

Roundtable: ARRA Reporting Challenges

Experts Discuss Lessons Learned, Explore Questions Left Still Unanswered

It took a little more than a month for Congress to draw up the stimulus legislation that guides schools as they spend an unprecedented \$100 billion in education funds over the course of two years. The marching orders were almost breathtakingly ambitious: To spend the money quickly, but wisely; to save jobs and programs, but also implement meaningful school reform; and to do all of this while steering away from activities that can't be sustained after the money dries up — the ominously named “funding cliff.” It's no surprise, then, that many administrators have jokingly characterized the process as “building the plane while it's flying.”

Perhaps the most difficult feat of engineering involved in the American Recovery and Reinvestment Act (ARRA) has been a new requirement to report every quarter on the number of jobs created or retained due to the stimulus, and to collect similar data from third-party vendors. State and local educational agencies (SEAs and LEAs) have never had to do this before. Since job-creation was the main goal of the stimulus, the reporting mandate is an integral, if politically precarious, mission. The mandate applies to all stimulus funds, from the additional money for programs like Title I and the Individuals with Disabilities Education Act (IDEA) to the \$48 billion State Fiscal Stabilization Fund (SFSF).

Not surprisingly, the process has been messy at times. For example, the White House's Office of Management and Budget initially released guidance saying that only certain school districts had to register with the Central Contractor Registration (CCR) system, only to expand this requirement to all districts just weeks before the first quarterly cut-off date on Oct. 1. The speed of the process has led to some discrepancies in the way data was reported. Those concerns sparked a wave of skepticism when ED released the results of the first round of reporting in early November, claiming that about 325,000 education jobs had been created or retained thus far due to ARRA.

According to most accounts, the U.S. Department of Education (ED) has not come down harshly on states and school districts whose reporting data was less than perfect. Thus far, ED's program offices — as well as the department's Office of Inspector General (OIG) and Congress' Government Accountability Office (GAO) — have been working cooperatively to stave off problems before they occur.

But when it comes to the stimulus, accountability only begins with the government. The historic influx of education dollars has led to intense scrutiny from the public, the media and various watchdog groups. Beyond mastering the technical details of reporting, administrators are also concerned with the larger arena of public relations: How, for example, do budget-strapped districts explain cuts in jobs and services

at a time when they are asked to show an increase in jobs due to the stimulus? Despite a short window within which to spend these funds, administrators are also acutely sensitive of the need to spend all of their stimulus dollars without returning portions to the U.S. Treasury.

The job of reporting is just beginning. Many questions remain unanswered. For example, with the second quarterly deadline of Jan. 1 just a few weeks away, ED has released little, if any, guidance on how to report vendor information. And methods of improving the consistency and accuracy of the data are still under development.

On top of the job count issue, states and districts are also confronting a different kind of stimulus-linked reporting. To inform Congress of the impact of the Title I comparability provision, ARRA requires states to file a school-by-school report of state and local per-pupil educational expenditures by March 31, 2010. Districts were required to report the data to states by Dec. 1, although it is not clear that ED is going to enforce this.

To help get a handle on ARRA reporting, the Title I Monitor held a telephone roundtable with eight experts in the field of federal education funding. Participants offered lessons learned from the first round of reporting and delved into unanswered questions going into Round Two. Topics included uses of funds, public relations and strategies to avoid the dreaded funding cliff.

The panel comprised JoLynn Berge, director of budget and fiscal services for Washington state; John Childs, executive director of the office of fiscal services in Ohio and immediate past president of the Association of Education Federal Finance Administrators (AEFFA); Nancy Connor, director of federal programs for the Denver Public Schools; David DeSchryver, legislative director for the Brustein & Manasevit law firm; Jeff Jordan, director of finance program services in Ohio; Laurie Matzke, Title I director in North Dakota; Vanessa Nelson-Reed, education associate for fiscal administration in the Office of Exceptional Children in South Carolina; and Daniel Wilson, chief financial officer for the Mentor City Public Schools in Ohio.

In late October, the group spoke with Andrew Brownstein, editor of the Title I Monitor, and Charles J. Edwards, executive editor at Thompson Publishing Group.

Monitor: At the recent annual AEFFA meeting, we heard a lot about “building the plane while it's flying.” Is that an accurate description of what's going on in your state or district? If so, how have you dealt with it?

Connor: That's absolutely a true statement. The way that we are dealing with it in Denver is by trying to stay

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ahead of the state so that as they come out with guidance, we're 1) ready for it, because we usually get about a two-day notice and 2) knowledgeable enough to ask pointed questions of the state about items that are often confusing.

Matzke: That's definitely an accurate metaphor. We sent out a template and guidance to our school districts and a due date when to get the information to us. We had to revise the guidance, the directions and the template four times. But the school districts were pretty understanding. They knew that we were getting information to them as we received it from the feds.

Jordan: A lot of times in the past, when I went out and did presentations or talked to district people, they would say, "I can't believe you guys are doing this to us." That's not the kind of pointed discussion we're getting lately.

I've been pleasantly surprised at the understanding among all levels, from the feds down to us in the states down to the local level — that we're all in the same business together. Only by cooperating are we going to be able to get through these next couple of years.

Childs: Just kind of piggybacking on that, there is really no subject matter expert on best practices and what to do in this situation. I hate that analogy of building the plane while it's flying, but I guess it does work. The U.S. Department of Education is passing down the parts to the states, which in turn have to pass them down to the locals who are actually building the planes. If we sense anything, it's a level of frustration on everybody's part when, all of a sudden, things change or a part doesn't fit exactly the way it needs to.

The classic example was the registration and CCR numbers changing at the very last second right before reporting was due. You do experience the frustration. And often times, we'll take the brunt of it from the LEAs, and I know the feds get it from us. So, we do recognize we're all in the same boat together.

Wilson: We understand that this is a bit of an on-the-fly project, but we're still trying to balance some local union issues with people being required to report time and effort who never had to do that before, with some of our vendors, and continuing to try to manage the media and the public.

We're a district that is cutting expenses and cutting employees, and yet reporting jobs saved and jobs created in accordance with the guidelines. We're trying to reconcile those two things.

Monitor: Dan, can you elaborate on the public relations issues you're facing?

Wilson: This is not a good economy to be talking to taxpayers about future increases in property taxes. Our board has taken a very active and public stance of reducing expenses to delay the need for any new tax requests going

before the community in at least the next two years. The primary strategy has been through staffing reductions.

We've been trying to get the public to understand that it's only through some very active and difficult fiscal management that we're handling the challenges posed by the economy. And then we turn right around and talk about adding and retaining jobs — the federal reporting requirements.

Our concern is maintaining credibility, recognizing people aren't going to listen to me talk for 15 minutes to reconcile these two issues.

The last piece is the internal piece. We've jumped through a lot of hoops with our teacher's union. We're taking a difficult position in collective bargaining, again recognizing the economy and the board's direction to delay any future tax requests for a couple years. Then the unions turn around and say, "But you got all this federal money." So, we have both internal communication challenges and external ones.

Berge: The public relations issue came up in a recent conference call we had with the U.S. Department of Education because our state legislature used about half of part one of the stabilization funds that we received. They used that at the end of fiscal year 2009, so the schools didn't know that they were getting it until after the legislative session. Approximately \$400 million of federal SFSF funds had to be spent in about 90 days. We ended up reporting 24,000 jobs.

We reported based on ED's guidance, which we were told was to report how many people we paid for. So, for 90 days, we paid for 24,000 teachers. Then the ED staff said, "We've had further discussions with other states and we realize that you have a union contract. And the district wouldn't have cut those jobs because we're talking about cuts happening in May. We want you to change it to zero." We responded that we didn't think that was a good idea. Politically, we cannot change it to zero. And so, we've agreed to continue on with the 24,000, with an explanation that in fiscal year 2009-10, it'll be much different. We anticipate reporting about 4,500 jobs.

We tried to tell them that our 2008-09 job figures weren't connected at all to what our 2009-10 figures will be. Their guidance doesn't address this scenario. We've already had our congressional delegates calling us, asking us what the numbers are. We've had media calling. We've had our union calling, all wanting to know how we calculated this and what it means.

DeSchryver: It's going to be a very difficult public relations issue for the U.S. Department of Education because there is already a good amount of anticipation about these numbers. They've been very clear that it is a cumulative process. But when it comes to newspaper headlines, the fact that it is cumulative

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may get lost. It's going to be a story for a week, and it's probably going to be a story about bad or unclear information.

Childs: If you saw what's on the Associated Press wire today, there was a story already questioning a lot of the contractor numbers that went out, saying they're off by as much as one in six. The story said the figures on jobs saved are grossly inflated to the tune of tens of thousands.

Wilson: In Mentor, we don't want to get caught up in the politics of interpreting data. We're very hopeful that either the state agencies or the federal government can take the lead in interpreting what these numbers mean and not put us in the position of trying to defend these numbers. The whole concept of "jobs saved" is something we've never, ever dealt with before.

One of my concerns is that the daily newspapers in our communities are likely to go to some of the larger school districts receiving these funds to ask for interpretation and explanation. I would love to move them immediately to a higher level for some consistency of messaging and probably better messaging than I can give.

Nelson-Reed: The only thing we can do is try to straighten out the message before it gets out the gate. But the problem with this is that there are going to be

newspapers that want to sell newspapers. They're going to put the spin on it that they want to put on it.

The only thing we can do is get that message out there. Ours, of course, is accountability. Theirs is, you know, selling newspapers.

Wilson: I actually understand in dealing with the media on a constant basis that it's a challenging proposition. At the end of the day, they want to sell newspapers or sell ad time on TV. But I just don't want to inadvertently assist them more than I have to.

Jordan: There's no way to avoid having lots of people looking at this data and drawing their own conclusions. It's going to be hard to put fences around it. As best as we can, we have to make sure that the public and the media are well-informed about what these numbers mean and how they were put together.

Wilson: Already, I've seen at least three different press releases in the last month where the Governor of Ohio is advocating for a second stimulus. That sends a contrary message because everything we've gotten in writing says this is a one-time stimulus and to plan accordingly.

We're reflecting that in our forecasting and future budget strategies, and in our negotiation strategies. While I can be sympathetic to the governor's dilemma, it doesn't help when he says he needs additional assistance that we've been told isn't going to happen. It puts us in a very tough spot.

DeSchryver: The politics of the second stimulus, as you can imagine, is pretty thick. A lot of it will be connected to what happens with health care. We're not going to see it anytime soon, given what's already on the congressional calendar.

Nelson-Reed: We're in an interesting situation. In South Carolina, we weren't going to take the stabilization funds. Our governor was vehemently opposed to it. And then the state Supreme Court stepped into the equation and ordered him to accept the funds. Well, having accepted the funds, he ended up letting us, the SEA, handle most of it. We are handling the SFSF as well as our formula funds for education; we don't handle the higher ed funds. But interestingly, we guide the discussion — all eyes are kind of on us. The secretary of education is the only Democratic constitutional officer in the state. And of course, he's running for governor. So, it will be interesting, in terms of public relations, to see how the spin plays out on ARRA.

Muted Response from ED

Monitor: A couple of you have talked with the feds since you submitted your data on Oct. 10. Can you give any indications of what their priorities are in terms of looking at this first round?

Nelson-Reed: I don't know about you all, but we've only got one or two comments from our initial reporting

ED Follows Up on Reporting

In October, States were required to submit their first quarterly reporting figures for jobs saved and retained under the American Recovery and Reinvestment Act. Shortly afterwards, the U.S. Department of Education sent the following questionnaire to states:

1. Please describe the system your State is using to meet the ARRA quarterly reporting requirements for prime and sub recipients.
2. How is your state collecting and reporting data from LEAs? Is your state delegating reporting responsibility to LEAs?
3. Please describe the quality control measures your State is using to ensure the data on prime recipient reporting items it collects and reports are complete and accurate.
4. Please describe the quality control measures your State is using to ensure the data on sub-recipient reporting items it collects and reports are complete and accurate.
5. In implementing these quality control measures, did you discover any issues or concerns with the data being reported? If so, what were you able to do to address or resolve the issue?

Source: U.S. Department of Education

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on October the 10th. No one's come down with a sledgehammer saying, "Oh, you didn't do it right." We just got an e-mail, saying, "You didn't have a DUNS number here." They're trying to make this as painless as possible.

Berge: Has anybody seen the questionnaires they're passing out? They're sending out five questions to every SEA and every program office [see box, p. 3]. Basically it's a data quality questionnaire where they're asking, "How do you make sure that your data is right? Did the LEAs report directly or not? Or did it all flow through the prime?" That kind of thing. My understanding is that every federal program office is asking each of the states the same questions, which kind of seemed inefficient to me. I thought that they should just send it out centrally.

Matzke: I've been pleasantly surprised that they don't seem to be coming down with a big hammer. When our report was submitted on Oct. 2, we had two little tiny things to fix. We submitted our responses to the five questions JoLynn mentioned and they were accepted. They don't seem to be nitpicking the reporting process.

Nelson-Reed: For the data we reported, it's been mainly the dotting of the i's and the crossing of the t's.

Childs: A lot of our stuff that's come back has been exactly that. It's been a DUNS number. For whatever reason, some of the data got corrupted because there were non-existent DUNS and CCR registration numbers — just the normal type of data cleanup stuff. What was curious, we got a couple of what I would call non-data questions that got more to programmatic issues like, "How did the purchase of this special ed vehicle meet the needs of IDEA?"

I punted it off to the IDEA folks. I don't know whether that question is an anomaly. I'd be interested in what other states have gotten back.

DeSchryver: One distinction I think is useful to make as we discuss this going forward is that there is a line between accountability and reporting. You have the GAO and the OIG side looking at accountability: cash management, draw-downs and timeliness. Then there's the reporting side, which is just generating the numbers, making sure that we're building a cumulative story of the Recovery Act over the length of the funding. I don't know if it's possible to easily distinguish the two, but they are separate.

Connor: I have a question on the frame that the federal government will put on the first reporting cycle. Will they issue something that talks about the fact that each state is in a different place? For example, no school district in Colorado has received stabilization funds yet from the state. Our numbers may look very different than numbers in districts in other states that have already gotten quite a bit of money.

Childs: I've had informal conversations with both the GAO and the OIG, and I can tell you that is coming. They recognize the issue. I had conversations with the GAO that Ohio's not passing out a high percentage of our dollars. In Ohio, we recognize that these monies need to last us through 2011 because, quite likely, things aren't going to get better here quickly. We need to keep ourselves solvent. We need to be prudent in how these funds go out. Other states may have had the need to push them out more quickly because they were in more dire straits at the end of 2009 and through 2010. There's a recognition that states are in different places.

Jobs Saved

Monitor: Let's move on to the issue of calculating jobs saved and retained. There doesn't seem to be a lot of elaboration or data quality control advice coming from the states to the LEAs. Is that going to lead to considerable variation from school district to school district?

Matzke: We're kind of always the odd ball out, so we're probably unique. North Dakota was one of the few states that had a record surplus. There was no issue of jobs saved. All the ARRA funds were used to hire new staff. It was pretty cut and dried.

DeSchryver: California had an interesting experience in that they could look at the data they've accumulated for jobs retained and created because earlier in the year, given their deep budget problems, they had to issue pink slips. They had a sense of who was going to be laid off, so they could compare what they issued relative to what they had at the time of tallying to give them a number.

Monitor: A second facet of this is that school districts are responsible for gathering job data from the vendors. We haven't seen guidance on this. Are you providing additional guidance? What level of variation are you seeing?

Connor: In Denver, they gave us very clear and detailed guidance on how to calculate jobs saved and retained within the district, but the vendor piece is currently a complete blank. Internally, at least, we felt that if we used a vendor to actually work within the district like third-party providers, that we would count those people.

But we couldn't really see a way that we could actually substantiate the number by calling up a vendor and saying, "If we have a \$100,000 contract with you to provide some software, how many people did you hire because of that one particular contract?" It doesn't seem like it would be replicable data or anything like that.

Nelson-Reed: I think some of that instruction came out kind of late. The vendor piece was an enigma for us, too. Who would be considered a vendor? It wasn't always cut and dried.

My advice to the LEAs was consistently, "Document, document, document." If you are spending money with

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a vendor where it will trigger job creation, even if you're ordering computers for assistive technology — which is an allowable use of funds under ARRA IDEA — then, you've got to record that. If vendor jobs are created for things like assistive technology, then that'll be a deep dive in new jobs reported, I think, in the next reporting cycle.

Wilson: We received an Environmental Protection Agency grant to retrofit our diesel engine school buses. When we talked to the vendor that was doing the work, they weren't aware that there was any requirement like this. They just knew they had a purchase order from the school district and the school district was paying them.

We had to explain why we were asking these questions. They told us, "No, we didn't hire additional people. But we paid people to work overtime or we work on extra hours." And it got into conversations that they struggled with: "What do you consider a full-time person? How do you equate the amount of extra time?" And they're saying, "Look, we're just bolting on these parts and want to get paid." I guess they didn't appreciate the need to report this. We were somewhat challenged in giving it our best effort.

Monitor: It sounds like you're saying that the vendor job issue may be a non-issue, simply because most of the money didn't go to vendors. Is that right?

Childs: That's right. Most of it did not go to vendors. Most of it went to payroll and essentials that the school district needed, not the vendor piece. Those funds are very early in going out. I'm not sure that we captured a whole lot of vendor data in this round of reporting.

Comparability Reporting

Monitor: We hesitate to use the hated "building the plane while it's flying" metaphor again, so this will be the last time. What pieces need to be built in the next couple of months and what guidance are you missing from the feds? What needs to be filled in?

Matzke: We've actually moved on a little bit past the quarterly reporting. We're in a panic mode about the school-by-school expenditure report for comparability. That's coming up, and we don't know what they want. We're not clear what that report's going to look like and what we need to request from school districts.

Nelson-Reed: Right. All we know is that it's a school-by-school breakdown for the purposes of Title I.

DeSchryver: All the clients I've spoken with are thinking about this challenge. But no one knows how to handle it. It's very problematic and there's a huge desire, too, to have a more detailed discussion about it and get more guidance from the department. There are so many discrepancies in what systems the districts have in place and what they're able to collect. For some, it's no prob-

lem. But for others, it's a major problem, and it's likely not a problem that can be resolved by December.

Connor: We feel there's a huge lack of clarity about their definitions. If they're talking about instructional personnel, are they going to differentiate between para-professionals and full-time teachers or social workers who are somewhat instructional?

Jordan: We've actually had a lot of conversations about comparability and we've put some requests into the U.S. Department of Education. As I understand it, they're getting back to us on what we've thought about. They're close to putting out guidance.

Monitor: This is a very broad question, but stepping back a little bit, what lessons have you learned from this first round of reporting?

Jordan: First and foremost, we don't want to do it more frequently than quarterly. There's a lot of dancing that has to go on together at the same time. We need time to review the local districts to make sure we have good data and we understand what they're giving us. Districts need time to put together something realistic.

Every time you do something new for the first time, you learn from it. So, the real question isn't how we did it the first time. It's, "What have we learned to implement the second time?" I would expect that in Ohio, we're going to submit to our treasurers some best practices on what we've learned in short order.

Childs: Nobody expected it to be perfect the first time. But we have some significant changes to make. There are pieces of it that were incredibly confusing and very cumbersome. The problem is, we won't see a significant improvement during this next round of reporting.

That likely won't happen until the March reporting because we're starting right into planning for that next round. That's right around the corner, about 30 days from now. There's not a lot of time to make improvement. It's going to be a real challenge to make the process better and get better data out of it.

Monitor: Jeff, what kind of things might you include in the best practices document you're talking about?

Jordan: How to make sure we know how FTEs [full-time equivalents] are counted and make sure that districts understand the parameters of the things that we want to collect.

Childs: We want to gear them up for what's ultimately going to be coming in next year's A-133 audits and monitoring. We want to get stuff out there on how are they're collecting their data, best practices on counting FTEs, and making sure they're doing time and effort. We want to make sure that they're covered and we're covered for monitoring.

Nelson-Reed: My concern is that in South Carolina, we've had to try to make it fit into an existing system. That

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was pretty painful, if not impossible. My take on it is these are just pieces of paper that we handle. In other words, we handle the process, the process doesn't handle us. But sometimes, pieces of paper can be very powerful. We're trying to fit this new piece in, and it's had its challenges.

I'm not totally convinced that the A-133 people have talked to the program people, who've talked to the GAO people and everyone is singing off of the same hymnal. Some of the rules, nuances and quirks and qualms that we used to make the money fit may not be pretty in our A-133 this go around. We'll have growing pains there.

We'll make it fit. We'll work it out. But it's not going to come without angst and handwringing. I wish it would get a little bit easier as we go through each phase, but it doesn't seem to be getting that way.

Jordan: We've been fortunate in Ohio that we have a really good relationship with the auditors. I used to be a state auditor. We've done trainings with them. We have a pretty good partnership, but I agree with you that there are going to be issues at some future point.

All of us have had to do this with what we have. That means we haven't had the ability to buy any new people or put in new infrastructure to do this. I'm not sure we could have done that anyway because of how fast we had to work. But we certainly didn't have the ability to get all of our systems in alignment or get people who were able to do this additional work.

For example, we had to do two separate applications, as all of you did. One was for regular Title programs. Then we had one for the ARRA funds. We had to compare and make sure that they were consistent and that things were in alignment before we would approve them.

That took us a little bit of time. We didn't get any extra staff to do that. So, the question becomes, "Are we getting money out fast enough when we take a little extra time?" One of the opportunity costs you have to sacrifice is speed. If I asked the feds the question, "Is it important to be fast or is it important to be accurate with our applications?" — they would say, "Yes."

Auditing

Monitor: As you know, districts spending more than \$500,000 in federal funds must have an annual A-133 single audit. How many school districts are going to be facing a single audit for the first time as a result of their allocations going over the half million dollar threshold?

Jordan: I haven't had a chance to do that analysis yet. In Ohio, most school districts have a single audit. I don't anticipate a whole bunch of new ones. However, one of the things that will actually change a little bit stems from the compliance supplement, which says those programs with ARRA-included clusters shall be designated as a

higher risk program and auditors will need to look at these ARRA funds a bit differently from a risk standpoint.

I think that that's going to drive differences at the auditors' level when they're doing risk assessments. I think that's going to be maybe as large or a larger issue than the additional districts that will be getting single audits,

Childs: That being said, in Ohio the new entities that haven't faced a single audit in the past but now will be bumped over the threshold will be in the charter school arena. Most charter schools — in Ohio and most states — fly under the threshold radar. Now, they have this influx of IDEA and Title dollars coming in to them, as well as the SFSF funds. They will be well over the threshold and will be facing single audits for the first time. That's where the challenge will be, both for the charter schools and for the auditor going in there.

Monitor: We want to talk briefly about a different kind of auditing. Have any of you participated in the OIG's ARRA audits? Do you know what to expect there?

DeSchryver: I don't know if participating is the right word for that. But they've been in California for quite some time. Their focus really has been on cash management and internal controls.

They're looking at whether you can send money out quickly or whether you should wait to get closer to a full reimbursement type of management system, and where do you find that sweet spot in between where you can be accountable for the funds and be within the Cash Management Act requirements? The GAO and OIG have stated that, as much as they can, they want to be partners in looking at the issues up-front.

They seem to be true to their word in that they're working with the states and really spending a lot of time there, making recommendations that the Department of Education should be more of a facilitator on these issues and staying away from sanctions. They're clearly avoiding sanctions. They're trying to work with the states up front to highlight the problems and put more pressure on resolving issues from a practical point of view.

For example, the OIG is putting out these alert memorandums. One recently came out regarding state education agencies and their oversight of the cash management requirements. The recommendations focus on cooperation and assistance. That is strategic on their part. They want to facilitate the process and not play the traditional OIG role of clamping down. But inevitably, that's what they do.

Childs: Feeding off that, the OIG is also actively participating with the AGA [Association of Government Accountants] in trying to get a CAROI cooperative audit resolution process in place for all agencies involved with ARRA. [*Editor's note:* The Cooperative Audit Resolution and Oversight Initiative was established by the ED OIG to encourage a cooperative rather than confrontational

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approach to audit resolution.] As we work with the U.S. Department of Education, it is clear that we share the same need to resolve issues in an amicable manner and that is exactly what CAROI is designed to do. The AGA, the U.S. Department of Education and states have joined together to update the process and work on systematically having the process adopted in other federal agencies. With the amount of funding and oversight needed for ARRA funds, it only stands to reason that we should adopt a cooperative way to resolve issues that come up as we work through the next two-plus years.

There is an indication up-front that the OIG recognizes there are going to be problems. They want to be proactive. They want to resolve these audit problems 1) before they become the fraud and Katrina issues that we've seen in the past and 2) in a way that gets to the tenets of the Recovery Act.

Also, Jeff and I both sat in on part of the OSEP [Office of Special Education Programs] monitoring with our special ed office today. Program offices are being proactive as well. They're doing a pilot for what they anticipate monitoring will look like when they start going to full-fledged monitoring for ARRA funds. They're reviewing the questions with ARRA folks right now. It's not just the OIG and the GAO, but the program offices that are out there with the states.

It's a cooperative effort. My hope is that it continues that way and they don't swing back around to beat the hammer.

Worth the Money?

Monitor: Obviously, there's been a lot of confusion caused by the speed of the stimulus and some frustration over the number of strings attached. In your view, has the money been worth the headache? More than one of you has at times described the stimulus as a wolf in sheep's clothing.

Nelson-Reed: The special education community really has ribbed the government for the last 40 years about not owning up to its promise to ante up at least 40 percent of the excess cost of what it takes to educate students with disabilities.

This wasn't planned as part of the stimulus, but it does present an opportunity for us now to take these additional dollars to better serve some of our high-cost children and some of our high-need children. For the special education community, the money is — I don't want to say a godsend, but it gives us an opportunity to provide more of those things that we said we've been needing for our kids.

Wilson: We have a slightly different take on it. As it relates to the state budget stabilization funds, absolutely, it's worth whatever we have to do to protect some amount of our state subsidy. As it relates to the Title

I and IDEA funds, in our case, we're getting over \$2 million in IDEA and about \$420,000 in Title I. We're being very careful about using those monies in a way that meets our understanding of all the guidelines, but minimizes the chances of a new, higher expectation of services.

We constantly say, "This is a one-time opportunity," but our experiences have been, anytime you increase the level of services, especially to students with special circumstances — whether it's the economically disadvantaged or the disabled — it doesn't matter what we say, or how often we say it. When the funds are gone and we have to step back from some of the new things that we did, we're left with the consequences. We can blame someone else all we want, but we're the service provider.

Matzke: In North Dakota, the school districts would say loud and clear that it was worth it. There's a lot of extra work for most of them, with completing a separate ARRA application, a separate one for Title I and all the extra quarterly reporting and school-by-school expenditure reporting.

For some districts, it's a piddly \$20-, \$30-, \$40-thousand, but they would still all unanimously say it was worth it.

Connor: In Denver, because we received almost \$32 million in Title I and \$16 million in IDEA funds — which are the two big funding sources that have already come to the district — it really is a challenge to figure out how to spend it thoughtfully to bring about some kind of reform that's actually going to be sustainable after the funds leave.

We don't want to hire too many people who are going to have to be let go because we have state funding issues that are going to reduce the amount of state funding we get at exactly the same time as the ARRA funds will leave.

It's been a little bit of a challenge, but I think that everyone would say that it's worth having the extra money.

Monitor: Educators are not accustomed to thinking of having too much money as being a problem. But it may get back to the public relations issue. Are you sensitive to the issue of not wanting to return this money?

Connor: Absolutely. It actually is part of the challenge, because if you've only got two years to spend \$30 million, it's a lot of money to spend. You've got to have the time to really plan to spend it thoughtfully and spend it quickly. It really is a challenge.

Childs: Returning money is not really an option, I don't think.

Connor: No, it isn't.

Monitor: Why do you say that, John?

Childs: Because the expectation is that this money is going out to stimulate the economy. It's to help kids in

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special ed. That leaves both the states and the LEAs with the directive to spend this money and spend it wisely and spend it in accordance with the rules. That will be our challenge.

Nelson-Reed: Our guidance says that when an LEA doesn't want the funds, then we redistribute that money to other LEAs. Say an LEA is providing an appropriate public education for all of its students with disabilities — so, you're off the hook. They don't need this money and we reallocate it. That hasn't happened as long as I've been in special education in South Carolina. It's not in the DNA, so to speak, to send that money back.

I understand what you're saying, Dan. You don't want to create a level of services that you have to back off of in two-and-a-half years. That's why there's been a lot of investment in the technology — big time. There's been a lot of investment in transition services and in assistive technology, which can be maintained. The stimulus does up the ante, but then again, it meets promises that may not have been kept previously.

Uses of Funds

Monitor: Vanessa, you raised the issue of use of funds. How are the rest of you using your IDEA and Title I funds from ARRA?

Matzke: I can only speak to Title I. The top three uses of the funds are extended-day services — that is, summer-school programs and after-school programs — technology and preschool.

Wilson: In Mentor, we saw this as an opportunity. We allocated \$1.4 million of the \$2 million in IDEA funds to hire 12 new types of employees — intervention specialists — to provide classroom support. It's an idea we had been working on for some time and now we're going to test it on a much smaller scale. These funds allowed us to hire some additional folks to validate the planning and the success of this concept. The remaining \$600,000 was dedicated to technology and some specific teaching materials.

Quite frankly, we're still debating the Title I funds. There's a very lively internal debate on how to use that \$400,000.

Connor: In Denver, we split the \$31 million for Title I into two buckets, one for this year and one for next year. Of that \$15 million-plus each year, about \$4 million each year is being allocated to all the Title I schools at about \$100 per free and reduced lunch student. Those particular monies are essentially being used to save jobs that were lost in general district cuts across the board.

The rest of the money, the bulk of it, has gone for some major initiatives — for example, dropout preven-

tion and credit recovery. It's allowing us to buy the infrastructure for re-engagement centers in four of our most high-need high schools so that hopefully, when the money is gone, the infrastructure will all be in place.

But the money is also being used for software for credit recovery. There are different programs that are being built to go after the kids who have already dropped out and bring them back into those schools. They're all centrally run programs that we're putting in those Title I high schools to try and see what we can do for the most at-risk kids.

We've also partnered with IDEA, to a certain extent, and we are going to hire some interventionists to work in targeted Title I schools with some very specific needs to help them figure out how they can actually work with RTI [response to intervention], how they can set up structures in the school so that they've got a schedule and interventions that work.

We're using funds to help the Title I schools purchase additional materials beyond that which the district affords in all the schools to meet some specific needs, particularly because we have so many second-language learners in the Title I schools.

We're also looking at professional development in the Title I schools to see whether or not it actually is meeting the needs of the teachers and the needs of the kids who are failing to make AYP [adequate yearly progress].

Monitor: What about the funding cliff issue that Dan mentioned? How much are you preparing ahead of time for that? And how much are those of you at the state level preparing your districts for it?

Wilson: At the local level, as I said, the intervention specialists we hired with IDEA funds were something that was in the works that we were going to phase in in the future. We've already begun to discuss, if it's as effective as we hope it will be, how we can prioritize some other spending, through attrition and other staffing, to sustain this after the ARRA funds are used up.

As for the budget stabilization money — in Ohio, we're required to file a five-year forecast. In fact, they have to be done by the end of this month. We assumed that there would not be a second stimulus and showed a drop of almost a million dollars in our state subsidy that represents our portion of that budget stabilization fund. My October 2009 five-year forecast assumes that the budget stabilization funds will not continue after fiscal year 2011. I am assuming that the economic conditions will improve enough in Ohio so that state tax revenue collections will increase from the current levels and allow for the replacement of one half of the federal budget stabilization funds. So, we've anticipated not having budget stabilization funds.

Jordan: When we go out and do presentations to school districts, we tell them, "No one knows what's go-

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ing to happen in the future, let alone next week at this point.” When they do their five-year financial reporting to us that forecasts what their revenues and expenditures will be, we tell them to be very thoughtful and very transparent, and to talk very candidly and thoughtfully to their boards and their communities to make sure that everybody understands that this is the best and most conservative way. Treasurers in Ohio will tell you that they really try to be very conservative with the revenue and not overestimate what they can promise their districts. They’re very careful to explain that this cliff is potentially coming and that they need to be prepared.

Matzke: I’m not particularly worried about the funding cliff. Almost all the districts hired someone new with the stimulus funds, but no one district hired a significant number of people. I think it will be addressed through attrition. The big issue that we saw is a huge spike in preschool programming. I think our North Dakota legislature would have, for the first time, appropriated funds for preschool had it not been for ARRA, which was passed right as they were making those decisions.

So they backed off. Most of the districts are banking on the fact that they will get these preschool programs started and be able to show the benefits; then, during our next legislative session in 2011, our legislature will appropriate preschool funding for the first time.

Monitor: We wanted to close with one question. A lot of you have been working in the trenches with a brand new presidential administration on something unprecedented, something that will probably never happen again, dealing with a lot of complicated material in a very fast way. What can you tell us about what it’s been like to work with this administration?

Nelson-Reed: It seems as though this administration kicks it up a notch. At times, I would feel, “Oh my goodness, we’re not structured to do this.” I think it’s just stepped up our pace a little bit. I don’t really have a problem with that, because often times, I think our bureaucracy moves a little slowly. But if we’re talking about something for the benefit of the public good, and it means having to create two additional applications to get more money out to students with disabilities and high-cost kids, I don’t have a problem with that.

Jordan: A friend of mine and I were talking one day. He works at a public university here in Ohio. His comment to me was pretty right-on. He said, “Government is not designed to be efficient, it’s designed to be accountable.” When you think about what we’re all going through, we all have to remember what the people in our state and local communities think about this and how we’re going to be accountable to them.

That means that sometimes, you have to trade off those efficiencies that we would normally like to have. Democracy is not a fast-moving thing. 🏠