

## SFSF – Education Grants

The Education Stabilization grants are a one-time appropriation of \$85,644,337 that the U.S. Department of Education will award to Governors to help stabilize State and local budgets in order to minimize or avoid reductions in education and other essential services, in exchange for a State's commitment to advance essential education reform in four areas:

1. Making improvements in teacher effectiveness and the equitable distribution of qualified teachers for all students, particularly students who are most in need.
2. Establishing PK to college and career data that tracks progress and supports continuous improvement initiatives.
3. Making progress toward rigorous college and career ready standards and high quality assessments that are valid and reliable for all students, including limited English proficient students and students with disabilities.
4. Providing targeted intensive support and effective interventions for the lowest-performing schools.

## Allocation of Stabilization Funds

Education stabilization funds must be first used to fill in any education budget gaps between 2006 state funding levels and 2009 state funding levels. The state primary education funding formula level for 2009 was \$375.4 million. Through legislative action, the primary education formula was funded at the 2009 level using the full \$85.6 million education stabilization fund allocation. This results in 22.814% of the state primary education funding formula for 2010 coming from federal funds.

**IMPORTANT NOTE:** As the state would have fully funded the primary education funding formula in the absence of stabilization funding, the legislature authorized \$85.6 million in supplemental one-time state grants to school districts. *Section 52 of HB 1400 describes the allocation, use and reporting requirements for these funds. Each school district receiving funds must file a report with DPI that provides a description of all expenditures, obligations, or other commitments made with these funds. The report must be presented to the legislative council.*

## Stabilization Funds are considered Federal Funds

The state funding formula is the mechanism to determine the amount of education stabilization funds a district will receive. The funds remain **federal funds**, and the American Recovery and Reinvestment Act (ARRA), the Federal laws referenced in III-D-1 (contained in Federal Guidance on the SFSF program), and other applicable Federal requirements (such as OMB cost principles) govern their use.

## **Application required to be submitted by school districts**

The Education Department General Administrative Regulations (EDGAR) at 34 C.F.R. 76.301 require an LEA to have on file with the State an application that contains the assurances in section 442 of the General Education Provisions Act (GEPA) (20 U.S.C. 1232e). Among other things, the LEA must assure that it will (1) administer the program in accordance with all applicable statutes and regulations, and (2) use fiscal control and fund accounting procedures that will ensure proper disbursement of, and accounting for, the funds.

In addition, in order to comply with section 427 of GEPA (20 U.S.C. 1228a) and depending on the LEA's planned uses of the funds, an LEA may need to provide in its application a description of the steps it proposes to take to permit students, teachers, and other program beneficiaries to overcome barriers (including barriers based on gender, race, color, national origin, disability, and age) that impede access to, or participation in, particular programs to be funded with Education Stabilization funds. Information on the GEPA 427 requirement is available on the U.S. Department of Education website at <http://www.ed.gov/fund/grant/apply/appforms/gepa427.doc>.

## **Accounting for Education Stabilization Funding**

Because these funds retain their identity regardless of their distribution, it has become clear that districts must account for these monies separately within their general fund. This is necessary to meet the transparency, accountability and reporting requirements of the ARRA.

- The amount of education stabilization funding received by the district will be identified on the monthly state aid payment voucher in the months the funds are released.
- The revenue will be coded as "4590 Other Restricted Federal Revenue" and related expenditures will be tracked with a project code.
- Districts must submit an application for the funds acknowledging compliance with all federal requirements and identify the intended use of the funds.
- The anticipated release of the funds is October through February the 2009-10 school year.

## **How the Stabilization Funds is to be spent**

The uses of stabilization funds are very broad and include teacher salaries, administrator salaries, and supplies and other expenses supporting the mission of the school district. For simplicity, the Department recommends that all stabilization funds be applied against instructional salaries.

Education Stabilization funds may not be used for:

- payment of maintenance costs,
- athletic stadiums for which admission is charged to the general public,
- purchase or upgrade of vehicles,
- improvement of stand-alone facilities whose purpose is not the education of children,
- financial assistance for students to attend private schools, unless authorized by IDEA,

## General Guidance for Education Stabilization Funding

- pay down pre-existing debt,
- school modernization, renovation, or repair that is inconsistent with State law, or
- restoring or supplementing the contingency reserve fund.

### State Required Reports

The North Dakota Department of Public Instruction, as prime recipient, is required to submit reports containing the information required under section 1512(c) of the ARRA. The Department will do the reporting for school districts based on their formal application for the funds

The U.S. Department of Education has developed a common reporting format that will describe for States a streamlined quarterly process for reporting on the use of the ARRA funds awarded to the Department.

### Transparency, Accountability and Reporting Requirements by School Districts

- All ARRA funds must be spent with an unprecedented level of transparency and accountability. Accordingly, recipients of ARRA funds must maintain accurate, complete, and reliable documentation of all ARRA expenditures. The law contains very stringent reporting requirements and requires that detailed information on the uses of funds be available publicly on [www.recovery.gov](http://www.recovery.gov).
- DPI has important oversight responsibilities and must monitor grant and subgrant supported activities to ensure compliance with all applicable Federal requirements.
- If a grantee or subgrantee fails to comply with requirements governing the funds, the Department may, consistent with applicable administrative procedures, take one or more enforcement actions, including withholding or suspending, in whole or part, funds awarded under the program, or recovering misspent funds following an audit.
- The ARRA establishes the Recovery Act Accountability and Transparency Board, which is responsible for coordinating and conducting oversight of spending under the ARRA to prevent fraud, waste, and abuse. The Department's Office of Inspector General (OIG) will be conducting comprehensive audits of ARRA implementation activities. In addition, Department program offices will closely monitor these activities.
- Any instances of potential fraud, waste, and abuse should be promptly reported to the OIG hotline at 1-800-MIS-USED or [oig.hotline@ed.gov](mailto:oig.hotline@ed.gov). Moreover, recipients are reminded that significant new whistleblower protections are provided under section 1553 of the ARRA.
- When a LEA uses its Education Stabilization funds for activities authorized under this guidance, the LEA must (a) maintain records that separately track and account for its Education Stabilization funds and (b) report on the specific uses of those funds.