Oklahoma's Distribution of Funds to Parents for School Supplies is an Omen for HB290—The Universal Voucher Bill

HB290 would essentially distribute public tax funds to all parents for the purpose of purchasing education. Recent experience in Oklahoma should be a warning to lawmakers in Ohio.

Jennifer Palmer, Clifton Adcock and Reese Gorman of <u>Oklahoma Watch</u> and <u>The Frontier</u> shows that large chunks of the money provided to Oklahoma parents for education of their children were used for purchasing items totally unrelated to education.

If the Universal Voucher Bill is enacted in Ohio, a substantial percentage of the funds would be used to purchase a wide variety of "stuff"—not education.

Stitt gave families $8 Million for school supplies in the pandemic; They bought Christmas trees, gaming consoles and hundreds of TVs
jennifer palmer oklahoma watch, clifton adcock and reese gorman, the frontier
letters@readfrontier.org
This story was produced in partnership with the Oklahoma nonprofit newsroom Oklahoma Watch.

May 2, 2022
Oklahoma gave a Florida company a no-bid contract to distribute $18 million in pandemic relief money as a test-run for school vouchers. Now federal investigators are eyeing the deal.

Just get the money to families. That was the driving force behind Gov. Kevin Stitt's plan for $18 million in U.S. Department of Education relief dollars intended to help students during the coronavirus pandemic.

Other states used federal money to train new teachers or support programs for deaf and blind students. But in Oklahoma, a history teacher with political ambitions helped a Florida tech company win a no-bid state contract to rapidly distribute $8 million to families with little government oversight. Another $10 million went to private school vouchers.

With few guardrails, some families used Oklahoma's share of federal Governor's Emergency Education Relief Funds to buy Christmas trees, gaming consoles, electric fireplaces and outdoor grills, an investigation by Oklahoma Watch and The Frontier has found.

Months later the teacher, Ryan Walters, was on a national stage as Stitt's new Secretary of Education, calling the effort a success.

Oklahoma's contract with the Florida-based software company ClassWallet allowed families to quickly purchase educational supplies online through grants funded with federal relief money

through the Bridge the Gap Digital Wallet program. At a virtual conference for a national school reform group in 2020, Walters touted the Bridge the Gap program as a model for how to start a school voucher program with "minimum staffing requirements and maximum quality control."

"We didn't have the government agency personnel with the background experience to do this and, quite frankly, we felt like there could be a more efficient way to do this outside our government agencies," Walters said.

From the start, the strategy led to a lack of oversight on purchases, possibly violating the terms of the federal grant and state purchasing requirements, according to federal regulators.

While most parents spent the money on educational supplies, Oklahoma Watch and The Frontier found nearly half a million dollars in questionable purchases. The news organizations found at least 548 TVs purchased through ClassWallet worth $191,000.

Families also bought pressure washers, car stereo equipment, coffee makers, exercise gear and smart watches.

ClassWallet blamed the state for the lack of scrutiny over purchases.

"As a software contractor, ClassWallet had neither responsibility for, nor authority to exercise programmatic decision making with respect to the program or its associated federal funds and did not have responsibility for grant compliance," company spokesman Henry Feintuch said in a statement.

Oklahoma ultimately returned $2.9 million in unspent relief money to the federal government intended to support students and teachers. ClassWallet ended the Bridge the Gap program one day early after federal investigators and attorneys for the state discovered the company was operating on an expired contract with almost no government supervision.

Federal auditors are now investigating how the Stitt administration awarded the ClassWallet contract and distributed relief money, but the report has yet to be released.

A U.S. Department of Education review of Bridge the Gap and the private school voucher program, Stay in School, found that Oklahoma implemented few safeguards to prevent fraud or abuse. Records obtained by Oklahoma Watch and The Frontier show the state placed no limits on what items families could purchase from vendors.

Stitt's spokeswoman, Carly Atchison, declined to schedule an interview with the governor and refused to answer written questions from Oklahoma Watch and The Frontier about how his administration handled the relief money.

"During the COVID pandemic, Governor Stitt had a duty to get federal relief funds to students and families in Oklahoma as quickly as possible and he accomplished just that," Atchison said in a written statement.

Opportunity in crisis

Federal money from the Governor's Emergency Education Relief Fund was intended to support students from kindergarten through college as schools transitioned to distance learning during the pandemic. Congress gave state governors the power to send the relief dollars to public or private schools and other education-related entities as part of the Coronavirus Aid, Relief and Economic Security Act in 2020. The law gave states broad discretion over how to spend the money.

For Stitt, the relief funds offered a chance to lay the foundation for a larger-scale effort to get state education money directly to parents in the form of school vouchers.

Walters saw the money as a way to create a successful model.

"That's what we're looking at. That's what we're trying to do," Walters said during the ClassWallet-sponsored panel. "We really hope that is in the cards."

Several states already use ClassWallet to administer school voucher programs. The company saw revenue triple during the pandemic.

Even before Stitt named Walters Secretary of Education in September 2020, Walters had worked to secure the contract with ClassWallet, according to emails obtained by Oklahoma Watch and The Frontier.

Walters advised then-secretary of State and Education Mike Rogers on how to spend the governor's pandemic funds and arranged a July 2020 meeting with the CEO Of ClassWallet.

Walters declined multiple interview requests for this story. Rogers declined an interview and did not respond to written questions.

Some states solicited proposals and public feedback on how to spend relief funds. But in Oklahoma, only a "small group of people" decided how to spend the money and award sole-source contracts, federal regulators would later write.

As schools were set to reopen In August 2020, Stitt's Chief Information Officer Jerry Moore waived state competitive bidding requirements to award ClassWallet a contract to distribute $18 million in federal relief money through grants to families for educational supplies and vouchers for private schools. ClassWallet received a $650,000 cut of the relief money to run the programs.

State law allowed Moore to waive competitive bidding requirements "in the best interest of the State to respond quickly to the effect Covid-19 was having on the state's education system," Caden Cleveland, a spokesman for the Office of Management and Enterprise Services said in a statement to Oklahoma Watch and The Frontier.

A federal rule prohibited states from giving money directly to parents or students.

But states could get around the ban by awarding the funds to an eligible entity "that provides services to students," which could then distribute money to parents and students.

Publicly, the Stitt administration said the educational nonprofit Every Kid Counts Oklahoma would manage the Bridge the Gap program. The organization was less than six months old at the time. Walters served as its executive director.

Yet none of the federal relief money passed through Every Kid Counts before it was parsed out to parents in small grants to spend through the ClassWallet platform, the nonprofit said in a statement.

Instead, the Oklahoma Office of Educational Quality and Accountability, a state agency that oversees teacher certification, sent ClassWallet a paper check for $17.35 million (the program amount, minus ClassWallet's fee) via certified mail in August 2020.

A unilateral decision

The Office of Educational Quality and Accountability had no experience handling federal grants before the Stitt administration tasked it with distributing millions in relief money.

Dan Craig, who was the agency's executive director at the time, said Rogers asked him to sign the contract with ClassWallet. He said in an interview with Oklahoma Watch and The Frontier that he thought the money was simply supposed to pass through his agency to ClassWallet and the company would oversee the rest.

Craig, who left the office in 2021 to be superintendent of Kingfisher Public Schools, was soon fielding questions from federal monitors about how the state was tracking family purchases.

By fall 2020, ClassWallet still had about 1,000 Bridge the Gap grants to distribute and the end of the company's contract with the state was looming. More time was needed to get all of the money out.

Stitt raised the income cap and extended the deadline so more families could apply. ClassWallet continued to distribute federal relief money to families even after its contract with the state expired on Dec. 30, 2020, records show.

The Oklahoma Public School Resource Center, a charter school advocate, had a contract to provide help desk services for the Bridge the Gap program. The nonprofit made $2,137 from the arragment. Emails and other records show Oklahoma Public School Resource Center Executive Director Brent Bushey, who was not a state employee and did not have authority to negotiate on behalf of the state, was also involved in talks about extending ClassWallet's contract.

In November 2020, Walters told Rosenberg over the phone to extend the contract to March 31, 2021. Bushey, who was also on the call, followed up with an email confirming that spending deadlines were extended for the Bridge the Gap and the Stay in School programs, email records show.

But emails show that while ClassWallet officials thought the company's contract had been extended, state officials never signed a written extension, nor did Walters inform the people working on the program at Craig's agency of the contract extension.

In an interview with Oklahoma Watch and The Frontier, Bushey denied any involvement in contractual talks between ClassWallet and the state and claimed the state authorized the extension.

A "tremendous success"

Representatives from ClassWallet told state officials that the company prevented fraud by limiting purchases to approved vendors.

But even as some parents purchased dishwashers and car stereo amplifiers, ClassWallet CEO Jamie Rosenberg called the Oklahoma program "incredibly successful."

"They were literally able to deploy $18 million without having to engage any human capital from the government agency, and for it to be almost hands-free and incredibly, incredibly streamlined," Rosenberg said at the 2020 panel discussion.

Following weeks of inquiries by The Frontier and Oklahoma Watch about the ClassWallet contract, Stitt's office released a demand letter sent late Friday afternoon stating that it intends to pursue damages the state "has incurred or will incur as a result of ClassWallet's failure to comply with it's contractual and related legal obligations."

"Regrettably, ClassWallet failed to fulfill its contractual and legal obligations to the state and some of our most vulnerable citizens," Atchison, Stitt's spokeswoman, said. "Governor Stitt is committed to recouping any misused funds and if ClassWallet refuses to take appropriate action, we will have no option but to file suit in court."

The letter blames ClassWallet for allowing parents to "utilize ClassWallet's Fiscal Management and Payment System to expend grant funds for purposes not directly tied to education."

But records show ClassWallet gave Walters the opportunity to limit what parents could buy.

"We're getting a few questions about eligible items," a ClassWallet employee wrote to Walters in an email the day the program went live, prior to Walters being named Secretary of Education. "It's my understanding that all purchases through any of our vendors (are) allowed … is there a blanket approval for items so long as they are purchased with the vendors on our platform?"

"Blanket approval with vendors on your platform," Walters responded.

Walters' decision allowed families to make thousands of questionable purchases from approved ClassWallet vendors, including Office Depot and Staples. Parents were also able to buy items from Home Depot, although the retailer was not included on a vendor list ClassWallet provided to the state.

ClassWallet provided limited customer service support. The company's contract didn't outline how it would help families return items purchased through the platform or followup on unused grant funds, federal monitors found.

Parents flooded the Every Kid Counts Facebook page with complaints and questions.

Some left messages about shipping mix-ups. Others struggled to exchange items that arrived broken.

Wagoner resident Emanuel Holmes, a father of six, purchased a defective 3D printer from Office Depot through ClassWallet. He tried for months to get a refund through the platform so he could exchange the printer, which he wanted for his high school-aged sons to learn some basic engineering concepts.

The clock was ticking down to the cutoff date to spend the funds: March 31, 2021.

Holmes contacted Office Depot, ClassWallet, Every Kid Counts Oklahoma, the governor's office, Walters and the Office of Educational Quality and Accountability to get the issue resolved. But the deadline came and went. The money was never credited back to Holmes' account after Office Depot took back the defective printer.

"I kept trying, telling them March is coming up, March is coming up, we've got to get something going with this printer," he said.

It seemed like a waste of money that could have gone toward helping his kids learn something new, Holmes said.

On March 30, 2021, Every Kid Counts sent an email to grant recipients, telling them the deadline to spend educational grants had arrived. The program ended one day early.

Not everyone saw the notice in time. Parents who hadn't spent the money yet were locked out.

More requests for help from parents poured in.

Jessica Eddings, a mother of five in Yukon, used her Bridge the Gap grant to buy cleaning and learning supplies and craft materials. She reached out to ClassWallet for help when she didn't receive everything she ordered.

A ClassWallet representative told her the company had no directions for what to do. Two days later, the same customer service agent told her the program had ended.

"I just thought I was lucky to get it and that I just missed out," Eddings said.

On April 5, 2021, Walters asked the Office of Educational Quality and Accountability's director, Craig, if the families who had funds remaining in their accounts could buy educational supplies and provide receipts to his agency for reimbursement, email records show.

Craig told Walters he didn't think that would be legal, email records show.

Walters told Craig he was worried about negative media attention and was "trying to get out in front of this."

The revelations of spending irregularities and potentially mismanaged funds were worrisome to Craig.

About two weeks after the Bridge the Gap program ended, Craig received an email from the Oklahoma Office of Management Enterprise Services stating that his agency was responsible for ensuring the program was "implemented as intended."

Craig forwarded the email to the Oklahoma Attorney General's Office. "I have some concerns," he wrote. "Won't this be hard to do since the contract has ended?"

[Stitt gave families $8 Million for school supplies in the pandemic; They bought Christmas trees, gaming consoles and hundreds of TVs (readfrontier.org)](readfrontier.org)