

AMERICAN RECOVERY AND REINVESTMENT ACT State Fiscal Stabilization Fund (SFSF)

Frequently Asked Questions

1. Q: What is the Stabilization Program?

A: As described by Secretary of Education Arne Duncan:

The Stabilization program is a new, one-time appropriation of approximately \$48.6 billion that the U.S. Department of Education (Department) will award to Governors to help stabilize State and local budgets in order to minimize and 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 in the equitable distribution of qualified teachers for all students, particularly students who are most in need; (2) establishing pre-K-to-college-and-career data systems that track progress and foster continuous improvement; (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; and (4) providing targeted, intensive support and effective interventions for the lowest-performing schools.

The Stabilization program is authorized in Title XIV of Division A of the American Recovery and Reinvestment Act of 2009 (ARRA) (Pub. L. 111-5), which President Barack Obama signed into law on February 17, 2009. The provisions of the ARRA relevant to the Stabilization program and other Department programs are available on the Department's website at <http://www.ed.gov/policy/gen/leg/recovery/index.html>.

The overall goals of the ARRA are to stimulate the economy in the short term and to invest in education and other essential public services to ensure the long-term economic health of our nation. Four principles guide the distribution and use of ARRA funds:

- a. *Spend funds quickly to save and create jobs.* The Department is distributing ARRA funds quickly to avert layoffs and create jobs. States, local educational agencies (LEAs), and IHEs [Institutions of Higher Education] are urged to move rapidly to develop plans for using the funds, consistent with the ARRA's reporting and accountability requirements, and promptly to begin spending funds to help drive the nation's economic recovery.
- b. *Improve student achievement through school improvement and reform.* ARRA funds should be used to improve student achievement and help close the achievement gap. Furthermore, in exchange for receiving funds under the State Fiscal Stabilization Fund, States must commit to advancing education reforms in four specific areas.
- c. *Ensure transparency and accountability and report publicly on the use of funds.* To prevent fraud and abuse, support the most effective uses of ARRA funds, and accurately measure and track results, ARRA recipients must publicly report on how funds are used. Due to the unprecedented scope and importance of this investment, ARRA funds are subject to additional and more rigorous reporting requirements than normally apply to grant recipients.

- d. *Invest one-time ARRA funds thoughtfully to minimize the “funding cliff”.* The ARRA is expected to be a one-time infusion of substantial new resources. These funds should be invested in ways that do not result in unsustainable continuing commitments after the funding expires. Under the Stabilization program, funds are available for obligation through August 31, 2011.

Date Added/Updated: 07/20/2010

2. Q: How were the Stabilization Funds allocated?

A: The Stabilization Funds were allocated to districts eligible for equalization aid through the Tax Equity and Educational Opportunity Support Act (TEEOSA) state aid formula. The certification of State Aid for the 2010-11 school year included the allocation of Stabilization Funds for the eligible districts. Stabilization Funds remain available for local obligation until August 31, 2011.

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3. Q: What Account Codes must be used for Stabilization Funds?

A: All Stabilization Funds must be receipted in General Fund as **Account Code 4590**. In the Annual Financial Report (AFR), districts will report Stabilization Funds disbursements in Account Code as follows:

4590 ARRA: State Fiscal Stabilization Funds – TEEOSA Aid Non-Special Education Instructional Programs

Expenditures of the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds as part of State Aid for Non-Special Education Instructional Programs.

4592 ARRA: State Fiscal Stabilization Funds – TEEOSA Aid Limited English Proficiency Instructional Programs

Expenditures of the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds for Limited English Proficiency Instructional Programs as described in Disbursement Function 1150.

4593 ARRA: State Fiscal Stabilization Funds – TEEOSA Aid Poverty Instructional Programs

Expenditures of the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds for Poverty Instructional Programs as described in Disbursement Function 1160.

4595 ARRA: State Fiscal Stabilization Funds – TEEOSA Aid Special Education Instructional Programs

Expenditures of the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds as part of State Aid for all Special Education Instructional Programs.

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4. Q: Are Stabilization Funds state funds?

A: No. The Stabilization Funds are a grant of federal funds. All of the requirements of operating a federal grant, as found in NDE’s [State and Federal Grant Management Requirements and Guidance \(July 2009\)](#), apply except the following “Supplement, not supplant”. This means that activities previously funded from the district’s General Fund can be funded with Stabilization Funds for the period of availability and revert to district support when the Stabilization Funds are no longer available. Districts need to be aware of the “cliff” effect due to the availability of Stabilization Funds for only two years. Also, time and effort logs are not required for employees paid with Stabilization Funds.

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5. Q: What are the allowable uses of Stabilization Funds?

A: ARRA specifies that Stabilization Funds are to be used for any of the purposes of the following existing federal grant programs:

- The Elementary and Secondary Education Act of 1965 (ESEA): Includes ESEA Impact Aid
- The Individuals with Disabilities Education Act (IDEA):
- The Adult Education and Family Literacy Act (AEFLA); and
- The Carl D. Perkins Career and Technical Education Act of 2006 (Perkins Act)

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6. Q: What is ESEA Impact Aid?

A: Impact Aid is Title VIII of ESEA and provides federal funds for districts that have federal lands that cannot be taxed. **ESEA Impact Aid can be used for any General Fund purpose and provides the greatest flexibility in the use of Stabilization Funds.** However, in keeping with the guidance from the U. S. Department of Education, districts should consider using the funds to support school reform as well as to save/retain or create jobs

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7. Q: Can the ARRA Stabilization Funds be used to meet the spending requirements of school districts Poverty and/or Limited English Programs (LEP) that are part of the TEEOSA (State) Aid?

A: Yes. Sections 79-1007.07 and 79-1007.09 (as amended by LB 545) allows the use of the ARRA Stabilization Funds to be used to meet the expenditure requirement for the Poverty and LEP allowances in the TEEOSA (State) Aid formula.

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8. Q: Can the Stabilization Funds be used to buy textbooks?

A: Yes. Purchasing textbooks would be an allowable expenditure under ESEA.

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9. Q: Are the Stabilization Funds excluded from the expenditure limitation?

A: No. Although the stabilization funds are federal dollars, they are not outside the expenditure limitation. Section 79-1028.02 (LB 545 in section 20) states: "Such allocation shall not be considered a special grant fund and shall be considered state aid for all purposes except as otherwise provided in this section and the federal American Recovery and Reinvestment Act of 2009."

Date Added/Updated: 07/14/2009

10. Q: How can a district save jobs, spend ARRA funds in the short term, avoid the funding cliff, and support school reform?

A: Every district needs to look at its own long-term financial situation, consider what funding will be available in any given year and what short-term or long-term costs are associated with any planned purchasing, contracting, or hiring decisions.

Admittedly, this is a difficult balance. Districts might consider short-term positions to begin a new type of instructional process as an appropriate use of Recovery funds. Districts may also wish to conduct curriculum alignments, train teachers in reading literacy instructional strategies, etc. Each district will need to look at their unique circumstances for the strategic use of these funds and how they can minimize the impact of the funding cliff.

The USDE has provided the following examples of activities that a district might support with its funds in order to advance reform and support the SFSF assurances:

1. *Improving teacher effectiveness and the equitable distribution of highly qualified teachers by:*
 - Establishing fair and reliable evaluation systems that provide feedback, help educators improve, and ensure that poor performers are dismissed;
 - Establishing a system for identifying and training highly effective teachers to serve as instructional leaders and modifying the school schedule to allow for collaboration among the instructional staff; and
 - Implementing innovative strategies for identification of, advancement of, and compensation for highly effective teachers and leaders.
2. *Establishing data systems and using data for improvement, including:*
 - Strengthening the use of longitudinal data systems to drive effective decision-making and continuous improvement efforts; and
 - Developing and providing intensive professional development on use of data to improve instruction.

3. *Turning around the lowest-performing schools by:*

- Attracting teams of committed educators who are compensated for taking on new assignments and roles in a school in corrective action or restructuring;
- Extending time for learning, including activities provided before school, after school, during the summer, or over an extended school year;
- Providing intensive, year-long teacher training in reading that aggressively works on improving students' oral language skills and vocabulary or, in some other way, builds teachers' capacity to address academic achievement problems;
- Strengthening and expanding early childhood education;
- Providing intensive training to all teachers in new curriculum and the use of assessment data to improve instruction; and
- Using high quality, on-line courses as supplemental learning materials to help secondary students meet core content requirements.

Date Added/Updated: 07/14/2009

11. Q: What information will districts report on jobs created, saved or retained with Stabilization Funds?

A: There is a separate [Question and Answer \(Q and A\) document for all the reporting requirements of ARRA.](#)

Date Added/Updated: 07/17/2009

12. Q: What expenditures of Stabilization Funds are prohibited?

A: Section 14003 of ARRA specifically prohibits:

- Payment of maintenance costs;
- Building or renovating stadiums or other facilities primarily used for athletic contests or exhibitions or other events 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;
- School modernization, renovation, or repair that is inconsistent with State law (see next question);
- Providing financial assistance to students to attend nonpublic elementary or secondary schools.
 - A district is not required to provide equitable services to nonpublic students or staff with Stabilization Funds. The guidance from USDE says that a district may provide services to nonpublic students and staff, in accordance with the program, if it selects IDEA, ESEA, AEFLA or Perkins.
- Transferring Stabilization Funds to a local "rainy day" or reserve fund.

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13. Q: May a school district use Stabilization Funds that are distributed through the TEEOSA formula for modernization or renovation of public school facilities?

A: No. Although Section 14003(a) of ARRA provides that modernization or renovation of public school facilities is an activity authorized for Stabilization Funds, section 14003(c) states, "Nothing in this section shall allow a local education agency {school district} to engage in school modernization, renovation, or repair that is inconsistent with State law."

Under Nebraska law, construction projects for school facilities cannot be paid out of the General Fund of school districts and the Nebraska Legislature did not change this law during the 2009 Legislative session. The Stabilization Funds Nebraska will receive from the Secretary of Education are being distributed to school districts under the TEEOSA formula pursuant to Section 79-1028.02 (LB 545, §20). TEEOSA funds are to be deposited in the General Fund of the school district and are not available for renovation or modernization of school facilities. Therefore, Nebraska law prohibits the use of Stabilization Funds for modernization or renovation of public school facilities as clearly stated in section 14003(c) of ARRA.

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14. Q: Are there any provisions in ARRA that help with issuing bonds for renovation or construction?

A: Yes, the ARRA included an increase in the Qualified Zone Academy Bond (QZAB) allocations for Nebraska and added another bond program entitled the Qualified School Construction Bond (QSCB) program. Both of these programs allow for the issuing of interest free bonds for school districts.

The process for applying for an allocation of the QZABs is included in the Nebraska Department of Education's Rule 87. We will be amending Rule 87 to include the process for applying for the QSCB allocations. We anticipate that the application process will be similar to that of the QZAB allocation although the regulations are more relaxed for the QSCB program.

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15. Q: How will districts receive the Stabilization Funds?

A: The Department will be using the Grants Management System (GMS) for both the application and payment of the Stabilization Funds. GMS is accessible through the Department's portal. The application will closely resemble all GMS applications with the same tabs and format.

Payments will be made on a reimbursement basis. Districts may request reimbursement, using the GMS, as soon as the grant has been approved and the expenditures paid by the district. Reimbursement requests will require supporting documentation (Expenditure Audit Reports, Account Inquiry Reports, Invoices, etc.) indicating payment by account code and object code and description. Additional information is provided below under Payments.

Allocations of Stabilization Funds were certified in dollars and cents. Since the grants management system uses only whole dollars, a manual payment will be used to pay districts for the cents from their certification.

The portion of TEEOSA state aid funds that are from state funding sources will be paid out as it has been in the past, in ten equal payments beginning on the last working day of September and ending on the last working day of June.

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16. Q: When will the Stabilization Fund application be available?

A: The opening date for the Stabilization Fund application in the GMS will be July 26th. All applications should be submitted by October 1, 2010.

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17. Q: When can a district begin to spend the Stabilization Funds?

A: When the application is approved, the Stabilization funds can be obligated or spent starting on September 1, 2010. Stabilization Funds are being distributed as equalization aid under TEEOSA and the availability of the funds is defined by timelines for TEEOSA. Thus, Stabilization Funds are available from September 1 through August 31 of the year awarded.

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18. Q: Are districts allowed to form consortia or multi-district projects with Stabilization Funds?

A: No. Multi-district projects or consortiums are not allowed. Districts that want to work together or with an ESU on a project can still do so through contracts. Contracts are budgeted as a Purchased Service (Object Code 300) in the budget.

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19. Q: What is the new requirement for the Assurances for Stabilization Funds?

A: The assurances in the ARRA Stabilization Funds application will be handled differently. Both the Superintendent and the President of the School Board will need to sign to indicate support for the assurances in the application, signed by the Governor and Commissioner, to receive the funds from the U. S. Department of Education. The grants management system application will allow the assurances pages to be printed, signed and the submitted to the Commissioner. No faxed or pdf files will be allowed. The signed Assurances must be received by the Department before the Stabilization Fund Application can be approved.

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20. Q: What will be the Goals and Needs in Stabilization Funds Application?

A: The Goals and Needs page of the application will provide a list of the SFSF assurances and some school reform strategies. (See list below) Districts will be asked to identify any and all of the school reform strategies that will be supported with their Stabilization Funds. This information is necessary for:

- a) The application the State will submit to USDE in order to receive the remaining Stabilization Funds that must indicate how these funds are supporting the assurances and purposes of the program ;
- b) The quarterly reports required for all Stimulus Package recipients; and
- c) Data to support requests for future funding under the Race to the Top part of ARRA.

List of school reform strategies on the Goals and Needs tab of the application

Teacher effectiveness and equitable distribution assurance

- Professional development for teachers
- Mentoring programs
- Leadership development for principals
- Collaborative teaching time
- Professional Learning Communities

Longitudinal data systems assurance

- Implementing/upgrading student information systems
- Support for data quality (training, staff, etc.)

Rigorous standards and high-quality, inclusive assessments assurance

- Formative (classroom based) assessment development and implementation
- Curriculum alignment with new State standards
- Technology (upgrading, acquiring) for on-line assessments
- Adding Advanced Placement or more rigorous courses
- College and career readiness efforts

Intensive support for schools/students that need it the most assurance

- Implementing effective instructional approaches
- 21st century technology classrooms or lap-top programs
- Distance learning to provide more learning opportunities
- Drop-out prevention programs
- Extending the length of the school year or school day
- Preschool or early childhood education
- Family/community engagement and support
- Social workers/counseling support

In addition to reporting requirements from the Federal and State governments, it is anticipated there will be requests for application information from the media, researchers, etc. There are multiple national groups that will be monitoring the use of Stabilization Funds in all States.

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21. Q: What other information will be required for the application?

A:

a. Section 427 of the General Education Provisions Act (GEPA)

Section 427 of GEPA (20 U.S.C. 1228a) and ARRA require each applicant to submit a description of the steps being taken 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, the programs to be funded with Stabilization Funds.

Depending on the federal programs selected (ESEA, IDEA, AEFLA, or Perkins), the application may ask for more specific information on the use of funds.

b. Staff

Time and effort logs are not required for employees paid with SFSF Funds. However, employers must maintain contemporaneous documentation to show that individuals for whom salary is paid (in whole or in part) using SFSF funds, worked sufficient hours to justify the salary, the level of salaries were similar to other employees who performed similar work and were paid from other sources, and that the individuals were not paid more than once for the same work. Thus, the documentation should be able to demonstrate that the costs were reasonable for the service provided, that the service was actually provided, and that no other funds were paid for the same service. (See Guidance for Grantees and Auditors, State Fiscal Stabilization Fund, dated December 24, 2009, which is available at the SFSF website.)

Note: Selecting ESEA Impact Aid would allow Stabilization Funds to be used for staff, such as the Superintendent or staff in the central accounting office that would not be allowed under any of the other federal programs. However, this use would not be in keeping with the purpose of these funds to support school reform.

The application will not ask for names of staff paid or time and effort logs. This will need to be documented and available for audits. (See audit question below)

c. Equipment

In keeping with the Department's grant management guidance, only equipment costing \$5,000 or more per item must be budgeted and expended under Object Code 500. Equipment costing less than \$5,000 per item must be budgeted and expended under Object Code 400. See NDE's State [and Federal Grant Management Requirements and Guidance \(July 2009\)](#) for information and definitions of equipment.

d. Budgets

Districts will budget their Stabilization Funds by major object code for one or more of the following allowable programs:

- The Elementary and Secondary Education Act of 1965 (ESEA);
- The Individuals with Disabilities Education Act (IDEA);
- The Adult Education and Family Literacy Act (AEFLA);and
- The Carl D. Perkins Career and Technical Education Act of 2006 (Perkins Act).

Districts may elect to budget Stabilization Funds for a program, such as Perkins, even if they are not eligible to receive a grant under Perkins' rules and requirements. Indirect costs are allowed and the grants management system will provide the 2010-11 indirect cost rate for each district.

e. Purchased Services

Sub-recipients (districts) are required to report all payments to vendors that are \$25,000 or higher. Refer to ARRA Section 1525 Reporting requirements for additional guidance.

Date Added/Updated: 07/27/2010

22. Q: How will payments of Stabilization Funds be made?

A: The Cash Management Improvement Act (CMIA) applies to all ARRA funds. This means that payment of ARRA funds to districts can only be on a reimbursement basis. All ARRA funds require a close accounting of expenditures and supporting documentation is required with all reimbursement requests. The supporting documentation should provide summary data, by major object code, for expenditures. Expenditures must match budgeted amounts or be within the variance allowed in the Grants Management System (the greater of \$2500 or 25%). Supporting documentation should be submitted electronically, if possible, and only reports from accounting systems will be accepted.

Amendments will be allowed. Districts are encouraged to use their Stabilization Funds before August 12, 2011 but any remaining funds after August 12th may be obligated through August 31, 2011 but will be coded to the following year's annual financial reports.

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23. Q: What will be the impact on single or federal (A-133) audits of the ARRA funds?

A: All ARRA funds are federal funds. If a district spends more than \$500,000 in federal funds from all sources, a single audit is required. The U. S. Office of Inspector General (OIG) will be providing revised guidance for auditors that all ARRA funds must be included in audits. NDE's Rule 1 is being revised to include a requirement for an audit of all ARRA funds.

School Districts and ESU's must separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA). This shall be accomplished by identifying the expenditure for Federal awards made under the Recovery Act separately on the SEFA, by CFDA number, and inclusion of the prefix "ARRA;" in identifying the name of the Federal program on the SEFA.

A single audit is performed by an auditor and includes (1) an audit of the financial statement(s) for the federal program in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States; (2) a test of internal controls over the Federal program consistent with the federal requirements ; (3) the performance of procedures to determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on the federal program and (4) follow up on prior audit findings, including performing procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee, and report, as a current year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding. The auditor's report(s) shall state that the audit was conducted in accordance with the single audit act.

Date Added/Updated: 07/22/2010

24. Q: Does the receipt of Stabilization funds require recipients to comply with Federal civil rights laws?

A: Yes. The receipt of any federal funds obligates recipients to comply with federal civil rights laws that prohibit discrimination based on race, color, national origin, sex, disability, and age. For additional information on civil rights obligations, see <http://www.ed.gov/policy/gen/leg/recovery/notices/civil-rights.html>.

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25. Q: Can Stabilization Funds be used to pay the first month of a teacher's salary?

A: If teachers have worked prior to September 1, the answer is no. Stabilization Funds cannot be obligated or spent prior to September 1.

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26. Q: How often can a district submit a Request for Reimbursement?

A. Districts can submit a Request for Reimbursement whenever Stabilization Funds have been spent and the district is ready to submit the supporting documentation with their claim. Requests for Reimbursement are created through the Payment component of the grants management system. There are no required financial reporting dates.

Date Added/Updated: 07/20/2010

27. Q. How do I code ARRA Stabilization Funds (SFSF) Receipts and Disbursements?

- A. 4599 is the “**UMBRELLA**” function code for ARRA State Fiscal Stabilization Funds (SFSF)
- o 4599 is the **RECEIPT** code for these funds.
 - o **Do not use 4599 as a DISBURSEMENT code.** Actual **DISBURSEMENTS** for SFSF must be accounted for in the district’s records as:
 - 4590 – ARRA: State Fiscal Stabilization Funds – TEEOSA Aid *Non- Special Education Instructional Programs*
 - 4592 – ARRA: State Fiscal Stabilization Funds – TEEOSA Aid *Limited English Proficiency Instruction Programs*
 - 4593 – ARRA: State Fiscal Stabilization Funds – TEEOSA Aid *Poverty Instructional Programs*
 - 4595 – ARRA: State Fiscal Stabilization Funds – TEEOSA Aid *Special Education Instructional Programs*

Please refer to the 2010 Users Manual when coding all ARRA receipts and disbursements.

Also please note the 2010-11 Poverty and LEP plans are due on October 15 through GMS.

Date Added/Updated: 07/27/2010

28. Q. How do I code salaries paid with ARRA Stabilization Funds (SFSF)?

- A. Since ARRA Stabilization Funds (SFSF) are available to schools after September 1, 2010, the funds can only be utilized for expenditures **incurred or obligated on or after** September 1, 2010.
- o If a school is using SFSF for salaries and benefits, SFSF can be used to pay for those work days **on or after** September 1.
 - o Accounting records for SFSF must only include the allowable portion of salary paid. The accounting records should only reflect what was actually paid with SFSF ARRA funds.
 - o **Coding example:** An elementary teacher designated in the Poverty Program began her school year on August 17, 2010 with the pay period ending September 15, 2010. Eleven days (August 17 to August 31) of her salary and benefits must be coded in Function code 1160 and the remaining eleven days of her salary and benefits could be coded in Function code 4593.

Please refer to the 2009 Users Manual when coding all ARRA receipts and disbursements.

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