, objectives, and service delivery.
- Little is known about the effectiveness of these programs.

# Intergovernmental Collaboration Creates Specific Challenges for the Workforce System

- Leveraging funds from different funding streams
  - Requires states and localities to navigate complex rules and regulations
- Fostering linkages between the workforce and economic development systems, given that these systems have traditionally been considered separately
  - Workforce and economic development are overseen by different federal agencies
- Balancing state and local flexibility with accountability



# Recent & Ongoing Work on Workforce Issues

- Challenges that unemployed older workers are facing since the recession
- Innovative collaborations among local workforce boards, employers, and education entities
- Department of Labor's actions to assess effectiveness of employment and training programs
- Coordination of employment and training programs for veterans
- Trade Adjustment Assistance for farmers, firms, workers, and communities



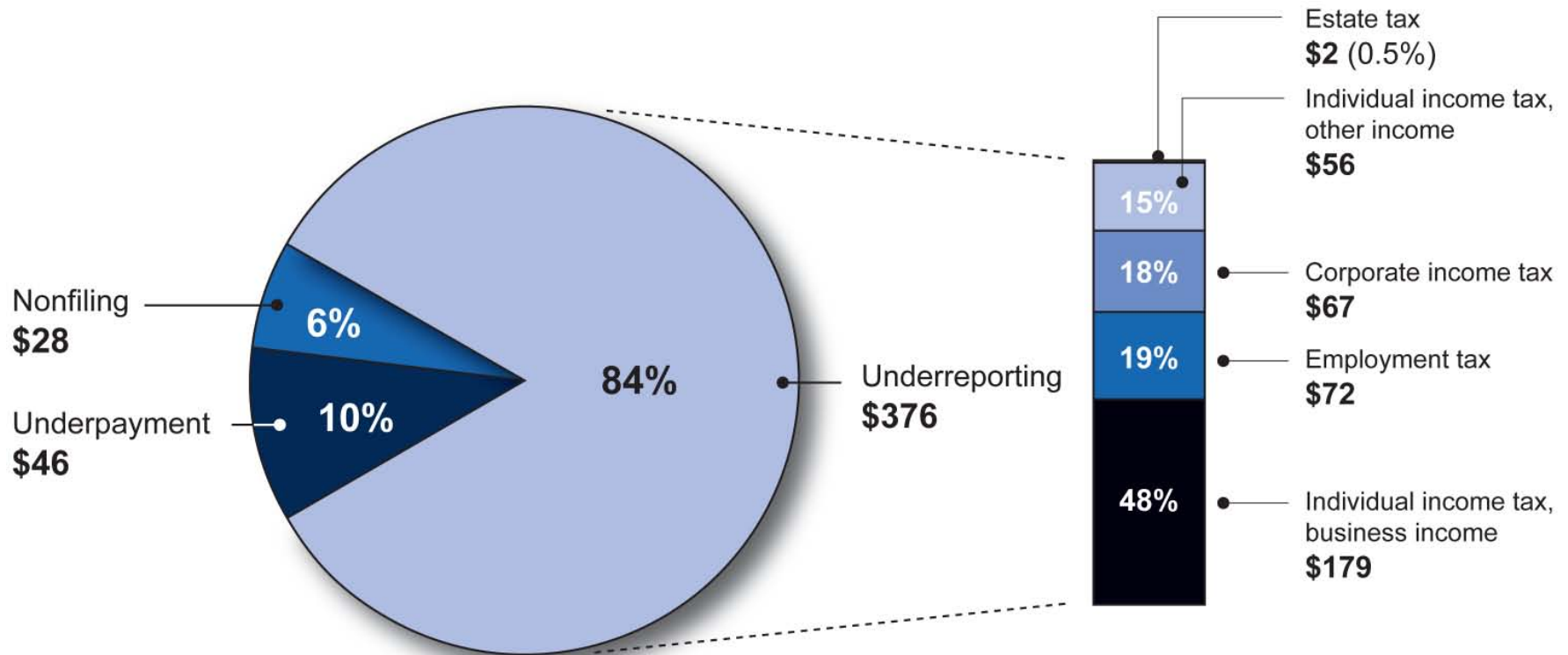
# Tax Reform

# Tax Reform: Concerns Have Led to a Debate About the Design of the Federal Tax System

- Issues to consider when assessing alternative tax proposals:
  - Revenue
  - Criteria for a good tax system
    - Equity (fairness)
    - Economic efficiency
    - Simplicity, transparency, and administrability
  - Implications for state and local government tax revenues
- Tax reform includes the following choices:
  - Type of base: income, consumption (e.g., value added tax), or a hybrid of the two
  - Rate structure: flatter or more progressive
  - Breadth of the base: the extent of tax expenditures

# Tax Gap: Noncompliance is Spread Across Various Types of Taxes and Taxpayers

Tax Gap Components (Dollars in billions)



Source: GAO Analysis of IRS data.

# Tax Gap: Closing the Gap Will Require Multiple Approaches

- No single approach is likely to fully and cost-effectively address tax gap, but the following strategies could help:
  - Enhancing information reporting by third parties
  - Ensuring high-quality services to taxpayers
  - Devoting additional resources to IRS enforcement
  - Expanding compliance checks before IRS issues refunds
  - Leveraging external resources, such as paid tax return preparers and whistleblowers
  - Modernizing information systems
  - Simplifying the tax code
- Federal approaches may be informed by state efforts

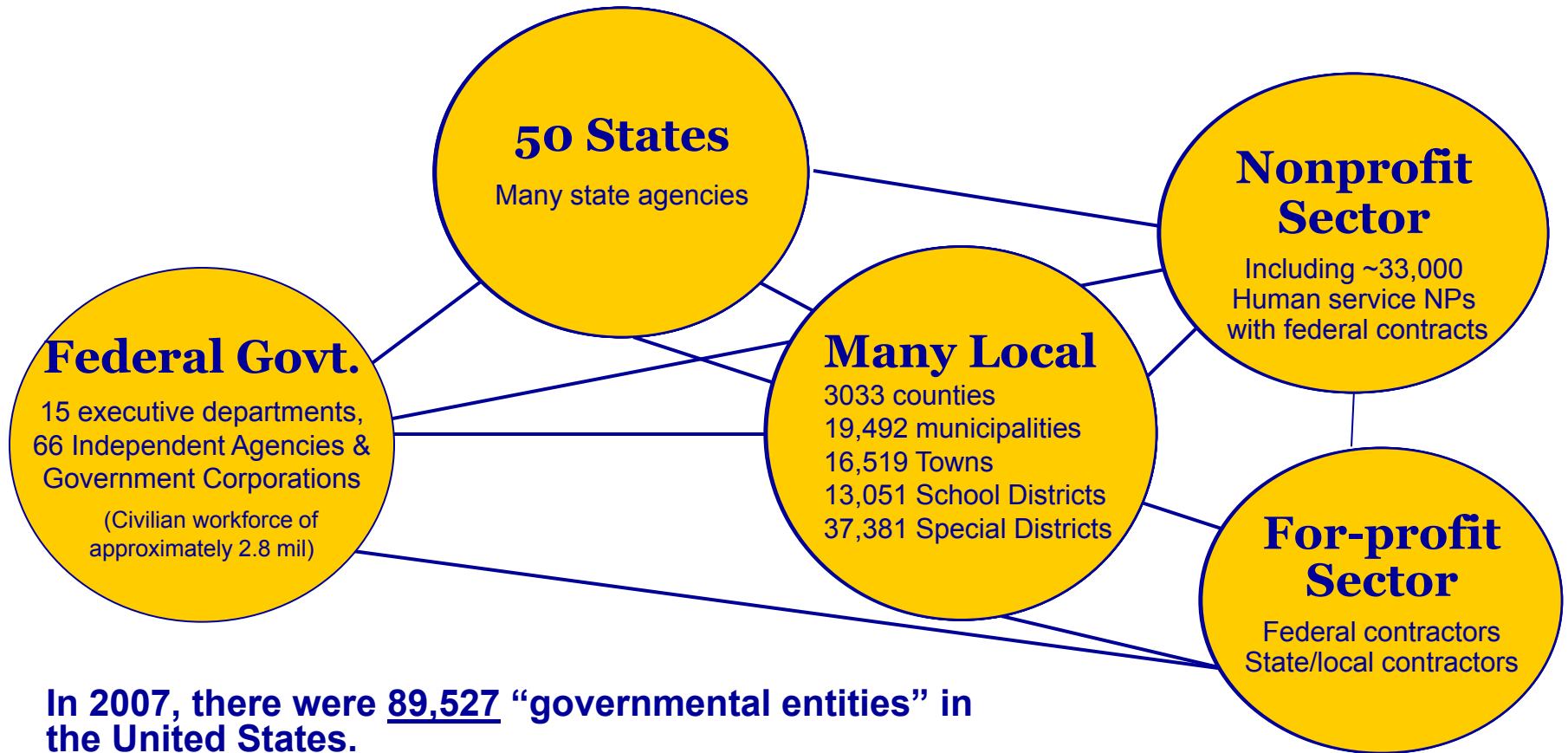
# Recent and Ongoing Work on Tax Issues

- Community development tax expenditures
- Tax expenditures, grants, and loans available for post-secondary education
- Evaluating expiring tax provisions
- Filing season
- Potential revenue enhancement through improved IRS compliance efforts



# Intergovernmental Delivery System

# Intergovernmental System is a Complex Network of Governmental and Non-governmental Partners



In 2007, there were **89,527** “governmental entities” in the United States.

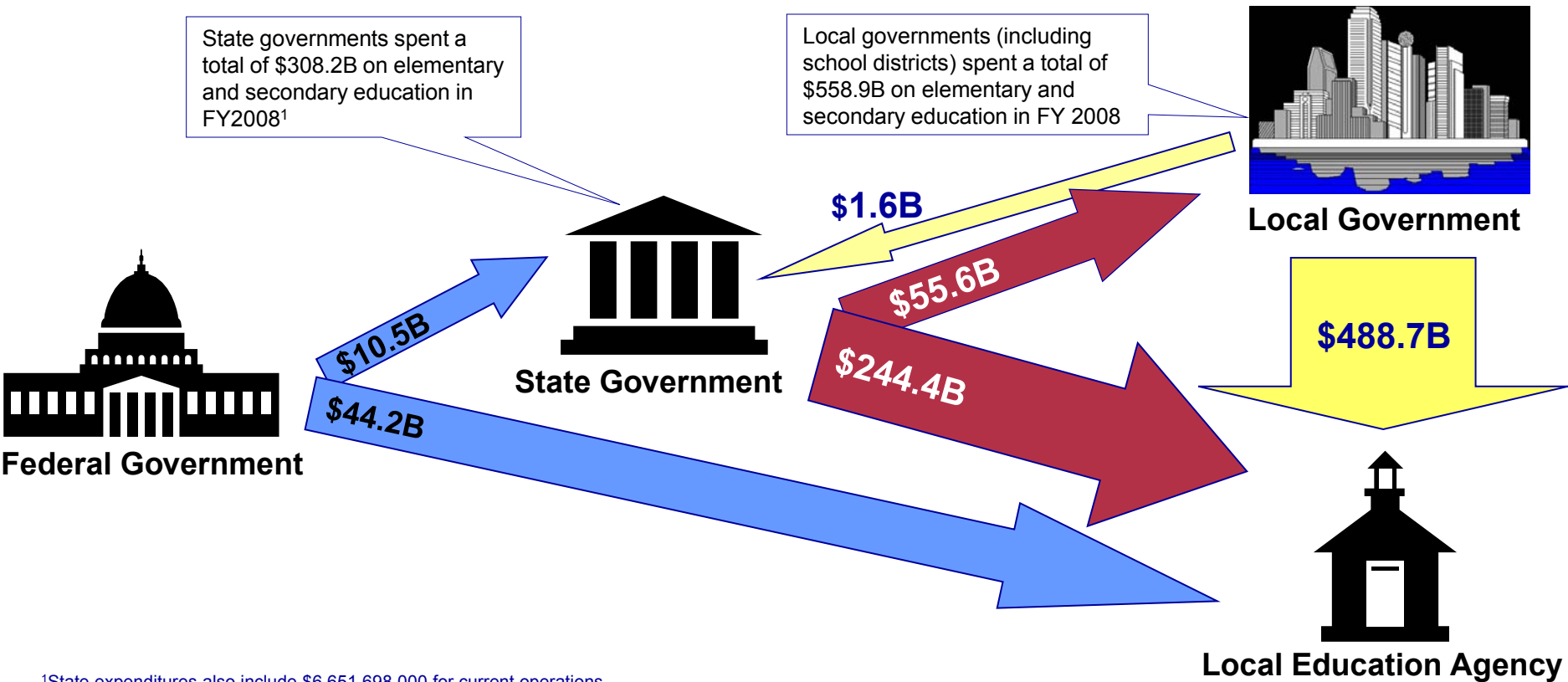


# Intergovernmental Funding: Multiple Partners and Funding Streams

## Funding of Elementary and Secondary Education

State governments spent a total of \$308.2B on elementary and secondary education in FY2008<sup>1</sup>

Local governments (including school districts) spent a total of \$558.9B on elementary and secondary education in FY 2008

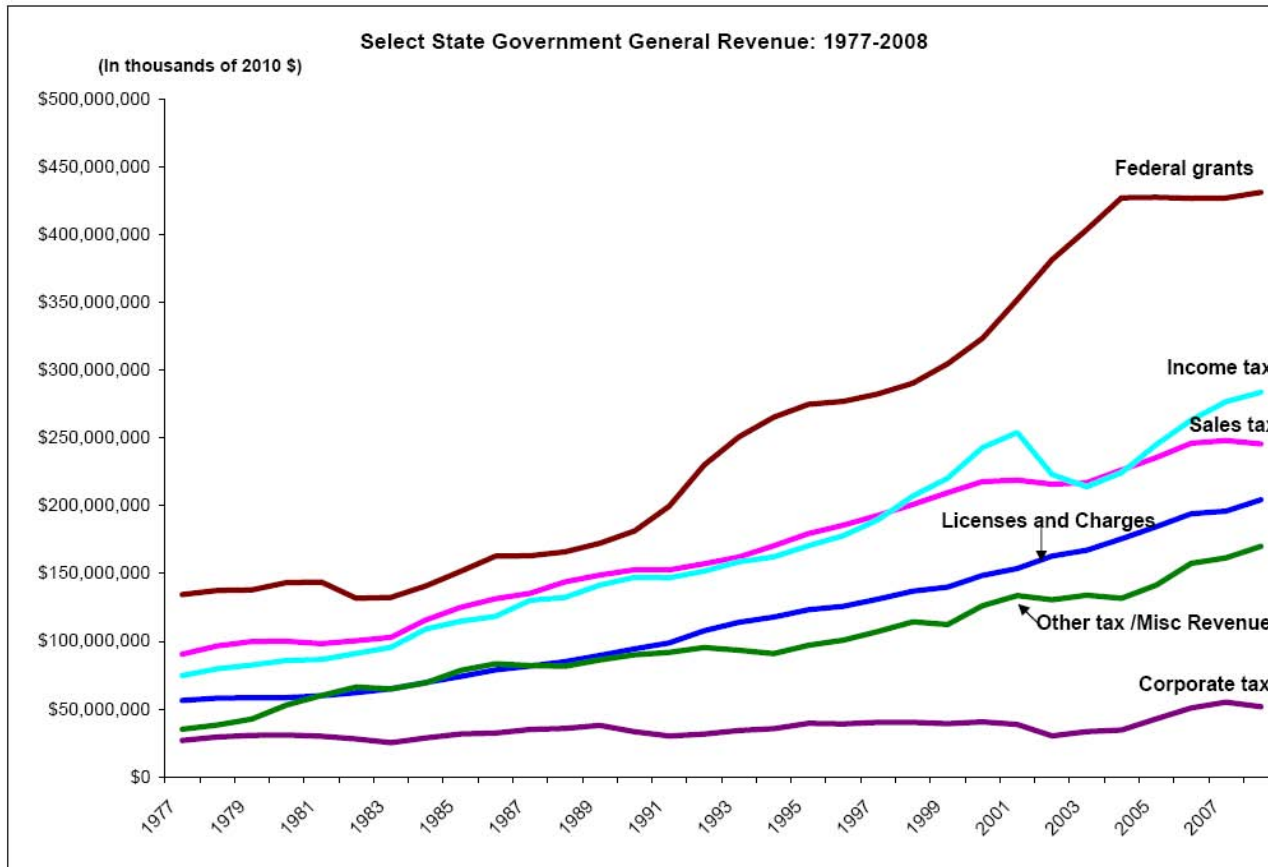


<sup>1</sup>State expenditures also include \$6,651,698,000 for current operations.

Note: Federal government totals represent all federal support to local education and state education agencies in FY2008. State and local totals represent total spending for elementary and secondary education in FY 2008.

Source: U.S. Census Bureau 2008 Annual Surveys of State and Local Government Finances and U.S. Department of Education, National Center for Education Statistics.

# State Revenues: Key and Increasing Role of Federal Grants

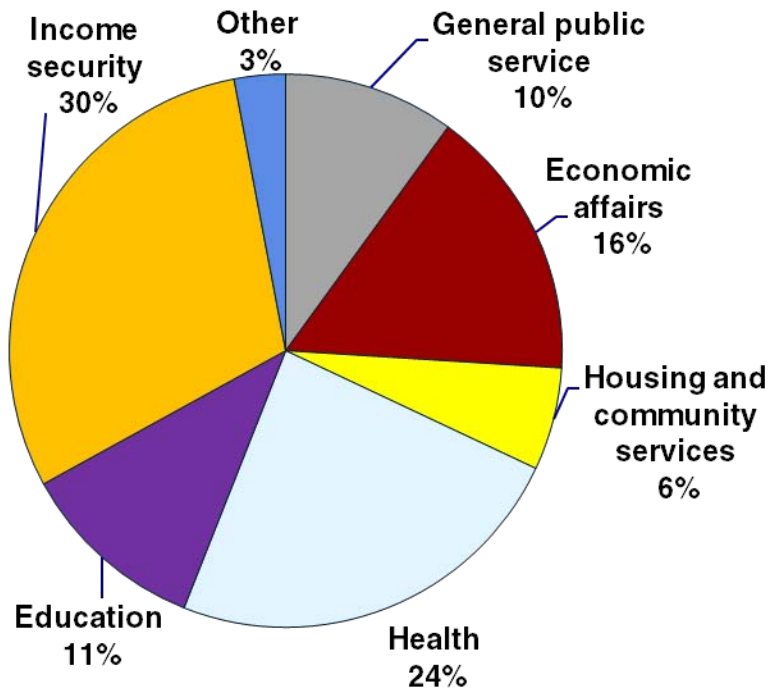


**Source:** GAO Analysis of U.S. Census Bureau Government Finance Statistics.

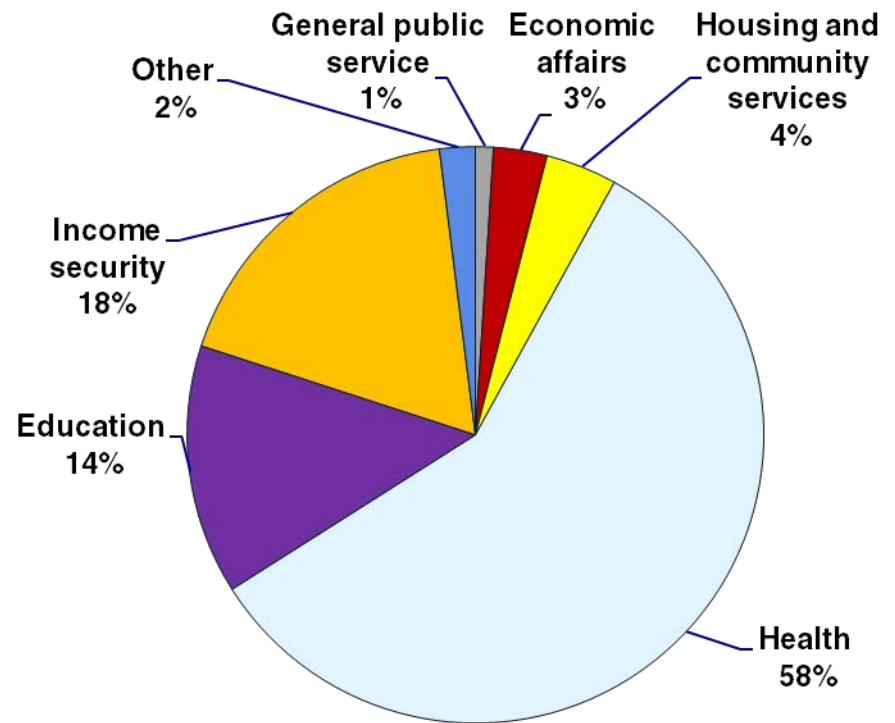
**Note:** The components of general revenue are own-source revenues (taxes, charges, miscellaneous revenues, etc.) and intergovernmental revenues (revenues received from federal and local government). These data represent aggregates for the sector. State revenue sources vary considerably by state. For example, seven states have no state income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming. Two others, New Hampshire and Tennessee, tax only dividend and interest income.

# Aggregate Shifts in State and Local Intergovernmental Grants

## Federal Grant Revenues, 1980



## Federal Grant Revenues, 2010



Source: GAO analysis of historical data from the Bureau of Economic Analysis's National Income and Product Accounts.

Note: Medicaid grants comprised 91 percent of health grants in 2010. 'Other' includes national defense, public order and safety, and recreation and culture.

# Projected & Actual Federal Outlays to States & Localities under the Recovery Act

Outlays in billions of dollars

120

100

80

60

40

20

0

2009

2010

2011

2012

2013

2014

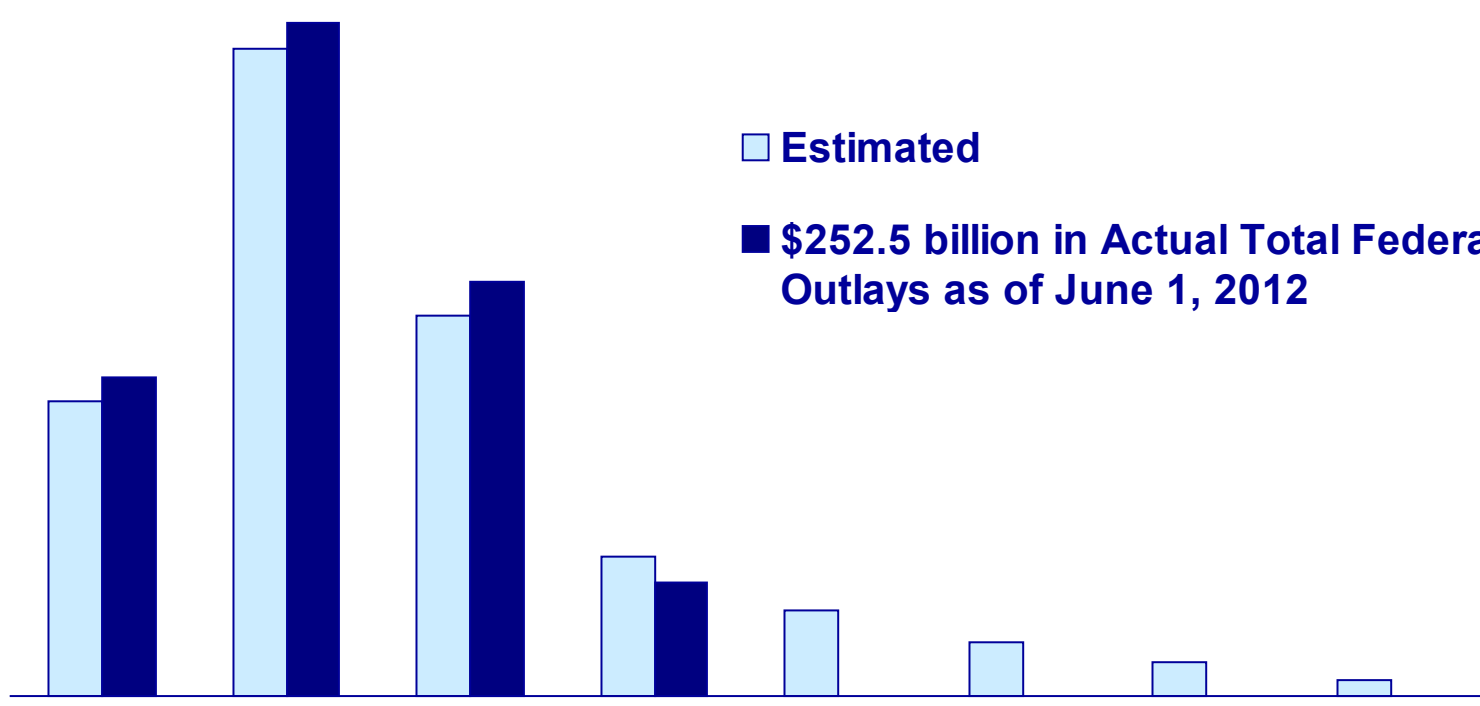
2015

2016

Fiscal year

Estimated

\$252.5 billion in Actual Total Federal Outlays as of June 1, 2012



Source: GAO analysis of data from CBO, Recovery.gov and Federal Funds Information for States.

# Future Intergovernmental Challenges

- Post-Recovery Act
- Streamlining and improved efficiency
- Greater collaboration between levels of government
  - Strong strategic intergovernmental partnerships in managing programs and providing oversight will be needed to achieve desired outcomes and meet national goals

# Opportunities for the Forum

- Continue to evolve partnerships
- Develop solutions to cross-cutting challenges
- Find opportunities for increased collaboration
- Expand networks to leverage limited resources



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## **GAO on the Web**

Web site: <http://www.gao.gov/>

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