

Federal stimulus money comes with strings

By Marianne E. Van Duyne

Money provided to school districts as a result of the American Recovery and Reinvestment Act of 2009 (ARRA) provides school districts with an excellent opportunity to improve student performance, boost school capacity, and increase productivity and teacher effectiveness. But federal money comes with strings attached, and districts will have to prove that they have spent federal money for purposes intended and with the results desired. It's called "unprecedented accountability."

To comply with the legislation, districts should:

- Spend funds quickly to save and create jobs.
- Improve student achievement through school improvement and reform.
- Invest one-time ARRA funds for non-recurring expenses to minimize the "funding cliff."
- Ensure transparency, reporting and accountability.

With ARRA, the school board's role as a policy-setting body has never been more important. Board members and administrators should work collaboratively on assessing which educational programs or activities would result in the best long-term success in their district's educational program. Specific criteria have been established by the ARRA and should be followed when making these decisions.

The amount of stimulus funding that your district will be receiving for the 2009-2010 year can be found at <http://stateaid.nysed.gov/>. The following represents allowable programs and activities that can be funded with ARRA money:

- Retaining existing staff including teachers, administrators, and support staff.
- Improving teacher effectiveness and equitable distribution of qualified teachers.
- Establishing data systems and utilizing data for improvement.
- Turning around the lowest performing



Illustration for *On Board* by John Daly
Congress and U.S. Secretary of Education Arne Duncan are making \$5 billion in federal stimulus funds available to school districts in New York State over the next two years. But complicated reporting requirements are tied to the money.

- schools.
 - Improving results for all students.
- The following represents activities and programs that may *not* be funded with ARRA money:
- Reducing taxes.
 - Increasing fund balance and reserves.
 - Paying of maintenance costs.
 - Improving facilities used for activities charging admissions to the general public.
 - Purchasing or upgrading of vehicles.
 - Improving central office facilities.

Doing the right thing is not enough, though. There must be transparency, reporting and accountability. What does that mean?

First, it means that your district must be deliberate and clear about how it spends ARRA money. Related expenditures should be recorded in the general fund and coded separately for tracking purposes.

While that sounds simple, it often isn't. For instance, revenue received and associated budgeted revenues should be recorded in the general fund using revenue code A4285. But your district may have already budgeted these funds in revenue code A3101, the general state aid revenue code, because the money was

funneled through the state. If this is the case in your district, the board will have to approve a revenue budget adjustment.

Ask your school business official to brief your board or at least its audit committee on how accounting in your district is changing to conform to the demands of ARRA.

Also, there will be new reports to review. To address the requirement that districts be transparent and accountable in their reporting, school districts will be required to send quarterly reports to the State Education Department (SED). This reporting will begin with the quarter ending Sept. 30, 2009 with a filing deadline of 10 days after the end of the quarter.

Quarterly reports must include the following:

- Number of jobs saved.
- Specific programs delivered.
- Equipment and materials purchased.
- Tax increase averted.

Meanwhile, districts will also be required to keep better track of how they are spending other forms of federal assistance, such as funding through Title I Part A, Title II Part D and Part B of the Individuals with Disabilities Education Act (IDEA). The U.S. Office of Management and Budget (OMB) plans to

establish a new set of numbers to track how such funds are spent in every district. These are called CFDA numbers; the acronym stands for Catalog of Federal Domestic Assistance.

Bear in mind that these federal funds should be used to supplement and not supplant local effort. However, school districts may use up to 50 percent of the total increase in IDEA funds to reduce local effort in special education, provided the freed-up local funds are used for educational purposes consistent with the federal No Child Left Behind Act. An application is required to be filed to receive both federal stimulus funds, and additional monies earmarked for federal grants, such as the IDEA grants. Separate budgets for regular grants and grants funded with ARRA funds are also required.

The use of ARRA funds will be subjected to unprecedented levels of scrutiny. Funds will be monitored by the U.S. Government Accounting Office (GAO), among others. The GAO will be conducting bi-monthly reviews of school districts use and monitoring of its ARRA funds. The results of the GAO audits will be posted on its website to provide transparency and accountability.

Both the state Attorney General and state comptroller's office are also required to approve contracts funded with ARRA funds. Meanwhile, reviews will be conducted by officials at SED and the comptroller. Also, your district auditors will be checking the kinds of protocols listed above as part of their single audit. School board members should ensure that their districts are taking proper steps to fully comply with ARRA, including the accounting changes associated with it.

Proper attention to these issues at the outset will ensure that school boards can focus the bulk of their attention on the programs that make a difference for children rather than the accounting systems that exist to support those efforts.

Marianne E. Van Duyne, CPA, is a partner at R.S. Abrams and Co. LLP, a Long Island-based accounting and auditing firm specializing in school districts.

SED, OMB offer ARRA info

Below are questions and answers from a June 26 memo from the State Education Department. For more information, see <http://usny.nysed.gov/arra/>. Also, a newly released federal guidance document is available at: www.whitehouse.gov/omb/memoranda_default.

When will school districts actually receive funds?

A: Districts will begin receiving most federal Title funds prior to Sept. 1, 2009. There are many components to ARRA funding. State Fiscal Stabilization funds

will be available for school districts to begin drawing down funds on Sept. 1. Districts will be able to draw down up to 70 percent of their stabilization funds after Sept. 1 and will be able to draw down the remaining 30 percent after April 1, 2010. Districts will be required to submit expenditure reports to draw down funds. The disbursement of funds must comply with federal regulations, EDGAR 80.21, regarding cash management. Please refer to the grant award document that will be issued upon approval of your application and the Fiscal

Guidelines for Federal and State Grants at: <http://www.oms.nysed.gov/cafe/guidance/guidelines.html>.

If a district doesn't include stimulus funds in the budget that is approved by the voters, can they add them later?

A: Yes. Stimulus funds, including stabilization funds, are federal grants for specific purposes, these funds can be appropriated by resolution by the board of education at any time for such purposes (Education Law section 1718). Therefore, any increases in ARRA funds beyond

what was anticipated when the budget was developed can be appropriated later.

Must a district use ARRA fiscal stabilization funds to restore all jobs before using the funds for other activities?

A: Restoration of jobs is a high priority. The decision on how to balance the restoration of jobs with other activities is up to the discretion of the local school district.

Source: State Education Department (<http://usny.nysed.gov/arra/faq.html>)