Implementation and Shared Governance in the U.S. Intergovernmental System: Lessons from the American Recovery and Reinvestment Act

The State Fiscal Stabilization Fund

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The State Fiscal Stabilization Fund (SFSF) was the largest temporary program of broad based federal assistance for education in American history. It was designed primarily to help states maintain funding for K-12 and public higher education and to avoid large scale personnel cuts during the depths of the great recession. With total funding of $53.6 billion, the SFSF was actually a composite of three distinct programs: an education stabilization fund of approximately $39 billion; a government services fund of about $9 billion, which could be used for public safety and other governmental functions as well as education, and a $5 billion education innovation fund called Race to the Top (RTT).[1] The two stabilization funds were distributed by automatic formula to states, with 61% based on each state's school age population and 39% based the state's overall population. The RTT funds were distributed as competitive state grants distributed at the discretion of the Secretary of Education.

Unlike most federal aid to education programs, which flow from the federal government to state and/or local education agencies, state governors were designated as the statutory recipients of SFSF formula funds. This arrangement enabled better integration of the SFSF funds into state budgetary decision making at a difficult fiscal juncture, and it elevated gubernatorial awareness of the directed purposes of the legislation. However, it also brought new and sometimes unfamiliar actors into the federal aid to education network.

Although the SFSF program was consciously designed to give states considerable flexibility in allocating and spending funds in areas of greatest need, it also required governors to certify, and be held responsible for, five legislative assurances, some of which already existed under the No Child Left Behind (NCLB) law: 1) to address inequities in teacher preparation and distribution, 2) to establish statewide prekindergarten to postsecondary education longitudinal data systems, 3) to improve the quality of NCLB academic assessments, 4) to improve State academic content and student achievement standards, and 5) to comply with the corrective action and school restructuring provisions of NCLB. In addition, Governors were required to certify compliance with the statute's maintenance of effort (MOE) requirement. Barring a "precipitous decline in financial resources," which could qualify the state for a possible waiver, states were required to continue devoting at least as many state funds to education as were expended in state fiscal year 2006. Thus, the education stabilization funds allowed states to fill the fiscal gap between what they had spent on K-12 and higher education in FY 2006 and their funding levels in FY 2008 or 2009, whichever was greater. Amounts left over, if any, were to be distributed according to the Title 1 formula for educationally disadvantaged children.

Governors were also required to certify their intent to apply for SFSF funds by April 3, 2009. Because Congress was concerned that some governors might fail to request funding, the statute also allowed state legislatures to request funding if the governor failed to do so. In addition, early guidance from the Department of Education also encouraged states to quickly allocate funds to save and create jobs, while also ensuring transparency and accountability in the use of funds. Finally, local authorities could use funds for any purposes allowed under major existing aid to education programs, they were prohibited from spending on sports facilities. These latter goals were elaborated in subsequent rules and guidance governing the reporting of jobs created or saved, use of funds, and compliance with statutory requirements such as MOE.

Program Implementation

Despite complications, implementation of the SFSF program proceeded expeditiously. The first round of grants was distributed quickly. Two thirds of the funds were made available within two weeks after states applied in April, 2009, with the remaining one-third of SFSF funds becoming available later that year in phase two. The initial allotment could be increased to as much as 90% of the state's formula share if need was demonstrated. In its sample of 17 states, GAO estimated that, on average, 36% of round one SFSF funds were drawn down by August 28, 2009. Percentages ranged from a high of 92% of initial funds drawn down by California and Illinois to zero in four other states (Texas, Mississippi, New Jersey, and the District of Columbia).[2] Per legislative intent, SFSF funds were used primarily to fill gaps in states' existing aid formulas to local school districts (LEAs) and to support the maintenance of education payrolls.

This speedy pace of implementation proved challenging to federal, state, and local officials alike. Although the general intent of the program was clear, there were many tasks and issues to be resolved at the national level and many questions from states requesting clarification of the law's application to their particular circumstances. Nationally, the task of implementation was made more complex by the absence of key political appointees--nominated, confirmed and in place--in the early months of the Obama administration. A special task force with veteran career leadership was established in ED to expedite crucial tasks and respond to state-local requests. This team put together the initial grant application and first set of guidance for recipients in April, 2009, just two months after initial passage of the program. These guidelines emphasized four overarching principles intended to guide recipients' use of the funds:

- spend funds quickly to save and create jobs;
- improve student achievement through reform;
- ensure transparency and accountability in spending and reporting; and
- invest the one-time ARRA funds in a way that avoids the "funding cliff" at the end of two years.[3]

ED Staff also dealt with many state and local questions, especially queries concerning maintenance of effort requirements. Although the concept of maintaining 2006 levels of spending was clear enough, technical issues concerning differences in state appropriations processes, the timing of state grants to LEAs, and differing state higher education aid formulas created situations that needed federal approval or clarification. At the same time, ED staff staged webinars, communicated with governors' and state budget offices, and used education associations, such as the NEA and the National School Boards Association, to get messages out to the education community.

Implementation Partners

Unlike most federal aid to education programs, which rely on long established implementation partnerships with state and local education agencies, state governors were designated as the formal recipients of SFSF funds. Governors, or an authorized representative like the state budget director, were required to sign the state application for funds, as well as the statutory assurances of compliance with federal education reform goals and MOE requirements.[4] A "statement of support" signature from the Chief State School Officer was included as an optional and recommended component of the state's application. The CSSOs of every state but Georgia did sign, but governors in most states retained a central role in program implementation. Secretaries, commissioners, or CFOs of state Departments of Education acted as the principal state contact for the Education Stabilization Fund in only eight states (seven for the Government Stabilization Fund). By comparison, the state budget director, or comparable official, served as principal contact in 25 states (26 in the GSF program), as did a member of the Governor's staff in sixteen states. Often this was the state's economic recovery officer or a gubernatorial adviser on education policy. In one state, Delaware, the Lt. Governor was appointed to act as Recovery program coordinator.[5]

The prominent role played by governors and state budget offices in the implementation of SFSF made eminent sense from an overall state budgetary standpoint, given dire fiscal circumstances in most states and the program's goal of fiscal stabilization.[6] From a federal implementation perspective, however, it added a new layer of complexity. Eighty two percent of the SFSF funds were required to be spent on education, and Federal Department of Education officials sometimes found themselves dealing with state officials who lacked full knowledge of federal and state aid to education programs and requirements. As one ED staffer put it: ""Rather than dealing with the SEA, the money went to the governors, and many offices had never dealt with ED before. You would call and the person on the other end would say, 'that's not my area.' The person picking up the phone wouldn't own it." This was especially vexing given the need for speedy implementation.

On the other hand, most states coordinated the effort closely with their state departments of education. One case study state used staff transfers to aid with the coordination and implementation processes. In Minnesota, the state education department's stimulus coordinator transferred to the Department of Management and Budget (MMB) to help oversee SFSF implementation, while an MMB staff member joined the finance team at the Minnesota Department of Education. A team composed of staff from both units met regularly to coordinate complex issues like maintenance of effort. Delaware, another case study state, also utilized collaboration between the state education department and the governor's office. As one manager noted:

> "Administration was a joint effort between Education and Budget. Grants were made directly to the Governor's office, which caused some issues at the beginning, getting the Governor involved. It made sense from a fiscal perspective, but we worked with the

Governor's staff on the assurances, which were pretty prescriptive. We had already done most of the work on that."

These and most other states surveyed by the Center on Education Policy also reported considerable effort on the part of state education officials working with LEAs receiving ARRA funding and overseeing implementation.[7]

Dispatches from the Field: State Experiences with SFSF

As the observations above indicate, interviews were conducted with state and local officials and other program partners in the field. Interview subjects typically included senior state budget officials and staff, senior leadership and staff in state departments of education, representatives of local education authorities, and representatives from a variety of interest groups in the education community. Three states--Virginia, Minnesota, and Delaware--were chosen for in depth analysis and interviews on the basis of several factors.

Virginia was selected as the common point of reference for all of the programs studied in this report. Moreover, Virginia is illustrative of those states (along with Maryland, North Carolina, and Tennessee) in which county governments are the primary providers of K-12 education services. Politically, Virginia is also noteworthy for having transitioned from a Democratic to a Republican Governor during the implementation of ARRA. Given the important role conferred on governors in the SFSF program, this promised insights into any political dimensions of program administration.

Minnesota differed from Virginia on both the structural and political dimensions. It is representative of those states which utilize independent school districts to deliver educational services. It also had a Republican Governor for the entire period of study. Finally, Delaware was chosen in large part to provide some early insights into the Race to the Top program, a separate competitive grant program created under the umbrella of SFSF. Delaware was one of only two states selected in the first round of RTT. In addition, Democrats enjoyed unified control of Delaware state government during the period of study.

State implementation experiences with SFSF can be grouped into four broad sets of issues:

1) initial start up and administration,
2) monitoring, reporting, and compliance,
3) administrative and political network management, and
4) programmatic accomplishments.

Each of these sets of issues is examined in turn in the following sections of this chapter.

Initial Program Start up and Administration

Timing issues proved to be a major concern for officials in all of the case study states. Inherent challenges arising from the federal government's insistence on speedy program implementation, in order to maximize the stimulative economic effects of the Recovery Act, were exacerbated by the institutional constraints imposed by state budget processes and legislative sessions. As one state budget official observed, "everything was rush, rush at the beginning." Another observed that "timing . . . was the key issue. It all came down at the tail end of the legislative session." A third state's official echoed the concern: "It happened in late spring, and we had already laid out our budget before we knew how much we were getting."

Part of the timing difficulties involved dealing with state legislatures during short biennial sessions. In most states, federal grant funds require legislative appropriations, just as state funds do, and most legislative sessions last only 60 to 120 days. When the first phase of SFSF funds were awarded in April 2009, state legislatures were typically in their final days or weeks. This left little time for agreeing on funding allocations with the legislature or for passing appropriations bills. "Senior legislators thought this was new money for hiring new teachers," said one Minnesota official. They had to be educated about the program's limitations and requirements, as well as the fiscal necessity of using most SFSF funds to substitute for declines in state revenues. With the session running out in Minnesota, they "gave us discretion" said a budget official.

In Virginia, the legislature provided an administrative appropriation granting discretion for allocating funds to executive branch officials. Without this, said one senior official, "it could have caused real problems." In Delaware, lack of timely information caused "a real issue with the legislature . . . we had to go back and amend our application."

Timely information on federal rules and requirements was also a source of early frustration. "Getting timely guidance from the feds, especially early on, was frustrating," said one state official. "There was sometimes no response to our emails. We had to train LEAs without adequate guidance. Ideally, we would have set up a dedicated team with necessary training." Another state education aide observed that "the feds got the money out before the rules were out." To compensate, state budget and education officials relied upon their national associations for assistance. "The NGA and Chief State School Officers phone calls helped," said one. "As did NASBO. I also made use of my informal networks in the Education Department."

Another frustration was the lack of administrative funding in the ARRA programs. "This was the worst part of the program," said one state budget official. "It was very foolish." "There were no dedicated administrative dollars for management or training," said another. "Ideally, we would have had a dedicated team for this, but we lacked sufficient staff for thorough review and analysis of recipient reporting." All states reported difficulties in ramping up the implementation of the SFSF program after they had already experienced—or barely avoided—significant layoffs and furloughs of state personnel.

Ultimately, federal rules allowed for the use of some stabilization funds for state administration, but all of the case study states said that this came too late to be helpful in phase one. "We had already allocated the GSF funds prior to the allowance, so there were no additional funds for management." When some administrative requirements changed in phase two, biennial budgeting made state adaptations difficult: "We could have requested state funding in the biennial budget if we had known," said a Minnesota budget aide.

Monitoring, Reporting, and Compliance

In the earliest stages of writing the Recovery Act, state officials expected the SFSF program to be an extremely flexible block grant. Even as passed, federal education department officials considered it to be "the mother of all block grants." This is because SFSF funds could be spent on virtually any allowable activity authorized by the existing plethora of federal education programs, as well as teacher retention and, in the case of the Government Stabilization Fund, many non-educational responsibilities as well. But the addition of legislative language requiring maintenance of effort and state assurances of progress on key elements of educational reform and innovation reduced the anticipated level of flexibility. Although the Government Stabilization Fund remained very flexible and could be applied to a broad range of state services, the larger Educational Fund was more restrictive. The assurances were "pretty prescriptive" said one state official. They "hampered its use as stimulus" agreed a budget aide in another state. "Very complex" was the conclusion of managers in a third.

The biggest constraint, and the one that involved the greatest level of complexity and controversy, was the program's maintenance of effort (MOE) requirement. The statute required that states maintain their level of education spending at no less than their 2006 levels. This was not as restrictive as some initial legislative language, which required maintenance of spending at the 2008 level; such a provision would have likely precluded the use of SFSF funds in many fiscally hard pressed states, including Speaker Pelosi's home state of California, due to deep recession induced declines in state revenues. Nor did the legislation include the common requirement in education programs that federal funds "supplement and not supplant" state funds. Given the recession, states needed the federal funds to supplant their lost state revenues if they were to avoid major cuts in education spending and employment. Nevertheless, most states, and two of the three case study states, found that the MOE provision was challenging to meet.

This was especially true in Minnesota. A top budget official noted that the MOE provisions of the SFSF and Medicaid FMAP programs "took the three biggest budget items off the table" for cuts, since Medicaid, K-12 and higher education combined to total almost 75% of the state's general fund budget. For a time, "there was a question whether we could even use the SFSF funds because of MOE" recalled a state economic analyst. The problem was due in part to a feature of Minnesota's funding formula for elementary and secondary education which made the 2006 amounts look artificially large. The state routinely holds back a portion of education formula funds to LEAs as a reserve and "shifts" them into the next fiscal year; an unusually large shift in 2005 exaggerated the appearance of state funding in 2006. ED eventually ruled that legislative appropriations were an appropriate measure for MOE, as opposed to actual outlays, but "it was hard to get ED to go on the record and say OK," recalled an official. "We didn't want to call a special session of the legislature because of a bad phone call."

Other case study states had less difficulty with the MOE provisions. In Virginia, officials noted that it was "especially tough on higher education," but not a serious problem with K-12. School age population and education spending had been growing rapidly enough in Virginia that meeting the 2006 levels of elementary and secondary spending was not a significant difficulty. MOE was even less troublesome in Delaware, where it was deemed to be something to be "mindful" of but not a serious problem.

MOE issues drew attention from accountability and evaluation organizations on a national scale, as well. In its bimonthly monitoring reports on the Recovery Act, the Government Accountability Office found that some states had revised their data on 2006 education spending—which formed the basis for the MOE calculations--and provided inadequate explanation for the changes.[8] It recommended that ED enhance its monitoring of state MOE calculations and require more detailed explanations of changes. Similarly, the Education Department's Office of Inspector General issued a critical report on the Department's monitoring and evaluation of MOE data and called for greater scrutiny and oversight of state reported data and calculations.[9] The Department rejected the IG's finding, arguing that it called for actions that went beyond the scope of the statute's requirements and normal departmental practices. Indeed, in its guidance to states on MOE requirements in the SFSF program, the Department stressed that "there are considerable variations in the formulae and other mechanisms that States use in providing support for elementary and secondary education," which necessitated that "the Department [provide] States with some flexibility in quantifying that support."[10] Nevertheless, ED did follow up issuance of the IG report by issuing additional guidance and information on state best practices in early 2011.[11]

Operationally, most states' use of SFSF funds for K-12 education proved to be straightforward, both nationally and in our case study states. "We just plugged it into our school funding formula," said a Delaware education official. "It dovetailed into our normal operations, the state aid formula," agreed a Minnesota administrator. In order to document adherence with the program's rules and requirements, however, SFSF funding was coded and tracked separately. "We added 400 codes for the stimulus," said a state budget official. "There was too much focus on dollars and not enough on kids." "We gave these funds unique codes from the beginning," reported a Virginia budget official. "We identified it early on as high risk, one time funding." This proved to be a wise decision, since Virginia reported having "more IG visits with ARRA than any other program."[12]

This level of accountability proved disconcerting for many states given what they perceived as contradictory goals and uncertain reporting requirements. "There were lots of conflicting messages—save jobs, spend quick, do reform." "It was the wild, wild west in the beginning, trying to figure out the requirements. The feds were trying, everyone was trying and comparing notes from other states."

A common complaint was that "the guidance was constantly changing." This was particularly challenging, in the states' view, in the federal requirement to report on jobs saved or created by the stimulus funds—the so-called 1512 reporting named for the provision of the Recovery Act requiring such information.[13] "The jobs reporting changed more than once," observed an analyst in one state. "”It was an ongoing challenge." Making matters worse, in the recipients' view, was that the jobs reporting was a completely novel requirement. "It's not something that we do," observed a Virginia administrator. Monitoring local reporting of jobs was also viewed as a "shock" to the states. "The locals report jobs directly but the state is responsible for their accuracy," explained this Virginia official. "Yet we have no authority in this area. It's a disconnect."

Network Administration

Field research suggests that established policy and program networks played an important role in implementing the SFSF program and contributing to its accomplishments. The value of these networks was present in multiple contexts and dimensions: laterally--across state administrative agencies; vertically--up and down the chain of federal, state, and local government relations; and horizontally--among the states and their associations.

Most fundamentally, because Governors, their staffs, and state budget offices typically lacked direct experience in the implementation of education programs, all of the states examined in this report were characterized by close ties between executive office and budget staff, on the one hand, and state Departments of Education on the other. In a formal sense, this was suggested by the fact that in all states but one the SFSF application was cosigned by the Chief State School Officer. Less formally, it was manifested in various ways. In Virginia, implementation of SFSF occurred beneath the umbrella of an interdepartmental team created for the implementation of all ARRA programs, including Education and the state office of management and budget. In Delaware, the Stabilization fund was administered jointly by the state OMB and Department of Education. And in Minnesota, collaboration between the office of Management and Budget and the Education Department was aided by an exchange of professional staff.

All states also reported healthy levels of collaboration between between the executive and legislative branches. Multiple officials in Minnesota observed that relations between the governor's office and the legislature on SFSF issues was largely cooperative and well coordinated, especially at the leadership level. This included an advisory group of legislative leaders. Virginia officials also highlighted the level of inter-branch cooperation, which they felt was essential to the program's initial implementation given the time pressures involved. Delaware officials agreed the relations were cooperative in their state as well. In all cases, this cooperation, even across party lines, was deemed to be essential to the early implementation of the program given the short legislative sessions and need for legislative approval or appropriations.

As noted previously, many state and local officials voiced frustrations with the lack of adequate information and guidance from ED early in the implementation of SFSF. Most acknowledged, however, that many problems flowed from the convergence of short legislative sessions and the countercyclical demand for speedy implementation, as well as statutory requirements for transparency and new forms of reporting. Virtually all state and local interviewees felt that the federal officials they dealt with were trying their best, and they often ventured that ED did a better job of collaborating, sharing information, and trying to provide timely guidance than did many other federal agencies and departments. "They were doing the best they could," said one Minnesota official. "ED did a good job of assisting us," concurred a Delaware budget aide. "They were the best department I dealt with." "Our federal-state interactions were generally good," said another state's official. "There were some early frustrations, but our regular contacts for SFSF funds at ED were very responsive."

This level of vertical collaboration in the intergovernmental system was aided in many states by tapping into strong and well established vertical implementation networks already present in the education community. “It was unusual for us to have interactions with ED,” said an MMB director; “we normally don’t have that here, so we tried to preserve the existent relationships they had with the state Department of Education.” “Minnesota ED already has relationships to federal and state partners,” said another Minnesota budget official who had prior experience in the state Education Department. “When necessary, I was able to use my informal contacts at ED to gather intelligence and feedback.” The close collaboration among budget and education staff in Delaware also allowed that state to make use of deep program knowledge and intergovernmental contacts in education as well. Moreover, the state’s “strong record of state-local collaboration” was offered up as a major reason for Delaware’s selection for an RTT grant in the first round.

Delaware’s experience underscores that vertical collaboration involves state-local as well as federal-state relations. Because SFSF funds were heavily used to maintain funding in state aid formulas in K-12 education, state-local relationships were crucial to effective implementation. At the same time, local school districts needed to have clear understanding of the allowable uses and limitations on SFSF funding, accountability and reporting requirements, and the underlying reform objectives associated with the program. To promote this understanding, many states undertook active measures to inform local officials about funding levels and guidelines early in the implementation process. In Minnesota, for example, this included state officials going out to speak to local school officials, presenting seminars on SFSF funding, and working with state education associations to explain the law and its requirements. These state efforts were reinforced at federal level by the Department of Education, which also worked with education groups like the National School Boards Association and the National Education Association to explain the law to their members. Both groups developed webinars for their members and invited federal officials to speak about SFSF and other stimulus funding programs at their annual meetings.

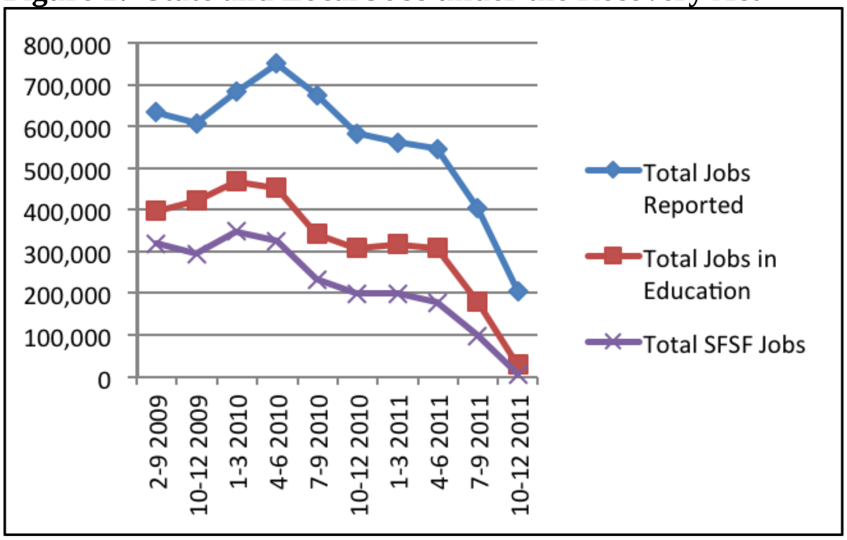
Finally, horizontal networks among states proved to be unusually important in the early implementation of the SFSF program. Given the early lack of detailed information about specific requirements of the program, such as the interpretation of MOE provisions, as well as the evolving nature of the program’s reporting requirements, state umbrella associations such as the National Governors’ Association (NGA) and the National Association of State Budget Officers (NASBO) assumed important roles as advocates, conveners, and problem solvers for the states. “NASBO and NGA were very effective,” said one state budget director. They intervened very effectively with OMB and the White House.” “The best advice we got” came from NGA and NASBO,” agreed another state budget official. “Their webinars and weekly conference calls were very helpful.”

<u>Accomplishments</u>

Overall, despite implementation complexities and difficulties, states tended to view their SFSF program as successful. “It was critical assistance,” said a Minnesota budget official. “It helped us avoid deeper cuts and tax increases,” It “saved us from radical cuts” said another. In Delaware, it “provided relief when we really needed it.”

The Stabilization Fund clearly accomplished its principal goal of protecting jobs. Out of dozens of ARRA funded programs, the Department of Education--and the SFSF program in particular--accounted for the largest number of jobs saved or created in every quarterly reporting period from February 2009 until October 2011. (see figure 1) Over the entire two and a half year period, education jobs accounted for 58% of all reported jobs, on average, and SFSF accounted for 24% to 51% of all ARRA reported jobs, depending on the quarter. SFSF averaged 38% of all reported jobs over the entire period. Comprehensive data on state and local government employment show that education was hit less hard than total government employment at the state, though not the local, level during the first three years of the Great Recession.[14] At the local level, once virtually all SFSF funds were expended by the fall of 2011, layoffs of teachers and other K-12 education personnel picked up markedly.[15]

Figure 1: State and Local Jobs under the Recovery Act



State interviewees also reported that SFSF funds were instrumental in helping them hold down tuition rates during the recession. Some also stressed the benefits of ARRA's transparency agenda. "We present data better now," reported one state budget official. The program was also praised for furthering the education reform agenda in Delaware, which subsequently received one of two initial grant s for the competitive "race to the top" program.

The Special Case of Race to the Top

RTT was a unique component of the SFSF program. The $8 billion Government Stabilization Fund and the $39 billion Education Stabilization Fund were distributed by a transparent and predictable formula, and both provided very broad, block grant like discretion in states' use of funds. In contrast, the RTT program was a competitive discretionary grant for promoting educational reform. It had a far more elaborate application process and required detailed plans for achieving state educational reforms, including difficult structural reforms, not just broad assurances that certain reform goals would be pursued.

Specifically, the RTT identified five key reform strategies that state applications were required to address:

1. Adopting more rigorous standards and assessments
2. Recruiting, evaluating and retaining highly effective teachers and principals
3. Turning around low-performing schools
4. Building data systems that measure student success
5. Sustaining education reform through collaboration with stakeholders.[16]

Although the first four goals are consonant with the overall goals of SFSF, states were required to submit a detailed application outlining how they would approach each reform strategy, in order to receive RTT funding. The Department of Education created a point system with 19 criteria to evaluate each application, with "over half the points that reviewers may award to states . . . based on states' accomplishments prior to applying—their successes in increasing student achievement, decreasing the achievement gaps, increasing graduation rates, enlisting strong statewide support and commitment to their proposed plans, and creating legal conditions conducive to education reform and innovation."[17] Forty states plus the District of Columbia submitted applications for the grant in early March 2009, with two initial round winners announced on March 29, 2010. In making the award, Education Secretary Duncan stated, "two applications stood out above all others: Delaware and Tennessee… Both states have statewide buy-in for comprehensive plans to reform their schools. They have written new laws to support their policies. And they have demonstrated the courage, capacity, and commitment to turn their ideas into practices that can improve outcomes for students."[18]

Because Delaware was an early recipient of RTT funds (it received $100 million in phase one), its selection for analysis in this study can help to provide insights into this unique component of SFSF. In explaining their success at securing these highly sought after funds, state officials in Delaware emphasized what they believed to be several of their advantages. First, they believed that they had already made significant progress toward the program's stated goals. As a top education official put it: "We had a lot of pieces already in place and had been building our educational system for 20 years. So I think we had a lot of those components and were really able to capitalize on that." Consequently, Delaware officials felt that they were poised to make rapid progress that would enable the RTT program as a whole look successful. Second, state officials had established a high level of consensus and cooperation on key educational reform goals, including stakeholders from the teachers unions to the local superintendents:

> "One of the things cited on multiple occasions for why Delaware's application was so strong was that we had 100% statewide participation, which reflects our size and ability to collaborate and our long-standing relationships that we had built. But having every school board, every local union, every district on board--which meant that every single child in Delaware was going to be impacted by Race to the Top-- I think that was really one of the key factors.

Such success at collaboration was attributed in part to the state's small size and the intimate character of its politics. All of the key actors in education and education policy know one another and have a track record of working together, and the political dominance of the Democratic party enables all actors to interact within a shared umbrella of common values and trust.

Conclusion

The State Fiscal Stabilization Fund was a unique, emergency stimulus program that can provide a useful model for national financial assistance to state and local governments during a future economic downturn. The flexible, block grant style program enabled significant amounts of countercyclical fiscal assistance to be disbursed rapidly to the states with remarkably few delays and obstructions. In turn, states, local school districts, and public universities proved generally successful at distributing and implementing the funds quickly and effectively, as measured in terms of preserving public sector jobs and compensating for the steep decline in state revenues.

Several factors contributed to this relatively successful record of implementation. First, the use of established federal formulas for distributing funds to the states, as well as states' reliance on established systems of educational assistance, allowed funds to be spent rapidly. This approach prevented delays that would inevitably arise from disputes over new formula design or discretionary grant allocation methods. Rapid implementation was also enhanced by the level of state flexibility provided under the program. States and local school districts enjoyed considerable discretion in their use of SFSF funds, particularly under the Government Services Fund, and potentially significant obstacles were ameliorated during both the legislative and implementation processes. The legislative decision to establish 2006 as the base year for maintenance of effort calculations, rather than 2008, was enormously consequential to the states suffering the most severe losses of state revenues, as was the level of departmental flexibility in accommodating variations in state educational finance systems. Finally, the education community's reliance on established education finance networks, as well as the development of new (and the restoration of old) channels of communication between top level budget officials at all levels of government, contributed measurably to effective program implementation and stronger intergovernmental cooperation.

[1] P.L. 111-5, Title XIV.

[2] U.S. Governmental Accountability Office, Recovery Act, GAO-09-1016, (September 2009) Page 42.

[3] U.S. Department of Education, Guidance on the State Fiscal Stabilization Fund Program, (April, 2009), p. 2.

[4] In South Carolina, Gov. Sanford signed "under duress" and indicated his opposition to the Recovery Act. As allowed under the statute, the state legislature directed the state's acceptance of ARRA funding.

[5] U.S. Department of Education, "State Grants Under the State Fiscal Stabilization Fund," www2.ed.gov/programs/statestabilization/resources.html.

[6] For some perspective on the impact of the Great Recession on state revenues and finances, see Donald J. Boyd and Lucy Dadayan*, "*State Tax Decline in Early 2009 was the Sharpest on Record," State Revenue Report (Rockefeller Institute, July 2009).

[7] Center for Education Policy, An Early Look at the Economic Stimulus Package and the Public Schools: Perspectives from State Leaders (Washington: CEP, 2009), p. 14.

[8] U.S. Governmental Accountability Office, Recovery Act: One Year Later, State Uses of Funds and Opportunities to Strengthen Accountability, GAO-10-437, (March 2010) pp. 38-40.

[9] U.S. Department of Education Office of Inspector General, American Recovery and Reinvestment Act of 2009: The Department's Implementation of the State Fiscal Stabilization Fund Program Final Audit Report: Final Audit Report ED-OIG A19J0001 (September 2010), pp 5-9.

[10] U.S. Department of Education, Guidance on the Maintenance-of-Effort Requirements in the State Fiscal Stabilization Fund Program, OMB Number: 1810-069, (January 10, 2010), p. 2. Located at www2.ed.gov/policy/gen/leg/recovery/statutory/moe-guidance.pdf.

[11] U.S. Department of Education, State Fiscal Stabilization Fund: 2011 Updates, (unpublished webinar, February 1, 2011).

[12] See, for example, U.S. Department of Education, Office of the Inspector General, American Recovery and Reinvestment Act: Virginia: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs; Final Audit Report, ED-OIG A03K0008 (June 2011).

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