



**AMERICAN RECOVERY
AND REINVESTMENT
ACT OF 2009 - ARRA**

NJ DEPARTMENT OF EDUCATION
June 2009



ARRA and NJ Funds

- Principles of ARRA
- ARRA State Fiscal Stabilization Funds
- ARRA Title 1
- ARRA IDEA
- Reporting and other Fiscal Requirements
- Q&A



Guiding Principles for ARRA Funds

1. Spend quickly to save and create jobs.
2. Ensure transparency and accountability
3. Thoughtfully invest one-time funds
4. Advance effective reforms



Education Reform Goals

- Increase teacher effectiveness and address inequities in the distribution of Highly Qualified Teachers (HQT)
- Establish and use data systems to track progress and foster continuous improvement
- Make progress toward rigorous standards and high-quality assessments



Education Reform Goals (cont.)

- Support targeted, intensive support and effective interventions to turn around schools identified for corrective action and restructuring
- Improve results for all students, including early learning, extended learning time, use of technology, preparation for college and school modernization

NJ ARRA Education Funds

□	STATE FISCAL STABILIZATION	\$1.3 BILLION
□	TITLE I	
■	PART A	\$173 MILLION
■	SIA a	\$7 MILLION
■	PART G	\$57 MILLION
■	PART D	\$850,000
□	IDEA	
■	BASIC	\$360 MILLION
■	PRESCHOOL	\$11 MILLION
□	ED TECH	\$12 MILLION
□	HOMELESS	\$908,000

ARRA State Fiscal Stabilization Fund - SFSF

New Jersey SFSF Allocation - \$1,330,483,831

State Fiscal Stabilization Fund - SFSF

- Funding provided to stabilize state and local budgets to avoid reductions in education and other essential public services.
- Governors must use 81.8% of SFSF to support and restore funding for elementary, secondary and higher education and 18.2% for public safety and other government services, including education.
 - Must use state's funding formula to allocate SFSF for elementary and secondary education

SFSF State Assurances

- SFSF awarded based on the State agreeing to meet four assurances:
 1. Increase teacher effectiveness and address inequities in distribution of highly qualified teachers
 2. Establish and use data system to foster continuous improvement
 3. Make progress towards rigorous college and career standards and high quality assessments; and
 4. Provide targeted, intensive support and interventions to turn around low achieving schools

SFSF Approval and Uses in NJ

- Governor received USDE approval on 6/5/09 of the state's application for \$1.3 billion of ARRA State Fiscal Stabilization Funds
- Approval supports the Governor's FY10 State Budget that includes \$1.056 billion of SFSF to fund 2009-10 equalization aid
 - \$1.017 billion from the 81.8% SFSF allocation called the "Education Stabilization Fund" or "*ARRA-ESF*"
 - \$39 million from the 18.2% SFSF allocation called the "Government Services Fund" or "*ARRA-GSF*"



FY10 State Aid Support using SFSF

What does this mean?

- Because of the SFSF, NJ was not only able to restore state aid to its FY09 levels, but increase beyond FY09 levels \$150 million in FY10
- This level of funding was included in the March state aid notices and used to develop and finalize FY10 district budgets

Accounting for SFSF funds

What accounting changes are needed?

- ❑ SFSF can be spent to support any ESEA allowable program - this includes the broad Impact Aid authority (see Title VIII of ESEA) - therefore, SFSF can be used to support any general fund expense consistent with state and local law, with only a few exceptions
- ❑ While SFSF must be allocated using the state funding formula, federal guidance states the funds are still considered federal funds *and must be tracked separately*
- ❑ Therefore, budget modifications (*account changes only*) will be necessary for districts that receive equalization aid

Accounting Changes for SFSF

□ Revenues –

- Record ARRA-ESF and ARRA-GSF funds in the general fund
- Reduce equalization aid in amount of ARRA funds

There will be no net reduction in budgeted revenue

□ Expenditures –

- Identify general fund appropriations to charge ARRA-ESF and ARRA-GSF
- Funds can be spent on any general fund type of activity (salaries, equipment, materials and supplies, etc)
- Account for ARRA-ESF and ARRA-GSF in subfunds 16 and 17, respectively in the general fund

Requires only an accounting entry for change of fund #

SFSF Allowable Expenditures – cont.

- Budget revisions do not need board approval as they are only account modifications
 - However, DOE recommends districts advise their boards of their changes.
- SFSF spending exceptions (*section 14003 of ARRA*):
 - Cannot be used for maintenance (do not assign costs in funds 16/17 to functions 261 and 262)
 - Cannot be used for stadiums or other athletic facilities; purchase or upgrade of vehicles; improvement of stand-alone administrative operations; and school renovation/repairs inconsistent with state law.
- DOE strongly recommends districts use SFSF on salaries or materials/supplies and expend funds timely

SFSF - misc.

- Other SFSF Requirements and Considerations
 - Subject to EDGAR and cash management rules
 - Interest earned over \$100 must be returned to feds (at least quarterly)
 - Will need to report quarterly expenditures and DOE will reconcile expenditures to payments to monitor compliance with cash mgmt act
 - Payments begin in Sept twice a month (similar but separate system from state aid)
 - Requires Assurance Statement
 - “Buy America” provisions for capital expenditures
- Exempted from state requirement to reimburse TPAF
- Separate Memo/Guidance will be issued with revised state aid notices

ARRA IDEA and Title I

New Jersey Allocations:

ARRA Title I – \$238 million

ARRA IDEA - \$371 million

Questions for Districts to Consider for use of IDEA and Title I funds

1. Will the proposed use of funds assist the district in improving results for students?
2. Will this have a positive long term result?
3. Are the proposed uses in keeping with the district and school improvement plans, QSAC plans?
4. Will the district be able to sustain the programs when the ARRA funding ends?
5. Will the district be able to track the funds separately and be able to measure and demonstrate implementation?

Importance of Measuring Outcomes

- Know what you want to accomplish
- Know how you will measure if you have achieved your purpose
- Result is evidence that the funds were used to benefit students, staff, parents.
- Measurements may include:
 - Surveys
 - Observations
 - Examination of student work
 - Formative test information
 - Collection of attendance, discipline, grades etc
 - Pre-post tests
 - other

ARRA IDEA

- \$371 million in ARRA IDEA in addition to FY10 allocation
- Funds are available to pay the excess costs for special education and related services; examples for one-time ARRA funds include:
 - Assistive technology and training.
 - Intensive district-wide professional development for special education.
 - Develop and expand the capacity to collect and use data.
 - Expand in district placement options.

ARRA IDEA, examples cont.

- Renovations or construction of classroom spaces to meet special education needs.
 - Prior approval required from the state
- Summer intensive instructional support programs.
- Professional development.
- Parent involvement activities.
- Supplementary instructional material and supplies in preparation for an IDEA program in the school year.
- Transition programs and services.

Supplement not Supplant

- IDEA-Maintenance of Effort -excess cost
- 50% rule-only to districts determined to “meet requirements” under IDEA
 - “An LEA may treat as local funds up to 50% of the amount of funds it is eligible to receive... from that appropriation that exceeds the amount from funds appropriated for the previous fiscal year that the LEA was eligible to receive”
 - ARRA IDEA funds used to offset local and state funded special education costs
 - Must track offset funds to ensure spent on ESEA activities



ARRA Title I

- \$173 million in ARRA Title I, Part A in addition to FY2010 allocation

- A district is eligible to receive Title I, Part A *ARRA* funds if it has:
 - **at least a 5% poverty rate (free lunch)**

Uses of Title I, Part A *ARRA*

- Districts must use *ARRA* funds consistent with Title I statutory and regulatory requirements (including as relates to nonpublic school students).
- USDE Guidance:
<http://www.ed.gov/policy/gen/leg/recovery/guidance/title-i.doc>
- USDE Guidance on Title I use of funds is forthcoming.



Title I

Intent and Purpose

Ensure that all children have a fair, equal and significant opportunity to obtain a high-quality education reaching proficiency on challenging standards



Title I

Meeting the Intent and Purpose

1. Measuring progress against high expectations for student achievement
2. Meeting the educational needs of low-achieving students in the highest poverty schools
3. Closing the achievement gap
4. Holding schools accountable for results and turning around low-performing schools
5. Distributing and targeting resources to schools with the greatest need



Title I

Meeting the Intent and Purpose

5. Providing enriched and additional services that increase the amount and quality of instructional time
6. Promoting programs that are scientifically based
7. Elevating the quality of instruction
8. Coordinating services with other programs
9. Affording parents meaningful opportunities to participate in their child's education



ARRA funds are available for eligible Title I Schools

- Opportunity to serve more schools and students
 - Rank Order
 - District Discretion
 - Criteria for low-performing



Title I Uses of Funds

- Expand high-quality pre-K programs
- Align Title I pre-K programs with K-3 content standards
- Train highly effective teachers to be instructional leaders
- Modify school schedules to establish time for instructional staff to collaborate
- Train teachers to use data to inform instruction for Title I students
- Establish intensive, year-long training for all school staff to build capacity to target student academic needs



Title I Uses of Funds (cont.)

- Provide additional learning time opportunities – before school, during school, after school and in the summer
- Provide 9-12 students with high-quality supplemental materials
- Use reading and math coaches to provide professional development to teachers
- Enhance summer programs
- Supplies, materials and technology to support the Title I program

Types of Service Delivery

Targeted Assistance and Schoolwide

□ Targeted Assistance

- Direct services to *specific students* in eligible schools who are identified as failing, or most at risk of failing, to meet the state's content and student performance standards.

□ Schoolwide

- Use funds to upgrade the instruction of the entire school to meet the state's *Core Curriculum Content Standards*.

Types of Service Delivery

Targeted Assistance and Schoolwide

□ Schoolwide (cont.)

- **40 percent** or more of the students enrolled in the school, or residing in the school attendance areas, must be from low-income families.
- A comprehensive needs assessment must be conducted.
- The district must take a planning year (may be waived), meeting with stakeholders and developing the schoolwide plan (Title I Unified Plan) and schoolwide application.

Supplement not Supplant

- **Check statutes and federal guidance**
- **TITLE I –**
 - Services are in addition to those available under state and local laws and funding
 - It is presumed supplanting :
 - if an LEA uses Title I funds for programs and services previously funded with state or local funds
 - if an LEA uses Title I funds to provide services that the LEA was required to make available under Federal, State law
 - If an LEA used Title I funds to provide services for children participating in a Title I program that the LEA provided with non-federal funds to children not participating in Title I.

Supplement not Supplant

- **Check statutes and federal guidance**
- NOTE: An LEA can rebut the presumption of supplanting if LEA can demonstrate that without the federal funds, the programs/services would not have been continued.
- “It depends” all determinations are case specific and details are important



Title I Reserves

- Professional development
- Parent Involvement
- Non-public schools
- Supplemental Educational Services
- School Choice
- Homeless
- Preschool
- Administrative costs
- Teacher Incentives and Rewards
- Districtwide Programs
- Neglected and Delinquent



ARRA: SIA, Part a

- \$7 million awarded to 319 Title I schools in need of improvement
- Allocation is based on enrollment and free lunch counts
- These funds are in addition to the 2010 SIA, part a awards to be announced this fall (\$11 million)

ARRA: SIA, Part g

- \$57 million to be allocated to states to award to Title I schools in need of improvement that:
 - Are in the greatest need
 - Have the strongest commitment
- The NJDOE must submit an application to the USDE
 - Schools then submit an application to the NJDOE
- These funds are in addition to the 2010 SIA, Part g award of \$ 10 million

ARRA: Neglected and Delinquent

- \$800K to be allocated to districts that have such a facility in their borders
- There are 15 such districts in NJ
- Funds are primarily used to provide supplementary services to students in institutions
- These funds are in addition to the regular N&D award

ARRA: McKinney-Vento Homeless

- ❑ \$908K allocation
- ❑ NGO issued in May includes the 2010 award
- ❑ Applications due: June 4, 2009
- ❑ Seven regions in the state
- ❑ Regions allocated funds based on homeless counts
- ❑ To ensure that homeless children have equal access to a free, appropriate public education, and to be able to enroll in, and attend school

Other ARRA Funds

- Title IID Technology
 - Competitive Grants
- Other ARRA Competitive Grants
 - Race to the Top - \$4.35 billion in competitive grants to states making most progress toward the assurances
 - Innovation Grants - \$650 million competitive grants to LEAs and non-profits making significant gains in closing achievement gaps to be models of best practices
 - USDE Guidance has not yet been posted

Application Timelines

- 2010 NCLB Consolidated Application EWEG –Early July
 - ARRA: Title I, Part A, Part D, SIA Part a
- 2010 IDEA EWEG - Early July
 - ARRA IDEA
- 2010 SIA Part a
 - Based on current year AYP information
- ARRA: Part g
 - Announcement of application pending
- Districts can spend money as soon as it receives “substantially approvable” determination
- Districts can request reimbursement of funds as soon as application receives final approval

ARRA Reporting and other Fiscal Requirements

Separate Accounting
Quarterly Reports
EDGAR and OMB Circulars

Transparency and Accountability

- All ARRA funds must be tracked separately and districts need to maintain accurate, complete and reliable documentation of all ARRA investments
- ARRA recipients must produce quarterly reports (section 1512 of ARRA)
 - Financial and program outcome reports.
 - Estimated number of jobs created/saved.
 - Other information to be required by USDE and USOMB
- States must report annually on SFSF (section 14008 of ARRA) and the state's progress on meeting the four assurances

Accounting For ARRA

- All ARRA funds must be tracked separately
 - Using unique program code within the 450-460 range

Source	Revenue	Expenditure
ARRA- Title I, Part A	20-4511-(45x-46x)	20-(45x-46x)-xxx-xxx
ARRA – Title I, SIA a	20-4512-(45x-46x)	20-(45x-46x)-xxx-xxx
IDEA Basic	20-4514-(45x-46x)	20-(45x-46x)-xxx-xxx
IDEA Preschool	20-4515-(45x-46x)	20-(45x-46x)-xxx-xxx
ARRA - ESF	16-4520	16-xxx-xxx-xxx
ARRA – GSF	17-4521	17-xxx-xxx-xxx



US General Accounting Office

- Congress directed the US General Accounting Office (GAO) to monitor and evaluate whether funds are being used by states for their intended purpose and achieving the purposes of ARRA.
- NJ is one of 16 states selected for detailed GAO review and will be the subject of bimonthly GAO reporting to Congress for at least the next 2 years.



Sample GAO Questions to NJDOE

1. Describe how the state will monitor progress toward accomplishment of the assurances it has given for educational reform.
2. Describe how the state will use the additional Title I funds on short-term projects with long-term gains?
3. How will LEAs measure and report the impact of IDEA funds allocated under ARRA?
4. How will the state help ensure that IDEA ARRA are used in ways that do not result in unsustainable continuing commitments after the funding expires?
5. Have the oversight systems/processes at the state and local level been modified to help ensure adequate internal controls and compliance associated with ARRA?
6. How and when are LEAs required to report back to the state on internal controls and compliance with state guidance?

Quarterly Reporting Requirements

- Proposed USOMB elements for Section 1512 quarterly reports:
 - Total amount of ARRA funds received
 - Amount of funds received that were expended or obligated to projects/activities
 - Detailed list and narrative of projects for which ARRA funds were expended/obligated
 - Number of jobs saved/created
 - Infrastructure investments made
 - Subrecipient information; amount of subcontract or subaward
 - Five most highly compensated officers and names of total compensation for subrecipient entity
 - Total # and amount of subcontracts and subawards less than \$25,000/award

Reporting Requirements

- Plus for Title I –
 - “Each LEA that receives Title I, Part A ARRA funds must file with the State, no later than December 1, 2009, a school by school listing of its per pupil educational expenditures from State and local sources for 2008-09. The state must report this information to USDE by March 31, 2010. Ed will issue guidance in the near future regarding this reporting requirement.”

Allowable Cost Questions to Consider for ARRA funds

1. Is the proposed cost allowable under the applicable statute (e.g. IDEA, Title 1)
2. Is the proposed cost consistent under federal cost principles (USOMB Circular A-87)?
3. Is the proposed cost consistent with the US Department of Education's general administrative regulations (EDGAR, Part 80)?

1. Allowable under Applicable Statute?

- ❑ Have you met maintenance of effort requirements
- ❑ Are funds used on eligible students
- ❑ Are expenditures supplemental where required
- ❑ Have set-asides been met

2. Consistent with Federal Cost Principles (OMB Circular A-87)?

- Are all costs necessary, reasonable, allocable, legal under state and local law, conform with federal law and grant terms, GAAP, adequately documented, etc.
- Are you following 43 specific items detailed in A-87
 - Allowable (e.g. communication costs)
 - Unallowable (e.g. alcoholic beverages, lobbying)
 - Allowable under certain circumstances (e.g. compensation for personal services to extent appropriate “time and effort” records are maintained)
- Website for A-87 Circular

http://www.whitehouse.gov/omb/fedreg/2005/083105_a87.pdf

3. Consistent with EDGAR

- Are you ensuring timely obligation and liquidation of funds (cash management rules)
- Are you ensuring equipment purchases are used for the program/project acquired and disposal requirements
- Are you following state procurement laws
- Are you maintaining appropriate internal controls
- Are you tracking and returning any interest earned on any federal advance at least quarterly
- Website for EDGAR
<http://www.ed.gov/policy/fund/reg/edgarReg/edgar.pdf>

REMEMBER

Single Audit Requirements

- A-133 audits (single audits) are required for entities with federal expenditures of \$500,000 or more
- ARRA funds are federal and must be considered in this determination
- Website for A-133 Circular

http://www.whitehouse.gov/omb/assets/omb/fedreg/2007/062607_audits.pdf

- Website for A-133 Compliance Supplement

http://www.whitehouse.gov/omb/circulars_a133_compliance_09toc/

Questions

- NJDOE ARRA Information:

<http://www.state.nj.us/education/arra>

- NJDOE has specific email boxes to answer Title I and IDEA ARRA questions:

- **Title I** – arratitle1@doe.state.nj.us

- **IDEA** – arraidea@doe.state.nj.us

- USDE ARRA Information

<http://www.ed.gov/policy/gen/leg/recovery/index.html>